



«SAMRUK-ENERGY» JSC

Condensed Consolidated Interim Financial Statements (unaudited)

31 March 2017

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SAMRUK-ENERGY JSC
Condensed Consolidated Interim Statement of Financial Position

<i>In thousands of Kazakhstani Tenge</i>	Note	31 March 2017 (unaudited)	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	5	770,180,745	776,271,640
Investment property		641,056	667,785
Intangible assets		2,179,221	2,205,269
Exploration and evaluation asset		-	-
Investments in joint ventures and associates	6	90,563,381	85,906,040
Other non-current assets	7	19,150,368	17,853,935
Total non-current assets		882,714,771	882,904,669
Current assets			
Inventories	8	10,032,013	9,681,538
Trade and other receivables	9	21,408,226	16,160,097
Other current assets	10	40,760,035	44,776,628
Income tax prepaid		1,268,462	1,227,286
Cash and cash equivalents	11	25,567,975	17,350,461
Assets of disposal group, classified as held-for-sale		76,442,453	76,947,129
Total current assets		175,479,164	166,143,139
TOTAL ASSETS		1,058,193,935	1,049,047,808

Signed on behalf of management on 12 May 2016


 Kairat B. Maxutov
 Managing Director on Economy and
 Finance


 Saule B. Tulekova
 Head of Accounting and Tax
 Department –
 Chief Accountant

SAMRUK-ENERGY JSC
Condensed Consolidated Interim Statement of Financial Position

<i>In thousands of Kazakhstani Tenge</i>	Note	31 March 2017 (unaudited)	31 December 2016
EQUITY			
Share capital	12	373,314,888	373,314,888
Other reserves	12	127,672,246	127,639,376
Retained earnings		37,010,010	12,481,878
Equity attributable to the Group's equity holders		537,997,144	513,436,142
Non-controlling interest		3,505,541	3,159,992
TOTAL EQUITY		541,502,685	516,596,134
LIABILITIES			
Non-current liabilities			
Ash dump restoration provision		1,482,770	1,473,639
Employee benefit obligations		1,064,068	1,087,713
Borrowings	13	193,487,231	194,444,957
Other non-current liabilities	14	3,469,481	3,594,317
Deferred income tax liabilities		81,538,080	80,218,904
Total non-current liabilities		281,041,630	280,819,530
Current liabilities			
Ash dump restoration provision		163,458	163,458
Borrowings	13	181,071,953	193,115,643
Employee benefit obligations		106,765	107,624
Trade and other payables	15	22,269,273	24,136,902
Taxes payable and other payables to budget	21	2,943,735	2,532,182
Income tax payable	21	907,851	168,687
Liabilities of disposal group, classified as held-for-sale		28,186,585	31,407,647
Total current liabilities		235,649,620	251,632,143
TOTAL LIABILITIES		516,691,250	532,451,673
TOTAL LIABILITIES AND EQUITY		1,058,193,935	1,049,047,808
Book value of common share, Tenge	23	96,279	91,828

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SAMRUK-ENERGY JSC
Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income

<i>In thousands of Kazakhstani Tenge</i>	Note	1 quarter 2017	1 quarter 2016 (restated) *
Revenue	16	60,203,696	48,589,834
Cost of sales	17	(40,777,901)	(34,058,545)
Gross profit		19,425,795	14,531,289
Other income, net		(3,100,359)	(745,040)
Distribution costs	18	(2,932,307)	(2,898,104)
General and administrative expenses	6	4,803,642	1,046,664
Share of profit of joint ventures and associates		-	(291,122)
Finance income	19	12,108,661	1,058,377
Finance costs	20	(6,070,268)	(6,937,058)
Other income		914,538	235,301
Other expenses		(442,540)	(73,470)
Profit before income tax		24,707,162	5,926,837
Income tax expense	21	(2,578,236)	(1,813,994)
Profit for the period from continuing operations		22,128,926	4,112,843
Profit from discontinued operations	22	2,744,755	1,408,801
Profit for the period		24,873,681	5,521,644
Other comprehensive loss			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of post-employment benefit obligations		32,870	-
Total comprehensive income for the period		24,906,551	5,521,644
Profit is attributable to:			
Equity holders of the Group		24,528,132	5,309,770
Non-controlling interest		345,549	211,873
Profit for the period		24,873,681	5,521,644
Total comprehensive income attributable to:			
Equity holders of the Group		24,561,002	5,309,770
Non-controlling interest		345,549	211,873
Total comprehensive income for the period		24,906,551	5,521,644
<i>Earnings per share, Tenge</i>		<i>4,440</i>	<i>989</i>

* - Comparative information has been adjusted to reflect transfer from discontinued operations (Note 2)

SAMRUK-ENERGY JSC
Condensed Consolidated Interim Statement of Changes in Equity

<i>In thousands of Kazakhstani Tenge</i>	Note	Attributable to equity holders of the Group				Non- controlling interest	Total equity
		Share capital	Other reserves	Retained earnings	Total		
Balance at 1 January 2016		355,650,405	127,578,106	(3,236,425)	479,992,086	2,528,351	482,520,437
Profit for the period				5,309,771	5,309,771	211,873	5,521,644
Other comprehensive income				-	-	-	-
Total comprehensive income				5,309,771	5,309,771	211,873	5,521,644
Balance at 31 March 2016		355,650,405	127,578,106	2,073,346	485,301,857	2,740,224	488,042,081
Balance at 1 January 2017		373,314,888	127,639,376	12,481,878	513,436,142	3,159,992	516,596,134
Profit for the period		-	-	24,528,132	24,528,132	345,549	24,873,681
Other comprehensive income		-	32,870	-	32,870	-	32,870
Total comprehensive income		-	32,870	24,528,132	24,561,002	345,549	24,906,551
Balance at 31 March 2017 (unaudited)		373,314,888	127,672,246	37,010,010	537,997,144	3,505,541	541,502,685

* - Comparative information has been adjusted to reflect transfer from discontinued operations (Note 2).

«SAMRUK-ENERGY» JSC

Notes to the Condensed Consolidated Interim Financial Statements – 31 March 2017

<i>In thousands of Kazakhstani Tenge</i>	Note	3 months, ended 31 March 2017	*3 months, ended 31 March 2016
Cash flows from operating activities			
Total cash inflows		61,925,098	54,619,866
Sale of products and goods		48,326,902	11,104,874
Sales of services		1,604,258	1,520,881
Advances received		9,688,286	40,855,534
Interest received from credit institutions		367,572	561,266
Interest received on cash		267,796	176,508
Others		1,670,284	400,803
Total cash outflows		(45,860,127)	(38,856,472)
Payments to suppliers		(14,676,545)	(11,176,578)
Advances paid		(14,927,631)	(13,619,133)
Payment of salary expenses		(6,441,061)	(5,909,200)
Payment of interest on loans received	13	(2,973,654)	(3,718,454)
Corporate income tax		(749,359)	(1,280,534)
Other payments to the budget		(4,088,797)	(2,727,965)
Others		(2,003,080)	(424,608)
Net cash from operating activities of continuing operations		16,064,971	15,763,394
Net cash from operating activities from discontinued operations		3,517,918	2,300,952
Cash flows from investing activities			
Total cash inflows		9,841,879	17,225,277
Proceeds from sale of fixed assets		169,214	-
Proceeds from sale of interest in jointly-controlled entities		-	2,194,110
Return of bank deposits		5,981,025	11,973,667
Dividends and other payments from jointly-controlled entities		1,656,344	-
Others		2,035,296	3,057,500
Total cash outflows		(15,165,269)	(39,425,195)
Acquisition of fixed assets		(8,568,373)	(23,441,742)
Purchase of intangible assets		(9,728)	(118,567)
Acquisition of shares in associates		-	(1,158,330)
Placement of bank deposits		(4,807,317)	(12,476,050)
Others		(1,779,851)	(2,230,506)
Net cash from investing activities of continuing operations		(5,323,390)	(22,199,918)
Net cash from investing activities from discontinued operations		(2,115,673)	(1,853,656)
Cash flows from financing activities			
Total cash inflows		8,973,676	6,244,721
Other contributions of controlling owners		-	-
Other contributions of non-controlling owners		-	-
Proceeds from short-term loans received		3,500,000	5,445,532
Proceeds from long-term loans received		5,473,676	799,189
Total cash outflows		(11,148,774)	(18,734,724)
Payment of principal on short-term loans received		(6,811,572)	(16,541,240)
Payment of principal on long-term loans received		(4,014,094)	(2,189,990)

«SAMRUK-ENERGY» JSC

Notes to the Condensed Consolidated Interim Financial Statements – 31 March 2017

<i>In thousands of Kazakhstani Tenge</i>	Note	3 months, ended 31 March 2017	*3 months, ended 31 March 2016
Dividends paid:			
- shareholders of the parent company		-	-
- non-controlling owners		(675)	(359)
Others		(322,433)	(3,135)
Net cash from investing activities of continuing operations		(2,175,098)	(12,490,003)
Net cash from investing activities from discontinued operations		(1,893,128)	(756,188)
Foreign exchange effect on Cash and cash equivalents		(395,348)	717,824
Net (decrease)/increase in cash and cash equivalents of continuing operation		8,171,135	(18,208,703)
Net (decrease)/increase in cash and cash equivalents from discontinued operation		(490,883)	(308,892)
Cash and cash equivalents at the beginning of the year of continuing operation		17,350,461	31,927,511
Cash and cash equivalents at the beginning of the year from discontinued operation		1,258,132	-
Cash and cash equivalents at the end of the year of continuing operation	11	25,567,975	13,409,916
Cash and cash equivalents at the end of the year from discontinued operation		720,870	-

* - Comparative information has been adjusted to reflect transfer from discontinued operations (Note 2).

