NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

On 19 December 2014 the Company placed 25,999,999 ordinary 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 30 September 2019 and 31 December 2018 the Company had interest ownership in the following subsidiaries:

Company	Activity	Ownership share 30 September 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".

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

- *Electricity transmission services and related support*. Electricity transmission is regulated by the Law of the Republic of Kazakhstan dated 9 July 1998 No. 272-I *On Natural Monopolies and Regulated Markets* (the "Law") as the Group is a natural monopolist in electricity transmission, technical dispatch and electricity production-consumption balancing services. According to the Law, the Group's electricity transmission, technical dispatch and electricity production-consumption tariffs are approved by the Committee of the Republic of Kazakhstan for the Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy ("the Committee");
- *Services to ensure readiness of electricity capacity to bear the power load.* From 1 January 2019, the electricity capacity market was put into operation in the Republic of Kazakhstan, the main purpose of which is to ensure the balance reliability of the power system of the Republic of Kazakhstan. The balance security in the power system is the ability to meet consumers' demand for electricity at any given time;

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. GENERAL INFORMATION (continued)

- *Sale of purchased electricity*. The sale of purchased electricity segment includes the renewable energy sector (hereinafter – "RES") created by the Government of the Republic of Kazakhstan in order to create conditions for the development of the RES. The renewable energy sector is regulated by the Law of the Republic of Kazakhstan dated 4 July 2009 No. 165-IV On Supporting the Use of Renewable Energy Sources.

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

The accompanying interim condensed consolidated financial statements were signed by the Chairman of the Management Board and the Chief Accountant on 8 November 2019.

2. BASIS OF PREPARATION

The interim consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IAS) 34 *Interim Financial Statements* 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 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.

Basis of consolidation

The interim consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 September 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interests;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, in accordance with IFRS requirements, as would be required if the Group had directly disposed of the related assets or liabilities.

Recalculation of comparative information

In course of preparation of these interim consolidated financial statements reclassifications of comparative information for the previous reporting period were carried out. The effect of adjustments is presented in the following table:

In KZT thousands	As previously issued	Reclassification and adjustments	Note	Adjusted
Interim consolidated statement of comprehensive income for the nine months period ended on 30 September 2018				
Cost of services			[1]	(78.966.788)
General and administrative expenses	(9.844.729)	4.823.629	[1]	(5.021.100)
Gross profit	54.788.479	-		49.964.850
Interim consolidated statement of comprehensive income for the three months period ended on 30 September 2018				
Cost of services	(28.598.564)	(1.600.495)	[1]	(30.199.059)
General and administrative expenses	(3.207.698)	1.600.495	[1]	(1.607.203)
Gross profit	13.311.886	-		11.711.391

[1] In 2019, the Group reclassified property tax on the production assets from General and administrative expenses to the cost of sales. This reclassification did not affect the Group's net income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New standards, interpretations and amendments

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended on 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standards, interpretations or amendments that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 16 *Leases* that requires restatement of previous financial statements. As required by IAS **34, the nature and effect of these changes are disclosed below**.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim consolidated financial statements of the Group.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the full retrospective method of adoption with the date of initial application of 1 January 2019. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

To determine the lease component in renewable energy purchase agreements, the Group must evaluate the asset in the form of a right of use, since the lease payments under these agreements are variable. Purchase agreements provide for fixed tariffs in Tenge for each kWh of electricity generated at a power plant. However, the Group's management cannot determine with a reliable estimate the volume of electricity due to high fluctuations in the volumes of production that will be produced at each particular power plant, since the nature of the RES business is highly dependent on external factors, such as weather conditions.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 *Income Taxes*. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its interim consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The interpretation did not have an impact on the interim consolidated financial statements of the Group.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the interim consolidated financial statements of the Group.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

These amendments had no impact on the interim consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures*.

These amendments had no impact on the interim consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. Information on the effect of the application of amendments to IAS 23 is disclosed in *Note 16*.

Current versus non-current classification

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

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

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

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

Fair value measurement (Continued)

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

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

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

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

External valuers are involved for valuation of NES assets. Involvement of external valuers is decided upon annually by the finance management. Selection criteria include market knowledge, reputation, independence and whether professional

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

standards are maintained. The finance management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Foreign currency transactions

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

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

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

Foreign currency transactions (continued)

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

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

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

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

Exchange rate as at the end of the period (to Tenge)	**30 September 2019**	31 December 2018
USD 1	**387,63**	384,2
EUR 1	**423,49**	439,37
RUB 1	**6,02**	5,52

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Average exchange rate for the nine months period (to KZT)	**30 September 2019**	30 September 2018

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

USD 1	**381,51**	336,50
EUR 1	**428,73**	401,59
RUB 1	**5,87**	5,48

Property, plant and equipment

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

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

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

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

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

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

Land is not depreciated.

Due to changes in the National Classifier of Fixed Assets of the Republic of Kazakhstan effective from 1 January 2015 “NES Machinery and equipment” class has been separated from “NES facilities” class. Therefore, the Group renamed “NES facilities” into “NES assets” for the purposes of financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Intangible assets

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

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

Impairment of non-financial assets

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

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

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

Impairment losses of continuing operations, including impairment on inventories, are recognised in the interim consolidated statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for NES assets previously revalued with the revaluation taken to OCI. For such assets, the impairment is recognized in OCI up to the amount of any previous revaluation. For assets previously impaired, except for goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation surplus. In these cases, the reversal is recorded as an increase in value from revaluation.

