

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

Condensed interim consolidated financial statements
for the three and the nine months ended
30 September 2017 (unaudited)

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

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KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL FOR ISSUANCE OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND THE NINE MONTHS ENDED 30 SEPTEMBER 2017

Management of Kazakhstan Temir Zholy National Company JSC (the "Company") is responsible for the preparation of the condensed interim consolidated financial statements that present fairly the financial position of the Company and its subsidiaries (the "Group") as at 30 September 2017, and the results of its operations for the three and the nine months then ended, and cash flows and changes in equity for the nine months then ended, in compliance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB").

In preparing the condensed interim consolidated financial statements, management is responsible for:


- properly selecting and applying accounting policies;
- making reasonable estimates and judgments;
- complying with IAS 34, with material departures being disclosed and explained in the condensed interim consolidated financial statements;
- providing additional disclosures when compliance with the specific requirements in IAS 34 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the condensed interim consolidated financial statements of the Group comply with IAS 34;
- maintaining statutory accounting records in compliance with legislation of the Republic of Kazakhstan and IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- detecting and preventing fraud and other irregularities.

These condensed interim consolidated financial statements for the three and the nine months ended 30 September 2017 were authorized for issue by management on 27 November 2017.

On behalf of management of the Group:


Kanat Alpysbayev
President

27 November 2017


Zhaslan Madiyev
Vice-President of finance

27 November 2017


Nazira Abilova
Chief Accountant

27 November 2017

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017 (in thousands of tenge)

	Notes	30 September 2017 (unaudited)	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	6	2,597,491,403	2,521,329,368
Intangible assets		11,607,925	11,589,266
Investments in joint ventures	7	14,549,997	11,720,150
Investments in associates	7	10,749,158	11,357,875
Deferred tax assets		7,165,629	8,632,019
Other financial assets	10	2,388,330	2,333,030
Long-term trade accounts receivable	11	42,876	117,217
Other non-current assets	8	111,792,387	91,920,382
Total non-current assets		2,755,787,705	2,658,999,307
Current assets			
Inventories	9	31,387,216	28,846,944
Trade accounts receivable	11	21,489,066	15,416,517
Other financial assets	10	21,133,861	16,186,691
Prepaid income tax		1,318,361	1,903,220
VAT recoverable		22,628,977	57,252,499
Cash and cash equivalents	12	78,165,581	48,978,173
Other current assets	13	54,143,384	39,174,885
Assets held for the benefit of the Shareholder	24	289,730	48,067,799
		230,556,176	255,826,728
Assets and disposal groups classified as held for sale	14	118,442,808	120,625,761
Total current assets		348,998,984	376,452,489
Total assets		3,104,786,689	3,035,451,796
EQUITY AND LIABILITIES			
Equity			
Share capital	15	1,043,460,480	993,460,480
Cash flow hedging reserve	15	(45,643,211)	(39,073,931)
Foreign currency translation reserve		4,882,505	4,110,006
Retained earnings		169,956,735	198,501,308
Equity attributable to the Shareholder		1,172,656,509	1,156,997,863
Non-controlling interests		28,401,007	11,035,349
Total equity		1,201,057,516	1,168,033,212


KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC


CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017 (CONTINUED) (in thousands of tenge)

	Notes	30 September 2017 (unaudited)	31 December 2016
Non-current liabilities			
Borrowings	16	1,189,425,728	1,098,117,957
Employee benefit obligations		26,821,412	26,169,983
Deferred tax liabilities		220,746,602	224,357,530
Other non-current liabilities	18	4,308,459	4,399,245
Total non-current liabilities		1,441,302,201	1,353,044,715
Current liabilities			
Borrowings	16	120,108,613	141,561,817
Employee benefit obligations		2,960,557	2,960,557
Trade accounts payable	17	86,823,826	124,453,799
Income tax payable		184,247	117,552
Other taxes payable		8,315,376	8,128,214
Constructive obligation for the benefit of Shareholder	24	289,730	48,067,799
Other current liabilities	18	135,684,839	92,267,628
		354,367,188	417,557,366
Liabilities directly associated with disposal groups classified as held for sale	14	108,059,784	96,816,503
Total current liabilities		462,426,972	514,373,869
Total liabilities		1,903,729,173	1,867,418,584
Total equity and liabilities		3,104,786,689	3,035,451,796

On behalf of management of the Group:


Kanat Alpysbayev
President


Zhaslan Madiyev
Vice-President of finance


Nazira Abilova
Chief Accountant

27 November 2017

27 November 2017

27 November 2017

The notes below form an integral part of the condensed interim consolidated financial statements.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
FOR THE THREE AND THE NINE MONTHS ENDED 30 SEPTEMBER 2017 (UNAUDITED)
(in thousands of tenge)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2017	2016	2017	2016
Continuing operations					
Revenue					
Freight transportation		200,321,759	178,830,560	552,648,207	501,729,818
Passenger transportation		25,286,457	24,393,658	62,937,286	60,529,360
Government grants		5,829,414	1,863,442	14,379,303	12,114,153
Other income		10,889,494	8,606,245	29,671,995	22,800,295
Total revenue		242,327,124	213,693,905	659,636,791	597,173,626
Cost of sales	19	(186,564,431)	(158,859,578)	(528,866,202)	(471,170,040)
Gross profit		55,762,693	54,834,327	130,770,589	126,003,586
General and administrative expenses	20	(29,284,857)	(19,319,084)	(67,919,540)	(55,282,003)
(Impairment of assets)/recovery of impairment		(1,600,464)	(558,820)	(15,228,029)	(2,275,651)
Other income and expenses		903,714	729,999	1,573,187	2,823,668
Finance income		1,960,768	1,365,677	5,216,698	4,698,800
Finance costs	21	(22,442,825)	(20,088,232)	(70,340,640)	(59,985,473)
• Foreign exchange (loss)/gain		(52,898,272)	8,130,060	(24,653,127)	9,343,700
Share of profit/(loss) of associates and joint ventures	7	(456,770)	1,267,950	131,519	3,258,594
Gain from disposal of subsidiaries not qualifying as discontinued operations		-	2,035,591	250,779	2,224,997
Gain from disposal of shares in joint ventures		178,210	-	8,144,751	7,099,097
(Loss)/profit before income tax		(47,877,803)	28,397,468	(32,053,813)	37,909,315
Income tax benefit/(expense)		10,800,215	(9,266,926)	1,309,720	(10,986,172)
(Loss)/profit from continuing operations for the period		(37,077,588)	19,130,542	(30,744,093)	26,923,143
Discontinued operations					
Profit/(loss) from discontinued operations for the period	14	1,359,622	(395,016)	1,262,536	(3,416,998)
(Loss)/profit for the period		(35,717,966)	18,735,526	(29,481,557)	23,506,145

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE AND THE NINE MONTHS ENDED 30 SEPTEMBER 2017 (UNAUDITED) (CONTINUED)

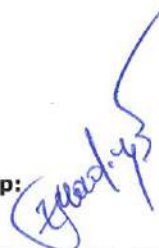
(in thousands of tenge)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2017	2016	2017	2016
Other comprehensive income/(loss) for the period, net of income tax					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
(Loss)/gain on cash flow hedging instruments	15	(4,338,726)	451,422	(6,569,280)	(251,600)
Exchange differences on translating foreign operations		943,316	(124,961)	880,274	(49,407)
Other comprehensive (loss)/income for the period		<u>(3,395,410)</u>	<u>326,461</u>	<u>(5,689,006)</u>	<u>(301,007)</u>
Total comprehensive (loss)/income for the period		<u>(39,113,376)</u>	<u>19,061,987</u>	<u>(35,170,563)</u>	<u>23,205,138</u>
(Loss)/ profitfor the period attributable to:					
Shareholder		(35,850,598)	18,516,465	(30,357,915)	23,722,623
Non-controlling interests		<u>132,632</u>	<u>219,061</u>	<u>876,358</u>	<u>(216,478)</u>
		<u>(35,717,966)</u>	<u>18,735,526</u>	<u>(29,481,557)</u>	<u>23,506,145</u>
Comprehensive(loss)/income for the period attributable to:					
Shareholder		(39,246,008)	18,842,628	(36,046,921)	23,420,214
Non-controlling Interests		<u>132,632</u>	<u>219,359</u>	<u>876,358</u>	<u>(215,076)</u>
		<u>(39,113,376)</u>	<u>19,061,987</u>	<u>(35,170,563)</u>	<u>23,205,138</u>
(Loss)/earnings per share from continuing and discontinued operations (in tenge)	22	(72)	37	(61)	48
(Loss)/earnings per share from continuing operations (in tenge)	22	(75)	38	(64)	55

On behalf of management of the Group:


Kanat Alpysbayev
President

27 November 2017


Zhaslan Madiyev
Vice-President of finance

27 November 2017


Nazira Abilova
Chief Accountant

27 November 2017

The notes below form an integral part of the condensed interim consolidated financial statements.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 (UNAUDITED) (in thousands of tenge)