1 Samruk-Energy Group and Its Operations

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, "Interim financial reporting" for six months period ended 31 March 2017 for Samruk-Energy JSC (the "Company") and its subsidiaries (together referred to as the "Group").

The Company was incorporated on 18 April 2007 and registered on 10 May 2007. The Company is a joint stock company, and was set up in accordance with regulations of the Republic of Kazakhstan. The Group was established for the purpose of consolidation of entities in electric power industry of the Republic of Kazakhstan.

The Company's shareholder is Samruk-Kazyna National Welfare Fund JSC ("Samruk-Kazyna") (Note 12).

The Company's immediate parent company is Samruk-Kazyna. The Company's ultimate controlling party is the Government of the Republic of Kazakhstan.

Principal activity

The Group's principal activities are production of electricity, heat energy, hot water on the basis of coal, hydrocarbons and water resources, and sale to households and industrial enterprises, transmission of electricity and technical distribution of electricity within the network, construction of power stations, leasing of property of power stations, development of the renewable energy sources and others. Principal subsidiaries, joint ventures and associates are disclosed in Note 25.

The operations of the Group's subsidiaries and joint ventures, which are dominant entities and natural monopolists in certain areas, are regulated by the Law of the Republic of Kazakhstan on Natural Monopolies and Regulated Markets, the Law on Competition and the Restriction of Monopolistic Activity (the "Antimonopoly legislation"). The tariff is regulated based on type of energy company and regulated by the Committee on Regulation of Natural Monopolies of the Ministry of Economics of the Republic of Kazakhstan ("Committee") or by the relevant ministry - Ministry of Energy of the Republic of Kazakhstan.

Electricity tariffs for energy producers are approved by the order of the Minister of Energy #160 dated 27 February 2015 on Approval of Cap for Tariffs for the period from 2016 to 2018. Tariffs for the supply of electricity produced by objects on use of renewable energy sources are fixed and approved by the Decree of the Government of Republic of Kazakhstan according to the Renewable Energy technology (separately for wind, solar and other sources), and are subject to annual indexation. Wherein financial center acts as a buyer, and energy producing organizations act as a seller. Tariffs for transmission and distribution of electricity, production of heat energy and energy supply are regulated by Committee on Regulation of Natural Monopolies and Competition Protection of Ministry of Economics. Regulation and control are performed in accordance with the legislation.

The tariff related decisions are significantly exposed to social and political issues. Economic, social and other policies of the Government of the Republic of Kazakhstan may have the significant effect on the Group's operations.

Registered address and place of business

The registered address and place of Company's Head Office is: Kabanbai Batyr Avenue 15A, Astana, Republic of Kazakhstan.

2 Basis of Preparation and Significant Accounting Policies

Basis of preparation

These condensed consolidated interim financial statements for the three-month period ended 31 March 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting, under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value. The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2016, which have been prepared in accordance with IFRS. The principal accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those of the previous financial year except for accounting for income taxes.

Income tax expenses for the interim period are accrued using the calculated effective tax rate that would be applicable for the financial year.

Seasonality of operations

The Group's operations are exposed to the seasonal fluctuations. Fluctuations in electricity transmission volume, production of heat and electricity relate to heating season from October to April. Also, the Group's repair and maintenance works are subject to seasonality. Significant amount of maintenance and repair work are expected to be carried out in second half of 2017 that will significantly increase the Group's expenses, downtime of power units and decreased level of electricity production.

Exchange rates

At 31 March 2017 the exchange rate used for translation of foreign currency balances was 1 US Dollar = Tenge 313.73 (31 December 2016: 1 US Dollar = Tenge 339.29).

Changes in presentation of financial statements

In December 2015 the Government adopted a new Decree RK "On some issues of privatization for 2016-2020."

On 23 of November 2016 the Board of Directors approved the terms of disposal of a number of the subsidiaries in accordance with the Decree of the Government on the privatization of assets. As of 31 December 2016 all assets and liabilities of East Kazakhstan regional electricity distribution company (VKREC), Shygys Energo Trade LLP (SHET), Mangistau electricity distribution company (MEDC), Aktobe TPS, Mangyshlak Munay (MM), Tegis Munay (TM) have been included in disposal group.

Consolidated statement of profit or loss and other comprehensive income for the previous year has been restated and presented in accordance with the current year presentation.

The effect of reclassifications for presentation purposes was as follows on amounts at 31 December 2016:

<i>In thousands of Kazakhstani Tenge</i>	As original for the year ended 31 March 2016	Aktobe TPS	MEDC	VKREC	ShET	MM	TM	ntercompany eliminations adjustments	As restated for and the year ended 31 March 2016
Revenue	62,350,230	(2,193,224)	(2,658,375)	(3,686,260)	(8,098,922)	-	-	2,876,386	48,589,834
Cost of Sales	(45,549,249)	1,838,068	1,558,453	2,248,596	8,727,670	-	-	(2,882,085)	(34,058,545)
Gross profit	16,800,981	(355,156)	(1,099,922)	(1,437,664)	628,748	0	0	(5,699)	14,531,289
Distribution costs	(769,645)	-	24,605	-	-	-	-	-	(745,040)
General and administrative expenses	(3,403,089)	73,178	223,863	93,513	60,814	46,799	6,818	-	(2,898,104)
Share of profit of joint ventures and associates	1,046,664	-	-	-	-	-	-	-	1,046,664
Impairment of assets	(290,918)	(204)	-	-	-	-	-	-	(291,122)
Finance income	1,037,311	(41)	(36,163)	(1,897)	(93)	-	-	59,261	1,058,377
Finance costs	(7,110,197)	15,098	129,887	87,352	-	63	-	(59,261)	(6,937,058)
Other income (net)	206,825	(7,096)	(22,984)	(12,434)	(8,380)	200	0	5,699	161,831
Profit/(loss) before income tax	7,517,932	(274,220)	(780,714)	(1,271,130)	681,089	47,062	6,818	(0)	5,926,837
Income tax expense	(1,996,288)	36,212	75,697	70,384	-	-	-	-	(1,813,994)
Profit/(loss) for the year from continuing operations	5,521,644	(238,008)	(705,017)	(1,200,746)	681,089	47,062	6,818	(0)	4,112,843
Profit/(loss) from discontinued operations	-	-	-	-	-	-	-	1,408,801	1,408,801
Profit/(loss) for the year	5,521,644	(238,008)	(705,017)	(1,200,746)	681,089	47,062	6,818	1,408,801	5,521,644

2 Basis of Preparation and Significant Accounting Policies (continued)

New Accounting Pronouncements

New and amended standards and interpretations should be applied in the preparation of the first interim financial statements issued after their effective date. There are no new IFRSs or IFRICs that are effective for the first time for this interim period and that would be expected to have a material impact on the Group.

A set of new standards, amendments to standards and interpretations is not effective as at 31 March 2016. The requirements of these amended standards have not been considered for the preparation of these condensed consolidated interim financial statements. The Group plans to adopt these standards as they become effective. Currently, the Group has not yet completed the analysis of potential effect of these standards on its financial statements.

3 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The preparation of interim consolidated financial statements required management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016, with the exception of change in estimates that are required in determining the provision for income taxes.

Recognition of revenue from electricity sales

The Group recognises revenue when the electricity is supplied according to the meter readings of the electricity consumers. The meter readings are provided by the customers on a monthly basis and checked by the Group for correctness on a sample basis. Since the procedures for invoicing of the consumed electricity have a cycle nature, the Group sold the significant volume of electricity at the end of the reporting period, for which invoices have not been issued to the customers. The Group recognises revenue for electricity sold from the moment of the last meter reading taking to the end of the reporting period on the basis of estimate. According to the Group's approach, the daily amount of purchased electricity consumed but not invoiced is determined as at the end of the reporting month which is then multiplied by the selling price.

4 Balances and Transactions with Related Parties

Related parties are defined in IAS 24, Related Party Disclosures. Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Company's parent entity and ultimate controlling party are disclosed in Note 1.

The related parties include the companies under control of Samruk-Kazyna. Transactions with the state owned entities are not disclosed when they are entered into in the ordinary course of business with terms consistently applied to all public and private entities i) when they are not individually significant, ii) if the Group's services are provided on the standard terms available for all customers, or iii) where there is no choice of supplier of such services as electricity transmission services, telecommunications and etc.

The nature of relations with those related parties with whom the Group entered into transactions or had balances outstanding at 31 March 2017 and 31 December 2016 is detailed below.