Investments in associates

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments − initial recognition and subsequent measurement

Financial assets

Initial recognition and measurement

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

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

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

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

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

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

Initial recognition and measurement (Continued)

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

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

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

Subsequent measurement

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

Termination of acknowledgement

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset,
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Recognition of expected credit loss

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

Recognition of expected credit loss (Continued)

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

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

risk assessment of default as of the reporting date (based on modified contractual terms);

risk assessment of default upon initial recognition (based on the initial unmodified contractual terms).

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

acquired or created credit-impaired financial assets;

trade receivables or contractual assets arising from transactions that are within the scope of IFRS 15 *Revenue from Contracts with Customers*; and

lease receivables.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Measurement of expected credit loss

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

an unbiased and probability-weighted amount determined by assessing the range of possible results;

the time value of money;

reasonable and confirmed information about past events, current conditions and projected future economic conditions available at the reporting date.

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

Recognition of expected credit loss (Continued)

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans and borrowings

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

<u>Trade and other accounts payable</u>

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

Termination of acknowledgement

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

Offsetting of financial instruments

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

Inventories

Inventories are accounted for on a FIFO basis.

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

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

Cash and cash equivalents

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

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

Restricted cash

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

scheduled amounts of the principal debt and interest. If cash is restricted in use for the period not exceeding 12 (twelve) months from the reporting date, such cash is treated as current asset and an appropriate disclosure is provided in the notes to the interim consolidated financial statements. If cash is restricted in use for the period exceeding 12 (twelve) months from the reporting date, such cash is reflected within non-current assets.

Reserves

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

Revenue recognition

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

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

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

Identification of the contract with the consumer;

Identification of the obligation to be executed under the contract;

Determination of transaction price;

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

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

Revenue from rendering of services is recognized by reference to the stage of completion. The Group receives its revenue from rendering of transmission services of electricity from power generators to wholesale and major customers, technical dispatching of the input of electricity into the energy system and consumption of electricity,

organization of balancing of electricity producing and consumption and ensuring a contractual power supply with energy systems of neighbouring countries and other.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Interest income

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

Borrowing costs

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Lease

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

The Group as a lessee

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

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life

of the asset and the lease term. Operating lease payments are recognised as an operating expense in the interim consolidated statement of comprehensive income on a straight-line basis over the lease term.

Pension obligations

In accordance with the legislation of the Republic of Kazakhstan, the Group deducted 10% of employees' salaries, but no more than KZT 212,500 per month (2018: KZT 212,130) to accumulative pension funds. Pension fund payments are withheld from employees' salaries and included with payroll expenses in the interim consolidated statement of comprehensive income when they are incurred. The Group has no other retirement benefit obligations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current income tax

Current income tax assets and liabilities for the current and previous periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the interim consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all

or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Dividends

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

Contingent liabilities and contingent assets

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

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Estimates and assumptions

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Revaluation of property, plant and equipment

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

The revalued NES assets represent one class of assets according to IFRS 13, based on the nature, characteristics and risk of the property. Input data for determining the fair value of NES assets refer to Level 3 in the fair value hierarchy (unobservable inputs).
After 2017, the Committee approved an increase in tariffs for electricity transmission services, technical dispatching and balancing the production and consumption of electricity. Higher tariffs resulted in the revaluation surplus on certain assets credited to other comprehensive income

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

in the amount of KZT 113,259,316 thousand, and respective deferred tax liability in the amount of KZT 22,651,864 thousand and revaluation gain amounting to KZT 3,342,507 thousand was credited to profit and loss to the extent of revaluation deficit recognized in these assets in prior periods.

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

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

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

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

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

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

Taxes

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Fair values of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the interim consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including

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

the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the fair value reported in the interim consolidated financial statements.

Bonds DSFK

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

Management of the Group believes that at 30 September 2019 DSFK bonds are non-recoverable. Accordingly, management of the Group believes that fair value of DSFK bonds is limited to their recoverable amount that is equal to the fair value of the guarantee. The Group does not hold the bonds for all contractual cash flows, so as at 30 September 2019, the bonds were classified as financial instruments at fair value through profit or loss. As at 30 September 2019, the Group revalued the fair value of the bonds at a discount rate of 12.9%, which represents the market discount rate as at 30 September 2019.

Bonds of Samruk-Kazyna

During May-June 2018, the Group purchased coupon bonds of Samruk-Kazyna JSC with par value of KZT 26,000,000 thousand at Kazakhstan stock exchange JSC. The bonds were classified at amortised cost and initially recognized at fair value using a discount calculated at a market rate of 8.4%.

Purchase and sale of electricity generated by renewable energy facilities

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

5. OPERATING SEGMENTS INFORMATION

Geographic information

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

	For the nine months period ended on	
In KZT thousands	**30 September 2019**	30 September 2018
Revenue from Kazakhstan customers	**178.969.660**	122.338.887
Revenue from Russian customers	**11.620.579**	6.308.677
Revenue from Uzbekistan customers	**553.455**	261.471
Revenue from Kyrgys customers	**21.516**	22.603
Total revenue per interim consolidated statement of comprehensive income	**191.165.210**	128.931.638

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

For the nine months period ended on 30 September 2019 the revenue from one customer, Samruk-Energo Group, including its joint-ventures, amounted to KZT 27,560,585 thousand, arising from transmission, technical dispatching and balancing services (for the nine months period ended on 30 September 2018: KZT 25,808,178 thousand).