	Notes	Nine months ended 30 September	
		2017	2016
Cash flows from operating activities:			
(Loss)/profit for the period		(29,481,557)	23,506,145
Income tax (benefit)/expense recognized in profit or loss including discontinued operations		(390,382)	11,683,220
Adjustments for:			
Depreciation and amortization		84,763,883	84,686,847
Finance costs	14, 21	74,983,793	64,699,374
Impairment of assets		15,228,029	2,275,651
Finance income		(5,440,853)	(5,244,026)
Defined benefit plan costs	19, 20	1,048,486	1,205,754
Share of profit of associates and joint ventures	7	(131,519)	(3,258,594)
Allowance for doubtful debts		4,095,743	392,012
Foreign exchange loss/(gain)		24,373,707	(8,260,420)
Gain from disposal of subsidiaries not qualifying as discontinued operations		(250,779)	(2,224,997)
Gain from disposal of shares in joint ventures		(8,144,751)	(7,099,097)
Other		1,449,541	(507,197)
Operating income before changes in working capital and other items on the statement of financial position		162,103,341	161,854,672
Change in trade accounts receivable		(6,584,585)	(644,529)
Changes in inventories		(1,680,155)	1,666,773
Change in other current and non-current assets (including non-current VAT recoverable)		(21,802,032)	(4,503,676)
Changes in trade accounts payable		(9,353,968)	(8,771,880)
Changes in other taxes payable		24,326,098	(3,902,971)
Change in other current liabilities		50,446,429	2,660,092
Change in employee benefit obligations		(397,057)	(554,325)
Change in other non-current liabilities		-	34,817
Cash flows from operating activities		197,058,071	147,838,973
Interest paid		(56,463,587)	(55,934,114)
Interest received		2,825,167	4,205,989
Income tax paid		(998,915)	(2,808,817)
Net cash flows from operating activities		142,420,736	93,302,031

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 (UNAUDITED) (CONTINUED) (in thousands of tenge)

	Notes	Nine months ended 30 September	
		2017	2016
Cash flows from investing activities:			
Purchase of property, plant and equipment, including advances paid		(199,121,996)	(132,399,245)
Purchase of intangible assets		(177,943)	(364,154)
Proceeds from sale of shares in joint ventures		19,574,965	8,139,400
Proceeds from sale of other non-current assets		887,654	10,418,536
Investments in associates	7	(1,018,500)	(120,000)
Investments in other financial assets		(56,241,350)	(66,750,132)
Proceeds from return of other financial assets		36,313,576	73,814,318
Dividends received from joint ventures	7	1,663,776	1,659,754
Net cash inflows from disposal of subsidiaries and discontinued operations		435,051	1,138,081
Other		1,815,230	519,141
Net cash used in investing activities		(195,869,537)	(103,944,301)
Cash flows from financing activities			
Contributions to share capital	15	50,000,000	46,400,000
Proceeds from borrowings		134,673,166	141,718,508
Repayments of borrowings		(124,150,742)	(181,073,363)
Change in ownership share in subsidiaries without loss of control	15	23,096,457	9,000,000
Purchase of asset held for the benefit of the Shareholder		-	(3,361,559)
Other		(355,456)	(391,124)
Net cash flows from financing activities		83,263,425	12,292,462
Net change in cash and cash equivalents		29,814,624	1,650,192
Cash and cash equivalents at the beginning of the period	12	67,085,431	74,903,521
Effects of exchange rate changes on the balance of cash held in foreign currencies		680,469	(3,070,618)
Cash and cash equivalents at the end of the period	12	97,580,524	73,483,095

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 (UNAUDITED) (CONTINUED)**
*(in thousands of tenge)***Non-cash transactions:**

	Nine months ended 30 September	
	2017	2016
Additions of property, plant and equipment for the borrowing funds directly transferred by bank to supplier	7,901,802	21,613,434
Trade accounts payable and receivable arising from disposal of subsidiaries	2,691,734	-
Cash flow hedges	6,569,280	251,600
Railway administrations receivables and payables offset	7,673,463	6,428,913

On behalf of management of the Group:



Kanat Alpysbayev
President

27 November 2017


Zhaslan Madiyev
Vice-President of finance

27 November 2017


Nazira Abilova
Chief Accountant

27 November 2017

The notes below form an integral part of the condensed interim consolidated financial statements.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 (in thousands of tenge)

	Share capital	Additional paid-in capital	Cash flow hedging reserve	Foreign currency translation reserve	Retained earnings	Equity attributable to the Shareholder	Non-controlling interests	Total equity
At 1 January 2016	865,393,896	-	(43,491,357)	4,601,406	142,411,682	968,915,627	(651,552)	968,264,075
Profit/(loss) for the period	-	-	-	-	23,722,623	23,722,623	(216,478)	23,506,145
Other comprehensive (loss)/income for the period	-	-	(251,600)	(50,809)	-	(302,409)	1,402	(301,007)
Total comprehensive (loss)/income for the period	-	-	(251,600)	(50,809)	23,722,623	23,420,214	(215,076)	23,205,138
Shares issue (Note 15)	46,543,584	-	-	-	-	46,543,584	-	46,543,584
Dividends	-	-	-	-	-	-	(6,411)	(6,411)
Other distributions (Note 15)	-	-	-	-	704,721	704,721	-	704,721
Other contributions (Note 15)	-	-	-	-	3,189,571	3,189,571	-	3,189,571
Disposal of subsidiaries	-	-	-	-	-	-	(98)	(98)
Change in ownership share in subsidiaries without loss of control (Note 15)	-	-	-	-	(2,425,063)	(2,425,063)	11,425,063	9,000,000
At 30 September 2016 (unaudited)	911,937,480	-	(43,742,957)	4,550,597	167,603,534	1,040,348,654	10,551,926	1,050,900,580
At 1 January 2017	993,460,480	-	(39,073,931)	4,110,006	198,501,308	1,156,997,863	11,035,349	1,168,033,212
(Loss)/profit for the period	-	-	-	-	(30,357,915)	(30,357,915)	876,358	(29,481,557)
Other comprehensive (loss)/income for the period	-	-	(6,569,280)	880,274	-	(5,689,006)	-	(5,689,006)
Total comprehensive (loss)/income for the period	-	-	(6,569,280)	880,274	(30,357,915)	(36,046,921)	876,358	(35,170,563)
Shares issue (Note 15)	50,000,000	-	-	-	-	50,000,000	-	50,000,000
Dividends	-	-	-	-	-	-	(17,826)	(17,826)
Other distributions (Note 15)	-	-	-	-	(5,733,368)	(5,733,368)	-	(5,733,368)
Disposal of subsidiaries	-	-	-	(107,775)	-	(107,775)	(9,444)	(117,219)
Change in ownership share in subsidiaries without loss of control (Note 15)	-	-	-	-	7,546,710	7,546,710	16,516,570	24,063,280
At 30 September 2017 (unaudited)	1,043,460,480	-	(45,643,211)	4,882,505	169,956,735	1,172,656,509	28,401,007	1,201,057,516

On behalf of management of the Group:

Kanat Alpyysbayev
President
27 November 2017

Zhaslan Madiyev
Vice-President of finance
27 November 2017

Nazira Abilova
Chief Accountant
27 November 2017

The notes below form an integral part of the condensed interim consolidated financial statements.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

(in thousands of tenge, unless otherwise indicated)

1. GENERAL INFORMATION

Kazakhstan Temir Zholy National Company JSC (the "Company") was organized in Kazakhstan in accordance with Resolutions of the Government of the Republic of Kazakhstan (the "Ultimate Shareholder") for the purpose of establishing a holding company for the Government's railway industry assets. The Company was registered on 15 May 2002. These condensed interim consolidated financial statements include the results of the operations of the Company, and its wholly controlled subsidiaries (collectively, the "Group"). The address of the Company's registered office is 6 D. Kunayev St., Astana, 010000, the Republic of Kazakhstan.

The Government represented by Samruk-Kazyna National Welfare Fund JSC (the "Shareholder") is the sole shareholder of the Company.

Committee on Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan ("CRNM") approved tariffs for 2016-2020 for railway network services, with an annual tariff increase in freight transportation of 4%.

Starting from 1 April 2017, CRNM agreed tariffs for freight transportation services. As a result, the average increase in railway freight transportation during nine months ended 30 September 2017 comprised 5%, including railway network access of 4% and locomotive haulage services of 7%.

Starting from 1 January 2017, CRNM approved the increase in tariffs for passenger transportation in number of interdistrict routes of 7%.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

Going concern basis

The condensed interim consolidated financial statements have been prepared on a going concern basis. This assumes the sale of assets and settlement of liabilities in the normal course of the business in the foreseeable future. As at 30 September 2017, current liabilities of the Group exceeded its current assets by 113,427,988 thousand tenge. The Group historically financed large investment projects through capital contributions received from the Government and external borrowings, in addition to cash flows from operating activities. As at 30 September 2017, the Group's borrowings of 120,108,613 thousand tenge are payable within twelve months of the reporting date. To refinance long-term borrowings of 75,000,000 thousand tenge from the Shareholder to subsidiaries of the Group Kaztemirtrans JSC and KTZ-Freight Transportation JSC, the Group has issued and placed debt securities of 15,000,000,000 Russian rubles (83,100,000 thousand tenge) in the domestic market of the Russian Federation. (Note 15). The Group has assessed its needs for cash, including its scheduled debt repayments, and its development plans. In assessing its going concern basis, the management has also considered the Group's financial position, expected future financial performance and cash flows from operations, its borrowings, available credit facilities, its capital expenditure commitments, as well as expected tariffs, currency exchange rates and other risks facing the Group. After making appropriate enquiries, the management has concluded that the Group has adequate resources to continue in operational existence and settle its liabilities and that the going concern basis is appropriate in preparing these condensed-interim consolidated financial statements.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 (CONTINUED)

(in thousands of tenge, unless otherwise indicated)

Basis of preparation

These condensed interim consolidated financial statements are unaudited and exclude disclosures required for annual financial statements. The Group omitted disclosures that would substantially have duplicated the information contained in its audited annual consolidated financial statements for 2016 prepared in accordance with International Financial Reporting Standards ("IFRS"), such as accounting policies and details of accounts, which have not been changed significantly in amount or composition.

These condensed interim consolidated financial statements should be read in conjunction with the Group's annual consolidated financial statements for 2016.

