

**“Kazakhstan Electricity Grid Operating Company” JSC**

Unaudited interim condensed consolidated financial statements

*As at and for the three months ended 31 March 2016*

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## Report on review of interim condensed consolidated financial statements

To the Shareholders of JSC "Kazakhstan Electricity Grid Operating Company"

### Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of JSC "Kazakhstan Electricity Grid Operating Company" and its subsidiaries ("the Group"), comprising of the interim consolidated statement of financial position as at 31 March 2016 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended, and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



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**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of JSC "Kazakhstan Electricity Grid Operating Company" and its subsidiaries for the three months ended 31 March 2016 are not prepared, in all material respects, in accordance with IAS 34.

*Ernst & Young LLP*

Paul Cohn  
Audit Partner



Adil Syzdykov  
Auditor

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

6 May 2016



*Evgeny Zhemaletdinov*  
Evgeny Zhemaletdinov  
General Director  
Ernst & Young LLP

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

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 March 2016

<i>In thousands of Tenge</i>	Notes	31 March 2016 (unaudited)	31 December 2015 (audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	475,062,683	478,699,792
Intangible assets		961,343	1,036,367
Advances paid for non-current assets	4	11,577,383	1,939,241
Other financial assets	6	868,269	5,968,419
Deferred tax asset		645	2,839
Investments in associates		239,756	266,815
Long-term receivables from related parties	18	1,306,000	1,320,245
Other non-current assets		21,078	24,496
		<b>490,037,157</b>	<b>489,258,214</b>
<b>Current assets</b>			
Inventories		2,502,175	1,982,353
Trade accounts receivable	5	21,129,093	23,431,376
VAT recoverable and other prepaid taxes		273,885	295,619
Income tax prepaid		3,343,644	2,902,770
Other financial assets	6	71,712,529	65,572,190
Restricted cash		2,372,346	2,349,629
Other current assets		659,237	352,190
Cash and cash equivalents	7	11,720,933	9,030,762
		<b>113,713,842</b>	<b>105,916,889</b>
Assets held for sale		161,511	161,511
<b>Total assets</b>		<b>603,912,510</b>	<b>595,336,614</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		126,799,554	126,799,554
Asset revaluation surplus		221,293,916	221,297,751
Other reserves		(170,701)	(170,701)
Accumulated loss		(495,583)	(6,949,990)
		<b>347,427,186</b>	<b>340,976,614</b>
<b>Non-current liabilities</b>			
Borrowings	9	146,928,929	149,139,660
Deferred tax liability		66,264,674	64,677,142
		<b>213,193,603</b>	<b>213,816,802</b>
<b>Current liabilities</b>			
Trade and other accounts payable	10	11,220,838	13,525,144
Borrowings	9	23,272,464	22,090,879
Construction obligation		683,430	683,430
Dividends payable		2,199,600	2,199,600
Advances received		2,208,086	751,166
Taxes payable other than income tax		2,215,594	559,515
Income tax payable		2,801	4,577
Other current liabilities	11	1,488,908	728,887
		<b>43,291,721</b>	<b>40,543,198</b>
<b>Total liabilities</b>		<b>256,485,324</b>	<b>254,360,000</b>
<b>Total equity and liabilities</b>		<b>603,912,510</b>	<b>595,336,614</b>

Chairman of the Management Board

Acting chief accountant



Kazhyev B.T.

*The accounting policies and explanatory notes on pages 6 to 17 are an integral part of these interim condensed consolidated financial statements.*

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the three months ended 31 March 2016

<i>In thousands of Tenge</i>	Notes	For the three months ended	
		31 March 2016 (unaudited)	31 March 2015 (unaudited)
Revenue	12	32,479,064	29,472,316
Cost of sales	13	(18,754,464)	(18,113,628)
<b>Gross profit</b>		<b>13,724,600</b>	<b>11,358,688</b>
General and administrative expenses	14	(2,633,550)	(3,358,090)
Selling expenses		(47,483)	(51,120)
Reversal of impairment		93,838	68,481
<b>Operating profit</b>		<b>11,137,405</b>	<b>8,017,959</b>
Finance income	15	1,587,805	931,775
Finance costs	15	(1,338,906)	(894,935)
Foreign exchange (loss)/gain, net	16	(3,387,550)	3,681,529
Share of loss of associates		(27,059)	(2,795)
Other income		134,618	76,120
Other expenses		(39,039)	(89,101)
<b>Profit before tax</b>		<b>8,067,274</b>	<b>11,720,552</b>
Income tax expense	17	(1,616,702)	(2,398,029)
<b>Profit for the period</b>		<b>6,450,572</b>	<b>9,322,523</b>
Other comprehensive income, net of tax		-	-
<b>Total comprehensive income, net of tax</b>		<b>6,450,572</b>	<b>9,322,523</b>
<b>Earnings per share</b>			
Basic and diluted profit for the period attributable to ordinary equity holders (in Tenge)	8	24.81	35.86