Operating segments

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

- *Electricity transmission services and related support.* Electricity transmission is regulated by the Law as the Group is a natural monopolist in electricity transmission, technical dispatch and electricity production-consumption balancing services. According to the Law, the Group's electricity transmission, technical dispatch and electricity production-consumption tariffs are approved by the Committee;
- *Services to ensure readiness of electricity capacity to bear the power load.* From 1 January 2019, the electricity capacity market was put into operation in the Republic of Kazakhstan, the main purpose of which is to ensure the balance reliability of the power system of the Republic of Kazakhstan. The balance security in the power system is the ability to meet consumers' demand for electricity at any given time;

5. Operating segments information(Continued)

- *Sale of purchased electricity.* The sale of purchased electricity segment includes the renewable energy sector (hereinafter – "RES") created by the Government of the Republic of Kazakhstan in order to create conditions for the development of the RES. The renewable energy sector is regulated by the Law of the Republic of Kazakhstan dated 4 July 2009 No. 165-IV On Supporting the Use of Renewable Energy Sources.

	For the nine months period ended on 30 September 2019					
In KZT thousands	**Electricity transmission and related support services**	**Services to ensure readiness of electricity capacity to bear the power load**	**Sale of purchased electricity**	**Other**	**Elimination**	**Total**
Revenue from sale to external customers	111.790.249	49.310.308	29.687.797	376.856	-	191.165.210

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Revenues from sale to other segments	86.162	2.524.624	9.086	2.764.375	(5.384.247)	-
Total revenue	**111.876.411**	**51.834.932**	**29.696.883**	**3.141.231**	**(5.384.247)**	**191.165.210**
Gross profit	36.809.607	6.917.384	1.078.075	739.783	(374.786)	45.170.063
General and administrative expenses	(5.075.738)	(150.565)	(74.924)	(337.858)	401.326	(5.237.759)
Costs of transportation and sales	(274.784)	-	-	-	20.941	(253.843)
Finance income	3.036.454	225.939	144.577	50.679	(330.382)	3.127.267
Financial expenditures	(6.369.964)	-	-	-	-	(6.369.964)
Share in profit of an associate	741.141	-	-	-	-	741.141
Exchange gain/loss, net	474.141	-	-	(23)	-	474.041
Depreciation, depletion and amortisation	(25.256.932)	(6.321)	(2.887)	(115.583)	-	(25.381.723)
Income tax expenses	(6.605.339)	(1.417.813)	(220.966)	(98.677)	-	(8.342.795)
Net profit/loss for the year from continuing operations	**23.085.889**	**5.684.345**	**885.906**	**415.526**	**(406.570)**	**29.665.096**
Total net profit/loss	**23.085.889**	**5.684.345**	**885.906**	**415.526**	**(406.570)**	**29.665.096**
Other segment information						
Total segment assets	741.466.886	21.034.456	9.561.116	4.032.729	(2.522.614)	773.572.573
Total segment liabilities	262.337.626	16.018.414	7.281.097	575.885	(821.625)	285.391.397
Provision for expected credit losses on doubtful debts	(15.828)	(502)	6.006	20.025	-	9.701
Investments in joint ventures and associates	1.849.008	-	-	-	-	1.849.008

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Operating segments information(Continued)

Operating segments (continued)

	For the nine months period ended on 30 September 2019					
In KZT thousands	Electricity transmission and related support services	Services to ensure readiness of electricity capacity to bear the power load	Sale of purchased electricity	Other	Elimination	Total
Revenue from sale to external customers	112.304.356	-	16.407.481	219.801	-	128.931.638
Revenues from sale to other segments	54.893	-	1.137	2.456.207	(2.512.237)	-
Total revenue	**112.359.249**	**-**	**16.408.618**	**2.676.008**	**(2.512.237)**	**128.931.638**
Gross profit	54.188.121	-	173.666	699.458	(272.766)	54.788.479
General and administrative expenses	(9.725.556)	-	(131.485)	(379.774)	392.086	(9.844.729)
Costs of transportation and sales	(180.2220	-	-	-	172	(180.050)
Finance income	3.920.998	-	112.200	74.936	(273.125)	3.835.009
Financial expenditures	(2.788.771)	-	-	-	-	(2.788.771)
Share in profit of an associate	509.388	-	-	-	-	509.388
Exchange gain/loss, net	(3.417.613)	-	(2)	(336)	-	(3.417.951)
Depreciation, depletion and amortisation	(17.250.505)	-	(3.532)	(108.429)	-	(17.362.466)
PPE and intangible assets impairment	159.988	-	-	-	-	159.988
Income tax expenses	(8.174.514)	-	(36.422)	(54.710)	-	(8.265.646)
Net profit/loss for the year from continuing operations	**31.581.124**	**-**	**144.228**	**358.417**	**(276.801)**	**31.806.968**
Total net profit/loss	**31.581.124**	**-**	**144.228**	**358.417**	**(276.801)**	**31.806.968**
Other segment information						
Total segment assets	641.771.944	-	5.513.677	4.332.213	(3.155.113)	648.462.721
Total segment liabilities	249.141.094	-	4.699.869	960.514	(1.090.597)	253.710.880
Provision for expected credit losses on doubtful debts	(447.346)	-	(3.097)	(19.354)	-	(431.089)
Investments in joint ventures and associates	1.291.469	-	-	-	-	1.291.469

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

During the nine months ended 30 September 2019, the Group acquired assets with a total initial value of KZT 10,287,766 thousand (for the nine months ended 30 Septmenber 2019: KZT 23,272,887 thousand). Acquisitions mainly comprise capital expenditures under the project "Construction of 500 kV line Shulbinskaya HPP (Semey) − Aktogai – Taldykorgan – Alma".

Depreciation accrued for the the nine months ended on 30 September 2019 amounted to KZT 25,381,723 thousand (for the nine months ended 30 September 2018: KZT 17,092,452 thousand).