Accounting policies, accounting judgments, presentation and computation methods applied to these financial statements are the same as those applied to the Group's financial statements for the year ended 31 December 2016, except for the effects from the application of the amended standards effective from 1 January 2017:

- Amendments to IAS 7 *Disclosure Initiative*;
- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealized Losses*; and
- Annual Improvements to IFRSs 2014-2016 Cycle.

Amendments to IAS 7 Disclosure Initiative

The amendments require disclosures to enable financial statement users to assess changes in the liabilities of an entity as a result of its financial activities, including changes related to cash flows and other changes.

As the disclosures above are not required for condensed interim financial statements, the application of these amendments has had no material effect on the Group's condensed interim consolidated financial statements.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses

The amendments provide clarifications on how an entity should estimate the availability of future taxable profits against which to utilize the deductible temporary difference.

As the approach practiced by the Group when estimating the availability of future taxable profit does not contradict the amendments above, the application of these amendments has had no material effect on the Group's condensed interim consolidated financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle.

The Group has applied the amendments to IFRS 12 that are included in Annual Improvements to IFRSs 2014-2016 Cycle. The amendments have been applied by the Group for the first time to these financial statements. Other amendments included in Annual Improvements to IFRSs 2014-2016 Cycle are not in effect yet and have not been applied by the Group to these financial statements.

As IFRS 12 does not require the disclosures above for condensed interim consolidated financial statements, the application of these amendments has had no material effect on the Group's condensed interim consolidated financial statements.

New IFRSs in issue but not yet effective

The Group has not applied early adoption of the new IFRSs that have been issued but are not yet effective.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 (CONTINUED)

(in thousands of tenge, unless otherwise indicated)

IFRS 9 Financial Instruments

Based on the analysis of the Group's financial assets and financial liabilities as at 30 September 2017, as well as based on the facts and circumstances that existed at that date, the management of the Group has made a preliminary assessment of the impact of IFRS 9 on the Group's condensed interim consolidated financial statements:

Classification and measurement

Loans carried at amortized cost are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Therefore, with the adoption of IFRS 9, these financial assets will be recognized at amortized cost.

All other financial assets and financial liabilities will continue to be recognized under IFRS 9 the same as under IAS 39.

Hedge accounting

Since the new hedge accounting requirements will lead to a more accurate matching of risk management accounting activity, expanding set of instruments that can be identified as hedging items and instruments, a preliminary analysis of the Group's current hedging relationships shows that they all will be accounted for as continuing hedging relationships during the transitioning to IFRS 9 similar to the current Group's accounting policy.

In addition to above, the management of the Group does not expect that the application of hedge accounting requirements in accordance with IFRS 9 will have a significant impact on the consolidated financial statements of the Group.

Impairment loss

The Group expects to apply the simplified approach to recognize lifetime expected credit losses for its trade receivables.

As regards loans to related parties and entities under trust management and other financial assets, expected credit losses will be recognized over the lifetime or a 12-month period, depending on whether there has been a significant increase in credit risk for these items from initial recognition. The management of the Group is in the process of assessing a potential impact from these factors.

In general, the management anticipates that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and are currently assessing a potential impact on the Group's consolidated financial statements.

It should be noted that the above assessments were made based on an analysis of the Group's financial assets and financial liabilities as at 30 September 2017 on the basis of the facts and circumstances that existed at that date. As facts and circumstances may change until 1 January 2018 (expected date of application of IFRS 9 as the Group does not intend to early apply the standard), the assessment of the potential impact is subject to change.

IFRS 15 Revenue from Contracts with Customers

The Group has analyzed significant contracts related to freight transportation, which represent the main proportion of the Group's revenue.

The Group has concluded that recognizing these revenues over time as a freight transportation services are performed continues to be appropriate during the initial application of IFRS 15.

The Group continues to perform detailed reviews of specific contractual terms including assessing potential additional performance obligation, price, and variable reimbursement due to discounts. Consequently, preliminary estimate given above may change.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 (CONTINUED)

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The management of the Group intends to adopt IFRS 15 using a modified retrospective approach, however, a final decision has yet to be made.

Based on preliminary assessment, management of the Group does not expect material change to revenue recognition from adopting IFRS 15.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Control assessment

Control over KazAutoZhol National Company JSC

On 29 January 2015, the Group and the Committee of state property and privatization of the Ministry of Finance of the Republic of Kazakhstan (the "Committee") entered into a trust management agreement of 100% state-owned shares of KazAutoZhol National Company JSC, which is owned by the Ministry of Investments and Development of the Republic of Kazakhstan. The Group has not recognized KazAutoZhol National Company JSC as a subsidiary, as the Group is acting as an agent and does not control this entity, exercising its decision making authority delegated to the Group by the Committee for and on behalf of the Committee. This agreement does not entitle the Group to any returns from operations of KazAutoZhol National Company JSC.

Control over Aktau International Sea Commercial Port National Company JSC

Aktau International Sea Commercial Port National Company JSC is recognized as a subsidiary of the Group, although the Group does not legally own shares in Aktau International Sea Commercial Port. The Group assessed whether it has control over Aktau International Sea Commercial Port, considering all relevant facts and circumstances arising from a trust management agreement concluded with Samruk-Kazyna National Welfare Fund JSC, the legal owner, in respect of its 100% ownership interest in Aktau International Sea Commercial Port. The Group concluded that it controls Aktau International Sea Commercial Port. In reaching this conclusion, management of the Group considered the broad power granted to the Group by the Shareholder, which gives the Group the practical ability to unilaterally direct the relevant activities of Aktau International Sea Commercial Port to affect its returns to the Group.

Control over airports

The Group and the Committee have entered into an agreement on the trust management of 100% state-owned shares of joint-stock companies Kokshetau Aircompany, Petropavlovsk International Airport, Nursultan Nazarbayev International Airport (known previously as Astana International Airport), Kostanay International Airport and Shymkent Airport, which are owned by the Ministry for Investments and Development of the Republic of Kazakhstan, and shares of joint-stock companies Aktobe International Airport, Atyrau International Airport and Pavlodar Airport, which are accounted for on the balance of the Shareholder. The Group has not recognized the airports as subsidiaries as the Group is acting as an agent exercising decision-making powers on behalf of the Committee and the Shareholder, without control over these airports. This agreement does not entitle the Group to any returns from the operating activities of the airports.

Control over Khorgos International Centre of Boundary Cooperation JSC

The Group entered into a trust management agreement with the Committee in respect of 100% equity interest in JSC Khorgos International Centre of Cross-border Cooperation (hereinafter, "Khorgos"), a state-owned company. The Group has not recognized Khorgos as a subsidiary as the Group acts as an agent exercising decision-making powers for and on behalf of the Committee, without control over the entity. This agreement does not entitle the Group to any returns from the operating activities of Khorgos.

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(in thousands of tenge, unless otherwise indicated)

Control over Tulpar-Talgo, LLP

The Group, as represented by the subsidiary Remlocomotive JSC, owns 99.99% interest in Tulpar-Talgo LLP.

On 15 May 2015, the Group and Patentes Talgo S.L.U., sole founder of Talgo Kazajstan S.L., entered into a preliminary agreement on sale of 51% of the shares in Tulpar-Talgo LLP, under which the Group received an advance payment of 23,000 thousand euro (4,661,410 thousand tenge). The agreement provides for certain conditional clauses, including the requirement for the Shareholder's approval of the transaction by the stated date, the reimbursement of financial consequences that may result from changes in euro exchange rate against tenge, as well as the requirement for an increase in the purchase price of passenger coaches delivered in 2015 or later in the case of growth of the exchange rate of euro against tenge where it results in increased costs for the production of these passenger coaches. In October 2016, the State commission on modernization of economy of Kazakhstan approved the direct sale of shares in Tulpar-Talgo LLP to Talgo Kazajstan S.L. As at 30 September 2017, the Group received all approvals, signed agreements for an increase in purchase prices for passenger coaches. The management still considers the sale of shares in Tulpar Talgo LLP as highly probable. Accordingly, it classifies the subsidiary within disposal group classified as held for sale and discontinued operations.

Control over Kazakhstan Wagon Construction Company LLP

In April 2016, the Group, as represented by Kaztemirtrans JSC, and ZIKSTO LLP entered into a trust management agreement in respect of 69.94% equity interest in its subsidiary Kazakhstan Wagon Construction Company LLP for the purpose of financial rehabilitation. The Group continues to control Kazakhstan Wagon Construction Company LLP, since ZIKSTO LLP is an agent and does not have the power to direct the financial and operating activities, exercising its decision-making authority delegated for and on behalf of the Group.

Loans at a rate below the market interest rate

The Group receives loans from the Shareholder/Ultimate Shareholder at a rate below the market rate of interest for similar loans in arm's length transactions. These loans are initially recognized at the fair value of the consideration received less directly attributable transaction costs. The Group calculates the fair value (amortized cost) of these loans using market rates on governmental long-term treasury bonds with comparable maturities and recognizes an adjustment to the loan value (less the related deferred tax) within equity. When no comparable maturities exist, the Group extrapolates the most comparable market rates to the life of the loan received by the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

Assets classified as held for sale

In December 2015, the Government of Kazakhstan approved the *Complex Plan of Privatization for 2016-2020* under which in February 2016 the management of the Group approved the list of subsidiaries, associates and joint ventures subject to sale. IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* requires management apply judgments regarding whether a sale of asset is highly probable. Based on the analysis of the progress of the Complex Plan of Privatization as at the reporting date, the Group classified certain assets and liabilities into disposal groups held for sale; these assets and liabilities relate to entities qualifying for the criteria in IFRS 5 (Note 14).

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Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, which are likely to result in material adjustments to the carrying amounts of assets and liabilities within the next financial year.

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

The assessment of whether there is an indication of impairment is based on a number of factors, such as change in expectations of growth in the railway industry, estimates of future cash flows, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances.