At 31 March 2017, the outstanding balances with related parties were as follows:

<i>In thousands of Kazakhstan Tenge</i>	Companies under common control	JVs and associates of Samruk-Energy	JVs and associates of Samruk-Kazyna	Shareholder	Government related entities
Trade and other receivables	1,211,032	313,188	61,266	-	4,680,839
Cash and cash equivalents	126	-	-	-	609,853
Other current assets	1,107,400	222,731	-	226,731	-
Borrowings	-	-	730,154	57,006,040	20,305,455
Trade and other payables	2,812,453	2,070,451	187,301	86,856	1,471,619

4 Balances and Transactions with Related Parties (continued)

At 31 December 2016, the outstanding balances with related parties were as follows:

<i>In thousands of Kazakhstan Tenge</i>	Companies under common control	JVs and associates of Samruk-Energy	JVs and associates of Samruk-Kazyna	Shareholder	Government related entities
Trade and other receivables	1,551,209	350,306	61,335	-	3,754,544
Cash and cash equivalents	33,699	-	-	-	284,000
Other current assets	110,793	1,728,179	-	-	93
Other non-current assets	-	-	-	223,491	-
Borrowings	-	-	755,359	58,381,851	22,339,053
Trade and other payables	2,746,724	1,856,038	3,353	59,987	292,461

The income and expense items with related parties for three months ended 31 March 2017 were as follows:

<i>In thousands of Kazakhstan Tenge</i>	Companies under common control	JVs and associates of Samruk-Energy	JVs and associates of Samruk-Kazyna	Shareholder	Government related entities
Revenue	9,133,819	700,264	768,020	-	8,432,062
Cost of sales	12,056,287	5,926,606	2,713	-	855,144
General and administrative expenses	84,594	-	-	-	-
Distribution costs	3,092,620	-	-	-	-
Other expenses	132,541	-	-	23,990	-
Other income	130,476	10,022	1,080	-	-
Finance costs	-	-	-	1,275,311	350,113
Finance income	-	-	-	3,240	-
Income (loss) on foreign exchange	-	(10,564)	-	-	(703,257)

4 Balances and Transactions with Related Parties (continued)

The income and expense items with related parties for three months ended 31 March 2016 were as follows:

<i>In thousands of Kazakhstan Tenge</i>	Companies under common control	JVs and associates of Samruk-Energy	JVs and associates of Samruk-Kazyna	Shareholder	Government related entities
Revenue	6,581,615	711,252	678,641	-	6,881,181
Cost of sales	9,303,745	4,853,677	2,296	-	1,005,035
General and administrative expenses	99,476	-	-	-	-
Distribution costs	658,351	-	-	-	-
Other expenses	1,075	-	-	25,930	-
Other income	117,779	-	9	-	-
Finance costs	-	-	-	1,392,721	383,068
Finance income	80,355	-	-	3,240	-
Income (loss) on foreign exchange	(70,286)	53,354	-	-	385,475

Key management compensation is presented below:

<i>In thousands of Kazakhstani Tenge</i>	3 months ended 31 March 2017	3 months ended 31 March 2016
Key management compensation	34,346	50,797
Total key management compensation	34,346	50,797

Key management personnel compensation represents the salaries, bonuses and other short-term employee benefits. Key management personnel as at 31 March 2017 include 9 persons (31 March 2016: 11 persons).

5 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

<i>In thousands of Kazakhstan Tenge</i>	Buildings and constructions	Machinery and equipment	Other	Construction in progress	Total
Cost at 1 January 2016	217,917,315	580,570,951	17,300,740	117,391,527	933,180,533
Accumulated depreciation and impairment	(33,976,076)	(87,441,141)	(5,450,237)	(1,466,743)	(128,334,197)
Carrying amount at 1 January 2016	183,941,239	493,129,810	11,850,503	115,924,784	804,846,336
Additions	1,289	160,588	129,181	19,220,431	19,511,489
Transfers	1,124,657	138,675	3,628	(1,266,960)	-
Depreciation	(2,824,708)	(7,882,409)	(322,803)	-	(11,029,920)
Impairment charge to profit or loss	-	-	-	(291,941)	-
Disposals	(1,188)	(38,825)	(728)	-	(40,741)
Carrying amount at 31 March 2016	182,241,289	485,507,839	11,659,784	133,586,314	812,995,226

5 Property, Plant and Equipment (continued)					
Cost at 31 March 2016	219,042,073	580,831,389	17,725,740	135,053,057	952,652,259
Accumulated depreciation and impairment	(36,800,784)	(95,323,550)	(6,065,956)	(1,466,743)	(139,657,033)
Carrying amount at 31 March 2016	182,241,289	485,507,839	11,659,784	133,586,314	812,995,226
Cost at 1 January 2017	222,263,504	581,115,509	13,231,709	103,875,116	920,485,838
Accumulated depreciation and impairment	(37,220,988)	(100,851,617)	(4,434,306)	(1,707,287)	(144,214,198)
Carrying amount at 1 January 2017	185,042,515	480,263,893	8,797,404	102,167,828	776,271,640
Additions	20,919	265,572	64,300	4,866,628	5,217,419
Transfers	2,315,205	391,303	17,507	(2,724,615)	-
Depreciation	(2,756,864)	(8,311,367)	(220,741)	-	(11,288,972)
Disposals	(1,234)	(16,393)	(1,716)	-	(19,343)
Carrying amount at 31 March 2017	184,620,541	472,593,608	8,656,755	104,309,841	770,180,745
Cost at 31 March 2017	224,638,778	581,687,590	13,306,504	106,002,268	925,635,140
Accumulated depreciation and impairment	(40,018,237)	(109,093,982)	(4,649,749)	(1,692,427)	(155,454,395)
Carrying amount at 31 March 2017	184,620,541	472,593,608	8,656,755	104,309,841	770,180,745

* - Comparative information has been restated to reflect results of transfer to discontinued operations (Note 2).

Additions for 3 months ended 31 March 2017 include capitalized borrowing costs in the amount of 405,083 thousands tenge (2016: 6,596,352 thousands tenge).

As at 31 March 2017 the property, plant and equipment with carrying value of 5,562,563 thousands tenge (31 December 2016: 5,601,990 thousands tenge) were pledged as collateral for borrowings received by the Group (Moinak EDC) from JSC "Development Bank of Kazakhstan".

Depreciation charge is allocated to the following items of profit and loss for the year:

<i>In thousands of Kazakhstani Tenge</i>	3 months ended 31 March 2017	3 months ended 31 March 2016
Cost of sales	11,071,142	10,785,126
General and administrative expenses	213,889	244,794
Other expenses	3,941	-
Total depreciation charge	11,288,972	11,029,920

6 Investment Property

The table below summarises the movements in the carrying amount of the Group's investment in joint ventures and associates.

	Joint ventures		Associate	Total
	EGRES-2	Forum Muider	BTES	
<i>In thousands of Kazakhstani Tenge</i>				
Balance at 1 January 2016	29,522,946	25,524,702	16,999,930	72,047,578
Contribution to share capital	-	-	1,158,330	1,158,330
Share of profit or loss of joint ventures and associates	(566,686)	1,780,273	(166,923)	1,046,664
Dividend received	-	(310,469)	-	(310,469)
Balance at 31 March 2016	28,956,260	26,994,506	17,991,337	73,942,103
Balance at 1 January 2017	31,810,629	26,524,888	27,570,522	85,906,040
Share of profit or loss of joint ventures and associates	1,281,682	3,264,495	257,465	4,803,642
Dividend received	-	(146,301)	-	(146,301)
Balance at 31 March 2017	33,092,311	29,643,083	27,827,987	90,563,381

As of 31 March 2017, The Group has interests in the following jointly controlled entities:

- EGRES-2 – 50%. The remaining 50% interest is owned by Inter-RAO UES OJSC.
- Forum Muider – 50%. The remaining 50% is owned by UC RUSAL.

The Group has shares in associated company: Balkhash TPP (50% minus 1 share), where the controlling party is Samsung C&T. The entity is registered in the Republic of Kazakhstan and established by the Group in 2008 for the construction of the Balkhash thermal power plant.

7 Other Non-Current assets

<i>In thousands of Kazakhstani Tenge</i>	31 March 2017	31 December 2016
Restricted cash	843,196	895,025
Bonds	-	-
Long-term deposits	62,525	62,525
Total other financial non-current assets	905,721	957,550
Prepayments for non-current assets	16,656,273	15,302,114
Non-current VAT recoverable	1,429,099	1,429,099
Other non-current assets	159,274	165,172
Total other non-current assets	19,150,368	17,853,935

Gross amount of prepayments for non-current assets includes advances and prepayments for the following types of construction and fixed assets:

<i>In thousands of Kazakhstani Tenge</i>	31 March 2017	31 December 2016
Modernization of Shardara GES	8,255,879	7,453,393
Construction and reconstruction of substations in Almaty and Almaty region	6,030,764	5,479,090
Construction of administrative building	2,200,000	2,200,000
Reconstruction and expansion of HPP-2 of ALES	164,157	138,680
Other	5,473	30,951
Total prepayments for non-current assets	16,656,273	15,302,114

Non-current VAT recoverable

Non-current VAT recoverable represent asset on input VAT recognised as a result of purchase of goods and services at the territory of the Republic of Kazakhstan mainly for the construction of Moinak HPS. Management believes that this amount will be recovered in full in the future as Moinak HPS has been put into operation.