Advances paid for non-current assets

As at 30 September 2019 advances paid for non-current assets mainly represent prepayments made to suppliers for construction works and services related to the project "Rehabilitation of 220-500 kV OHTL at KEGOC branches".

Capitalisation of loan and bond costs

During the nine months ended 30 September 2019, the Group capitalized the borrowing costs of coupon interest on the issued bonds, which amounted to KZT 2,118,729 thousand less investment income (for the three months ended 31 September 2018: KZT 5.846.120 thousand) *(Note 14).*

7. INVENTORIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

In thousands of tenge	**30 September 2019**	31 December 2018
Spare Parts	**1.235.245**	1.177.463
Raw and other materials	**1.716.565**	1.161.158
Fuel and lubricants	**110.305**	172.197
Other inventories	**71.538**	26.606
Less: allowance for obsolete inventories	**(322.442)**	(246.046)
	2.811.211	2.291.378

Movement in the allowance for obsolete inventories was as follows:

In thousands of tenge	**2019**	2018
As on 1 January	**246.046**	655.684
Charge for the period *(Note 20)*	**88.388**	2.960
Recovered *(Note 20)*	**(11.992)**	(82.233)
As on 30 September	**322.442**	576.411

8. TRADE ACCOUNTS RECEIVABLE

In thousands of tenge	**30 September 2019**	31 December 2018
Trade accounts receivable	**27.457.897**	11.276.617
Less: allowance for doubtful debts	**(1.957.245)**	(2.024.770)
Less: discount on accounts receivable	**-**	–
	25.500.652	9.251.847

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

In thousands of tenge	**2019**	2018
As on 1 January	**2.024.770**	1.409.589
Effect of adoption of IFRS 9		113.156
Charged for the period	**384.537**	613.842
Recovered	**(451.996)**	(225.646)
Written off	**(66)**	–
As on 30 September	**1.957.245**	1.910.941

As at 30 September 2019 trade accounts receivable included accounts receivable from the customer, Uzbekenergo JSC, in the amount of KZT 1,708,706 thousand (31 December 2018: KZT 1.645.773 thousand).

As at 30 September 2019 provision for debts from Uzbekenergo JSC amounted to KZT 1,428,857 thousand (31 December 2018: KZT 1,339,036 thousand).

Trade accounts receivable was denominated in the following currencies:

In thousands of tenge	**30 September 2019**	31 December 2018
KZT	**24.203.849**	8.207.636
Russian rouble	**1.016.954**	737.474
US dollar	**279.849**	306.737
	25.500.652	9.251.847

9. OTHER FINANCIAL ASSETS

In thousands of tenge	**30 September 2019**	31 December 2018

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Financial assets at amortised cost		
Bonds of Samruk-Kazyna	**25.744.203**	25.342.228
Bank deposits	**19.198.178**	18.786.773
Placements with Eximbank Kazakhstan	**2.930.115**	2.930.115
Notes of the National Bank of the Republic of Kazakhstan	**-**	-
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	**1.689.640**	-
Placements with KazInvestBank JSC	**1.239.455**	1.261.470
Placements with DeltaBank JSC	**1.230.000**	1.230.000
Bonds of Batys-Transit	**-**	998.558
Interest accrued on Samruk-Kazyna bonds	**73.667**	463.667
Interest accrued on Republic of Kazakhstan National Bank Notes		-
Interest accrued on Ministry of Finance Eurobonds	**29.577**	-
Interest accrued on Batys Transit bonds		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	**(1.239.455)**	(1.261.470)
Less: provision for impairment of placements with DeltaBank JSC		(1.230.000)
Less: provision for expected credit losses	**(175.832)**	(86.316)
Less: provision for expected credit losses of Batys Transit bonds	**-**	(92.315)
	46.559.433	45.469.457
Financial assets at fair value through profit or loss		
Bonds of Special Financial Company DSFK	**294.670**	267.040
	294.670	267.040
Total other financial assets	**46.854.103**	45.736.497
Other current financial assets	**44.869.905**	20.127.229
Other non-current financial assets	**1.984.198**	25.609.268
Total other financial assets	**46.854.103**	45.736.497

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

In thousands of tenge	**2019**	2018
As on 1 January	**5.600.216**	2.512.483
Effect of adopting IFRS 9 *(Note 3)*	**-**	643.320
Charged for the period	**83.517**	3.152.002
Recovered	**(108.331)**	(482.663)
As on 30 September	**5.575.402**	5.825.142

Bonds of Samruk-Kazyna

During May-June 2018, the Group purchased coupon bonds of Samruk-Kazyna JSC with par value of KZT 26,000,000 thousand at Kazakhstan stock exchange JSC. The bonds were classified as valued at amortized cost and recognized at fair value. The estimated discount on the purchased bonds amounted to KZT 1,068,648 thousand, of which KZT 613,921 thousand the Group recognized as finance costs. During the nine months ended 30 September 2019, the amortization of the discount amounted to KZT 401,975 thousand. The bonds mature on 13 March 2020.

Bonds of Special Financial Company DSFK LLP

During the nine months ended 31 September 2019, Special Financial Company DSFK LLP redeemed bonds amounting to KZT 22,140 thousand.

Since the bonds are held by the Group not for collecting all contractual cash flows as at 30 September 2019, the Group classifies them as carried at fair value through profit or loss. As on 30 September 2019, the Group reassessed the fair value of the bonds and increased their carrying value to KZT 294,670 thousand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 was 10.5%. The bonds are classified as financial assets carried at amortised cost. The bonds maturity period was extended from 30 March, 2019 to 30 November 2025. In September 2019, the Group sold bonds of Batys Transit JSC in the unorganized market at the price of KZT 100 per 1 bond, the coupon interest amounted to KZT 52.559 thousand.