Chairman of the Management Board

Acting chief accountant



Kazhiyev B.T.

Kabysh T.A.

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2016

<i>In thousands of Tenge</i>	Notes	For the three months ended	
		31 March 2016 (unaudited)	31 March 2015 (unaudited)
<b>Operating activities</b>			
Profit before tax		8,067,274	11,720,552
<b>Adjustments to reconcile profit before tax to net cash flows</b>			
Depreciation and amortisation		5,433,717	5,603,444
Finance costs	15	1,338,906	894,935
Unrealised foreign exchange loss/(gain), net		3,607,676	(3,334,935)
Provision for doubtful accounts receivable and impairment of advances and other current assets	14	51,616	521,248
Reversal of provision for obsolete inventory	14	(34,247)	(21,803)
Reversal of CIP reserve		(93,838)	(68,481)
Loss from disposal of property, plant and equipment and intangible assets		1,282	62,968
Finance income	15	(1,587,805)	(931,775)
Share of loss of associates		27,059	2,795
Income from gratuitous transfer of PPE		(54,031)	-
<b>Working capital adjustments</b>			
Change in inventories		(490,297)	(502,816)
Change in trade accounts receivable		2,626,542	84,677
Change in VAT recoverable and other prepaid taxes		21,734	2,325,660
Change in other current assets		(280,064)	(87,942)
Change in trade and other accounts payable		1,325,244	(2,293,104)
Change in advances received		1,456,920	(123,538)
Change in taxes payable other than income tax		1,656,079	(134,402)
Change in other current liabilities		760,196	516,340
<b>Cash flows from operating activities</b>		<b>23,833,963</b>	<b>14,233,823</b>
Interest paid		(1,409,007)	(972,973)
Income tax paid		(296,909)	(11,131)
Interest received		969,099	592,204
<b>Net cash flows from operating activities</b>		<b>23,097,146</b>	<b>13,841,923</b>
<b>Investing activities</b>			
Withdrawal from bank deposits		10,480,930	4,766,550
Placement of bank deposits		(10,631,538)	(4,996,190)
Change in restricted cash		(55,076)	(572,317)
Proceeds from sale of property, plant and equipment and intangible assets		-	1,632
Purchase of property, plant, equipment		(14,837,967)	(10,479,756)
Purchase of intangible assets		-	(1,508)
Repayment of loans given to employees		2,262	6,079
<b>Net cash flows used in investing activities</b>		<b>(15,041,389)</b>	<b>(11,275,510)</b>

The accounting policies and explanatory notes on pages 6 to 17 are an integral part of these interim condensed consolidated financial statements.

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**

<i>In thousands of Tenge</i>	Notes	31 March 2016 (unaudited)	31 March 2015 (unaudited)
<b>Financing activities</b>			
Payment of dividends		(175)	-
Repayment of borrowings		(5,401,650)	(3,185,887)
<b>Net cash flows used in financing activities</b>		<b>(5,401,825)</b>	<b>(3,185,887)</b>
<b>Net change in cash and cash equivalents</b>		<b>2,653,932</b>	<b>(619,474)</b>
Net foreign exchange difference		36,239	(138,919)
Cash and cash equivalents at 1 January		9,030,762	13,962,123
<b>Cash and cash equivalents at 31 March</b>		<b>11,720,933</b>	<b>13,203,730</b>

Chairman of the Management Board



*[Signature]*  
Kazhiyev B.T.

Acting chief accountant

*[Signature]*  
Kabysh T.A.