If any such indication exists, the recoverable amount of the asset is estimated and compared to the carrying amount of the asset. If the carrying amount exceeds the recoverable amount impairment is recorded. The recoverable amount is the greater of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate (adjusted WACC rate) that management believes reflects current market assessment of the time value of money and the risks specific to the assets. A change in the estimated recoverable amount may result in impairment or its recovery in future periods.

As at 30 September 2017, the Group performed impairment indicators analysis on property, plant and equipment and intangible assets since the latest date of the test, as at 31 December 2016, considering the budget implementation progress for the nine months of 2017. Due to impairment indicators, such as underperformance of transit freight transportation volumes in first half of 2017, the Group assessed the recoverable amount of property, plant and equipment and intangible assets as at 30 September 2017.

Based on the results of the test no impairment have been identified.

Adverse changes to the planned growth rates of freight and passenger traffic associated with the general trends in the economy, lack of appropriate indexation of tariffs to inflation, the continuing volatility of tenge against foreign currencies, the level of government support, as well as adverse changes in other factors in the future may lead to significant impairment losses in the period in which they occur.

4. CHANGES IN CLASSIFICATION AFFECTING COMPARATIVE INFORMATION

In pursuance of the Complex Plan of Privatization for 2016-2020 approved by the Government of the Republic of Kazakhstan, the management of the Group approved the list of subsidiaries, associates and joint ventures for sale.

The Group recognized the results of operations of its subsidiary Transtelecom JSC, which represents a separate major line of business in discontinued operations and accordingly, comparative amounts for the three and the nine months ended 30 September 2016 were restated.

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(in thousands of tenge, unless otherwise indicated)

Effect on the condensed interim consolidated statement of profit or loss and other comprehensive income

	<u>As previously reported</u>	<u>Discontinued operations</u>	<u>As restated</u>
Three months ended 30 September 2016 (unaudited)			
Other revenue	11,719,738	(3,113,493)	8,606,245
Total revenue	216,807,398	(3,113,493)	213,693,905
Cost of sales	(160,335,116)	1,475,538	(158,859,578)
Gross profit	56,472,282	(1,637,955)	54,834,327
General and administrative expenses	(19,907,693)	588,609	(19,319,084)
Other income and expenses	738,702	(8,703)	729,999
Finance income	1,579,762	(214,085)	1,365,677
Finance costs	(21,635,903)	1,547,671	(20,088,232)
Foreign exchange gain	8,090,723	39,337	8,130,060
Profit before income tax	28,082,594	314,874	28,397,468
Income tax expense	(9,312,087)	45,161	(9,266,926)
Profit for the period from continuing operations	18,770,507	360,035	19,130,542
Loss for the period from discontinued operations:	(34,981)	(360,035)	(395,016)
Profit for the period	18,735,526	-	18,735,526
Earnings per share from continuing and discontinued operations (in whole tenge)	37	1	38
	<u>As previously reported</u>	<u>Discontinued operations</u>	<u>As restated</u>
Nine months ended 30 September 2016 (unaudited)			
Other revenue	31,341,448	(8,541,153)	22,800,295
Total revenue	605,714,779	(8,541,153)	597,173,626
Cost of sales	(475,317,711)	4,147,671	(471,170,040)
Gross profit	130,397,068	(4,393,482)	126,003,586
General and administrative expenses	(57,190,460)	1,908,457	(55,282,003)
Other income and expenses	2,859,320	(35,652)	2,823,668
Finance income	5,214,622	(515,822)	4,698,800
Finance costs	(64,583,411)	4,597,938	(59,985,473)
Foreign exchange gain	9,299,938	43,762	9,343,700
Profit before income tax	36,304,114	1,605,201	37,909,315
Income tax expense	(11,683,220)	697,048	(10,986,172)
Profit for the period from continuing operations	24,620,894	2,302,249	26,923,143
Loss for the period from discontinued operations:	(1,114,749)	(2,302,249)	(3,416,998)
Profit for the period	23,506,145	-	23,506,145
Earnings per share from continuing operations (in tenge)	50	5	55

5. SEGMENT INFORMATION

The Group's operating segments are defined based on the services provided. The Group has two reportable segments: freight transportation and passenger transportation. All other operating segments, which mainly includes communication services, utilities services, loading and unloading services and vessels servicing that, in aggregate, do not exceed quantitative thresholds for disaggregation, are thus not disclosed separately.

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(in thousands of tenge, unless otherwise indicated)

The management of the Group monitors multiple measures of segment profitability for the Group's operating segments, including profit before taxation, profit for the period from continuing operations and gross profit. However, profit for the period is the key measure used by the Group for the purpose of resource allocation and the assessment of segment performance.

	For the three months ended 30 September 2017 (unaudited)				
	Freight transporta- tion	Passenger transporta- tion	Total reportable segments	Other	Total
Key operating measures					
Revenue					
Revenue from transportation	205,771,656	25,783,775	231,555,431	-	231,555,431
Government grants	-	5,829,414	5,829,414	-	5,829,414
Other revenue	8,248,897	1,139,649	9,388,546	3,799,071	13,187,617
Intrasegment revenue	(6,480,181)	(579,603)	(7,059,784)	(1,185,554)	(8,245,338)
Total revenue	207,540,372	32,173,235	239,713,607	2,613,517	242,327,124
Cost of sales	(156,759,844)	(27,462,293)	(184,222,137)	(2,342,294)	(186,564,431)
General and administrative expenses	(26,427,778)	(1,838,279)	(28,266,057)	(1,018,800)	(29,284,857)
Impairment of assets	(889,587)	(709,598)	(1,599,185)	(1,279)	(1,600,464)
Other income and expenses	272,263	653,451	925,714	(22,000)	903,714
Finance income	1,340,266	225,857	1,566,123	394,645	1,960,768
Finance costs	(21,623,708)	(617,753)	(22,241,461)	(201,364)	(22,442,825)
Foreign exchange (loss)	(52,462,403)	(60,540)	(52,522,943)	(375,329)	(52,898,272)
Share of loss of associates and joint ventures	(409,204)	-	(409,204)	(47,566)	(456,770)
Gain from disposal of shares in joint ventures	178,210	-	178,210	-	178,210
(Loss)/profit before tax	(49,241,413)	2,364,080	(46,877,333)	(1,000,470)	(47,877,803)
Income tax benefit/(expense)	10,753,797	149,091	10,902,888	(102,673)	10,800,215
(Loss)/profit from continuing operations for the period	<u>(38,487,616)</u>	<u>2,513,171</u>	<u>(35,974,445)</u>	<u>(1,103,143)</u>	<u>(37,077,588)</u>
Other key segment information					
Capital expenditure on property, plant and equipment	56,662,439	794,127	57,456,566	254,542	57,711,108
Depreciation of property, plant and equipment	26,023,592	2,406,502	28,430,094	466,413	28,896,507

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(in thousands of tenge, unless otherwise indicated)

	For the three months ended 30 September 2016 (unaudited)				
	Freight transporta- tion	Passenger transporta- tion	Total reportable segments	Other	Total
Key operating measures					
Revenue					
Revenue from transportation	184,779,375	24,909,637	209,689,012	-	209,689,012
Government grants	-	1,863,442	1,863,442	-	1,863,442
Other revenue	5,691,433	901,026	6,592,459	3,389,560	9,982,019
Intrasegment revenue	(6,688,755)	(480,503)	(7,169,258)	(671,310)	(7,840,568)
Total revenue	183,782,053	27,193,602	210,975,655	2,718,250	213,693,905
Cost of sales	(133,563,024)	(22,988,420)	(156,551,444)	(2,308,134)	(158,859,578)
General and administrative expenses	(17,261,936)	(1,199,726)	(18,461,662)	(857,422)	(19,319,084)
Impairment of assets	(134,567)	(424,253)	(558,820)	-	(558,820)
Other income and expenses	480,187	210,653	690,840	39,159	729,999
Finance income	909,915	252,528	1,162,443	203,234	1,365,677
Finance costs	(19,334,041)	(561,756)	(19,895,797)	(192,435)	(20,088,232)
Foreign exchange gain	8,075,174	3,413	8,078,587	51,473	8,130,060
Share of profit of associates and joint ventures	1,267,950	-	1,267,950	-	1,267,950
Gain from disposal of subsidiaries not qualifying as discontinued operations	-	2,035,591	2,035,591	-	2,035,591
Profit/(loss) before income tax	24,221,711	4,521,632	28,743,343	(345,875)	28,397,468
Income tax (expense)/benefit	(8,870,196)	(469,005)	(9,339,201)	72,275	(9,266,926)
Profit/(loss) for the period from continuing operations	<u>15,351,515</u>	<u>4,052,627</u>	<u>19,404,142</u>	<u>(273,600)</u>	<u>19,130,542</u>
Other key segment information					
Capital expenditure on property, plant and equipment	88,358,904	2,364,745	90,723,649	1,689,243	92,412,892
Depreciation of property, plant and equipment	23,397,035	1,872,784	25,269,819	2,424,596	27,694,415

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(in thousands of tenge, unless otherwise indicated)