Deposits

As on 30 September 2019 and 31 December 2018 the deposits include accrued interest income in the amount of KZT 79,943 thousand and KZT 52,198 thousand, respectively.

Placements with Eximbank Kazakhstan JSC

As an 31 December 2017, the Group's deposits in Eximbank Kazakhstan (hereinafter referred to as "Eximbank") amounted to USD 8,000 thousand (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 an 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.

Notes of the National Bank of the Republic of Kazakhstan

On 12 April 2019, the Group acquired discount notes of the National Bank of the Republic of Kazakhstan in the amount of 70,000 thousand units with a nominal value of KZT 7,000,000 thousand at a price lower than the nominal value and for a total amount of KZT 6,800,514 thousand at Kazakhstan Stock Exchange JSC. In June 2019, the Group partially sold notes in the total amount of KZT 4,917,905 thousand, recognizing a loss on sale in the amount of KZT 6,230 thousand. During the reporting period, an income of KZT 123,420 thousand was recognized. In August 2019, the notes were fully sold.

Eurobonds of the Ministry of Finance of the Republic of Kazakhstan

On 26 April 2019, the Group acquired Eurobonds of the Ministry of Finance of the Republic of Kazakhstan in the amount of 4,200,000 with the interest rate of 3.875% per annum and maturity until October 2024 at a price higher than the nominal amount of USD 4,368 thousand (equivalent yo KZT 1,656,736 thousand).

Other financial assets were denominated in the following currencies:

In thousands of tenge	**Interest rate**	**30 September 2019**	31 December 2018
KZT	12.7%	**26.474.394**	28.020.599
US dollar	1%-1,5%	**20.379.709**	17.715.898
		46.854.103	45.736.497

10. RESTRICTED CASH

In thousands of tenge	**30 September 2019**	31 December 2018

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Cash on reserve accounts	**2.970.361**	2.895.401
Cash on debt service accounts	**1.758.060**	1.122.487
Reserve funds to be returned as contractors' collaterals	**193.579**	204.168
Less: provision for expected credit losses	**(5.718)**	(46.480)
	4.916.282	4.175.576

As an 30 September 2019 and 31 December 2018 restricted cash are mainly represented by 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 the Group's loans *(Note 13)*, 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 movement in the provision for expected credit losses on restricted cash was as follows:

In thousands of tenge	**2019**	2018
As on 1 January	**46.480**	–
Effect of adoption of IFRS 9		86.409
Charged for the period	**15.757**	40.238
Recovered	**(56.519)**	(65.292)
As on 30 September	**5.718**	61.355

As an 30 September 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	**30 September 2019**	31 December 2018
US dollar	**4.722.939**	3.971.500
KZT	**193.343**	204.076
	4.916.282	4.175.576

11. CASH AND CASH EQUIVALENTS

In thousands of tenge	As an 30 September 2019	31 December 2018
Short-term deposits, in KZT	**21.181.370**	12.671.231
Current accounts with banks, in KZT	**8.200.493**	2.1.477
Current accounts with banks, in foreign currencies	**884.260**	19.634
Cash on hand	**3.459**	3.914
Cash on special accounts	**19.393**	580
Short-term deposits, in foreign currencies	**-**	3.380.960
Less: provision for expected credit losses	**(26,571)**	(9.096)
	30.262.711	19.060.700

As at 30 September 2019 and 31 December 2018 the Group placed short-term deposits with banks at 7%-8.5% per annum.

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

In KZT thousand	**2019**	2018
As on 1 January	9.096	-
Effect of adoption of IFRS 9	**-**	43.225
Charged for the period	**17.381**	150.903

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Recovered	**(231)**	(181.297)
As on 30 September	**26.264**	12.831

As on 30 September 2019 and 31 December 2018, cash and cash equivalents were denominated in the following currencies:

In KZT thousand	**30 September 2019**	31 December 2018
KZT	**29.379.545**	15.661.766
USD	**216.241**	3.394.135
EUR	**1.317**	3.242
RUB	**665.298**	1.240
Other	**310**	317
	30.262.711	19.060.700

12. EQUITY

As at 30 September 2019 and 31 December 2018 share capital of the Group comprised of 260,000,000 shares for the total amount of KZT 126,799,554 thousand that were issued and fully paid.

The Group placed 25,999,999 ordinary 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 30 September 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 1,390 of floating shares for the total amount of KZT 930 thousand.

Earnings per share

Basic and diluted earnings per share are calculated by dividing net profit for the period by the weighted average number of common shares outstanding during the period. The Group had weighted average number of common shares in circulation in the amount of 259,998,610 shares during the nine-month period ended 30 September 2019 (for the nine-month period ended 30 September 2018: 259,998,610 shares). For the nine-month period ended 30 June 2019 and 2018 basic and diluted earnings per share were KZT 114.1 and KZT 122.33, respectively.

Book value per share

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

In KZT thousand	**30 September 2019**	31 December 2018
Total assets	**773.572.573**	755.850.702
Less: intangible assets	**(1.459.954)**	(1.472.307)
Less: total liabilities	**(285.391.397)**	(283.156.898)
Net assets	**486.721.222**	471.221.497
Number of ordinary shares	**260.000.000**	260.000.000
Book value per ordinary share, KZT	**1.872**	1.812

Asset revaluation reserve

Asset revaluation reserve represents revaluation surplus recognized as a result of revaluation of Group's NES assets as at 1 October 2018 (previous revaluation was held as at 1 June 2014) Transfer of asset revaluation surplus into retained earnings, upon disposal of PPE and transfer of NES assets into other classes of PPE, for the nine-month period ended

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 Spetmber 2019 amounted to KZT 371,916 thousand (for the nine-month period ended 30 Septmber 2018: KZT 11,845 thousand).

