# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**For the three months ended on 31 March 2019**

## 1. GENERAL

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

As at 3 March 2019, the Company's major shareholder is Sovereign Wealth Fund "Samruk-Kazyna" JSC ("Samruk-Kazyna") (90 percent plus one share). Samruk-Kazyna is controlled by the Government of the Republic of Kazakhstan.

On 19 December 2014 the Company placed common 25,999,999 shares (10 percent minus one share) at 505 tenge per share on the Kazakhstan Stock Exchange under the "People's IPO" programme.

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

As on 31 March 2019 and 31 December 2018, the Company had interest ownership in the following subsidiaries:

| Company | Activity | Ownership share 31 March 2019 | Ownership share 31 December 2018 |
|---|---|---|---|
| Energoinform JSC | Maintenance of the KEGOC's IT system | **100%** | 100% |
| Financial Settlement Centre for Renewable Energy Sources Support LLP | Centralised procurement and sale of electricity produced by renewable energy facilities and delivered to the electric networks of Kazakhstan unified power system. | **100%** | 100% |

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

The Group's operating activities are regulated by the Law of the Republic of Kazakhstan dated 9 July 1998 No. 272 I *On Natural Monopolies and Regulated Markets* (hereinafter, "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 of the Ministry of National Economy ("the Committee").

The Company's head office is registered at: 59 Tauyelsizdik Ave, Z002T2D0, Nur-Sultan, Republic of Kazakhstan.

The accompanying interim condensed consolidated financial statements were signed by the Chairman of the Management Board and the Chief Accountant on 30 April 2019.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group have been prepared in accordance with IAS 34 *Interim Financial Reporting* (hereinafter, "IAS 34") as issued by the International Accounting Standards Board (hereinafter, "IASB").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2018.

These interim condensed consolidated financial statements are presented in tenge and all values are rounded to the nearest thousand unless otherwise stated.

### Exchange rates

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

| *Exchange rate as at the end of the period (to Tenge)* | **31 March 2019** | 31 December 2018 |
|---|---|---|
| 1 US dollar | **380.04** | 384.2 |
| 1 Euro | **425.95** | 439.37 |
| 1 Russian rouble | **5.87** | 5.52 |

| *Average exchange rate for the three months (to Tenge)* | **2019** | 2018 |
|---|---|---|
| 1 US dollar | **378.04** | 323.15 |
| 1 Euro | **429.41** | 397.36 |
| 1 Russian rouble | **5.73** | 5.68 |

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### New standards, interpretations and amendments to the existing standards and interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018.

The Group applied, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* in 2018.

*IFRS 15 Revenue from Contracts with Customers*

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for additional costs of obtaining a contract and the costs directly related to fulfilling a contract.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

**New standards, interpretations and amendments to the existing standards and interpretations (continued)**

*IFRS 15 Revenue from Contracts with Customers (continued)*

The group applied IFRS 15 using the full retrospective method. The Group provides electricity transmission, dispatch and electricity production-consumption balancing services in Kazakhstan. The operations are carried out under separate identifiable contracts with customers.

These contracts are typical because of the state regulation requirements, and they oblige KEGOC only to ensure equal conditions for all consumers and provide the services themselves. At the same time, KEGOC has no authority to guarantee or negotiate any special conditions. Despite the fact that the planned amounts of the regulated services provided by KEGOC are fixed in the appendix to the concluded contracts, the actual figures may differ significantly from the contractual ones, therefore the Group recognizes revenue on a monthly basis based on actual meter readings reflected in the document titled: "Actual electricity production-consumption balance in the wholesale electricity market of the Republic of Kazakhstan", compiled by the National Dispatch Centre of the System Operator. The actual amount of provided regulated services directly depend only on demand for electricity that is, on the economic condition of the Republic of Kazakhstan, increase / decrease in the consumption of electricity by large consumers, weather conditions, etc. These factors are external and do not depend on KEGOC's operations.

Therefore, KEGOC JSC recognizes revenue from regulated services on a monthly basis based on actual meter readings, which is in accordance with the requirements of IFRS 15, and, consequently, revenue recognition in accordance with IFRS 15 did not result in changes in records.

The electricity sale activities of "Accounting and Finance Centre for the support of renewable energy resources" LLP stem from the Decree of the Republic of Kazakhstan On Supporting the Use of Renewable Energy Resources, while the contracts for "Accounting and Finance Centre for the support of renewable energy resources" LLP are typical and formalize only the obligations for monthly invoicing and quarterly reconciliation checks. Calculation of the tariff is based on costs of supporting the use of renewable energy sources – costs of purchase of electricity produced by energy producers using renewable energy sources, costs of the services for electricity production-consumption balance, costs of forming a reserve funds and costs associated with the implementation of the activities of Accounting and Finance Centre for the support of renewable energy resources LLP. The tariff for supporting the renewable energy sources is subject to adjustment depending on changes in the calculation data in the manner established by the *Rules for pricing in socially important markets* approved by the Minister of National Economy of the Republic of Kazakhstan No. 36 as of 1 February 2017 (registered in the state registration register of regulatory legal acts No. 109751). In this case, revenue under these contracts is recognized in the amount corresponding to the actually sold amount of electrical energy. Accounting and Finance Centre for the support of renewable energy resources LLP does not generate any principal-agent relations, since when concluding contracts for the purchase and sale of electricity all risks and benefits pass from the seller of electricity to Accounting and Finance Centre for the support of renewable energy resources LLP and from Accounting and Finance Centre for the support of renewable energy resources LLP to the end consumer. Transition to revenue recognition in accordance with IFRS 15 did not cause changes in accounting for Accounting and Finance Centre for the support of renewable energy resources LLP.

Contracts of Energoinform JSC, except for contracts for the provision of contractual works, require the fixing of the monthly cost of services, which is defined as 1/12 of the annual cost of services. Revenues are recognized in the amount of this monthly service cost. Revenue under contracts for contracting works is recognized as the acts of the services rendered (works performed) are signed. The contracts for the provision of contractual works contain warranty conditions, according to which Energoinform JSC is obliged to carry out a gratuitous correction of errors, defects and other inconsistencies of the technical specification fixed by the contract. According to the current accounting procedures, these guarantees have the nature of a contingent liability and are not recognized in records. The procedure for recognizing the revenue of Energoinform JSC complies with the requirements of IFRS 15.