	For the nine months ended 30 September 2017 (unaudited)				
	Freight transporta- tion	Passenger transporta- tion	Total reportable segments	Other	Total
Key operating measures					
Revenue					
Revenue from transportation	567,613,296	64,402,270	632,015,566	-	632,015,566
Government grants	-	14,379,303	14,379,303	-	14,379,303
Other revenue	21,887,916	3,089,749	24,977,665	11,612,695	36,590,360
Intrasegment revenue	(18,247,863)	(1,665,920)	(19,913,783)	(3,434,655)	(23,348,438)
Total revenue	571,253,349	80,205,402	651,458,751	8,178,040	659,636,791
Cost of sales	(449,716,671)	(72,554,244)	(522,270,915)	(6,595,287)	(528,866,202)
General and administrative expenses	(60,662,468)	(4,330,287)	(64,992,755)	(2,926,785)	(67,919,540)
Impairment of assets	(13,882,041)	(1,344,709)	(15,226,750)	(1,279)	(15,228,029)
Other income and expenses	644,675	914,546	1,559,221	13,966	1,573,187
Finance income	3,792,501	511,026	4,303,527	913,171	5,216,698
Finance costs	(67,790,054)	(1,873,337)	(69,663,391)	(677,249)	(70,340,640)
Foreign exchange (loss)/gain	(24,492,035)	21,931	(24,470,104)	(183,023)	(24,653,127)
Share of profit/(loss) of associates and joint ventures	228,352	-	228,352	(96,833)	131,519
Gain from disposal of subsidiaries not qualifying as discontinued operations	250,779	-	250,779	-	250,779
Gain from disposal of shares in joint ventures	8,144,751	-	8,144,751	-	8,144,751
(Loss)/profit before income tax	(32,228,862)	1,550,328	(30,678,534)	(1,375,279)	(32,053,813)
Income tax benefit/(expense)	1,430,522	(31)	1,430,491	(120,771)	1,309,720
(Loss)/profit from continuing operations for the period	<u>(30,798,340)</u>	<u>1,550,297</u>	<u>(29,248,043)</u>	<u>(1,496,050)</u>	<u>(30,744,093)</u>
Other key segment information					
Capital expenditure on property, plant and equipment	163,521,502	2,086,094	165,607,596	592,778	166,200,374
Depreciation of property, plant and equipment	76,688,923	6,000,908	82,689,831	1,409,185	84,099,016

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 (CONTINUED)

(in thousands of tenge, unless otherwise indicated)

	For the nine months ended 30 September 2016 (unaudited)			Other	Total
	Freight transporta- tion	Passenger transporta- tion	Total reportable segments		
Key operating measures					
Revenue					
Revenue from transportation	518,579,004	61,988,066	580,567,070	-	580,567,070
Government grants	-	12,114,153	12,114,153	-	12,114,153
Other revenue	13,158,424	2,851,805	16,010,229	11,568,570	27,578,799
Intrasegment revenue	(17,992,360)	(1,756,665)	(19,749,025)	(3,337,371)	(23,086,396)
Total revenue	513,745,068	75,197,359	588,942,427	8,231,199	597,173,626
Cost of sales	(398,485,339)	(67,160,875)	(465,646,214)	(5,523,826)	(471,170,040)
General and administrative expenses	(48,686,264)	(3,606,670)	(52,292,934)	(2,989,069)	(55,282,003)
Impairment of assets	(1,581,752)	(693,899)	(2,275,651)	-	(2,275,651)
Other income and expenses	2,249,525	490,824	2,740,349	83,319	2,823,668
Finance income	3,494,572	492,955	3,987,527	711,273	4,698,800
Finance costs	(56,718,763)	(1,679,061)	(58,397,824)	(1,587,649)	(59,985,473)
Foreign exchange gain/(loss)	9,597,737	14,453	9,612,190	(268,490)	9,343,700
Share of profit/(loss) of associates and joint ventures	3,632,986	-	3,632,986	(374,392)	3,258,594
Gain from disposal of subsidiaries not qualifying as discontinued operations	189,406	2,035,591	2,224,997	-	2,224,997
Gain from disposal of shares in joint ventures	-	-	-	7,099,097	7,099,097
Profit before income tax	27,437,176	5,090,677	32,527,853	5,381,462	37,909,315
Income tax (expense)/benefit	(10,763,148)	(875,052)	(11,638,200)	652,028	(10,986,172)
Profit for the period from continuing operations	<u>16,674,028</u>	<u>4,215,625</u>	<u>20,889,653</u>	<u>6,033,490</u>	<u>26,923,143</u>
Other key segment information					
Capital expenditure on property, plant and equipment	167,332,797	4,804,035	172,136,832	6,871,434	179,008,266
Depreciation of property, plant and equipment	71,921,674	5,729,774	77,651,448	6,543,034	84,194,482

6. PROPERTY, PLANT AND EQUIPMENT

During the nine months ended 30 September 2017, the Group purchased freight and passenger cars, locomotives and other property, plant and equipment of 8,422,463 thousand tenge (unaudited) (2016: 18,041,948 thousand tenge) and performed renovation and modernization of property, plant and equipment of 12,581,126 thousand tenge (unaudited) (2016: 2,437,682 thousand tenge).

During the nine months ended 30 September 2017, the Group continued the construction of "Zhezkazgan-Beineu" and "Arkalyk-Shubarkol" railway lines in the amount of 4,094,359 thousand tenge (unaudited) (2016: 461,660 thousand tenge); the construction of the ferry facilities in the port of Kuryk in the amount of 16,092,634 thousand tenge (unaudited) (2016: 6,989,303 thousand tenge) and the construction of the dry port and the infrastructure for the special economic zone "Khorgos – Eastern Gates" of 61,168 thousand tenge (2016: 7,803,086 thousand tenge).

During the nine month ended 30 September 2017, the Group's spending on development of a railway junction at Astana station and construction of railway station amounted to 65,010,760 thousand tenge (unaudited) (2016: 38,922,843 thousand tenge). As at 30 September 2017, the Group put into service first stage facilities of this project of 163,012,749 thousand tenge in total.

The Group also continued with the reconstruction of other components of the railway infrastructure.

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(in thousands of tenge, unless otherwise indicated)

7. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

For the nine months ended 30 September 2017 and 2016, the movements in the investments in associates and joint ventures was as follows:

	2017	2016
Associates at 1 January	11,357,875	10,898,604
Share of loss	(2,698,328)	(827,116)
Contributions to charter capital without change in ownership share	1,018,500	120,000
Effect of foreign currency exchange differences	643,242	(410,337)
Transfer from investments to joint ventures	-	262,204
Other	427,869	-
Associates at 30 September (unaudited)	<u>10,749,158</u>	<u>10,043,355</u>
Joint ventures at 1 January	11,720,150	22,104,613
Share of profit	2,829,847	4,085,710
Transfer to investments in associates	-	(262,204)
Dividends receivable	-	(1,303,264)
Joint ventures at 30 September (unaudited)	<u>14,549,997</u>	<u>24,624,855</u>

As at 30 September 2017, the Group's unrecognized share of losses in significant associates (Aktobe Rail and Section Mill Plant LLP, Continental Logistics LLP and Electrovoz kurastyru зауыты LLP) was 9,546,251 thousand tenge (31 December 2016: 6,716,574 thousand tenge).

During the nine months ended 30 September 2017, the Group, as represented by its subsidiary KTZ Express JSC, made an additional cash contribution without change in ownership share of 1,018,500 thousand tenge to the associate Aktau Sea North Terminal LLP (2016: an additional cash contribution without change in ownership share of 120,000 thousand tenge to the associate Continental Logistics LLP).

During the nine months ended 30 September 2017, the Group received dividends of 1,663,776 thousand tenge for 2015 in the monetary form from the joint venture Logistic System Management B.V. (Note 13).

During the nine months ended 30 September 2016, the Group received dividends of 951,036 thousand tenge for 2015 and 708,718 thousand tenge for 2015 in the monetary form from the joint ventures Logistic System Management B.V. and Astyk Trans LLP, respectively.

8. OTHER NON-CURRENT ASSETS

	30 September 2017 (unaudited)	31 December 2016
Advances for property, plant and equipment	80,722,963	65,111,134
VAT recoverable	38,728,741	34,141,032
Loans to employees	5,729,586	6,400,774
Prepaid expenses	1,368,916	1,488,627
Receivables from the sale of joint venture (Note 14)	1,269,749	-
Residential properties	122,378	439,954
Other	2,244,685	1,391,967
	<u>130,187,018</u>	<u>108,973,488</u>
Less: allowance for advances to suppliers for property, plant and equipment	(2,058,550)	(2,068,719)
Less: allowance for non-recoverable VAT	<u>(16,336,081)</u>	<u>(14,984,387)</u>
	<u>111,792,387</u>	<u>91,920,382</u>

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As at 30 September 2017 and 31 December 2016, advances for property, plant and equipment included:

	30 September 2017 (unaudited)	31 December 2016
Acquisition of locomotives	30,111,467	7,344,090
Construction of the ferry facilities in the port of Kuryk and the operation of freight-and-passenger ferries	25,305,444	9,020,197
Supply of passenger coaches components	10,943,838	8,317,108
Construction of a railway station in Astana	5,113,855	20,278,582
Supply of sea-crafts	-	3,139,592
Supply of railroad portal cranes	-	2,279,533
Construction of Zhezkazgan-Beineu and Arkalyk-Shubarkol railway lines	1,085,495	2,401,224
Other	8,162,864	12,330,808
	<u>80,722,963</u>	<u>65,111,134</u>

9. INVENTORIES

	30 September 2017 (unaudited)	31 December 2016
Raw materials and supplies	10,259,533	10,247,492
Spare parts	8,225,173	7,729,888
Upper railway components	6,480,980	3,373,485
Fuel	4,515,563	5,287,640
Work-in-progress	542,346	267,601
Construction materials	474,509	776,322
Finished goods	388,920	420,866
Other	1,063,418	977,286
	<u>31,950,442</u>	<u>29,080,580</u>
Less: allowance for obsolete and slow-moving inventories	<u>(563,226)</u>	<u>(233,636)</u>
	<u>31,387,216</u>	<u>28,846,944</u>

10. OTHER FINANCIAL ASSETS

	30 September 2017 (unaudited)	31 December 2016
Loans issued	25,687,091	1,885,605
Amounts in credit institutions (financial investments)	11,540,174	17,549,976
	<u>37,227,265</u>	<u>19,435,581</u>
Less: allowance on loans given	<u>(13,705,074)</u>	<u>(915,860)</u>
	<u>23,522,191</u>	<u>18,519,721</u>
Current portion of other financial assets	21,133,861	16,186,691
Non-current portion of other financial assets	2,388,330	2,333,030
	<u>23,522,191</u>	<u>18,519,721</u>

During the nine months ended 30 September 2017, the Group, as represented by its subsidiary Airport Management Group, issued a repayable interest-free financial aid of 27,500,000 thousand tenge (2016: 500,000 thousand tenge) to an entity under trust management Nursultan Nazarbaev International Airport JSC (known previously as Astana International Airport JSC) to finance its working capital.