13. BORROWINGS

In KZT thousand	**30 September 2019**	31 December 2018
The International Bank for Reconstruction and Development (IBRD)	**49.018.826**	55.146.729
The European Bank for Reconstruction and Development (EBRD)	**18.301.895**	19.155.131
	67.320.721	74.301.860
Less: current portion of loans repayable within 12 months	**(8.498.810)**	(11.420.710)
	(58.821.911)	62.881.150

Loans were denominated in the following currencies:

In KZT thousand	**30 September 2019**	31 December 2018
USD	**49.018.826**	55.146.729
EUR	**18.301.895**	19.155.131
	67.320.721	74.301.860

During the nine months ended 30 September, 2019, the Group repaid the outstanding loan debt in the amount of KZT 6,297,177 thousand (KZT 5,347,372 thousand during the nine months ended 30 September 2018), as well as payment accrued interest in the amount of KZT 2.324.586 thousand (KZT 1.828.877 thousand during the nine months ended 30 September 2018). Also, as a result of changes in the FX rate of the KZT against the USD dollar and EUR, the balance of loans and accrued interest decreased by KZT 245.031 thousand during the nine months ended 30 September , 2019 (during the nine months ended September 30, 2018 it increased by KZT 5,712,090 thousand).

14. BONDS

In KZT thousand	**30 September 2019**	31 December 2018
Nominal value of bonds issued	**83.800.000**	83.800.000
Accrued coupon interest	**1.663.594**	4.097.122
Less: discount on issued bonds	**(88.095)**	(93.747)
Less: transaction costs	**(43.514)**	(46.149)
	85.331.985	87.757.226
Less: current portion of bonds repayable within 12 months	**(1.663.594)**	(4.097.122)
	83.668.391	83.660.104

For the nine months ended 30 June 2019 the Group capitalized in the cost of property, plant and equipment amortized discount of KZT 3,747 thousand (for the six-month period ended 30 June 2018: KZT 5,653 thousand) and amortized transaction costs in the amount of KZT 1,747 thousand (for the six months period ended 30 June 2018: KZT 2,635 thousand).

During the nine-month period ended 30 September 2019 the Group capitalized the borrowing costs of coupon interest on the issued bonds less investment income in the amount of KZT 2,118,728 thousand (for the nine-month period ended 30 September 2018: KZT 5.846.120 thousand) *(Note 6)*.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. TRADE AND OTHER ACCOUNTS PAYABLE

In KZT thousand	**30 September 2019**	31 December 2018
Non-current accounts payable		
Accounts payable for property, plant and equipment and construction in progress	**–**	–
Less: discount on accounts payable	**–**	–
	–	–
Short-term trade payables and other accounts payable		
Accounts payable for property, plant and equipment and construction in progress	**3.300.551**	14.902.860
Accounts payable for electricity purchased	**14.899.257**	6.145.704
Accounts payable for inventories, works and services	**13.590.295**	1.599.150
Less: discount on accounts payable	**(2.417)**	(2.417)
	31.787.686	22.645.297
	31.787.686	22.645.297

As at 30 September 2019 and 31 December 2018 trade and other accounts payable are denominated in the following currencies:

In KZT thousand	**30 September 2019**	31 December 2018
KZT	**29.095.494**	21.281.317
RUB	**2.692.192**	1.314.273
USD	**-**	39.215
EUR	**-**	10.492
	31.787.686	22.645.297

16. TAXES PAYABLE OTHER THAN INCOME TAX

In KZT thousand	**30 September 2019**	31 December 2018
VAT payable	**1.846.456**	1.143.918
Contributions payable to pension fund	**118.467**	327.461
Individual income tax	**100.823**	258.047
Social tax	**86.731**	212.394
Property tax	**1.385**	113.427
Social contribution payable	**45.706**	75.179
Miscellaneous	**5.102**	14.015
	2.204.670	2.144.441

17. OTHER CURRENT LIABILITIES

In KZT thousand	**30 September 2019**	31 December 2018
Due to employees	**2.042.272**	3.116.621
Miscellaneous	**434.055**	285.378
	2.476.327	3.401.999

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. REVENUE FROM CONTRACTS WITH CUSTOMERS

In KZT thousand	For three-month period ended **As on 30 September 2019**	For three-month period ended As on 30 September 2018	For nine-month period ended **As on 30 September 2019**	For nine-month period ended As on 30 September 2018
Electricity transmission	**26.006.428**	24.833.975	**76.743.688**	78.148.084
Sale of services to ensure readiness of electricity capacity to bear the power load	**16.158.832**		**49.310.308**	
Revenue from sale of the purchased electricity	**12.846.800**	6.479.295	**29.709.313**	16.430.084
Technical dispatching services	**5.490.708**	5.400.948	**16.695.523**	17.815.200
Electricity generation and consumption balancing services	**3.869.795**	3.741.122	**11.986.377**	12.132.820
Sale of electricity for compensation of the interstate balances of electricity flows	**1.647.400**	1.012.040	**4.859.728**	3.012.630
Power regulation services	**113.173**	56.966	**553.455**	261.471
Miscellaneous	**523.463**	386.104	**1.306.818**	1.131.349
	66.656.599	41.910.450	**191.165.210**	128.931.638