Therefore, the existing procedure for recognizing the Group's revenue meets the requirements of IFRS 15, and the Group did not have any impact from the adoption of IFRS 15.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

**New standards, interpretations and amendments to the existing standards and interpretations (continued)**

*IFRS 9 Financial Instruments*

IFRS 9 *Financial instruments* replaces IAS 39 *Financial instruments: recognition and evaluation* for the annual periods beginning on or after 1 January 2018. IFRS 9 incorporates all three aspects of accounting for financial instruments: classification and evaluation; impairment; and hedge accounting.

With the exception of hedge accounting, which the Group has applied prospectively, the Group applied IFRS 9 retrospectively, with an initial application date of 1 January 2018.

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with an expected credit loss (ECL) approach.

IFRS 9 requires the Group to record ECLs for all financial assets not held at FVPL.

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. The results obtained are then discounted at the asset's effective interest rate.

For trade receivables, long-term receivables from related parties and other current assets, the Group applies a simplified approach and calculates expected credit losses over the entire term. The Group calculated the expected credit losses based on average ratios of overdue trade and other receivables based on historical data of the Group.

For other financial assets, restricted cash, cash and cash equivalents, the expected credit losses are calculated for a period of 12 months. The 12-month expected credit losses is a are part of the expected credit losses over the entire term, which may be incurred within 12 months after the reporting date. However, a significant increase in credit risk after the asset is recognized will lead to the application of expected credit losses for the entire term.

The Group considers a financial asset in default when contractual payment is 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.

The adoption of the ECL requirements of IFRS 9 resulted in increases in impairment allowances of the Group's financial assets. The increase in allowance resulted in adjustment to retained earnings.

*IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's interim condensed consolidated financial statements, as the current activities of the Group comply with the requirements of the interpretation.

*Transfers of Investment Property – Amendments to IAS 40*

The amendments clarify when an organization must transfer real estate, including real estate under construction or development, into or out of an investment real estate category. This Interpretation does not have any impact on the Group's interim condensed consolidated financial statements, as the current activities of the Group comply with the requirements of the interpretation. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. This Interpretation does not have any impact on the Group's interim condensed consolidated financial statements, as the current activities of the Group comply with the requirements of the interpretation.

*Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions*

The IASB issued amendments to IFRS 2 Share-based Payments that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy with respect to share-based payments with cash settlements is consistent with the approach described in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group's interim condensed consolidated financial statements.

*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4*

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 *Insurance Contracts*, which will replace IFRS 4. The amendments provide two options for entities that issue insurance contracts: temporary exemption from applying IFRS 9 and overlay approach. These amendments are not applicable to the Group.

*IAS 28 Investments in Associates and Joint Ventures – clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice*

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. Such a decision is taken separately for each investment upon initial recognition. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments have no impact on the Group's interim condensed consolidated financial statements.

*IFRS 1 First-time Adoption of International Financial Reporting Standards – deletion of short-term exemptions for first-time adopters*

Short-term exemptions in paragraphs E3-E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments are not applicable to the Group.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

During the three months ended 31 March 2019, the Group acquired assets with a total initial value of KZT 2,653,368 thousand (for the three months ended 31 March 2018: KZT 6,167,975 thousand). Acquisitions mainly comprise capital expenditures under the project "Construction of 500 kV line Shulbinsk HPP (Semey) – Aktogay – Taldykorgan – Alma".

Depreciation accrued for the three months ended on 31 March 2019 amounted to KZT 8,251,713 thousand (for the nine months ended 31 March 2018: KZT 5,963,834 thousand).

**Advances paid for non-current assets**

As at 31 March 2019 and 31 December 2018 advances paid for non-current assets mainly represent advances paid to suppliers for construction works and services related to the project "Construction of 500 kV line Shulbinsk HPP (Semey) – Aktogay – Taldykorgan – Alma".

**Capitalisation of loan and bond costs**

During the three months ended 31 March 2019, the Group capitalized the borrowing costs of coupon interest on the issued bonds, which amounted to KZT 907,543 thousand less investment income (for the three months ended 31 March 2018: KZT 1,803,620 thousand) *(Note 12)*.

### 5. INVENTORIES

| *In thousands of tenge* | **31 March 2019** | 31 December 2018 |
|---|---|---|
| Spare parts | **1,606,826** | 1,177,463 |
| Raw and other materials | **1,352,936** | 1,161,158 |
| Fuel and lubricants | **193,224** | 172,197 |
| Other inventories | **44,738** | 26,606 |
| Less: allowance for obsolete inventories | **(302,020)** | (246,046) |
| | **2,895,704** | 2,291,378 |

Movements in the allowance for obsolete inventories were as follows:

| *In thousands of tenge* | **2019** | 2018 |
|---|---|---|
| **1 January** | **246,046** | 655,684 |
| Charge for the period *(Note 18)* | **55,974** | |
| Recovered *(Note 18)* | | (78,695) |
| **31 March** | **302,020** | 576,989 |

### 6. TRADE ACCOUNTS RECEIVABLE

| *In thousands of tenge* | **31 March 2019** | 31 December 2018 |
|---|---|---|
| Trade accounts receivable | **24,431,517** | **11,276,617** |
| Less: allowance for doubtful debts | **(1,998,260)** | **(2,024,770)** |
| Less: discount on accounts receivable | | **-** |
| | **22,433,257** | **9,251,847** |

The movements in the allowance for doubtful debts were as follows:

| *In thousands of tenge* | **2019** | 2018 |
|---|---|---|
| **1 January** | **2,024,770** | 1,409,589 |
| Effect of adopting IFRS 9 *(Note 3)* | | 113,156 |
| Charge for the period | **225,850** | 42,248 |
| Recovered | **(252,360)** | (175,000) |
| Written off | **-** | - |
| **31 March** | **1,998,260** | 1,389,993 |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 6. TRADE ACCOUNTS RECEIVABLE (CONTINUED)

As at 31 March 2019 trade accounts receivable included accounts receivable from the customer, Uzbekenergo JSC, in the amount of KZT 1,681,526 thousand (31 December 2017: KZT 1,645,773 thousand).