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The fair-value adjustment of 3,070,718 thousand tenge (2016: 65,972 thousand tenge) for the financial aid was recognized by the Group in finance costs. For the purpose of the financial aid fair value calculation, the Group applied effective interest rates of 13.9% - 15.2% (2016: 15%), using market rates of similar conditions.

As at 30 September 2017, based on the analysis of the recoverability of these financial aid, the Group recorded an impairment allowance of 12,760,979 thousand tenge (2016: nil).

As at 30 September 2017 and 31 December 2016, loans are denominated in tenge.

Amounts in credit institutions:

	30 September 2017 (unaudited)	31 December 2016
Ratings from BBB-(Baa3) to BB-(Ba3)	-	313,100
Ratings from B+(B1) to B-(B3)	7,971,429	17,236,876
Ratings from CCC+(Caa1) to CC(Ca)	3,568,745	-
	<u>11,540,174</u>	<u>17,549,976</u>

As at 30 September 2017, amounts in credit institutions of 2,388,330 thousand tenge was pledged as a collateral (2016: 2,333,030 thousand tenge).

As at 30 September 2017, the annual weighted average interest rate for amounts in credit institutions was 3.79% per annum in US dollars and 9.26% in tenge (31 December 2016: 4.54% in US dollars and 13.08% in tenge).

As at 30 September 2017, the annual weighted average interest rate for amounts in credit institutions pledged as a collateral was 3.5% per annum in US dollars (31 December 2016: 4%).

As at 30 September 2017 and 31 December 2016, amounts in credit institutions were denominated in the following currencies:

	30 September 2017 (unaudited)	31 December 2016
US dollars	6,170,102	17,202,382
Tenge	5,370,072	347,594
	<u>11,540,174</u>	<u>17,549,976</u>

11. TRADE ACCOUNTS RECEIVABLE

	30 September 2017 (unaudited)	31 December 2016
Trade accounts receivable	30,243,721	23,628,423
Allowance for doubtful debts	(8,711,779)	(8,094,689)
	<u>21,531,942</u>	<u>15,533,734</u>
Current portion of trade accounts receivable	21,489,066	15,416,517
Non-current portion of trade accounts receivable	42,876	117,217
	<u>21,531,942</u>	<u>15,533,734</u>

The movements in the allowance for doubtful debts for the nine months ended 30 September were as follows:

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(in thousands of tenge, unless otherwise indicated)

	30 September 2017 (unaudited)	30 September 2016 (unaudited)
Allowance for doubtful debts at the beginning of the year	(8,094,689)	(11,264,107)
Foreign currency translation	-	940
(Provided for)/ reversed during the year	(667,932)	1,527,212
Written-off during the year against previously created allowance	50,842	456,101
Allowance for doubtful debts at the end of the year	(8,711,779)	(9,279,854)

As at 30 September 2017 and 31 December 2016, ageing analysis of trade accounts receivables that are past due but not impaired were as follows:

	Total	Not past due and not impaired	Past due but not impaired		
			Less than 90 days	From 90 to 120 days	More than 120 days
30 September 2017 (unaudited)	21,531,942	21,478,541	-	41,340	12,061
31 December 2016.	15,533,734	15,430,606	-	103,128	-

12. CASH AND CASH EQUIVALENTS

	30 September 2017 (unaudited)	31 December 2016
Cash in current bank accounts in tenge	33,057,975	15,158,796
Cash in current bank accounts in US dollars	10,531,920	5,659,164
Cash in current bank accounts in Russian rubles	8,467,660	225,498
Cash in current bank accounts in other currencies	4,474,166	1,339,624
Short-term bank deposits in tenge	19,943,714	26,218,883
Short-term bank deposits in other currencies	165,448	84,165
Cash in transit	1,503,235	277,556
Petty cash	21,463	14,487
	78,165,581	48,978,173
Cash included in disposal groups classified as assets held for sale (Note 14) ¹	19,414,943	18,107,258
	97,580,524	67,085,431

As at 30 September 2017, weighted average interest rate for cash in current bank accounts was 2.22% per annum in tenge, 0.59% per annum in US dollars and 3.43% per annum in other currencies (31 December 2016: 6.10%, 0.47% and 0.44%, respectively).

Short-term bank deposits in tenge and in foreign currency are placed for varying periods of up to three months, depending on the Group's cash needs. As at 30 September 2017, weighted average rate for short-term bank deposits was 8.05% per annum in tenge, 5.51% in other currencies (31 December 2016: 10.63% in tenge; 7.06% in other currencies).

13. OTHER CURRENT ASSETS

	30 September 2017 (unaudited)	31 December 2016
Other taxes prepaid	19,154,019	15,536,701

¹ The amounts include cash and cash equivalents of Tulpar-Talgo LLP included in the "Assets of a newly acquired subsidiary" in Note 14 in the amount of 14,629,404 thousand tenge (2016: 4,500,168 thousand tenge).

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Advances paid	16,787,355	9,217,302
Claims, fines and penalties	8,484,754	7,330,878
Receivables from sales of subsidiaries	3,515,000	3,525,000
Prepaid expenses	2,103,438	4,257,444
Receivables from employees	1,544,128	1,560,333
Restricted cash	524,121	1,782,029
Dividends receivable	394,771	1,663,776
Other	15,713,862	5,093,177
	68,221,448	49,966,640
Less: allowance for doubtful debts	(14,078,064)	(10,791,755)
	54,143,384	39,174,885

The movements in the allowance for doubtful debts related to advances paid and other current assets for the nine months ended 30 September comprise:

	30 September 2017 (unaudited)	30 September 2016 (unaudited)
Allowance for doubtful debts at the beginning of the period	(10,791,755)	(10,141,038)
Foreign currency translation	(14,356)	7,867
Charge for the period	(3,352,832)	(1,939,813)
Written off during the period against previously created allowance	80,879	417,772
Transfer to disposal groups classified as held for sale	-	127,675
Allowance for doubtful debts at the end of the period	(14,078,064)	(11,527,537)

14. NON-CURRENT ASSETS, ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

In 2016, as part of the Complex Privatization Plan for 2016-2020 approved by the Government of the Republic of Kazakhstan, management of the Group approved a list of the Group's subsidiaries, associates and joint ventures subject to disposal to private investors.

As at 30 September 2017 and 31 December 2016, assets and liabilities of the subsidiaries, which meet the criteria of non-current assets held for sale, were classified as "disposal groups classified as held for sale" in the condensed interim consolidated statement of financial position.

During the nine months ended 30 September 2017, the Group, as represented by its subsidiaries Kaztemirtrans JSC and KTZ-Freight Transportation JSC completed sales of shares and interests in the subsidiaries to third parties: Transport Services Center JSC and Regional Forward Logistics LLC; Rauan Burabai LLP, Mak-Ekibastuz LLP and Bas-Balkhash LLP, respectively. Upon the sale the Group lost control over these subsidiaries. As these subsidiaries did not represent a major line of business, the resulting gain was recognized as gain from the disposal of subsidiaries not qualifying as discontinued operations.

As at 31 December 2016, assets and liabilities of these subsidiaries were disclosed as "Other" in the table below.

Investments in joint ventures

In February 2017, the Group, as represented by the subsidiary Kaztemirtrans JSC, completed sale of 50% interest in the joint venture Astyk-Trans JSC to a third party. The sale price amounted to 5,252,130 thousand tenge. Carrying value of the investment as at the date of disposal was 3,874,398 thousand tenge.

In April 2017, the Group sold 50% interest in joint venture Locomotive Kurastyru Zauyty JSC to a third party. The sale price amounted to 15,716,250 thousand tenge, a 10% deferred payment under the agreement will be paid over two years. In April 2017, the Group received 90% of the consideration of 14,144,625 thousand tenge. The Group estimated the fair-value of the consideration, and recognized the difference between the fair value and the nominal amount of

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consideration of 386,704 thousand tenge as a part of gain from disposal of shares in joint ventures.

As a result, the Group lost joint control over these joint ventures and recognized gain from the disposal of shares in joint ventures.

Transtelecom JSC

As at 30 September 2017, 51% shares in Transtelecom JSC owned by the Group was classified as a disposal group in the condensed interim consolidated financial statements, as the Group initiated a selling process of 26% less 1 share, which is expected to be completed within 12 months after the reporting date. Thus, on 30 December 2016, the first stage of the tender was completed. On 10 February 2017, the results of the open two-stage tender were finalized. In May 2017, based on the results, an application for the disposal of 26% less 1 share in Transtelecom JSC as a strategic asset was submitted to the Ministry for Investments and Development of the Republic of Kazakhstan.

Tulpar-Talgo LLP

In May 2015, the Group, as represented by its subsidiary Remlocomotive JSC, entered into a preliminary agreement for the sale of 51% of the shares in Tulpar-Talgo LLP with Patentes Talgo S.L.U., the sole shareholder of Talgo Kazajstan S.L., under which the Group received an advance payment of 23,000 thousand euro (4,661,410 thousand tenge). The agreement provides certain conditional clauses, including the Shareholder's approval of the transaction by the stated date, reimbursement of financial consequences of changes in euro exchange rate against tenge, as well as an increase in the purchase price of passenger coaches delivered in 2015 or later in the case of growth of the exchange rate of euro against tenge, which resulted in increased costs for the production of these passenger coaches.