KZT thousand	For nine-month period ended **As on 30 September 2018**	For nine-month period ended As on 30 September 2018
Revenue recognition timeline		
The goods are transferred at a certain point in time	**34.569.041**	19.442.714
The services are provided over a period of time	**156.596.169**	109.488.924
Total revenue from contracts with customers	**191.165.210**	128.931.638

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

19. COST OF SERVICES

KZT thousand	For three-month period ended **As on 30 September 2019**	For three-month period ended As on 30 September 2018	For nine-month period ended **As on 30 September 2019**	For nine-month period ended As on 30 September 2018
Cost of electricity availability readiness services	**14.956.558**	–	**44.917.548**	–
Depreciation and amortisation	**8.349.176**	5.646.624	**24.804.448**	16.883.636
Cost of purchased	**12.740.404**	6.410.544	**28.554.162**	16.202.663

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

electricity				
Technical losses of electric energy	**3.548.894**	4.805.882	**11.090.854**	14.480.176
Payroll expenses and other deductions associated with payroll	**3.384.803**	3.626.165	**10.805.286**	10.267.348
Costs for purchase of electricity to compensate for interstate electricity balance flows	**5.099.451**	4.668.343	**11.988.445**	8.752.938
Taxes	**2.221.784**	1.600.495	**6.684.501**	4.823.629
Repair and maintenance expenses	**2.324.795**	1.949.668	**4.186.739**	4.150.967
Security expenses	**293.160**	300.327	**860.320**	878.607
Inventories	**99.947**	509.739	**182.385**	912.900
Miscellaneous	**743.972**	681.272	**1.920.459**	1.613.924
	53.762.944	30.199.059	**145.995.147**	78.966.788

20. GENERAL AND ADMINISTRATIVE EXPENSES

	For the three months ended		For nine months ended on	
KZT thousand	**30 September 2019**	30 September 2018	**30 September 2019**	30 September 2018
Taxes excluding income tax	**39.898**	85.128	**115.375**	238.726
Payroll expenses and other deductions associated with payroll	**863.488**	976.419	**3.015.740**	2.846.967
Depreciation and amortisation	**185.335**	166.616	**577.275**	478.830
Rental costs of software use rights	**30.709**	72.590	**104.114**	128.371
Business trip expenses	**35.647**	49.997	**104.711**	97.139
Expenses for the Board of Directors	**16.448**	30.617	**89.909**	129.530
Rental costs	**31.975**	29.938	**109.016**	85.336
Materials	**17.042**	20.444	**47.310**	55.631
Utility costs	**13.992**	18.483	**53.332**	75.343
Education and trainings	**22.620**	11.089	**49.267**	71.092
Insurance expenses	**19.103**	8.953	**42.968**	47.388
Charge/(reversal) for obsolete inventories *(Note 7)*	**(15.094)**	(2.959)	**76.396**	(79.273)
Consultant services	**60.237**	(91.176)	**93.650**	304.252
Other	**389.561**	231.064	**758.696**	541.768
	1.710.961	1.607.203	**5.237.759**	5.021.100

21. FINANCE INCOME/(COSTS)

	For the three months ended		For nine months ended on	
KZT thousand	**30 September 2019**	30 September 2018	**30 September 2019**	30 September 2018
Finance income				
Interest income on deposits, current accounts and quoted bonds	**983.028**	1.231.392	**2.780.436**	9

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Income from recognition of discount on accounts payable	**-**	–	**-**	–
Depreciation of discount	**230.508**	221.614	**687.355**	581.317
Miscellaneous	**27**	132	**516**	6.996
	1.213.563	1.453.138	**3.468.307**	4.716.042
Less: interest capitalized into the cost of qualified property, plant and equipment *(Note 6)*	**(47.359)**	(173.723)	**(341.040)**	(881.033)
	1.166.204	1.279.415	**3.127.267**	3.835.009
Financial expenses				
Interest on loans	**2.570.598**	2.795.087	**8.130.701**	8.383.004
Bank security fee	**153.878**	37.955	**626.103**	434.064
Amortization of loan origination fee	**10.914**	10.557	**19.901**	19.575
Discount expenses	**2.793**	6.645	**9.023**	656.946
Interest expenses under finance lease	**8.995**	6.251	**28.005**	18.703
Other expenses for bonds issued	**2.443**	1.973	**16.000**	3.632
	2.749.621	2.858.468	**8.829.733**	9.515.924
Less: interest capitalized into the cost of qualified property, plant and equipment *(Note 6)*	**(350.962)**	(2.171.750)	**(2.459.769)**	(6.727.153)
	2.398.659	686.718	**6.369.964**	2.788.771

22. INCOME TAX EXPENSES

	For three months ended on		**For nine months ended on**	
KZT thousand	**30 September 2019**	30 September 2018	**30 September 2019**	30 September 2018
Current income tax				
Current income tax expenses	**469.878**	1.787.186	**6.655.431**	8.971.893
Adjustments in respect of current income tax of previous year	**1.175**	(11.383)	**(393.469)**	7.009
Deferred tax				
Deferred tax benefit	**2.813.720**	(331.412)	**2.080.833**	(713.256)
Total income tax expense reported in profit or loss	**3.284.773**	1.444.391	**8.342.795**	8.265.646

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

KZT thousand	**30 September 2019**	31 December 2018
Deferred tax assets	**7.114**	3.760
Deferred tax liability	**(92.254.389)**	(90.170.202)
Net deferred tax liabilities	**(92.247.275)**	(90.166.442)

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

23. TRANSACTIONS WITH RELATED PARTIES

Related parties include key management personnel of the Group, enterprises in which a substantial interest in the