As at 31 March 2019, allowance for debts from Uzbekenergo JSC amounted to KZT 1,324,996 thousand (31 December 2018: KZT 1,339,036 thousand).

Trade accounts receivable was denominated in the following currencies:

| *In thousands of tenge* | 31 March 2019 | 31 December 2018 |
|---|---|---|
| Tenge | **21,181,694** | 8,207,636 |
| Russian rouble | **971,122** | 737,474 |
| US dollar | **280,441** | 306,737 |
| | **22,433,257** | 9,251,847 |

## 7. OTHER FINANCIAL ASSETS

| *In thousands of tenge* | 31 March 2019 | 31 December 2018 |
|---|---|---|
| **Financial assets at amortised cost** | | |
| Bonds of Samruk-Kazyna | **25,469,298** | 25,342,228 |
| Bank deposits | **21,662,366** | 18,786,773 |
| Placements with Eximbank Kazakhstan | **2,930,115** | 2,930,115 |
| Placements with KazInvestBank JSC | **1,261,470** | 1,261,470 |
| Placements with DeltaBank JSC | **1,230,000** | 1,230,000 |
| Bonds of Batys-Transit | **1,035,638** | 998,558 |
| Interest accrued on Samruk-Kazyna bonds | **853,669** | 463,667 |
| Interest accrued on Batys Transit bonds | **75,798** | 56,862 |
| Less: provision for impairment of placements with Eximbank Kazakhstan | **(2,930,115)** | (2,930,115) |
| Less: provision for impairment of placements with Kazinvestbank JSC | **(1,261,470)** | (1,261,470) |
| Less: provision for impairment of placements with DeltaBank JSC | **(1,230,000)** | (1,230,000) |
| Less: provision for expected credit losses | **(144,585)** | (86,316) |
| Less: provision for expected credit losses of Batys Transit bonds | **(7,998)** | (92,315) |
| | **48,944,186** | 45,469,457 |
| **Financial assets at fair value through profit or loss** | | |
| Bonds of Special Financial Company DSFK | **262,567** | 267,040 |
| | **262,567** | 267,040 |
| **Total other financial assets** | **49,206,753** | 45,736,497 |
| Other current financial assets | **48,944,186** | 20,127,229 |
| Other non-current financial assets | **262,567** | 25,609,268 |
| **Total other financial assets** | **49,206,753** | 45,736,497 |

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

| *In thousands of tenge* | 2019 | 2018 |
|---|---|---|
| **1 January** | **5,600,216** | 2,512,483 |
| Effect of adopting IFRS 9 *(Note 3)* | **-** | 643,320 |
| Charge for the period | **86,769** | 222,381 |
| Recovered | **(112,817)** | (48,449) |
| **31 March** | **5,574,168** | 3,329,735 |

## 7. OTHER FINANCIAL ASSETS (continued)

### Bonds of Samruk-Kazyna

During May-June 2018, the Group acquired coupon bonds of Samruk-Kazyna JSC with nominal value of KZT 26,000,000 thousand at Kazakhstan Stock Exchange JSC. Bonds were classified as carried at amortized cost and recognized at fair value. The estimated value of the discount on the purchased bonds amounted to KZT 1,068,648 thousand, of which KZT 613,921 thousand was recognized by the Group within financial costs. During the three months ended 31 March 2019, the amortization of discount amounted to KZT 127,072 thousand. The bonds mature on 13 March 2020.

### Bonds of Special Financial Company DSFK LLP

During the three months ended 31 March 2019, Special Financial Company DSFK LLP redeemed bonds amounting to KZT 4,473 thousand.

Since the bonds are held by the Group not for collecting all contractual cash flows as at 31 March 2019, the Group classifies them as carried at fair value through profit or loss. As of 31 March 2019, the carrying value of the bonds was KZT 262,567 thousand.

### Bonds of Batys Transit

In 2007-2009 the Group acquired bonds of Batys Transit JSC, an associate listed on the Kazakhstan Stock Exchange. The bonds are secured with Guarantee of the Government of Republic of Kazakhstan in accordance with guarantee agreement dated 9 January 2006. The coupon interest rate on bonds is 7.3%. The bonds are classified as financial assets carried at amortised cost. During the three months ended 31 March 2019, the amortization of discount amounted to KZT 37,080 thousand. The bonds mature on 30 March 2019.

### Deposits

As at 31 March 2019 and 31 December 2018 the deposits include accrued interest income in the amount of KZT 41,533 thousand and KZT 52,198 thousand, respectively.

### Placements with Eximbank Kazakhstan JSC

As at 31 December 2017, the Group's deposits in Eximbank Kazakhstan (hereinafter referred to as "Eximbank") amounted to 8,000 thousand dollars (equivalent to KZT 2,658,640 thousand). According to the contract, the deposit term expired in November 2017. The deposit was not returned by Eximbank to the Group. As a result of negotiations with Eximbank representatives and the analysis conducted, the Group management concluded that the placements are fully recoverable and will be returned within one year. In this regard, as at 31 December 2017, the Group assessed the impact of the temporary factor and recognized a discount of KZT 150,489 thousand. During 2018, the Group fully depreciated the discount.

On 27 August 2018, based on the resolution of the Board of the National Bank of the Republic of Kazakhstan a decision was made to revoke the license of Eximbank for accepting deposits and opening bank accounts for individuals. In this regard, the Group reclassified cash and cash equivalents held in Eximbank within other financial assets and accrued a provision of 100%, which amounts to KZT 2,930,115 thousand.

During the three months ended March 31, 2019, there were no changes for Eximbank.