8 Inventories

<i>In thousands of Kazakhstani Tenge</i>	31 March 2017	31 December 2016
Auxiliary production materials	5,542,749	5,421,363
Fuel	4,092,944	4,113,423
Spare parts	747,745	617,517
Raw materials	26,557	24,416
Other materials	562,390	479,012
Less: provision for write down to net realisable value and provision for slow-moving and obsolete inventories	(940,372)	(974,193)
Total inventories	10,032,013	9,681,538

9 Trade and Other Receivables

<i>In thousands of Kazakhstani Tenge</i>	31 March 2017	31 December 2016
Trade receivables	21,298,226	16,054,148
Less: impairment provision	(253,072)	(217,216)
Total financial receivables	21,045,154	15,836,932
Other receivables	4,028,549	4,147,560
Less: impairment provision	(3,665,478)	(3,824,395)
Total trade and other receivables	21,408,226	16,160,097

Trade and other receivables are financial receivables of the Company and as at 31 March 2017 and 31 December 2016 are denominated in Tenge. Their carrying values approximate to fair values due to the short-term nature.

10 Other Current Assets

<i>In thousands of Kazakhstani Tenge</i>	31 March 2017	31 December 2016
Term deposits	28,851,458	31,569,244
Bonds	226,731	223,491
Restricted cash	5,802,605	6,399,315
Dividends receivable	218,136	1,728,179
Total other current financial assets	35,098,931	39,920,229
VAT recoverable and prepaid taxes	913,671	2,141,687
Advances to suppliers	3,278,850	1,406,572
Assets held for the benefit of the Shareholder	1,096,605	1,096,559
Other	1,011,642	851,239
Less: impairment provision	(639,663)	(639,658)
Total other current assets	40,760,035	44,776,628

Restricted cash represents cash received from electricity sales placed to the pledge account according to the loans agreement with the Development Bank of Kazakhstan and the Development Bank of China. Management believes that it will be able to use this cash not only for the repayment of interest on loans, but also for covering its operating expenses. Restricted cash balances are held in USD.

As at 31 March 2017 the Group had placed restricted cash on bank accounts of Kazinvestbank JSC in amount of 381,368 thousands tenge and accrued a provision for these funds as a result of the decree #291 dated 26 December 2016 of National Bank of Kazakhstan on withdrawal of banking license of Kazinvestbank JSC.

On behalf of the Shareholder, the Group has made a commitment for the construction of a kindergarten in Astana for the amount of 1,174,068 thousands tenge. The Group has accrued liability for the estimated amount of construction for amount of 1,174,068 thousands tenge as other distributions to shareholder. As at 31 December 2016, the Group incurred expenses associated with the construction of a kindergarten of 1,096,605 thousands tenge and transferred an advance payment of 36,306 thousands tenge. These actually incurred expenses are recorded as current assets held for the benefit of shareholders, as it is expected that these assets will be transferred to the shareholder during 2017 as the distribution of income to the shareholder pursuant to the decision of the shareholder.

11 Cash and Cash equivalents

<i>In thousands of Kazakhstani Tenge</i>	31 March 2017	31 December 2016
Deposits on demand	13,273,502	12,828,149
Cash at current bank accounts	12,268,449	4,503,007
Cash on hand	14,468	19,305
Cash in transit	11,556	-
Total cash and cash equivalents	25,567,975	17,350,461

Term deposits and current deposits have contractual maturity terms less than three months or are available on demand.

Cash and cash equivalents balances are denominated in the following currencies:

<i>In thousands of Kazakhstan Tenge</i>	31 March 2017	31 December 2016
Kazakhstani Tenge	17,916,665	15,244,231
US Dollar	7,033,738	2,042,227
Other currencies	617,572	64,003
Total cash and cash equivalents	25,567,973	17,350,461

12 Equity

Share capital

	Issue date	Number of authorised and issued shares	Value per share, Tenge	Share Capital, (thousands of Tenge)
Balance at 1 January 2015		5,585,437		355,364,386
Payment of unpaid portion of previous issues: 14 th issue of shares	15 of July 2015	286	1,000,065	286,019
Balance of 31 December 2015		5,585,723		355,650,405
Payment of unpaid portion of previous issues: 15-я эмиссия акций 15-я эмиссия акций	6 of April 2016 23 of August 2016	10,964 2,761	1,000,044 1,340,000	10,964,483 3,699,740
Balance at 31 December 2016		5,601,687		373,314,888
Payment of unpaid portion of previous issues:	-	-	-	-
Balance at 31 March 2017		5,601,687		373,314,888

At 31 March 2017, 5,601,687 issued common shares were fully paid (31 December 2016: 5,601,687 shares). Each ordinary share carries one vote. The Company does not have any preference shares.

Other reserves

	Merger reserve	Result of transactions with shareholders	Other comprehensive loss	Total
<i>In thousands of Kazakhstani Tenge</i>				
Balance at 1 January 2016	37,282,287	90,607,549	(311,730)	127,578,106
Other comprehensive loss	-	-	-	-
Balance at 31 March 2016	37,282,287	90,607,549	(311,730)	127,578,106
Balance at 1 January 2017	37,282,287	90,607,549	(250,460)	127,639,376
Other comprehensive loss	-	-	32,870	32,870
Balance at 31 March 2017 г.	37,282,287	90,607,549	(217,589)	127,672,247

13 Borrowings

<i>In thousands of Kazakhstani Tenge</i>	31 March 2017	31 December 2016
Non-current portion		
Bank term loans	137,488,028	137,031,748
	54,275,042	55,764,655
Loans from customers	1,724,161	1,648,554
Bonds issued	-	-
Total borrowings-non-current portion	193,487,231	194,444,957
Current portion		
Bonds issued	158,136,411	166,751,874
Bank term loans	19,098,893	22,657,845
Loan from Samruk-Kazyna	2,730,999	2,617,196
Loans from customers	655,293	638,370
Notes payable	450,358	450,358
Total borrowings-current portion	181,071,953	193,115,643
Total borrowings	374,559,185	387,560,600

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13 Borrowings (continued)

Presented below are carrying amounts of borrowings by the Group entities:

<i>In thousands of Kazakhstani Tenge</i>	31 March 2017	31 December 2016
<i>Samruk-Energy</i>		
Samruk-Kazyna	57,006,042	58,381,852
Kazkommertsbank	10,173,333	10,180,000
Sberbank	5,473,782	1,953,608
Eurobonds	158,136,411	166,751,874
Total Samruk-Energy	230,789,568	237,267,334
<i>AZhC</i>		
Loans from customers	2,369,664	2,383,016
Halyk Bank	2,577,192	1,442,445
Notes payable	450,358	450,358
Total AZhK	5,397,214	4,275,818
<i>Almaty Power Station</i>		
Halyk Bank	6,127,162	7,845,934
Total Almaty Power Station	6,127,162	7,845,934
<i>Moinak HPS</i>		
State Development Bank of China	50,895,585	53,732,805
Development Bank of Kazakhstan	20,305,455	22,339,093
Total Moinak HPS	71,201,040	76,071,897
<i>AlmatyEnergoSbyt</i>		
Halyk Bank	2,045,370	2,254,827
Total AlmatyEnergoSbyt	2,045,370	2,254,827
<i>PVES</i>		
Eurasian Development Bank	12,679,764	13,174,957
Total PVES	12,679,764	13,174,957

13 Borrowings (continued)

<i>In thousands of Kazakhstani Tenge</i>	31 March 2017	31 December 2016
<i>Shardara HPS</i>		
EBRD	13,071,550	11,560,938
Total Shardara HPS	13,071,550	11,560,938
<i>EGRES-1</i>		
Halyk Bank	33,246,654	35,105,833
Total EGRES-1	33,246,654	35,105,833
<i>Energiya Semirechya</i>		
Zhetisu SPK	863	3,061
Total Energiya Semirechya	863	3,061

Below table represents carrying amounts and fair values of borrowings.

<i>In thousands of Kazakhstani Tenge</i>	<u>Carrying amounts</u>		<u>Fair values</u>	
	31 March 2017	2016	31 March 2017	2016
Bonds	158,136,411	166,751,874	157,528,786	167,789,851
Loans from customers	2,379,454	2,286,924	2,585,512	2,331,773
Bank term loans	156,586,921	159,689,592	156,381,096	162,426,872
Notes payable	450,358	450,358	450,358	450,358
Loan from Samruk-Kazyna	57,006,041	58,381,852	67,888,057	53,653,250
Total borrowings	374,559,185	387,560,600	384,833,808	386,652,104

The following significant changes occurred in borrowings after the year ended 31 December 2016:

Samruk-Energy

Samruk-Kazyna

On 17 March 2010 the Group signed a loan agreement with Samruk-Kazyna for amount of 48,200,000 thousands tenge for the purpose of re-financing of debt arising as the result of acquisition of 50% interest in Forum Muider. The loan carries an interest rate of 1.2% per annum with maturity not later than 15 September 2029. The principal amount is payable in equal annual instalments and interest is payable by semi-annual payments starting from the following reporting year after the receipt of loan.