*The accounting policies and explanatory notes on pages 6 to 17 are an integral part of these interim condensed consolidated financial statements.*



## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2016

<i>In thousands of Tenge</i>	Share capital	Asset revaluation surplus	Other reserves	Retained earnings / (accumulated loss)	Total
<b>As at 1 January 2015 (audited)</b>	126,799,554	221,756,419	(170,701)	11,392,194	359,777,466
Profit for the period	–	–	–	9,322,523	9,322,523
<b>Total comprehensive income</b>	–	–	–	9,322,523	9,322,523
Transfer of asset revaluation surplus	–	(4,784)	–	4,784	–
Other changes in equity of the associate	–	–	–	36,521	36,521
<b>As at 31 March 2015 (unaudited)</b>	126,799,554	221,751,635	(170,701)	20,756,022	369,136,510
<b>As at 1 January 2016 (audited)</b>	126,799,554	221,297,751	(170,701)	(6,949,990)	340,976,614
Profit for the period	–	–	–	6,450,572	6,450,572
<b>Total comprehensive income</b>	–	–	–	6,450,572	6,450,572
Transfer of asset revaluation surplus	–	(3,835)	–	3,835	–
<b>As at 31 March 2016 (unaudited)</b>	126,799,554	221,293,916	(170,701)	(495,583)	347,427,186

Chairman of the Management Board



Kazhiyev B.T.

Acting chief accountant

Kabysh T.A.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2016

### 1. GENERAL INFORMATION

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 of 31 March 2016, 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.

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 “UPS”), ensures its technical support and maintenance. The UPS 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.

The Company has stakes in the following companies as of 31 March 2016 and 31 December 2015:

Companies	Activities	Percentage of ownership	
		31 March 2016	31 December 2015
Energoinform JSC	Maintenance of the KEGOC’s IT system	100%	100%
Accounting and Finance Center for the support of renewable energy resources LLP	Centralised sales and purchase of electricity produced by energy producers using renewable energy sources and delivery into the electricity grid of the Republic of Kazakhstan	100%	100%

The Company and its subsidiaries are hereafter referred 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 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 of the Ministry of National Economy (the “Committee”).

The Company’s registered office is located at 59 Tauelsyzyk Str., Astana, 010000, the Republic of Kazakhstan.

These interim condensed consolidated financial statements were authorised for issue by the Company’s Chairman of the Management Board and Acting chief accountant on 6 May 2016.

### 2. BASIS OF PREPARATION

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2015.

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 KZT)	31 March 2016	31 December 2015
USD 1	343.62	340.01
EUR 1	390.52	371.46
RUR 1	5.1	4.61

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

**2. BASIS FOR PREPARATION (continued)**

Average exchange rate for the three months (to KZT)	2016	2015
USD 1	355.16	184.59
EUR 1	391.73	208.32
RUR 1	4.77	2.95

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**New and amended 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 2015, except for the adoption of following new standards and interpretations effective as of 1 January 2016. The Group did not yearly adopt standards, interpretations and amendments that were issued, but not yet effective.

The nature and the effect of the changes are disclosed below. Although these new standards and amendments apply for the first time in 2016, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

Nature and the impact of each new standard or amendment is described below:

*Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests*

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments did not have any impact to the Group, since the Group does not have any joint operations.

*Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments did not have any impact to the Group given that the Group does not use a revenue-based method to depreciate its non-current assets.

*Amendments to IAS 27: Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments did not have any impact on the Group’s interim condensed consolidated financial statements.

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**New and amended standards and interpretations (continued)**

*Annual improvements 2012-2014 cycle*

These improvements did not have any material impact on the Group. They include:

- IFRS 5 *Changes in Methods of Disposal*;
- IFRS 7 *Servicing Contracts*;
- IFRS 7 *Applicability of the Amendments to IFRS 7 to Condensed Interim Financial Statements*;
- IAS 19 *Regional Market Issue*;
- IAS 34 *Disclosure of Information “elsewhere in the interim financial report”*.

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

During the three months ended 31 March 2016, the Group acquired assets with a cost of 1,637,665 thousand tenge (during the three months ended 31 March 2015: 729,659 thousand tenge). Additions were mainly represented by capital expenditures for the construction of the line 500 kW Ekibastuz-Shulbinskaya GES (Semey) – Ust-Kamenogorsk.