Other financial assets were denominated in the following currencies:

| *In thousands of tenge* | **Interest rate** | **31 March 2019** | 31 December 2018 |
|---|---|---|---|
| Tenge | 9.5%-12% | **28,100,506** | 28,020,599 |
| US dollar | 1%-1.5% | **21,106,247** | 17,715,898 |
| | | **49,206,753** | 45,736,497 |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 8. RESTRICTED CASH

| *In thousands of tenge* | **31 March 2019** | 31 December 2018 |
|---|---|---|
| Cash on reserve accounts | **2,882,788** | 2,895,401 |
| Cash on debt service accounts | **1,745,541** | 1,122,487 |
| Cash reserved for return on guarantee obligations | **203,964** | 204,168 |
| Less: reserve for expected credit losses | **(57,471)** | (46,480) |
| | **4,774,822** | 4,175,576 |

As at 31 March 2019 and 31 December 2018 restricted cash mainly represented cash held on a debt service account and reserve account.

In accordance with the terms of the guarantee agreements with the Government of the Republic of Kazakhstan, the guarantor of Group's loans *(Note 11)*, the Group is obliged to hold cash on a special reserve account opened in a Kazakhstan bank. The Group is obliged to reserve cash for at least 110% of the upcoming semi-annual payment of principal, interest and commission fees of the IBRD loans.

The movements in the provision for impairment of restricted cash are as follows:

| *In thousands of tenge* | **2019** | 2018 |
|---|---|---|
| **As at 1 January** | **46,480** | – |
| Effect of adopting IFRS 9 *(Note 3)* | | 86,409 |
| Charge for the period | **15,751** | 39,133 |
| Recovered | **(4,760)** | (1,143) |
| **As at 31 March** | **57,471** | 124,399 |

As at 31 March 2019 and 31 December 2018, restricted cash taking into account the funds planned to be repaid were denominated in the following currencies:

| *In thousands of tenge* | **31 March 2019** | 31 December 2018 |
|---|---|---|
| US dollar | **4,571,104** | 3,971,500 |
| KZT | **203,718** | 204,076 |
| | **4,774,822** | 4,175,576 |

## 9. CASH AND CASH EQUIVALENTS

| *In thousands of tenge* | 31 December 2018 | 31 December 2018 |
|---|---|---|
| Short-term deposits in tenge | **24,289,014** | 12,671,231 |
| Current accounts with banks, tenge | **3,916,614** | 2,993,477 |
| Current accounts with banks, foreign currency | **714,076** | 19,634 |
| Cash on hand | **3,484** | 3,914 |
| Cash on special accounts | **374** | 580 |
| Short-term deposits in foreign currency | **-** | 3,380,960 |
| Less: reserve for expected credit losses | **(16,039)** | (9,096) |
| | **28,907,523** | 19,060,700 |

As at 31 March 2019 and 31 December 2018, the Group placed short-term deposits with banks at 0.1%-8.5% per annum.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 9. CASH AND CASH EQUIVALENTS (continued)

The movements in the provision for impairment of cash and cash equivalents are as follows:

| *In thousands of tenge* | **2019** | 2018 |
|---|---|---|
| **As at 1 January** | 9,096 | - |
| Effect of adopting IFRS 9 *(Note 3)* | - | 43,225 |
| Charge for the period | **6.943** | 147,193 |
| Recovered | - | (6,369) |
| **As at 31 March** | **16,039** | 184,049 |

As at 31 March 2019 and 31 December 2018, cash and cash equivalents were denominated in the following currencies:

| *In thousands of tenge* | **31 March 2019** | 31 December 2018 |
|---|---|---|
| KZT | **28,194,348** | 15,661,766 |
| US dollar | **316,817** | 3,394,135 |
| Euro | **1,136** | 3,242 |
| Russian rouble | **394,901** | 1,240 |
| Other | **321** | 317 |
| | **28,907,523** | 19,060,700 |

## 10. EQUITY

As at 31 March 2019 and 31 December 2018, the charter capital of the Group amounted to 260,000,000 issued and fully paid shares in the total amount of KZT 126,799,554 thousand.

The Group placed 25,999,999 common shares at a price of KZT 505 at the Kazakhstan stock exchange under the People's IPO program. On 19 December 2014 the contribution to share capital of KZT 13,129,999 thousand was received. As at 31 March 2019 and 31 December 2018, the charter capital is presented net of the cost of the consulting services related to the issue of shares under People's IPO of KZT 692,568 thousand.

**Treasury shares**

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

**Earnings per share**

The amounts of basic and diluted earnings per share are calculated by dividing the net profit for the period by the weighted average number of common shares outstanding during the period. The Group had a weighted average number of common shares in circulation in the amount of 259,998,610 pieces during three months ended 31 March 2019 (for three months ended 31 March 2018): 259,998,610 pieces). For three months ended 31 March 2019 and 2018, basic and diluted earnings per share were KZT 51.56 and KZT 61.35, respectively.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 10. EQUITY (continued)

**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 March 2019** | 31 December 2018 |
|---|---|---|
| **Total assets** | **782,088,115** | 755,850,702 |
| Less: intangible assets | **(1,656,625)** | (1,472,307) |
| Less: total liabilities | **(295,989,002)** | (283,156,898) |
| **Net assets** | **484,442,488** | 471,221,497 |
| Number of ordinary shares | **260,000,000** | 260,000,000 |
| **Book value per share, tenge** | **1,863** | 1,812 |

**Asset revaluation surplus**

The asset revaluation surplus represents revaluation surplus recognized as a result of revaluation of Group's NEG assets on 1 October 2018 (the previous revaluation was performed as at 1 June 2014). Transfer from assets revaluation surplus into retained earnings, upon disposal and transfer of NEG assets into other classes of fixed assets, for three months ended 31 March 2019 amounted to KZT 16,424 thousand (for three months ended 31 March 2018: 3,433 thousand tenge).

**Other reserves**

Other reserves represent accumulated reserves from revaluation of investments carried at fair value through other comprehensive income. After initial measurement, financial investments carried at fair value through other comprehensive income are measured at fair value with unrealised gains or losses recognised as other comprehensive income in other reserves until the investment is derecognised. The fair value of bonds is the price to sell an asset or transfer a liability.