On 14 January 2011 the Group signed a loan agreement with Samruk-Kazyna for amount of 7,000,000 thousands tenge for the purpose of financing construction of substation of AZhK. The loan carries an interest rate of 2% per annum with maturity not later than 25 January 2024. The principal amount is payable at maturity and interest is payable by semi-annual payments.

On 16 January 2014 the Group signed a loan agreement with Samruk-Kazyna for amount of 200,000,000 thousands tenge for the purpose of acquisition of remaining share in EGRES-1. The principal amount is payable on 1 December 2028 and interest at 7.8%.

Subsequently, on 3 October 2014, the loan agreement was substantially modified pursuant to the addendum #1 to the loan agreement #369 in the following way:

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- Principal amount 100,000,000 thousands tenge was extinguished as a contribution to share capital (12th issue of shares).
- Interest rate on the remaining principal amount was increased to 9%, which approximates the market interest rate.

On 25 December 2015 the loan agreement was significantly amended in accordance with the amendment #2 to credit agreement #369-I, the interest rate on the principal amount was reduced to 1% per annum. Management estimates that the reduction of the interest rate to a non-market rate of 1% and the change of the priority of a loan to a subordinated one represent a significant change in the conditions of the loan. Management believes that such a change in the conditions of the loan should be considered as an extinguishment of the original loan and recognition of a new loan at a fair value.

At the date when loan conditions changed the market rate was 12.8% per annum. The Group recognized a gain on initial recognition of the loan in the amount of 72,581,903 thousands tenge as part of other reserves. Management believes that by providing a loan at a rate below market, Samruk-Kazyna acted as a Company's shareholder.

Gain on initial recognition of the loan was recorded as the difference between the nominal value and fair value at the recognition date, calculated using the discounted cash flow method at the effective rate of 12,8% per annum.

Bonds

On 7 September 2012 and 6 December 2012 the Group issued and placed Eurobonds with following parameters:

- The volume of issue - U.S.\$ 500,000,000;
- Form – based on Regulation S;
- Notes due in 5 years

The coupon interest rate is fixed at the rate of 3.75% per annum (effective rate 3.85%). The number and type of bonds issued: 500,000 (five hundred thousand) bonds without security. Nominal value of one bond is 1,000 USD (one thousand). The issue was registered on the Irish Stock Exchange on 20 December 2012 under the number ISIN-XS0868359166. The Kazakhstan Stock Exchange included JSC "Samruk-Energy" in the official register of the category "rated debt securities" on 20 December 2012 under the number ISIN-XS0868359166. The Group issued and placed Eurobonds for the full amount of 500,000 thousand USD.

During the first half of 2013 the Group placed bonds on the Kazakhstan Stock Exchange for the total amount of 2,956,595 thousands tenge with a coupon rate of 6%. Bonds were repaid in November 2015.

On March 31, 2017 Eurobonds were classified as short-term loans, as the maturity of the bonds is in December 2017.

Kazkommertsbank

During 2015 a loan for the amount of 10,000,000 thousands tenge and a period of 5 years was obtained from "Kazkommertsbank" JSC according to the framework of an agreement on opening a credit line #1610 dated 21 October 2015. The purpose was to replenish the working capital. The nominal rate of the loan is 12%, and the effective rate is 12.7%.

Sberbank

During 2016 was obtained loan from Sberbank for the amount of 230,000 thousands Russian rubles (1,212,800 thousands tenge) with the rate of 14.5% to be repaid on 16.06.2017. Also long-term loan for the amount of 670,000 thousands tenge obtained with the rate of 13% to be repaid on 21 of December 2018.

During the 1st quarter of 2017 the Group obtained loan from Sberbank in amount of 3,402,000 thousands tenge in accordance with loan agreement for a period of 2 years. The interest rate is 13% per annum.

AZhK

Notes payable

On 1 August 2005 AZhK issued long-term notes in the amount of 450,358 thousands tenge for Powerfin Holding Investment B.V. ("Powerfin"). The note is interest free and matures not later than 1 August 2015; however the amount was not repaid as at 31 December 2016 as the lender did not request the payment. The fair value of the note at initial recognition was determined based on the discounted cash flow method using discount rate 11.5%.

13 Borrowings (continued)*Halyk Bank*

On 30 June 2015 AZhK and Halyk Bank of Kazakhstan JSC (“Halyk Bank”) signed an agreement on a credit line of 1,745,211 thousands tenge with an interest rate of 13.0% per annum in Tenge for 5 years. The purpose of the credit line was CMP on reconstruction and new construction of 0.4 kW HV line on PDZ-5 with a transfer to self-supporting insulated wire, reconstruction of 6-10/0.4 kW transforming plant incompliant with operating requirements and construction of 6-10/0.4 kW transforming plant. As a security of obligations under the agreement, Halyk Bank was provided (will be provided) with collateral:

- movable goods – money on current accounts with the Bank;
- movable and immovable goods, which will be purchased/built/reconstructed at the expense of borrowings.

On 30 June 2015 as part of this credit line a tranche of 247,471 thousands tenge was received. The loan is repaid on a monthly basis, by equal installments, starting from 30 July 2016 to 30 June 2020. The repayment is regulated by repayment schedules as per the loan agreements.

On 24 December 2015 AZhK concluded an additional agreement on the increase in the credit line to 3,245,211 thousands tenge and received a tranche of 1,500,000 thousands tenge with an interest rate of 14% for 12 months, the purpose being to replenish the working capital. The loan is repaid on a monthly basis, by equal installments, starting from the date the tranche was received.

On 2 March 2016 as part of the credit line, a tranche in the amount of 799,189 thousands tenge with an interest rate of 20.0% per annum was received. The loan is repaid on a monthly basis, by equal installments, starting from 30 March 2016 till 30 June 2020. Repayment is made in accordance with repayment schedule in the loan agreements. On 12 April 2016 the interest rate on this tranche was reduced to 16.0% per annum.

On 18 August 2016 as part of the credit line a tranche in the amount of 562,013 thousands tenge with an interest rate of 14.0% per annum was received. The loan is repaid on a monthly basis, by equal installments starting from 18 September 2016 until 30 June 2020. Repayment is made in accordance with repayment schedule in the loan agreements.

During the 1st quarter of 2017 as part of the credit line a tranche in the amount of 1,371,675 thousands tenge with an interest rate of 13.0% per annum was received.

Loan from customers

In accordance with the resolution of Government of the Republic of Kazakhstan dated 21 February 2007, AZhK received loans from customers for additional electric capacities through construction of electric power transmission lines and infrastructure of connection of electricity grid or reconstruction of the existing electric power transmission lines and infrastructure. These loans are interest-free and not secured by any collateral. The loans from customers received by AZhK are repayable by equal payments within 20 years, beginning from the 4th year from AZhK’s receipt of the loans.

The loans from customers were initially recognised at their fair value applying the discounted cash flow method and using the prevailing market interest rate; and subsequently carried at amortised cost. The loans from customers for connection of additional capacity at 31 March 2017 amounted to 2,379,454 thousands tenge (31 December 2016: 2,383,016 thousands tenge). The difference between the nominal value and fair value of consideration received is recognised as deferred income.

In accordance with Law of the Republic of Kazakhstan No. 116-IV dated 29 December 2008, “On Introduction of Amendments and Additions to Certain Legislative Documents of the Republic of Kazakhstan Regarding the Issues of Operations of Independent Industry Regulators,” the amendments have been incorporated into the Law On Electric Power Engineering, which became effective from 1 January 2009, and excluded obligations of consumers of electric and thermal power to provide loans with regard to connection of additional capacities.

Almaty Power Station*Halyk Bank*

On 26 November 2014 Almaty Power Stations signed an agreement for a credit line with “Halyk Bank of Kazakhstan” for a period of 36 months. According to the loan agreement Almaty Power Stations to obtain a loan if in aggregate amount of loans outstanding will not exceed 4,000,000 thousands tenge. The loan was granted with a purpose of replenishment of working capital. The interest rate is 9% per annum. Payment of principal is carried out at the end of each loan, and the

maturity of loan tranche is 6 months. Payment of remuneration is on a monthly basis. The collateral for this loan is the money received in the future under the contract with “Almatyenergosbyt” LLP.

13 Borrowings (continued)

On 2 August 2016 Almaty Power Station signed an addendum to the agreement, according to which the loans are granted on a condition that an aggregate amount of loans outstanding will not exceed 4,000,000 thousands tenge for 6 months on terms of renewable line, and 5,000,000 thousands tenge for 5 years on terms of not renewable line. The loan on terms of not renewable line was granted for the purpose of investment costs reimbursement under the investment project “Reconstruction and expansion of Almaty HS-2”. III line. Boil aggregate st.#8” and reimbursement of borrowing costs under the loan agreement with “Samruk-Energy” JSC. The interest rate was 14% per annum.

In March 2017 Almaty Power Station repaid loan for the amount of 2,716,571 thousands tenge and received 1,000,000 thousands tenge under the renewable credit line. The loan was granted for the purpose of replenishment of working capital.