Depreciation change for the three months ended 31 March 2016, amounted to 5,358,693 thousand tenge (for the three months ended 31 March 2015: 5,532,167 thousand tenge).

**Advances paid for non-current assets**

As at 31 December 2016 advances paid for non-current assets mainly represent prepayments made to suppliers for construction work related to the project “Construction of 500 kW line Ekibastuz – Shulbinskaya GES (Semey) – Ust-Kamenogorsk”, “Construction of 500 kW line Shulbinskaya GES (Semey) – Aktogay – Taldykorgan – Alma” (as at 31 December 2015 the advanced paid for non-current assets mainly represent prepayments made to suppliers for construction works and services related to the projects “Construction of 500 kW line Ekibastuz – Shulbinskaya GES (Semey) – Ust-Kamenogorsk”, “Construction of 500 kW line Shulbinskaya GES (Semey) – Aktogay – Taldykorgan – Alma” and “Strengthening of the Pavlodar power unit”).

**5. TRADE ACCOUNTS RECEIVABLE**

<i>In thousands of Tenge</i>	<b>31 March 2016</b>	31 December 2015
Trade accounts receivable	<b>22,948,863</b>	25,559,459
Less: allowance for doubtful accounts receivable	<b>(1,479,227)</b>	(1,452,512)
Less: discount of accounts receivable	<b>(340,543)</b>	(675,571)
	<b>21,129,093</b>	23,431,376

Movement in the allowance for obsolete inventories was as follows:

<i>In thousands of Tenge</i>	<b>2016</b>	2015
<b>At 1 January</b>	<b>1,452,512</b>	3,445,256
Charge for the period	<b>40,524</b>	637,430
Utilized	<b>(549)</b>	(38)
Reversal	<b>(13,260)</b>	(75,681)
<b>At 31 March</b>	<b>1,479,227</b>	4,006,967

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

**5. TRADE ACCOUNTS RECEIVABLE (continued)**

Trade receivables were denominated in the following currencies:

<i>In thousands of Tenge</i>	<b>31 March 2016</b>	31 December 2015
United States dollar	<b>16,598,277</b>	19,693,177
Tenge	<b>4,002,795</b>	3,247,617
Russian rouble	<b>528,021</b>	490,582
	<b>21,129,093</b>	23,431,376

**6. OTHER FINANCIAL ASSETS**

<i>In thousands of Tenge</i>	<b>31 March 2016</b>	31 December 2015
<b>Long-term other financial assets</b>		
Bonds of Batys Transit	<b>868,269</b>	868,269
Bank deposits	-	5,100,150
	<b>868,269</b>	5,968,419
<b>Short-term other financial assets</b>		
Bank deposits	<b>71,629,518</b>	65,509,892
Interest accrued on bonds of Batys Transit	<b>83,011</b>	62,298
	<b>71,712,529</b>	65,572,190
<b>Total other financial assets</b>	<b>72,580,798</b>	71,540,609

In 2007-2009 the Group acquired bonds of Batys Transit JSC (“Batys Transit”), an associate, an entity listed on the Kazakhstan Stock Exchange. The interest rate on the bonds is 8%. The bonds are classified as available for sale investments. Fair value is the price to sell an asset or transfer a liability, and therefore an exit price, not an entry price.

In January 2014 the Group placed long-term deposit with ATF Bank amounting to USD 15,000 thousand (equivalent of KZT 5,100,150 thousand as at 31 December 2015) with fixed interest rate of 4.5% per annum due in 2017. In January 2016 this deposit was reclassified into short term deposits.

Short-term deposits as at 31 March 2016 and 31 December 2015 represent deposits placed in Kazakhstan banks with the fixed interest rate of 4-30% per annum; and also include the accrued and uncollected interest in the amount of KZT 152,510 thousand and KZT 114,722 thousand, respectively.