### 11. LOANS

| *In thousands of tenge* | **31 March 2019** | 31 December 2018 |
|---|---|---|
| International Bank for Reconstruction and Development (IBRD) | **53,260,787** | 55,146,729 |
| European Bank for Reconstruction and Development (EBRD) | **18,398,927** | 19,155,131 |
| | **71,659,714** | 74,301,860 |
| Less: current portion of loans repayable within 12 months | **(10,934,733)** | (11,420,710) |
| | **60,724,981** | 62,881,150 |

The loans were denominated in the following currencies:

| *In thousands of tenge* | **31 March 2019** | 31 December 2018 |
|---|---|---|
| US dollar | **53,260,787** | 55,146,729 |
| Euro | **18,398,927** | 19,155,131 |
| | **71,659,714** | 74,301,860 |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 11. LOANS (continued)

During the three months ended 31 March 2019, the Group repaid principal debt on loans in the amount of KZT 1,077,460 thousand (for three months ended 31 March 2018: KZT 948,140 thousand), as well as interest accrued in the amount of KZT 1,016,003 thousand (for three months ended 31 March 2018: KZT 736,753 thousand). Also, as a result of change in the exchange rate of the tenge against the US dollar and euro, the balance of loans and accrued interest increased by KZT 1,178,660 thousand during three months ended 31 March 2019 (for three months ended 31 March 2018 decreased by: KZT 2,609,555 thousand).

## 12. BONDS

| *In thousands of tenge* | **31 March 2019** | 31 December 2018 |
|---|---|---|
| Nominal cost of bonds issued | **83,800,000** | 83,800,000 |
| Coupon interest accrued | **6,268,872** | 4,097,122 |
| Less discount on bonds issued | **(91,884)** | (93,747) |
| Less transaction costs | **(45,280)** | (46,149) |
| | **89,931,708** | 87,757,226 |
| Less current portion of bonds repayable within 12 months | **(6,268,872)** | (4,097,122) |
| | **83,662,836** | 83,660,104 |

During the three months ended 31 March 2019 the Group capitalized in the cost of property, plant and equipment an amortised discount of KZT 1,863 thousand (during the three months ended 31 March 2018: KZT 1,843 thousand) and amortized transaction costs in the amount of KZT 869 thousand (during three months ended 31 March 2018: KZT 968 thousand).

During the three months ended 31 March 2019, the Group capitalized the borrowing costs of coupon interest on the issued bonds less investment income in the amount of KZT 907,543 thousand (during the three months ended 31 March 2018: KZT 1,803,620 thousand) *(Note 4)*.

## 13. TRADE AND OTHER ACCOUNTS PAYABLE

| *In thousands of tenge* | **31 March 2019** | 31 December 2018 |
|---|---|---|
| **Non-current accounts payable** | | |
| Accounts payable for property, plant and equipment and construction-in-progress | – | – |
| Less: discount on accounts payable | – | – |
| | – | – |
| **Current trade and other accounts payable** | | |
| Accounts payable for property, plant and equipment and construction-in-progress | **11,943,474** | 14,902,860 |
| Accounts payable for electricity purchased | **8,273,967** | 6,145,704 |
| Accounts payable for inventories and works performed and services rendered | **13,069,556** | 1,599,150 |
| Less: discount on accounts payable | **(2,417)** | (2,417) |
| | **33,284,580** | 22,645,297 |
| | **33,284,580** | 22,645,297 |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 13. TRADE AND OTHER ACCOUNTS PAYABLE (continued)

As at 31 March 2019 and 31 December 2018 trade and other accounts payable are denominated in the following currencies:

| *In thousands of tenge* | **31 March 2019** | 31 December 2018 |
|---|---|---|
| KZT | **31,512,091** | 21,281,317 |
| Russian rouble | **1,772,423** | 1,314,273 |
| US dollars | **66** | 39,215 |
| Euro | **-** | 10,557 |
| | **33,284,580** | 22,645,297 |

## 14. TAXES PAYABLE OTHER THAN INCOME TAX

| *In thousands of tenge* | **31 March 2019** | 31 December 2018 |
|---|---|---|
| Value added tax payable | **3,074,114** | 1,143,918 |
| Pension fund liabilities | **194,508** | 327,461 |
| Individual income tax | **191,946** | 258,047 |
| Social tax | **163,303** | 212,394 |
| Property tax | **110,879** | 113,427 |
| Social insurance liabilities | **55,531** | 75,179 |
| Other | **10,903** | 14,015 |
| | **3,801,184** | 2,144,441 |

## 15. OTHER CURRENT LIABILITIES

| *In thousands of tenge* | **31 March 2019** | 31 December 2018 |
|---|---|---|
| Due to employees | **2,966,106** | 3,116,621 |
| Other | **363,180** | 285,378 |
| | **3,329,286** | 3,401,999 |

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 16. REVENUE FROM CONTRACTS WITH CUSTOMERS

| *In thousands of tenge* | For the three months ended 31 March 2019 | For the three months ended 31 March 2018 |
|---|---|---|
| ***Segments*** | | |
| **Types of goods or services** | | |
| Electricity transmission | **27,109,209** | 29,020,664 |
| Revenue from the sale of services associated with maintaining readiness of the electric capacity to bear the load | **16,791,199** | - |
| Technical dispatch | **6,003,934** | 6,613,875 |
| Balancing of electricity production and consumption | **4,329,594** | 4,482,710 |
| Revenues from sale of electricity to compensate for hourly deviations | **1,375,956** | 1,071,974 |
| Revenue from sale of the purchased electricity | **6,856,374** | 3,712,679 |
| Revenue from the sale of power control services | **348,446** | 148,945 |
| Revenue from other services | **380,815** | 368,954 |
| | **63,195,527** | 45,419,801 |
| Discounts to consumers | **(89,278)** | (1,262,375) |
| **Total revenue from contracts with customers** | **63,106,249** | 44,157,426 |
| **Geographical regions** | | |
| Kazakhstan | **58,962,377** | 42,095,039 |
| Russian Federation | **3,787,488** | 1,907,550 |
| Uzbekistan | **348,446** | 148,945 |
| Kyrgyzstan | **7,938** | 5,892 |
| **Total revenue from contracts with customers** | **63,106,249** | 44,157,426 |
| | | |
| **Revenue recognition timeline** | | |
| The goods are transferred at a certain point in time | **8,232,330** | 4,784,653 |
| The services are provided over a period of time | **54,873,919** | 39,372,773 |
| **Total revenue from contracts with customers** | **63,106,249** | 44,157,426 |

For the three months ended 31 March 2019, revenue from one customer, Samruk-Energo Group, amounted to KZT 7,108,116 thousand (for the three months ended 31 March 2018: **KZT** 8,974,406 thousand), and included revenue from electricity transmission, technical dispatching, balancing services and services associated with maintaining readiness of electric capacity to bear the load.