Moinak HPS*State Development Bank of China*

On 14 June 2006 Moinak HPS received the credit line from the State Development Bank of China in the amount of 200,000,000 USD with the interest rate of 6MLIBOR+1.2%. The loan was granted for the period of 20 years. Moinak HPS used loan amount of 196,337,143 USD for the construction of HPS in the period from 2006 to 31 December 2013. The remaining amount of 3,662,857 USD will not be used. During 2015 and 2014 Moinak HPS did not receive cash on the loan. The loan is secured as follows:

- Guarantee of National Welfare fund Samruk-Kazyna JSC in the amount of 50,000,000 USD;
- Rights to withdraw 80% of received payments for electricity.

In accordance with paragraph 25 of Loan Agreement signed on 14 June 2006 between Moinak HPS and the State Development Bank of China, Moinak HPS shall ensure minimum price for electricity in the amount of 0.0298 USD per 1 kWh from the beginning of HPS commissioning and till the moment, when loan is repaid in full. On March 31, 2017 US \$ 0.0298 equals to 9.39 tenge at the exchange rate at that date. The rate at which MHPS electricity sold in 2016 is 9.50 tenge per 1 kWh.

Development Bank of Kazakhstan JSC

On 14 December 2005 and 16 January 2008 Moinak HPS received a loan in the form of two tranches from the Development Bank of Kazakhstan JSC in the amount of 25,000,000 USD and 26,058,000 USD at the interest rate of 1.15*6MLIBOR+1.15% and 8% per annum, respectively. The loans were granted for the period of 20 years. On 6 December 2012 Moinak HPS signed the Supplementary Agreement for changing the second tranche interest rate from 8% to 7.55%, relating to the amount of 1,563,053 USD.

On 17 June 2011 Moinak HPS signed the contract with the Development Bank of Kazakhstan JSC for the provision of the third tranche in the amount of 12,285,000 thousands tenge at the interest rate of 12% per annum. The loan is granted for the period of 17 years. On 6 December 2012 Moinak HPS signed the Supplementary Agreement for changing the third tranche interest rate from 12% to 7.55%, relating to the amount of 8,924,392 thousands tenge. During 2015 Moinak HPS received cash on the third tranche in the amount of 1,867,551 thousands tenge pursuant to additional agreements #22 and #23 dated 4 August 2015 and 8 September 2015, respectively. During the 1st quarter of 2017 the amount of payments on the loan amounted to 1,683,904 thousands tenge.

On 29 June 2015 Moinak HPS signed the Supplementary Agreement for pledging real estate with the “Development Bank of Kazakhstan” JSC, where Moinak HPS provides the Bestyubinsk water storage basin constructions as additional pledge.

Bank loans are secured as follows:

- State guarantee of the Ministry of Finances of the Republic of Kazakhstan for the amount of 25,000,000 USD. The second-tier bank counter-guarantee for the amount of 859,395 thousands tenge.
- Property, plant and equipment with carrying amount of 5,562,563 thousands tenge (2016: 5,601,969 thousands tenge).
- Guarantee of National Welfare fund Samruk-Kazyna JSC in the amount of 12,285,000 thousands tenge as the collateral for the third tranche from the Development Bank of Kazakhstan JSC.

13 Borrowings (continued)

AlmatyEnergoSbyt

Halyk Bank

AlmatEnergoSbyt has short-term credit line with Halyk Bank for purpose of replenishing of working capital. During 2016 loans were obtained for periods of 3 and 6 months. The interest rate on these loans was in the range of 13-17%.

PVES

Eurasian Development Bank

On 29 April 2013 PVES has concluded a long-term credit line agreement with Eurasian Development Bank for purpose of construction of wind power electric plant in Akmola region. The interest rate for the tranches received from date of conclusion of agreement until 28 April 2015 is 7.5% per annum, starting from 14 December 2016 the interest rate is 10.5%, for tranches received after 29 April 2015, the interest rate is 14% per annum. The grace period for interest rate and principal amount repayments is 24 months after the date of agreement conclusion. The interest is payable on 15 March, 15 June, 15 September, 15 December with 1 year equal 360 days assumption. During 2016 PVES has capitalised the interest rate to construction in progress account for total amount of 649,830 thousands tenge (2015: 622,359 thousands tenge) . On 31 March 2017 the amount of loans including accrued interest amounts to 12,679,764 thousands tenge.

EGRES-1

Halyk Bank of Kazakhstan

In April of 2015 a loan agreement with “Halyk Bank of Kazakhstan” JSC was signed for the amount of 12,000,000 thousands tenge for one year. The loan was granted to replenish the working capital for a period of 12 months from the start date of funding of 10 April 2015 until 9 April 2016. The interest rate was 14% per annum.

On 12 May 2016, the Company signed addendum No 2 to credit line agreement on total limit increase to 43 000 000 thousands tenge with the change of credit line terms including:

- Limit 1 –35,000,000 thousands tenge on non-revolving basis for 5 years (to 07 April 2021 – tranche terms till the end of financing);
- Limit 2 –8 ,000,000 thousands tenge on non-revolving basis (3 years – tranche terms up to 12 months inclusive).

On 16 May 2016, EGRES-1 LLP received loan within Limit 1 to finance payables to Sberbank SB JSC in the amount of 23 000 000 thousands tenge for the period of 5 years from the date of financing commencement to 07 April 2021. Interest rate as of the moment of contract signing was 16 % per annum.

On 21 September 2016, an addendum No 3 to bank loan agreements under Limit 1 was signed to decrease interest rate to 14 % per annum.

Following bank loan agreements were signed within Limit 2:

- on 25 May 2016 in the amount of 3,000,000 thousands tenge for the replenishment of property, plant and equipment for 12 months with the interest rate of 16 % per annum;
- on 03 August 2016 in the amount of 1,000,000 thousands tenge for expenses related to investment activities for 12 months with the interest rate of 14 % per annum;
- on 28 September 2016 in the amount of 500,000 thousands tenge for the replenishment of property, plant and equipment and 1,000,000 thousands tenge for expenses related to investment activities for 12 months with the interest rate of 14 % per annum;

This credit line is secured by the pledge of cash to be received in future at Company's settlement accounts with Halyk Bank of Kazakhstan JSC in the amount of 58,424,722 thousands tenge.

In the fourth quarter of 2016, the Company repaid in advance debts on loans of Limit 2 in the amount of 5,500,000 thousands tenge.

13 Borrowings (continued)

In the 1st quarter of 2017, the Company repaid in advance debts on loans of Limit 1 in the amount of 2,050,000 thousands tenge.

Shardara HPS

European Bank of Reconstruction and Development

On 24 August 2012 the Shardara HPS JSC entered into loan agreement with the European Bank of Reconstruction and Development (EBRD) on loan in the amount of 9,150,000 thousands tenge. On 28 February 2014 the amount of the agreement increased to 14,350,000 thousands tenge. On 2 December 2015 Shardara HPS JSC obtained a loan from EBRD under the loan agreement for the amount of 7,500,000 thousands tenge at an interest rate of 3.9% + total costs. Total costs represent the cost of financing of EBRD that are linked to base rate of National Bank of RK and were equal to 5.5% at the moment when funds were received. The loan was granted for a period of 15 years.

On 2 June 2016 and 10 October 2016 as part of the loan agreement 1,350,000 thousands tenge and 2,600,000 thousands tenge were received respectively. The unused amount of the credit line as at 31 December 2016 amounts to 2,900,000 thousands tenge.

The principal is repayable in equal quarterly instalments. Date of first payment is 3rd quarter of 2018, and date of the last payment is 2nd quarter of 2028. The interest is repayable on a quarterly basis, other commissions as per invoice received.

During the year 2016 Shardara HPS JSC made interest repayments amounting to 1,121,245 thousands tenge, capitalized part amounts to 1,093,081 thousands tenge.

During the 1st quarter of 2017 Shrdara HPS received 1,500,000 thousands tenge at an interest rate of 3.9% + total bank costs. The interest rate resulted in 10,9%.

<i>In thousands of Kazakhstani Tenge</i>	31 March 2017	31 December 2016
Borrowings due:		
- within 1 year	181,071,954	193,115,643
- from 2 to 5 years	47,570,103	54,829,381
- over 5 years	145,917,128	139,615,576
Total borrowings	374,559,185	387,560,600

<i>In thousands of Kazakhstani Tenge</i>	31 March 2017	31 December 2016
Borrowings denominated in:		
- Tenge	153,528,893	153,731,059
- US Dollars	219,679,511	232,548,010
- RUS Ruble	1,350,781	1,281,531
Total borrowings	374,559,185	387,560,600

14 Other Non-Current Liabilities

<i>In thousands of Kazakhstani Tenge</i>	31 March 2017	31 December 2016
Deferred income		
- AZhK	2,202,547	2,297,371
Trade payables	898,796	929,155
Liabilities related to preference shares of subsidiaries	308,608	309,323
Other	59,530	58,468
Total other non-current liabilities	3,469,481	3,594,317

«SAMRUK-ENERGY» JSC**Notes to the Condensed Consolidated Interim Financial Statements – 31 March 2017**

Deferred income represents the difference between the nominal value of loans from customers received by AZhC and MEDC for construction and reconstruction of power transmission lines and infrastructure to connect to electricity transmission lines and the fair value of these loans at initial recognition. The associated deferred income is subsequently recognized as profit over the useful lives of assets.