Other financial assets were denominated in the following currencies:

<i>In thousands of Tenge</i>	<b>31 March 2016</b>	31 December 2015
United States dollar	<b>69,563,526</b>	68,367,375
Tenge	<b>3,017,272</b>	3,173,234
	<b>72,580,798</b>	71,540,609

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

**7. CASH AND CASH EQUIVALENTS**

<i>In thousands of Tenge</i>	<b>31 March 2016</b>	31 December 2015
Short-term deposits	6,204,000	5,036,000
Current accounts with banks, in Tenge	2,968,617	2,551,406
Current accounts with banks, in foreign currencies	2,534,975	1,434,716
Cash on hand	6,730	3,424
Cash at special accounts	6,611	5,216
	<b>11,720,933</b>	<b>9,030,762</b>

During the three months ended 31 March 2016 the interest is accrued on cash on current accounts at 0.5-7% per annum and on short-term deposits at 14-38% per annum.

As at 31 March 2016 and 31 December 2015, cash and cash equivalents were stated in the following currencies:

<i>In thousands of Tenge</i>	<b>31 March 2016</b>	31 December 2015
Tenge	9,185,958	7,596,046
United States dollar	1,891,689	393,010
Euro	414,710	1,040,794
Russian rouble	228,004	307
Others	572	605
	<b>11,720,933</b>	<b>9,030,762</b>

**8. EQUITY**

**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 ordinary shares outstanding during the period. The weighted average number of ordinary shares outstanding during the three months ended March 31, 2016 and the three months ended March 31, 2015 comprised 260,000,000 shares. For the three months ended March 31, 2016 and March 31, 2015, basic and diluted earnings per share amounted to KZT 24.81 and KZT 35.86, 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.

<i>In thousands of Tenge</i>	<b>31 March 2016</b>	31 December 2015
Total assets	603,912,510	595,336,614
Less: intangible assets	(961,343)	(1,036,367)
Less: total liabilities	(256,485,324)	(254,360,000)
<b>Net assets</b>	<b>346,465,843</b>	<b>339,940,247</b>
Number of ordinary shares	260,000,000	260,000,000
<b>Book value per share, Tenge</b>	<b>1,333</b>	<b>1,307</b>

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

**9. BORROWINGS**

<i>In thousands of Tenge</i>	<b>31 March 2016</b>	31 December 2015
International Bank of Reconstruction and Development (IBRD)	<b>74,715,156</b>	74,153,611
European Bank of Reconstruction and Development (EBRD)	<b>95,486,237</b>	97,076,928
	<b>170,201,393</b>	171,230,539
Less: current portion of loans repayable within 12 months	<b>(23,272,464)</b>	(22,090,879)
	<b>146,928,929</b>	149,139,660

Loans were denominated in the following currencies:

<i>In thousands of Tenge</i>	<b>31 March 2016</b>	31 December 2015
In United States dollars	<b>112,339,901</b>	110,952,763
In euro	<b>57,861,492</b>	60,277,776
	<b>170,201,393</b>	171,230,539

During the three months ended 31 March 2016 the Group made repayment of principal amount of loans amounting to KZT 5,401,650 thousand, and repayment of interest amounting to KZT 1,365,703, thousand. Additionally, the balance of borrowings and accrued interest increased by KZT 4,442,605 thousand as a result of changes in the exchange rate of tenge in relation to US Dollar and Euro during the three months ended 31 March 2016.

**10. TRADE AND OTHER ACCOUNTS PAYABLE**

<i>In thousands of Tenge</i>	<b>31 March 2016</b>	31 December 2015
Accounts payable for electricity purchased	<b>5,863,246</b>	4,507,777
Accounts payable for property, plant and equipment and construction works	<b>4,461,555</b>	8,091,105
Accounts payable for inventories, works and services	<b>896,037</b>	926,262
	<b>11,220,838</b>	13,525,144

Trade and other accounts payable as at 31 March 2016 and 31 December 2015 are stated in the following currencies:

<i>In thousands of Tenge</i>	<b>31 March 2016</b>	31 December 2015
Tenge	<b>9,611,598</b>	12,613,812
Russian rouble	<b>1,569,949</b>	782,163
United States dollar	<b>36,206</b>	64,961
Euro	<b>3,085</b>	64,208
	<b>11,220,838</b>	13,525,144

**11. OTHER CURRENT LIABILITIES**

<i>In thousands of Tenge</i>	<b>31 March 2016</b>	31 December 2015
Due to employees	<b>1,307,218</b>	555,197
Other	<b>181,690</b>	173,690
	<b>1,488,908</b>	728,887