### 17. COST OF SERICES

| *In thousands of tenge* | For the three months ended 31 March 2019 | For the three months ended 31 March 2018 |
|---|---|---|
| For the purchase of services associated with maintaining readiness of electric capacity to bear the load | **15,149,320** | - |
| Amortisation and depreciation | **8,251,713** | 5,615,478 |
| Cost of purchased electricity | **6,645,367** | 3,859,141 |
| Technical losses of electric energy | **4,896,798** | 5,946,815 |
| Payroll expenses and other deductions associated with payroll | **3,679,554** | 3,335,453 |
| Costs for purchase of electricity to compensate for interstate electricity balance flows | **3,263,908** | 2,109,264 |
| Property tax | **2,200,295** | - |
| Repair and maintenance expenses | **412,579** | 1,140,545 |
| Security expenses | **268,346** | 285,798 |
| Inventories | **145,852** | 109,898 |
| Other | **499,591** | 390,228 |
| | **45,413,323** | 22,792,620 |

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 18. GENERAL AND ADMINISTRATIVE EXPENSES

| *In thousands of tenge* | For the three months ended 31 March 2019 | 31 March 2018 |
|---|---|---|
| Payroll expenses and other deductions associated with payroll | **1,039,841** | 974,312 |
| Depreciation and amortisation | **190,846** | 158,153 |
| Rental costs of software use rights | **71,685** | 15,717 |
| Accrual of provision for obsolete inventories | **55,974** | (78,695) |
| Expenses for the Board of Directors | **45,210** | 73,147 |
| Taxes other than income tax | **27,151** | 1,681,525 |
| Utility costs | **25,551** | 33,788 |
| Business trip expenses | **26,668** | 21,190 |
| Consulting services | **16,634** | 77,224 |
| Education and trainings | **11,130** | 19,929 |
| Materials | **8,746** | 18,163 |
| Insurance expenses | **5,803** | 36,391 |
| Accrual of provision for doubtful trade accounts receivable and impairment of other current assets | **(18,765)** | (135,083) |
| Other | **149,757** | 152,492 |
| | **1,656,231** | **3,048,253** |

### 19. FINANCE INCOME/(COSTS)

| | For the three months ended 31 March 2019 | 31 March 2018 |
|---|---|---|
| **Finance income** | | |
| Interest income on deposits, current accounts and quoted bonds | **839,337** | 1,262,378 |
| Amortization of discount on accounts receivable | **27,326** | 34,620 |
| Amortization of discount on other financial assets | **127,072** | 34,376 |
| Other | **37,130** | 6,651 |
| | **1,030,865** | 1,338,025 |
| Less: interest capitalized into the cost of qualified property, plant and equipment *(Note 4)* | **(149,947)** | (498,755) |
| | **880,918** | 839,270 |
| **Finance costs** | | |
| Interest on loans | **2,816,553** | 2,788,629 |
| Commission on bank guarantees | **101,456** | 30,622 |
| Interest expenses under finance lease | **9,377** | 22,838 |
| Amortization of discount on accounts receivable | **-** | 18,755 |
| Amortization of loan origination fee | **4,494** | 4,524 |
| Other expenses for bonds issued | **2,072** | 622 |
| | **2,933,952** | 2,865,990 |
| Less: interest capitalized into the cost of qualified property, plant and equipment *(Note 4)* | **(1,054,758)** | (2,302,375) |
| | **1,879,194** | 563,615 |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 20. INCOME TAX EXPENSES

| *In thousands of tenge* | For the three months ended **31 March 2019** | 31 March 2018 |
|---|---|---|
| **Current income tax:** | | |
| Current income tax expenses | **3,601,438** | 4,115,305 |
| Adjustments with respect to current income tax of prior year | **(394,644)** | - |
| **Deferred income tax:** | | |
| Deferred tax expenses | **(388,638)** | (77,541) |
| **Total profit tax expenses reported in the interim consolidated statement of comprehensive income** | **2,818,156** | 4,037,764 |

## 21. TRANSACTIONS WITH RELATED PARTIES

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

The following table shows the total outstanding amount as at 31 March 2019 and 31 December 2018:

| *In thousands of tenge* | | Accounts receivable from related parties | Accounts payable to related parties |
|---|---|---|---|
| Subsidiaries of Samruk-Kazyna Group | **31 December 2019** | **4,381,938** | **5,414,003** |
| | 31 December 2018 | 2,164,091 | 2,429,524 |
| Samruk-Kazyna associates | **31 March 2019** | **550,397** | **401,972** |
| | 31 December 2018 | 282,452 | 446,573 |
| Samruk-Kazyna joint ventures | **31 March 2019** | **484,929** | **1,289,205** |
| | 31 December 2018 | 284,393 | 50,160 |
| Group associates | **31 March 2019** | **103,082** | – |
| | 31 December 2018 | 114,214 | – |

For the three months ended 31 March 2019 and 2018, the Group had the following related party transactions:

| *In thousands of tenge* | | Sales to related parties | Purchases from related parties |
|---|---|---|---|
| Subsidiaries of Samruk-Kazyna Group | **2019** | **8,554,656** | **10,410,489** |
| | 2018 | 9,715,037 | 6,877,459 |
| Samruk-Kazyna associates | **2019** | **1,614,918** | **145,479** |
| | 2018 | 1,690,777 | 363,200 |
| Samruk-Kazyna joint ventures | **2019** | **1,491,995** | **1,534,807** |
| | 2018 | 1,413,383 | 37 |
| Group associates | **2019** | **163,876** | **2,452** |
| | 2018 | 129,737 | 3,973 |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 21. TRANSACTIONS WITH RELATED PARTIES (continued)

As at 31 March 2019 the Group's borrowings of KZT 53,517,483 thousand were guaranteed by the Government of the Republic of Kazakhstan (31 December 2018: KZT 55,407,918 thousand).