15 Trade and Other Payables

<i>In thousands of Kazakhstani Tenge</i>	31 March 2017	31 December 2016
Trade payables	7,445,129	7,968,694
Payable to Almaty Akimat	5,841,513	5,841,513
Dividends payable	706,600	707,275
Other financial payables	648,095	624,360
Total financial payables	14,641,336	15,141,842
Advances received from customers	1,861,909	2,393,924
Accrued provisions for unused vacations	1,978,773	2,068,892
Salaries payable	1,622,505	2,318,552
Other distributions to shareholder (Note 10)	1,174,066	1,174,066
Задолженность по заработной плате	990,683	1,039,626
Total trade and other payables	22,269,273	24,136,902

Financial payables as of 31 March 2017 and 31 December 2016 are denominated in Tenge.

16 Revenue

<i>In thousands of Kazakhstani Tenge</i>	Three months ended 31 March 2017	Three months ended 31 March 2016 (adjusted)*
Sale of electricity	49,621,389	39,945,461
Sale of heat energy	6,841,257	5,530,687
Electricity transmission and distribution services	880,184	464,471
Income from lease of renewable energy power plants	1,394,490	1,167,323
Income from lease of investment property	806,651	904,463
Sale of chemical water	381,770	390,143
Other	277,956	187,286
Total revenue	60,203,696	48,589,834

* - Comparative information has been adjusted to reflect transfer from discontinued operations (Note 2).

17 Cost of Sales

<i>In thousands of Kazakhstani Tenge</i>	Three months ended 31 March 2017	Three months ended 31 March 2016 (adjusted)*
Fuel	14,080,070	10,841,367
Depreciation of property, plant and equipment and amortisation of intangible assets	11,139,926	10,144,491
Payroll and related expenses	5,562,590	5,162,640
Cost of purchased electricity	1,044,732	552,243
Electricity transmission and other services	2,762,328	2,398,887
Taxes other than on income	1,912,454	1,529,305
Third party services	1,491,705	999,879
Materials	319,122	830,183
Water supply	900,786	966,320
Repairing and maintenance	635,532	434,921
Security service	245,845	216,041
Rent services	45,944	48,747
Electricity losses on transmission	23,245	20,970
Provision on obsolete and slow-moving inventories	(33,416)	(542,866)
Other	647,038	455,417
Total cost of sales	40,777,901	34,058,545

* - Comparative information has been adjusted to reflect transfer from discontinued operations (Note 2).

18 General and Administrative expenses

<i>In thousands of Kazakhstani Tenge</i>	Three months ended 31 March 2017	Three months ended 31 March 2016 (adjusted)*
Payroll and related expenses	1,323,612	1,387,093
Consulting and other professional services	408,051	167,309
Depreciation of property, plant and equipment	277,718	309,783
Rent expense	153,542	155,748
Taxes other than on income	129,357	91,932
Bank charges	66,939	80,724
Security services	62,055	59,180
Materials	47,421	49,556
Repair and maintenance	34,360	30,245
Business trip and representative expenses	33,928	44,678
Communication expenses	26,929	30,264
Insurance	24,186	21,809
State duty	8,880	11,860
Transportation	7,439	5,151
Charge/(reversal) of provision for impairment of trade and other receivables and other current assets	35,862	27,279
Other	292,027	425,492
Total general and administrative expenses	2,932,307	2,898,104

* - Comparative information has been adjusted to reflect transfer from discontinued operations (Note 2).

19 Finance Income

<i>In thousands of Kazakhstani Tenge</i>	Three months ended 31 March 2017	Three months ended 31 March 2016 (adjusted)*
Foreign exchange gains less losses	11,394,930	-
Interest income on bank deposits	677,881	814,183
Interest income on bonds	3,239	83,594
Other	32,611	160,600
Итого финансовые доходы	12,108,661	1,058,377

* - Comparative information has been adjusted to reflect transfer from discontinued operations (Note 2).

20 Finance Costs

<i>In thousands of Kazakhstani Tenge</i>	Three months ended 31 March 2017	Three months ended 31 March 2016 (adjusted)*
Foreign exchange losses less gains	-	1,771,196
Interest expense on borrowings	1,986,100	680,469
Interest expense on bonds	2,971,032	3,311,519
Dividends on preference shares of subsidiaries	35,275	35,277
Unwinding of the present value discount:		
- loans and financial aid from shareholders	891,496	1,001,603
- employee benefit payable	7,505	3,801
- ash dump restoration provision	9,131	0
- loans from customers	68,388	73,435
- bonds issued	33,061	31,625
Other	68,280	28,133
Total finance costs	6,070,268	6,937,058

* - Comparative information has been adjusted to reflect transfer from discontinued operations (Note 2).

21 Taxes

<i>In thousands of Kazakhstani Tenge</i>	Three months ended 31 March 2017	Three months ended 31 March 2016 (adjusted)*
Current income tax	1,259,061	1,039,475
Deferred income tax	1,319,175	774,519
Total income tax expense	2,578,236	1,813,994

21 Taxes (continued)

Reconciliation between the expected and the actual taxation charge is provided below:

<i>In thousands of Kazakhstani Tenge</i>	Note	Three months ended 31 March 2017	Three months ended 31 March 2016 (adjusted)*
Profit before tax under IFRS		24,707,162	5,926,837
Theoretical tax (benefit)/expense at statutory rate of 20% (2014: 20%)		4,941,432	1,185,365
Adjustments for:			
Share of profit of joint ventures not subject to income tax	7	924,677)	(118,870)
Non-deductible expenses		(2,363,196))	(2,804,259)
Temporary differences that will be recognised upon termination of investment contract		-	-
Withholding tax		(6,572)	61,764
Corrections of prior periods		7,471)	7,471
Changes in unrecognised deferred income tax assets		(925,576)	3,482,523
Gain of Moynak HPS exempted from income tax		-	-
Total income tax expense		2,578,236	1,813,994

* - Comparative information has been adjusted to reflect transfer from discontinued operations (Note 2).

Taxes payable

<i>In thousands of Kazakhstani Tenge</i>	31 March 2017	31 December 2016
Income tax	907,851	168,687
Income tax payable	907,851	168,687
VAT	1,800,504	1,298,486
Individual income tax	166,276	269,814
Environmental taxes	723,906	481,188
Social tax	136,748	217,877
Other taxes	116,301	264,817
Taxes payable other than income tax	2,943,735	2,532,182
Total taxes payable	3,851,586	2,700,869

22 Discontinued operations

On 23 November 2016, the Board of Directors approved the terms of sale a number of subsidiaries including of EKREDC, SET, MEDC, Aktobe TEC, TM, MM in accordance with the Governmental Decree on privatization of national companies. At 31 March 2017 these subsidiaries are classified as a disposal group and assets and liabilities were accordingly reclassified in the consolidated statement of financial position.

Since operations of EKREDC, SET, MEDC, Aktobe TEC, TM, MM represented separate major types of the Group's operations, these disposal groups are presented as discontinued operations in the consolidated statement of profit or loss and other comprehensive income, and therefore the comparatives have been restated and presented in accordance with the presentation of the current year.

22 Discontinued operations (continued)

The analysis of the results of discontinued operations for 3 months ended 31 March 2017 is presented below:

<i>In thousands of Kazakhstan tenge</i>	Aktobe TPS	MREK	VK REK	ShET	TM	MM	Elimina- tions	Total
Revenue	2,940,302	3,019,478	3,628,437	8,506,882	-	-	(2,926,728)	15,168,371
Expenses	(2,525,189)	(1,605,854)	(2,123,054)	(8,805,496)	(28,425)	(6,393)	2,926,716	(12,167,694)
Profit or loss before tax of discontinued operations	415,113	1,413,624	1,505,383	(298,614)	(28,425)	(6,393)	(12)	3,000,677
Income tax expense	(17,347)	(56,279)	(204,602)	22,329	(23)	0	0	(255,922)
Profit or loss for the year from discontinued operations	397,766	1,357,345	1,300,781	(276,285)	(28,448)	(6,393)	(12)	2,744,755

Analysis of results of discontinued operations as at 31 March 2016 is shown below:

<i>In thousands of Kazakhstan tenge</i>	Aktobe TPS	MREK	VK REK	ShET	TM	MM	Elimina- tions	Total
Revenue	2,193,224	2,658,375	3,686,260	8,098,922	-	-	(2,876,386)	13,760,396
Expenses	(1,919,004)	(1,877,662)	(2,415,130)	(8,780,011)	(47,062)	(6,818)	2,876,386	(12,169,301)
Profit or loss before tax of discontinued operations	274,220	780,714	1,271,130	(681,089)	(47,062)	(6,818)	-	1,591,095
Income tax expense	(36,212)	(75,697)	(70,384)	-	-	-	-	(182,294)
Profit or loss for the year from discontinued operations	238,008	705,017	1,200,746	(681,089)	(47,062)	(6,818)	0	1,408,801