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

**12. REVENUE**

<i>In thousands of Tenge</i>	<b>For the three months ended</b>	
	<b>31 March 2016</b>	<b>31 March 2015</b>
Electricity transmission	19,603,936	20,663,838
Technical dispatch	5,105,052	4,137,034
Balancing of electricity production and consumption	3,528,885	3,562,962
Revenue from sales of purchased electricity	2,446,934	172,414
Revenue from electricity sales for compensation of the interstate balances of electricity flows	804,259	702,451
Revenue from power regulation services	769,555	–
Other	348,359	297,712
	<b>32,606,980</b>	<b>29,536,411</b>
Discounts to customers	(127,916)	(64,095)
	<b>32,479,064</b>	<b>29,472,316</b>

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

During the three months ended 31 March 2016 the Group recognised revenue from power regulation to Uzbekenergo JSC for 2015 in the amount of KZT 769,555 thousand as a result of agreement reached with Uzbekenergo JSC.

For the three months ended 31 March 2016 the revenue from one customer, Samruk-Energo Group, amounted to KZT 4,806,880 thousand, arising from transmission, technical dispatching and balancing services.

For the three months ended 31 March 2015 the revenue from one customer, Samruk-Energo Group, amounted to KZT 4,468,289 thousand, arising from transmission, technical dispatching and balancing services.

**13. COST OF SALES**

<i>In thousands of Tenge</i>	<b>For the three months ended</b>	
	<b>31 March 2016</b>	<b>31 March 2015</b>
Depreciation and amortization	5,286,278	5,427,528
Technical losses of electric energy	4,896,255	6,219,843
Payroll expenses and related taxes	2,749,978	2,974,187
Cost of purchased electricity	2,443,360	155,927
Cost of purchased electricity for compensation of interstate balances of electricity flows	2,165,138	1,819,320
Repair and maintenance expenses	491,796	838,818
Security services	247,514	235,547
Inventories	115,536	106,000
Other	358,609	336,458
	<b>18,754,464</b>	<b>18,113,628</b>



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

**14. GENERAL AND ADMINISTRATIVE EXPENSES**

<i>In thousands of Tenge</i>	For the three months ended	
	31 March 2016	31 December 2015
Taxes other than income tax	1,244,381	1,729,039
Payroll expenses and related taxes	852,583	604,614
Depreciation and amortization	132,129	160,603
Insurance	55,288	35,023
Provision for doubtful receivables and impairment of advances	51,616	521,248
Utilities	32,211	35,217
Consulting services	27,759	33,855
Business trip expenses	25,387	25,898
Materials	18,634	14,803
Security services	9,434	8,792
Communication services	6,446	6,201
Trainings	5,106	12,326
Bank services	4,699	8,119
Rent expenses	520	6,549
Corporate events	416	4,617
Repair expenses	-	13
Reversal of provision for obsolete inventory	(34,247)	(21,803)
Other	201,188	172,976
	<b>2,633,550</b>	<b>3,358,090</b>

**15. FINANCE INCOME/(COSTS)**

<i>In thousands of Tenge</i>	For the three months ended	
	31 March 2016	31 March 2015
<b>Finance income</b>		
Interest income from deposits, current accounts and bonds	1,200,348	592,395
Amortization of discount on accounts receivable	386,402	334,440
Others	1,055	4,940
	<b>1,587,805</b>	<b>931,775</b>

<i>In thousands of Tenge</i>	For the three months ended	
	31 March 2016	31 March 2015
<b>Finance costs</b>		
Interest on loans	1,273,471	719,662
Commission on bank guarantees	43,304	22,092
Amortization of loan origination fees	22,131	21,936
Discount on account receivable	-	131,245
	<b>1,338,906</b>	<b>894,935</b>

**16. FOREIGN EXCHANGE (LOSS)/GAIN, NET**

On 20 August 2015 National Bank of Republic of Kazakhstan and Government of Republic of Kazakhstan decided to shift to freely floating currency exchange rate as a part of implementation of inflation targeting program. As a consequence of change of exchange rate of Tenge for the three months ended 31 March 2016, the Group incurred net foreign exchange loss in the amount of KZT 3,387,550 thousand (for the three months ended 31 March 2015: net foreign exchange gain in the amount of KZT 3,681,529 thousand).