In 2007-2009 the Group acquired bonds of Batys Transit JSC, an associate listed on the Kazakhstan Stock Exchange. The bonds are secured with Guarantee of the Government of Republic of Kazakhstan in accordance with guarantee agreement dated 9 January 2006. The coupon interest rate on bonds is 7.3%. The bonds are classified as financial assets carried at amortised cost. As at 31 March 2019, the carrying amount of Batys Transit bonds was KZT 1,027,640 thousand (as at 31 December 2018: KZT 906,243 thousand).

As at 31 March 2019 the Group had accounts receivable for the sale of property, plant and equipment of Balkhash TES JSC to a related party in the amount of KZT 220,494 thousand (as at 31 December 2018: KZT 219,851 thousand). In accordance with sales agreement Balkhash TES JSC was to repay the outstanding balance before the end of 2018. In connection with the suspension of construction of Balkhash TES JSC, the management of the Group made a decision to accrue a provision for receivables of 100%.

On 30 September 2015 the Group has sold buildings and constructions with equipment and land located in Astana city to its related party Kazpost JSC for KZT 2,161,476 thousand. In accordance with sales agreement Kazpost JSC will repay the outstanding balance by equal monthly payments until June 2027. Accordingly, the Group discounted the future cash flows using discount rate of 10.37%, which is the Group Management's best estimate of market rate. As of 31 March 2019 the discount on accounts receivable from Kazpost JSC amounted to KZT 517,030 thousand (as of 31 March 2018: KZT 630,939 thousand). As at 31 March 2019, the receivables net of discount comprised KZT 1,087,702 thousand (as at 31 March 2018: KZT 1,170,216 thousand), of which KZT 907,579 thousand was accounted for within long-term receivables from related parties(as at 31 March 2018:
KZT 990,093 thousand). During the three months ended 31 March 2019, the Group recognized income from amortization of a discount on long-term receivables from Kazpost JSC in the amount of KZT 27,326 thousand (during the three months ended 31 March 2018: KZT 29,312 thousand).

In 2017, the Group entered into a long-term contract with a related party, Samruk-Kazyna Business Contract LLP, for leasing out the rights to use the software. Since, at the end of the contract, the rights to use the software will be transferred to the Group, the Group recognized the arrears on financial leases. As at 31 March 2019, the arrears amounted to KZT 343,238 thousand (as at 31 December 2018: KZT 193,498 thousand).

Compensation to key management personnel included in salary expenses in the accompanying interim consolidated statement of comprehensive income amounted to KZT 63,276 thousand for the three months ended 31 March 2019 (for the three months ended 31 March
2018: KZT 87,413 thousand). Compensation to key management personnel consists of salaries, taxes and social payments, sick pay, and a health allowance for vacations.

## 22. CONTINGENT LIABILITIES

### 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. The management of the Group believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 22. CONTINGENT LIABILITIES (continued)

### Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to unreported and discovered violations of Kazakhstan law are severe. Penalties are generally 50% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 2.5. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued as at 31 March 2019.

### Compliance with loan covenants

From 1999 till 2011 the Group concluded loan facility agreements with EBRD and IBRD (the "Creditors") for the amounts of 354 million US dollars and 228 million euro *(Note 11)*. According to the Loan facility Agreements concluded between the Group and the Creditors, the Group has to comply with the following covenants:

- Current ratio of not less than 1:1;
- Total debt to total capital of not more than 50%;
- Earnings before finance costs, income tax, depreciation and amortization ("EBITDA") to interest expense of not less than 3:1;
- Net debt to EBITDA of not more than 4:1;
- Self-financing ratio of not less than 20%;
- Debt service ratio of not less than 1.2.

The management believes that the Group complied with all existing loan covenants with EBRD and IBRD as at 31 March 2019 and 31 December 2018. The Group excludes from EBITDA the foreign exchange loss, as management believes that foreign exchange loss meets definition of non-cash impairment and as such shall be excluded from the calculation of EBITDA as provided in the loan agreement. As at 31 March 2019 the Group excluded from EBITDA the foreign exchange losses of KZT 865,774 thousand for the three months ended 31 March 2019.

### Insurance

As at 31 March 2019, the Group insured production assets with a replacement value of KZT 184,150,797 thousand. The insurance payment is limited to the carrying value of property, plant and equipment. The Group does not insure its other property. Since absence of any insurance does not imply a reduction of the cost of assets or origination of liabilities, no provision has been made in these interim condensed consolidated financial statements for unexpected expenses associated with damage or loss of such assets.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 22. CONTINGENT LIABILITIES (continued)

**Contractual commitments**

To ensure the stable and reliable performance of the national electricity grid, the Group developed a capital investment plan. As at 31 March 2019, the Group's outstanding contractual commitments within the frameworks of this plan amounted to KZT 9,280,694 thousand (as at 31 December 2018: KZT 8,356,462 thousand).

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

*Tariffs for transmission of electrical energy and technical dispatching of grid output and consumption of electrical energy, and balancing of electric energy*

Tariffs from 1 January 2019 for the following regulated services:

- Transmission of electric energy in the amount of KZT 2.496 per kWh;
- Technical dispatching of the grid output and consumption of electric energy in the amount of KZT 0.237 per kWh.
- Electricity generation and consumption balancing in the amount of KZT 0,083 per kWh.

*Tariff for sale of electricity generated by RES facilities*

In accordance with subparagraph 2) of paragraph 1 of Article 124-5 of the Entrepreneurship Code of the Republic of Kazakhstan from 1 January 2017, centralized purchase and sale of electric energy produced by objects for the use of renewable energy sources is attributed to socially significant markets. In this regard, the pricing procedure in calculating the tariff for the support of RES is determined by the Rules for Pricing in Publicly Significant Markets, approved by Order No. 36 of the Minister of National Economy of the Republic of Kazakhstan as of 1 February 2017, and the Rules for determining the tariff for the support of renewable energy sources approved by the order of the Minister of Energy of the Republic of Kazakhstan No. 118 as of 20 February 2015.