As at 30 September 2017, all required approvals were obtained and the additional agreements providing for an increase in the purchase price for passenger coaches were signed. Management believes that the sale of shares in Tulpar Talgo LLP is highly probable. Therefore, the Group has classified this subsidiary as assets held for sale and discontinued operations.

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	As at 30 September 2017 (unaudited)			As at 31 December 2016		
	Trans-telecom JSC	Tulpar-Talgo LLP	Other	Trans-telecom JSC	Tulpar-Talgo LLP	Other
Assets						
Property, plant and equipment	64,369,879	-	5,672	62,193,300	-	751,136
Intangible assets	3,696,889	-	-	3,556,450	-	2,044
Other non-current assets	1,325,054	-	399	1,250,748	-	399
Inventories	721,548	-	-	680,233	-	85,821
Trade accounts receivable	11,019,200	-	-	3,543,338	-	885,747
Other current assets	6,919,327	-	26,999	4,859,875	-	1,144,199
Cash and cash equivalents	4,785,517	-	22	13,201,627	-	405,463
Assets of newly acquired subsidiary	-	25,572,302	-	-	15,451,118	-
Total assets of disposal groups classified as held for sale	92,837,414	25,572,302	33,092	89,285,571	15,451,118	3,274,809
Transfer from investments in joint ventures	-	-	-	-	-	12,614,263
Total non-current assets classified as held for sale	-	-	-	-	-	12,614,263
Total non-current assets of disposal groups classified as held for sale	92,837,414	25,572,302	33,092	89,285,571	15,451,118	12,614,263
Liabilities						
Borrowings	49,336,657	-	-	53,560,485	-	-
Finance lease payables	1,494,935	-	-	1,839,073	-	136,052
Employee benefit obligations	418,391	-	-	418,391	-	36,834
Deferred tax liabilities	3,274,612	-	-	3,072,754	-	289,147
Trade accounts payable	15,508,641	-	188,310	8,561,108	-	767,679
Other taxes	117,560	-	10,305	450,065	-	232,428
Other current liabilities	1,678,831	-	6,082	7,898,517	-	247,506
Liabilities of newly acquired subsidiary	-	36,025,460	-	-	19,306,464	-
Total liabilities of disposal groups classified as held for sale	71,829,627	36,025,460	204,697	75,800,393	19,306,464	1,709,646
Net assets/(liabilities) of disposal group	21,007,787	(10,453,158)	(171,605)	13,485,178	(3,855,346)	-

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Discontinued operations

The Group has presented the results of operations of subsidiaries Transtelecom JSC and Tulpar-Talgo LLP in the condensed interim consolidated statement of profit or loss and other comprehensive income as discontinued operations.

The results from discontinued operations comprise the following:

	Nine months ended 30 September					
	2017 (unaudited)			2016 (unaudited)		
	Trans-telecom JSC	Tulpar-Talgo LLP	Total	Trans-telecom JSC	Tulpar-Talgo LLP	Total
Revenue	32,664,603	-	32,664,603	8,541,153	-	8,541,153
Cost of sales	(23,323,180)	-	(23,323,180)	(4,147,671)	-	(4,147,671)
General and administrative expenses	(2,927,015)	(198,619)	(3,125,634)	(1,908,457)	(164,595)	(2,073,052)
Other income and expenses	51,714	53,949	105,663	35,652	175,923	211,575
Finance income	182,045	42,110	224,155	515,822	29,404	545,226
Finance costs	(4,542,794)	(100,359)	(4,643,153)	(4,597,938)	(115,963)	(4,713,901)
Foreign exchange (loss)/profit	(201,140)	480,560	279,420	(43,762)	(1,039,518)	(1,083,280)
Profit/(loss) before income tax	1,904,233	277,641	2,181,874	(1,605,201)	(1,114,749)	(2,719,950)
Income tax expense	(915,342)	(3,996)	(919,338)	(697,048)	-	(697,048)
Profit/(loss) for the period	988,891	273,645	1,262,536	(2,302,249)	(1,114,749)	(3,416,998)
Basic earnings/(loss) per share (in tenge)	2	1	3	(5)	(2)	(7)

	Three months ended 30 September					
	2017 (unaudited)			2016 (unaudited)		
	Trans-telecom JSC	Tulpar-Talgo LLP	Total	Trans-telecom JSC	Tulpar-Talgo LLP	Total
Revenue	19,428,264	-	19,428,264	3,113,493	-	3,113,493
Cost of sales	(15,570,080)	-	(15,570,080)	(1,475,538)	-	(1,475,538)
General and administrative expenses	(1,274,476)	(55,323)	(1,329,799)	(588,609)	(64,865)	(653,474)
Other income and expenses	(66,910)	2,514	(64,396)	8,703	86,360	95,063
Finance income	38,033	33,480	71,513	214,085	4,068	218,153
Finance costs	(1,544,012)	(35,352)	(1,579,364)	(1,547,671)	(37,328)	(1,584,999)
Foreign exchange profit/(loss)	64,467	683,911	748,378	(39,337)	(23,216)	(62,553)
Profit/(loss) before income tax	1,075,286	629,230	1,704,516	(314,874)	(34,981)	(349,855)
Income tax expense	(340,898)	(3,996)	(344,894)	(45,161)	-	(45,161)
Profit/(loss) for the period	734,388	625,234	1,359,622	(360,035)	(34,981)	(395,016)
Basic earnings/(loss) per share (in tenge)	1	2	3	(1)	-	(1)

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The cash flows from discontinued operations comprise the following:

	Nine months ended 30 September 2017 (unaudited) Transtelecom JSC	2016 (unaudited) Transtelecom JSC
Net cash from operating activities	1,780,385	12,343,546
Net cash used in investing activities	(5,430,246)	(4,612,582)
Net cash used in financing activities	(4,702,443)	(6,098,298)
Net cash (outflow)/inflow	(8,352,304)	1,632,666

15. EQUITY

Contributions

Share issuance

During the nine months ended 30 September 2017, the contribution to the Group's share capital comprised of 50,000 shares issuance for which cash of 50,000,000 thousand tenge was received. This contribution was received for the implementation of project *Construction of the ferry facilities in the port of Kuryk and the operation of freight-and-passenger ferries*.

Contributions to the share capital during the nine months ended 30 September 2016 comprise:

1. an issue of 464,000 shares for which cash of 46,400,000 thousand tenge was received. This capital was received to finance the construction of "Zhezkazgan-Beineu" railway lines, the construction of second railway lines on sector Almaty 1- Shu, the construction of the ferry facilities in the sea port of Kuryk and operation of freight-and-passenger ferries;
2. an issue of 642 shares for which building for Group Scientific and Technical Information and Analysis Center, technical library, in Taraz city valued at 57,780 thousand tenge was received;
3. an issue of 85,804 shares for which 7 buildings of railway stations and 4 passenger platforms valued at 85,804 thousand tenge were received.

Cash flow hedging reserve

During the nine months ended 30 September 2017, the effective portion of 6,569,280 thousand tenge was allocated to cash flow hedging reserve and other comprehensive income (2016: 251,600 thousand tenge). The ineffective portion of 65,520 thousand tenge was allocated to finance costs (2016: 167,350 thousand tenge).

Dividends

As at 30 September 2017 and 31 December 2016, the amount of dividends payable to the Shareholder amounted to 16,424,670 thousand tenge (Notes 18 and 24).

Other distributions

In 2012 and 2014, the Group entered into an irrevocable commitment with the Kazakhstan Government for the construction of the multifunctional Ice Palace and a kindergarten in Astana City and, as a result, recognized a distribution to the Shareholder equal to the amount of the estimated costs of construction.

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During the nine months ended 30 September 2016, the Group recognized an additional irrevocable commitment and the distribution of 195,587 thousand tenge, which represented the amount of VAT arising as a result of the transfer of the kindergarten to the local authorities and recognized a decrease in the irrevocable commitment and a reversal of the distribution of 30,315 thousand tenge due to the decrease in cost of construction.

During the nine months ended 30 September 2016, due to a decrease in the costs of construction of the Ice Palace, the Group recognized a decrease in the irrevocable commitment and a reversal of the distribution of 869,993 thousand tenge.

During the nine months ended 30 September 2017, the Group recognized an additional irrevocable commitment and the distribution of 5,733,368 thousand tenge, which represented the amount of VAT arising as a result of the transfer of the Ice Palace to the Astana Akimat (Note 24).

Other contributions

During the nine month ended 30 September 2016, there was a fair value adjustments with respect to loans received at below market interest rate of 3,986,964 thousand tenge less deferred tax effect of 797,393 thousand tenge.

Change in ownership share in subsidiaries without loss of control

In June 2016, the Group sold 49% out of 100% of the shares in Transtelecom JSC to a third party, receiving a consideration of 9,000,000 thousand tenge. As a result, the Group recognized non-controlling interest of 11,425,063 thousand tenge in Transtelecom JSC, with a difference of 2,425,063 thousand tenge recognized as retained earnings of the Group.

In July 2017, the Group, as represented by its subsidiary KTZ Express JSC, sold 49% out of 100% of the shares in KTZE-Khorgos Gateway LLP to a third party. The total cost of sales was 24,063,280 thousand tenge. As a result, the Group recognized non-controlling interest of 16,516,570 thousand tenge in KTZE-Khorgos Gateway LLP, with a difference of 7,546,710 thousand tenge recognized as retained earnings of the Group.