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

**17. INCOME TAX EXPENSE**

<i>In thousands of Tenge</i>	For the three months ended	
	31 March 2016	31 March 2015
<b>Current income tax</b>		
Current income tax expense	18,289	1,199,447
Adjustments in respect of current income tax of previous years	8,687	(700)
<b>Deferred tax</b>		
Deferred income tax expense	1,589,726	1,199,282
<b>Total income tax expense reported in interim consolidated statement of comprehensive income</b>	<b>1,616,702</b>	<b>2,398,029</b>

**18. TRANSACTIONS WITH RELATED PARTIES**

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

The following table provides the balances of Trade accounts payable to/receivable from related parties as at 31 March 2016 and 31 December 2015:

<i>In thousands of Tenge</i>		Trade accounts receivable from related parties	Trade accounts payable to related parties
Subsidiaries of Samruk-Kazyna Group	2016	1,843,924	2,330,492
	2015	1,873,643	1,734,326
Associates of Samruk-Kazyna	2016	479,727	166,372
	2015	322,623	205,367
Entities under joint control of Samruk-Kazyna	2016	505,839	524,649
	2015	314,628	686,464
Associates of the Group	2016	43,511	10,212
	2015	47,602	11,883

The Group had the following transactions with related parties for the three months ended 31 March 2016 and 31 March 2015:

<i>In thousands of Tenge</i>		Sales to related parties	Purchases from related parties
Subsidiaries of Samruk-Kazyna Group	2016	5,542,388	5,213,808
	2015	6,593,157	2,784,544
Associates of Samruk-Kazyna	2016	1,668,536	99,987
	2015	1,080,225	294,669
Entities under joint control of Samruk-Kazyna	2016	1,265,247	575,952
	2015	697,789	3,685,893
Associates of the Group	2016	97,170	29,546
	2015	100,810	31,007

The Group’s sales to related parties mainly represent electricity transmission, technical dispatch and services on organizing and balancing of electricity production and consumption services. The Group’s purchases from related parties mainly represent communication services, energy services and purchase of electricity.

As at 31 March 2016 the Group’s borrowings of KZT 75,025,775 thousand were guaranteed by the Government of the Republic of Kazakhstan (31 December 2015: KZT 75,266,975 thousand).

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

**18. TRANSACTIONS WITH RELATED PARTIES (continued)**

In 2007-2009 the Group acquired bonds of an associate, Batys Transit JSC, an entity listed on the Kazakhstan Stock Exchange. The interest rate on the bonds is 8%. The bonds are classified as available for sale investments. Fair value is the price to sell an asset or transfer a liability, and therefore an exit price, not an entry price. The carrying value of Batys Transit bonds comprised KZT 868,269 thousand as of 31 March 2016 (31 December 2015: KZT 868,269 thousand).

Interest income accrued on bonds of Batys Transit JSC, the associate, amounted to KZT 20,713 thousand for the three months ended 31 March 2016 (for the three months ended 31 March 2015: KZT 12,945 thousand).

As of 31 March 2015 the Group had outstanding accounts receivable from Balkhash TES JSC for the sale of property, plant and equipment in the amount of KZT 219,851 thousand (31 December 2015: KZT 168,654 thousand) presented within long-term receivables from related parties. In accordance with sales agreement Balkhash TES JSC will repay the outstanding balance in December 2018. As at 31 March 2016 the discount on accounts receivable from Balkhash TES JSC comprised KZT 47,443 thousand (31 December 2015: KZT 51,197 thousand). For the three months ended 31 March 2016 the amortization of discount on accounts receivable comprised KZT 3,754 thousand .

On 30 September 2015 the Group has sold buildings and constructions with equipment and land located in Astana city to its related party Kazpost JSC for KZT 2,161,476 thousand. In accordance with sales agreement Kazpost JSC will repay the outstanding balance by equal monthly payments until June 2027. Accordingly, the Group discounted the future cash flows using discount rate of 10.37%, which is the Group Management’s best estimate of market rate. As of 31 March 2016 the discount on accounts receivable from Kazpost JSC comprised KZT 880,510 thousand. As of 31 March 2016 the receivable net of discount comprised KZT 1,280,966 thousand, of which KZT 1,133,593 thousand was accounted for within long-term receivables from related parties. For the three months ended 31 March 2016 the Group recognized income from amortization of discount on long-term receivables from Kazpost JSC in the amount of KZT 31,127 thousand.