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 provides the balances of trade accounts payable to/receivable from related parties as at 30 September 2019 and 31 December 2018:

KZT thousand		Accounts receivable from related parties	Accounts payable to related parties
Subsidiaries of Samruk-Kazyna Group	**30 September 2019**	**6.811.959**	**6.561.727**
	31 December 2018	2.164.091	2.429.524
Samruk-Kazyna associates	**30 September 2019**	**498.395**	**886.523**
	31 December 2018	282.452	446.573
Samruk-Kazyna joint ventures	**30 September 2019**	**542.293**	**1.201.161**
	31 December 2018	284.393	50.160
Group associates	**30 September 2019**	**38.675**	**–**
	31 December 2018	114.214	–

For the nine months ended 30 September 2019 and 2018, the Group had the following related party transactions:

KZT thousand		Sales to related parties	Purchases from related parties
Subsidiaries of Samruk-Kazyna Group	**2019**	**32.040.302**	**25.878.698**
	2018	27.881.276	16.220.321
Samruk-Kazyna associates	**2019**	5.433.456	2.005.560
	2018	6.349.104	848.093
Samruk-Kazyna joint ventures	**2019**	5.258.240	4.619.398
	2018	3.887.620	32.788
Group associates	**2019**	327.799	5.317
	2018	303.033	3.974

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 30 September 2019 the Group's borrowings of KZT 49,266,534 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 10.5%. The bonds are classified as financial assets carried at amortised cost. . In September 2019, the Group sold bonds of Batys Transit JSC in the unorganized market at the price of KZT 100 per 1 bond, the coupon interest amounted to KZT 52.559 thousand.

As at 31 September 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 must repay the outstanding balance before the end of 2018. However, as at 30 September 2019 the debt was not paid off. 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 at 30 September 2019 the discount on accounts receivable from Kazpost JSC amounted to KZT 463,097 thousand. As at 30 September

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2019 the receivables net of discount comprised KZT 1,061,505 thousand, of which KZT 862,618 thousand was accounted for within long-term receivables from related parties. During the nine months period ended 30 September 2019, the Group recognized income from amortization of a discount on long-term receivables from Kazpost JSC in the amount of KZT 81,529 thousand (during the nine months period ended on 30 September 2018: KZT 87,433 thousand).

In 2017, the Group entered into a long-term contract with a related party, Samruk-Kazyna Business Service 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 September 2019, the arrears amounted to KZT 294,997 thousand (as at 31 December 2018: KZT 193,498 thousand).

Compensation to key management personnel and all related expenses (taxes, contributions, sick leaves, vacation pay, material assistance and others) included in salary expenses in the interim consolidated statement of comprehensive income amounted to KZT 479,272 thousand for the nine months period ended 30 September 2019 (for the nine months period ended 30 September 2018: KZT 371,481 thousand). Compensation to key management personnel mainly consists of contractual salary and performance bonus based on operating results.

24. 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.

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

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including an opinion on the IFRS approach regarding revenue, expenses and other accounts of financial statements. The current regime of penalties and interest related to unreported and discovered violations of Kazakhstan law are severe. Penalties are generally 50% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 1.25. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 30 September 2019.

Compliance with loan covenants

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Management believes that the Group complied with all existing loan covenants with EBRD and IBRD as at 30 September 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 on 30 September 2019 the Group excluded from EBITDA the nine-month foreign exchange gain of KZT 474.041 thousand (during the nine-month period ended 30 September 2018: the foreign exchange loss of KZT 3,417,951 thousand).

Insurance

As at 30 September 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 operating assests. Since the 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 consolidated financial statements for unexpected expenses associated with damage or loss of such assets.

CONTRACTUAL COMMITMENTS

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

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

Temporary compensating tariffs for consumers for 2019, approved by the Committee for the following regulated services of the Group:

- 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;
- Organization of balancing the production and consumption of electric energy in the amount of KZT 0.088 per kWh.

Tariff on sale of electricity from renewable energy sources

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 centre 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 calculation and application of tariff for the support of renewable energy sources was carried out properly and in accordance with the applicable rules and legislation.

The management believes that the calculation and application of tariff for the support of renewable energy sources was carried out properly and in accordance with the applicable rules and legislation.

Tariffs for the provision of services to ensure the readiness of electricity capacity to bear the power load

By order of the Minister of Energy of the Republic of Kazakhstan dated 7 September 2018 No. 357, the “RFC” LLP was determined as a single purchaser who carries out a centralized purchase of services to maintain readiness of electricity capacity and centralized rendering of services to ensure readiness of electric capacity to bear the power load.

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The main goal of entering the electricity capacity market from 1 January 2019 is to ensure the balance reliability of the energy system of Kazakhstan. The balance security in the power system is the ability to meet consumers' demand for electricity at any given time;

Balance reliability refers to the ability of a power system to meet consumer demand for electricity at any given time. According to subparagraphs 3), 4) and 5) of paragraph 2 of Article 10-3 of the Law of the Republic of Kazakhstan *On the Electric Power Industry*, a single purchaser purchases a service to maintain the readiness of electric capacity and centrally provides services to ensure that the electricity capacity is ready to bear the power load. The price of the service to ensure the readiness of electricity capacity to bear the power load for 2019 is 613,413 Tenge / MW * month.

25. SUBSEQUENT EVENTS

On 7 October 2019 the Company made the last payment as per the schedule EBRD loan in the amount of KZT 1,762,139 thousand, including repayment of principal amount of KZT 1,585,837 thousand, interest KZT 176,301 thousand.

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