23 Book value per common share

Book value per common share is calculated by the formula:

$$\text{BVCS} = \text{NAV} / \text{NOCS}, \text{ where}$$

- BVCS – book value per common share;
- NAV – net asset value;
- NOCS – number of outstanding common shares.

$$\text{BVCS (31 December 2016)} = 514,390,866 / 5,601,687 = 91,828 \text{ Tenge}$$

$$\text{BVCS (31 March 2017)} = 539,323,464 / 5,601,687 = 96,279 \text{ Tenge}$$

Net assets calculated by the formula:

$$\text{NAV} = (\text{TA} - \text{IA}) - \text{TL} - \text{PS}, \text{ where}$$

- TA – total assets;
- IA – intangible assets;
- TL – total liabilities;
- PS – preferred stock

$$\text{NAV (31 December 2016)} = (1,049,047,808 - 2,205,269) - 532,451,673 = 514,390,866 \text{ thousand tenge}$$

$$\text{NAV (31 March 2017)} = (1,058,193,935 - 2,179,221) - 516,691,250 = 539,323,464 \text{ thousand tenge}$$

24 Contingencies, Commitments and Operating Risks

Except for the information prescribed below, as of 31 March 2017 there were no contingent and contractual obligations and operational risks than those which have been disclosed in the consolidated financial statements for the year ended 31 December 2016.

Legal proceedings

In the course of normal operations, the Group is subject to litigations and claims. At present, the Group's management believes that final obligations, if any, arising from such litigations and claims will not have any significant adverse effect on the future financial position of the Group.

Capital commitments

As at 31 March 2017 the Group had contractual commitments to purchase the property, plant and equipment for Tenge 124,890,667 thousand (31 December 2016: Tenge 125,661,235 thousand).

Capital commitments of joint ventures

As at 31 March 2017 the Group's share in capital expenditure commitments of Forum Muider and ERGES-2 comprised Tenge 45,150,236 thousand (31 December 2016: Tenge 47,115,412 thousand).

Loan covenants

The Group has certain covenants on loans and Eurobonds. Failure to comply with these covenants may result in negative consequences for the Group including growth in borrowing costs and the declaration of default. As at 31 March 2017 and 31 December 2016 the Group complied with its covenants.

25 Principal Subsidiaries, Associates and Joint Ventures

Name	Nature of business	Percentage of voting rights	Percentage of ownership	Country of registration
Subsidiaries:				
<i>Alatau Zharyk Company JSC ("AZhK")</i>	Electricity transmission and distribution in Almaty and the Almaty region	100%	100%	Kazakhstan
<i>Almaty Power Stations JSC ("ALES")</i>	Production of electricity, heat energy and hot water in Almaty and the Almaty region	100%	100%	Kazakhstan
<i>AlmatyEnergoSbyt LLP ("AlmatyEnergoSbyt")</i>	Sale of electricity in Almaty city and region	100%	100%	Kazakhstan
<i>Shardara HPS JSC ("Shardara HPS")</i>	Production of electricity on the basis of water resources in the Southern Kazakhstan	100%	100%	Kazakhstan
<i>Moinak HPS JSC ("Moinak HPS")</i>	Production of electricity on hydropower station	100%	100%	Kazakhstan
<i>Ekibastuzskaya GRES-1 named after Bulat Nurzhanov ("EGRES-1")</i>	Production of electricity and heat energy on the basis of coal	100%	100%	Kazakhstan
<i>Bukhtarminskaya HPS JSC ("Bukhtarminskaya HPS")</i>	Owner of Bukhtarminskaya hydropower station transferred under lease arrangement	91%	91%	Kazakhstan
<i>Ust-Kamenogorskaya HPS JSC and Shulbinskaya HPS JSC (together referred to as "Hydropower companies")</i>	Owners of Ust-Kamenogorskaya and Shulbinskaya hydropower stations transferred under concession agreement. From the moment of transfer of the hydropower stations to concession, these entities are dormant	90%	90%	Kazakhstan
<i>Samruk Green Energy LLP</i>	Development of renewable electricity	100%	100%	Kazakhstan
<i>First Wind Turbine LLP</i>	Development of renewable electricity. Production of electricity on wind farm.	100%	100%	Kazakhstan
<i>Ereymentau Wind Power LLP</i>	Construction of a wind plant.	100%	100%	Kazakhstan
<i>Energiya Semirechiya LLP ("ES")</i>	Finalized construction of Solar plant near Almaty	51%	51%	Kazakhstan
<i>KazGidroTekhEnergo LLP</i>	Development of renewable electricity	100%	100%	Kazakhstan
<i>TeploEnergoMash LLP</i>	Development of renewable electricity	100%	100%	Kazakhstan
<i>Energy Solutions Center LLP</i>	Transportation and other services	100%	100%	Kazakhstan

25 Principal Subsidiaries, Associates and Joint Ventures (continued)

Associates:				
<i>Balkhashskaya TES</i>	Construction of Balkhash thermal power station	50% -1 share	50% -1 share	Kazakhstan
Joint ventures:				
<i>Stantciya Ekibastuzskaya GRES-2 JSC ("EGRES-2")</i>	Production of electricity and heat energy on the basis of coal	50%	50%	Kazakhstan
<i>Forum Muider BV («Forum Muider»)</i>	Company holding 100% charter in <i>Bogatyr Komir</i> (Company involved in production of power generating coal) and a range of companies incorporated in the Russian Federation and the Republic of Cyprus, and not engaged in significant operations	50%	50%	Netherlands
Discontinued operations:				
<i>Aktobe Thermal Power Station JSC ("Aktobe TPS")</i>	Production of electricity, heat energy and hot water in Aktobe city	100%	100%	Kazakhstan
<i>Mangistau Electricity Distribution Company JSC ("MEDC")</i>	Transmission of electricity, technical distribution of electricity within the network for oil and other companies, and sale of electricity to the remote rural districts of the Mangistau region of the Republic of Kazakhstan.	78.6%	78.6%	Kazakhstan
<i>Tegis Munai LLP and Mangyshlak Munai LLP</i>	Gas field exploration and development activities	100%	100%	Kazakhstan
<i>East-Kazakhstan regional electricity distribution company ("VKREC")</i>	Provision of the services on the transmission and technical distribution of electricity in East Kazakhstan	100%	100%	Kazakhstan
<i>Shygys Energo Trade LLP ("SET")</i>	Sale of electricity in East Kazakhstan region	100%	100%	Kazakhstan

26 Financial Risk Management

Financial Risk Factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the group's annual financial statements as at 31 December 2016.

There have been no changes in the risk management department or in any risk management policies since the year end.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. In accordance with the Group policy on formation and monitoring of development plans the Group manages the liquidity risk using short-term (one month) forecasts and also mid-term forecast for the next five years. In addition, the Group develops and approves development strategy of the Group for the next five years (currently until 2022). In planning cash flows the Group also accounts for income from temporary excess cash using the bank deposits.

27 Fair Value of Financial Instruments

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level 3 measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

All the Group's financial instruments are carried at amortised cost. Their fair values in level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique.

Financial assets carried at amortised cost

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Due to the short-term nature of financial receivables, their carrying amounts approximate fair values.

Financial liabilities carried at amortised cost

The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Due to the short-term nature of financial payables, their carrying amounts approximate fair values.

27 Fair Value of Financial Instruments (Continued)

Fair values analysed by level in the fair value hierarchy and the carrying value of assets and liabilities not measured at fair value are as follows:

<i>In thousands of Kazakhstani tenge</i>	31 March 2017				31 December 2016			
	Level 1 fair value	Level 2 fair value	Level 3 fair value	Carrying value	Level 1 fair value	Level 2 fair value	Level 3 fair value	Carrying value
ASSETS								
Cash and cash equivalents	-	-	25,567,973	25,567,973	-	17,350,461	-	17,350,461
Restricted cash	-	-	6,645,801	6,645,801	-	7,294,340	-	7,294,340
Term deposit	-	-	28,913,983	28,913,983	-	31,631,769	-	31,631,769
Financial receivables	-	-	21,045,154	21,045,154	-	15,836,932	-	15,836,932
Dividends receivable	-	-	218,136	218,136	-	1,728,179	-	1,728,179
Fair value of future minimum lease payments on operating lease of Bukhtarminskaya HPS	-	-	10,307,596	641,056	-	10,950,240	-	667,785
Short term loans	-	-	-	-	-	-	-	-
Bonds	212,372	-	-	226,731	212,098	-	-	223,491
Total Financial assets	212,372	0	92,698,643	83,258,834	212,098	84,791,921	-	74,732,957
LIABILITIES								
Borrowings	157,528,786	-	227,305,022	384,833,808	167,789,851	-	218,862,253	387,560,600
Financial payables	-	-	14,641,336	14,641,336	-	-	15,141,842	15,141,842
Other financial liabilities	-	-	308,608	308,608	-	-	309,393	309,393
Total Financial liabilities	157,528,786	-	242,254,966	399,783,752	167,789,851	-	234,313,488	403,011,835