Total compensation to key management personnel included in personnel costs in the consolidated statement of comprehensive income was KZT 32,944 thousand for the three months ended 31 March 2016 (for the three months ended 31 March 2015: KZT 43,104 thousand). Compensation to key management personnel mainly consists of contractual salary and performance bonus based on operating results.

**19. COMMITMENTS AND CONTINGENCIES**

**Operating environment**

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

The National Bank of the Republic of Kazakhstan shifted to inflation targeting policy. Starting from 20th August 2015 it was decided to cease the support of Tenge exchange rate against US dollar and other main currencies in order to decrease the volume of currency interventions and to reduce the influence on establishing the Tenge exchange rate. Official exchange rate before devaluation amounted to 188.38 Tenge per 1 US dollar. As at 31 March 2016 the exchange rate amounted to 343.62 Tenge per 1 US dollar.

The combination of the above along with other factors resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth. Management believes it is taking appropriate measures to support the sustainability of the Company’s business in the current circumstances.

**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 reported and discovered violations of Kazakhstan’s tax laws 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 the Republic 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 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 March 2016.

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

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**19. COMMITMENTS AND CONTINGENCIES (continued)**

**Taxation (continued)**

As at 31 March 2016, Management of the Group believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group’s tax positions will be sustained, except as provided for or otherwise disclosed in these interim condensed consolidated financial statements.

**Compliance with loan covenants**

From 1999 till 2011 the Group concluded loan facility agreements with EBRD and IBRD (the “Creditors”) for the amounts of 558 million US dollars and 233 million euro (*Note 9*). According to the Loan facility Agreements concluded between the Group and the Creditors, the Group has to comply with the following covenants:

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

Management believes that the Group complied with all existing loan covenants with EBRD and IBRD as at 31 March 2016 and 31 December 2015. The Group excludes from EBITDA the foreign exchange loss, as management believes that foreign exchange loss meets definition of non-cash impairment and as such shall be excluded from the calculation of EBITDA as provided in the loan agreement. As of 31 March 2016 the Group excluded from EBITDA the foreign exchange loss of KZT 3,387,550 thousand incurred during the three months ended 31 March 2016.

**Insurance**

As at 31 March 2016, the Group insured property and equipment with the recoverable value of KZT 157,471,141 thousand. The insurance payment is limited to the recoverable value of property 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 occurrence of any liabilities, no provision has been made in these consolidated financial statements for unexpected expenses associated with damage or loss of these assets.

**Contractual commitments**

To ensure the stable and reliable performance of the national electricity grid, the Group developed a capital investment plan. As at 31 March 2016, the Group’s outstanding contractual commitments within the frameworks of this plan amount to KZT 84,457,404 thousand (31 December 2015: KZT 84,277,398 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 on purchase of electricity from renewable energy sources**

According to the Government Decree No. 419 dated 29 April 2014, the tariffs for the purchase of electricity from renewable energy stations, which have been put into exploitation before the adoption of the Law on renewable energy No. 165-IV (“Law”) dated 4 July 2009, are equal to the tariffs stipulated in the technical-economic justification of the station. For the renewable energy producing organizations that have been put into exploitation after the Law adoption fixed tariffs approved by the Government decree of the Republic of Kazakhstan No. 645 dated 12 June 2014 are applied.

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

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**19. COMMITMENTS AND CONTINGENCIES (continued)**

**Tariff on sale of electricity from renewable energy sources**

Tariff on sale of electricity from renewable energy sources to consumers is calculated according to the Rules on Calculating the Tariffs on Supporting the Renewable Energy Sources approved by the Order of Minister of Energy No. 118 dated 20 February 2015. The sales tariff includes cost of purchased electricity, operating costs, cost of services on balancing production and profit margin and is calculated by the Group regularly.

Management believes that purchase and sales tariffs on electricity from renewable energy sources are applied and calculated properly in accordance with the applicable regulation and legislation.

**20. EVENTS AFTER REPORTING PERIOD**

**Redemption of “Batys Transit” bonds**

In April 2016 the Group signed agreements with Batys Transit on redemption of Batys Transit bonds at their nominal amount of 100 tenge per bond. According to these agreements redemption of Batys Transit bonds is planned to be made by the end of 2016.