The tariff for electricity sale comprises costs of accounting and finance center for the purchase of electricity produced by energy producers using renewable energy sources, costs of the services for electricity production-consumption balance, costs of forming a reserve fund and the costs associated with the implementation of its activities.

The management believes that the tariff for the support of renewable energy sources was calculated and applied properly and in accordance with applicable regulations and legislative acts.

## 23. SEGMENT STATEMENTS

Below is the information about profit and losses, assets and liabilities of the Group's operating segments for the 1st quarter 2019.

| *KZT thousand* | **Transportation of electricity and related support** | **Service associated with maintaining readiness of the electric capacity to bear the load** | **Purchase and sale of electricity generated by RES facilities** | **Other** | **Elimination** | **Total** |
|---|---|---|---|---|---|---|
| | | | | | | |
| Revenue from sale to external customers | 39,398,564 | 16,791,200 | 6,848,436 | 68,049 | - | 63,106,249 |
| Revenues from sale to other segments | 19,988 | 747 | 841,542 | 929,330 | (1,791,607) | - |
| **Total revenue** | **39,418,552** | **16,791,947** | **7,689,978** | **997,379** | **(1,791,607)** | **63,106,249** |
| **Gross profit** | **14,881,002** | **2,483,421** | **191,768** | **291,560** | **(154,825)** | **17,692,926** |
| General and administrative expenses | (1,586,107) | (57,013) | (18,675) | (128,870) | (134,434) | (1,656,231) |
| Costs of transportation and sales | (82,628) | - | - | - | 6,272 | (76,356) |
| Finance income | 802,423 | 57,363 | 4,430 | 16,702 | - | 880,918 |
| Financial expenditures | (1,879,194) | - | - | - | - | (1,879,194) |
| Profit share of joint ventures and associates | 311,261 | - | - | - | - | 311,261 |
| Exchange gain/loss, net | 865,654 | - | - | 120 | - | 865,774 |
| Depreciation, depletion and amortisation | (8,402,546) | (966) | (2,115) | (38,411) | - | (8,444,038) |
| PPE and intangible assets impairment | (39,747) | - | - | - | - | (39,747) |
| Income tax expenses | (2,271,951) | (499,003) | (38,533) | (8,669) | - | (2,818,156) |
| Net profit/loss for the year from continuing operations | 11,112,685 | 2,027,962 | 335,598 | 152,624 | (44,560) | 13,405,309 |
| **Total net profit/loss** | **11,112,685** | **2,027,962** | **156,598** | **152,624** | **(44,560)** | **13,405,309** |
| | | | | | | |
| **Other segment information** | | | | | | |
| Total segment assets | 761,783,011 | 14,197,228 | 6,453,286 | 4,293,376 | (4,638,786) | 782,088,115 |
| Total segment liabilities | 278,660,222 | 12,196,349 | 5,543,795 | 769,054 | (1,180,418) | 295,989,002 |

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

| | | | | | | |
|---|---|---|---|---|---|---|
| Provision for expected credit losses on doubtful debts | (53,406) | 16,177 | (1,086) | (19,550) | - | (18,765) |
| Investments in joint ventures and associates | 1,419,128 | - | - | - | - | 1,419,128 |

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 23. SEGMENT STATEMENTS (continued)

Below is the information about the profit and loss, assets and liabilities of the Group's operating segments for the 1st quarter 2018.

| *KZT thousand* | **Transportation of electricity and related support** | **Service associated with maintaining readiness of the electric capacity to bear the load** | **Purchase and sale of electricity generated by RES facilities** | **Other** | **Elimination** | **Total** |
|---|---|---|---|---|---|---|
| | | | | | | |
| Revenue from sale to external customers | 40,395,402 | - | 3,706,787 | 55,237 | - | 44,157,426 |
| Revenues from sale to other segments | 12,502 | - | 31 | 790,782 | (803,315) | - |
| **Total revenue** | **40,407,904** | - | **3,706,818** | **846,019** | **(803,315)** | **44,157,426** |
| **Gross profit** | **21,368,661** | - | **(158,934)** | **241,310** | **(86,231)** | **21,364,806** |
| General and administrative expenses | (3,009,750) | - | (41,530) | (123,609) | 126,636 | (3,048,253) |
| Costs of transportation and sales | (61,446) | - | - | - | - | (61,446) |
| Finance income | 778,373 | - | 33,667 | 27,230 | - | 839,270 |
| Financial expenditures | (563,615) | - | - | - | - | (563,615) |
| Profit share of joint ventures and associates | 67,788 | - | - | - | - | 67,788 |
| Exchange gain/loss, net | 1,556,526 | - | - | (149) | - | 1,556,377 |
| Depreciation, depletion and amortisation | (5,743,467) | - | (1,078) | (29,087) | - | (5,773,632) |
| PPE and intangible assets impairment | 156,365 | - | - | - | - | 156,365 |
| Income tax expenses | (4,016,712) | - | (1,824) | (19,228) | - | (4,037,764) |
| Net profit/loss for the year from continuing operations | 16,009,223 | - | (168,292) | 111,575 | (935) | 15,951,571 |
| **Total net profit/loss** | **16,009,223** | - | **(168,292)** | **111,575** | **(935)** | **15,951,571** |
| | | | | | | |
| **Other segment information** | | | | | | |
| Total segment assets | 637,215,807 | - | 3,563,324 | 3,951,116 | (4,119,412) | 640,610,835 |
| Total segment liabilities | 248,524,513 | - | 3,062,035 | 629,640 | (865,761) | 251,350,427 |

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

| | | | | | | |
|---|---|---|---|---|---|---|
| Provision for expected credit losses on doubtful debts | (124,556) | - | (1,162) | (9,365) | - | (135,083) |
| Investments in joint ventures and associates | 849,869 | - | - | - | - | 849,869 |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 24. SUBSEQUENT EVENTS

**Purchase of eurobonds of the Ministry of Finance of the Republic of Kazakhstan**

In April 2019, the Group purchased the securities 'Ten-year eurobonds of the Ministry of Finance of the RK of tranche No. 5' in the amount of USD 4,373,425 with the nominal value of USD 4,200,000 and a yield of 3.875%.