16. BORROWINGS

	30 September 2017 (unaudited)		31 December 2016	
	Amount	Weighted average interest rate (%)	Amount	Weighted average interest rate (%)
<i>Borrowings with fixed interest rate</i>				
Loans received	313,270,147	9.23	382,813,330	8.20
Debt securities issued	837,163,981	6.52	715,583,589	6.26
<i>Borrowings with floating interest rate:</i>				
Loans received	106,857,019	9.95	85,525,355	5.88
Debt securities issued	52,243,194	10.42	55,757,500	16.92
	<u>1,309,534,341</u>		<u>1,239,679,774</u>	
Current portion of borrowings	120,108,613		141,561,817	
Non-current portion of borrowings	<u>1,189,425,728</u>		<u>1,098,117,957</u>	
	<u>1,309,534,341</u>		<u>1,239,679,774</u>	

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(in thousands of tenge, unless otherwise indicated)

Borrowings as at 30 September 2017 and 31 December 2016 were denominated in currencies as follows:

	30 September 2017 (unaudited)	31 December 2016
US dollars	761,133,016	803,503,513
Tenge	290,792,826	283,039,276
Russian ruble	90,802,105	-
Euro	61,661,241	53,664,002
Other currencies	105,145,153	99,472,983
	<u>1,309,534,341</u>	<u>1,239,679,774</u>

During the nine months ended 30 September 2017 and 2016, capitalized borrowing costs amounted to 2,204,781 thousand tenge and 2,581,129 thousand tenge, respectively. The capitalization rate varied from 2.59% to 10.00% (2016: from 2.59% to 8.63%).

Early extinguishment of debt

On 7 August 2017, the Group, as represented by its subsidiaries Kaztemirtrans JSC and KTZ-Freight Transportation JSC, signed additional agreements to the loan agreements dated April 13 2011 with the Shareholder. The additional agreements provide an exclusion of the commission for early repayment of the principal amount of the debt. On 7 and 8 August 2017, the Group, as represented by its subsidiaries Kaztemirtrans JSC and KTZ-Freight Transportation JSC, made early repayment of the loan of 75,000,000 thousand tenge to the Shareholder under the stated loan agreements.

Loans received

During the nine months ended 30 September 2017, the Group received the following loans:

HSBC France

In accordance with the General Framework Agreement with HSBC France, HSBC Bank Plc and HSBC Kazakhstan SB JSC, and with support from export-credit agency COFACE, concluded on 31 May 2012 for the financing of freight and passenger electric locomotives purchase in the total amount of 880,877,000 Euro and additional agreements to them, the Group, as represented by its subsidiary KTZh-Freight Transportation JSC, drew credit funds of 25,534,947 Euro (8,777,913 thousand tenge) (including the premium paid to COFACE) during the period from January to September 2017. Interest is paid on a semiannual basis at EUR CIRR + margin 0.75%. The principal shall be repaid on a semiannual basis until fully repaid in 2026. The loan was obtained under the guarantee of the Company.

Halyk Bank of Kazakhstan JSC

On 7 March 2017 and 5 May 2017, the Group signed additional agreements with Halyk Bank of Kazakhstan JSC to the credit facility agreement dated 26 February 2015. Additional agreements provide for the inclusion of the subsidiary KTZh-Freight Transportation JSC as a co-borrower, an increase of the credit facility to 40,000,000 thousand tenge and the change in the loan purpose: investment and financing of working capital. During the period from January to September 2017 the Group borrowed funds in total amount of 36,000,000 thousand tenge at 13% interest rate due within one year.

EBRD

In February 2017, the Group, as represented by the Company and its subsidiary, Kaztemirtrans JSC converted portion of the debt of 170,000,000 US dollars into tenge under the loans restructuring agreement with EBRD dated 22 December 2016 for the total amount of 180,913,719 US dollars. Due to a significant change in the terms of loan, the Group recognized the loan conversion transaction as derecognition of the initial financial liability and the recognition of a new financial liability. As a result, as at the date of conversion the new financial liability amounted to 54,983,100 thousand tenge and 10,913,719 US dollars. Interest is paid on a semi-

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annual basis at 6 months LIBOR + 4.35% per annum for US dollar tranche and all-in-cost² + 4.35% for tenge tranche.

CitiBank of Kazakhstan JSC

For the period from January to September 2017, under the General Loan Agreement dated 30 November 2009, the Group, as represented by its subsidiary KTZ-Freight Transportation JSC obtained loans from CitiBank of Kazakhstan JSC in the amount of 10,800,000 thousand tenge at interest rate of 13% due within one year.

Debt securities issued

	Maturity date	Markets	30 September 2017 (unaudited)	31 December 2016
Debt securities issued at price				
6.95% Eurobonds (105.521%)	10 July 2042	LSE/KASE	399,238,317	383,857,203
6.375% Eurobonds (100%)	6 October 2020	LSE	246,125,896	236,673,280
8.75% Bonds	7 June 2022	MOEX	90,802,105	-
3.638% Eurobonds (100%)		SIX Swiss		
	20 June 2022	Exchange	65,618,898	61,813,397
Bonds (inflation +2.52%)	25 April 2026	KASE	52,243,194	55,757,500
2.59% Eurobonds (100%)		SIX Swiss		
	20 June 2019	Exchange	35,378,765	33,239,709
			<u>889,407,175</u>	<u>771,341,089</u>
Current portion of debt securities			18,759,499	10,270,037
Non-current portion of debt securities			<u>870,647,676</u>	<u>761,071,052</u>
			<u>889,407,175</u>	<u>771,341,089</u>

Fair value of the borrowings is disclosed in Note 25.

On 13 June 2017, the Group, as represented by the subsidiary, KTZ Finance LLP, issued and placed bonds of 15,000,000,000 Russian rubles (83,100,000 thousand tenge) on Moscow Stock Exchange MMTB-RTS PJSC for 5 years with a coupon rate of 8.75 % per annum. Coupon payment – twice a year. The maturity of the principal is 7 June 2022.

Covenants and breach of loan agreements

The Eurobonds contain covenants that place certain limitations on the Group including, but not limited to, limitations on changes in the business and the disposal of property, limitations on mergers and consolidations with other legal entities. In the case of default events, as defined by the Eurobond indenture, investors are entitled to require repayment of the Eurobonds.

Bonds (inflation rate +2.52% as of 25 April 2016) contain covenants that place certain limitations on disposal of property, limitations on change in the legal status, limitations on changes in Company's principal activity.

EBRD and HSBC France loan agreements include certain financial covenants, such as debt to EBITDA, debt to equity and interest coverage ratio. These covenants are calculated quarterly under EBRD agreement and semi-annually and annually under HSBC France agreement.

To avoid the non-compliance on obligations to creditors as at 30 September 2017, the Group negotiated with creditors to change thresholds for the financial covenants. As at 30 June and 30 September 2017, waivers were received on credit agreements concluded with HSBC France and EBRD, respectively. .

² 'all-in-cost' means the all-in costs to EBRD (expressed as a rate per annum) from any source EBRD selects in its sole discretion and includes all fees, interest, charges, commissions and expenses, provided that if any such amounts are incurred in other than KZT, such amounts shall be redenominated into KZT at the foreign exchange rate available to EBRD for the redenomination of the relevant amounts on the relevant date, or such other rate as determined by EBRD acting reasonably.

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(in thousands of tenge, unless otherwise indicated)

17. TRADE ACCOUNTS PAYABLE

	30 September 2017 (unaudited)	31 December 2016
Accounts payable for services	38,016,271	38,204,408
Accounts payable for property, plant and equipment	26,596,413	53,630,962
Accounts payable for inventory	20,947,976	32,099,886
Other accounts payable	1,263,166	518,543
	<u>86,823,826</u>	<u>124,453,799</u>

As at 30 September 2017 and 31 December 2016, trade accounts payable were denominated in the following currencies:

	30 September 2017 (unaudited)	31 December 2016
Tenge	72,560,578	103,845,042
Euro	5,098,512	2,548,278
US dollars	4,806,166	16,746,337
Russian ruble	3,901,942	869,668
Other currencies	456,628	444,474
	<u>86,823,826</u>	<u>124,453,799</u>

18. OTHER LIABILITIES

	30 September 2017 (unaudited)	31 December 2016
Advances received	72,797,334	36,531,256
Dividends payable (Note 15)	16,424,670	16,424,670
Salaries payable	15,012,831	14,687,152
Unused vacation provision	9,026,740	9,897,257
Deferred income	6,843,476	5,935,882
Obligatory pension and professional pension contributions and deductions for social health insurance and contributions to social insurance	4,610,438	4,440,239
Liabilities under financial guarantee contracts	4,308,459	4,399,245
Other liabilities	10,969,350	4,351,172
	<u>139,993,298</u>	<u>96,666,873</u>
Current portion of other liabilities	135,684,839	92,267,628
Non-current portion of other liabilities	4,308,459	4,399,245
	<u>139,993,298</u>	<u>96,666,873</u>

19. COST OF SALES

	Three months ended 30 September		Nine months ended 30 September	
	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Personnel costs, including taxes, contributions and unused vacation provision	60,276,619	56,521,660	178,103,982	169,202,341
Depreciation and amortization	27,577,086	26,280,760	80,994,233	80,307,230
Repair and maintenance	25,615,552	19,835,924	67,015,649	56,577,225
Fuels and lubricants	22,328,750	17,781,464	63,853,098	49,121,416
Works and production services	12,121,960	11,558,769	34,481,311	32,085,593
Electricity	9,778,531	8,687,320	31,882,798	28,297,386

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Materials and supplies	11,167,764	11,529,608	30,328,950	26,800,113
Taxes	4,560,291	3,714,979	13,100,803	10,553,608
Communication services	1,580,478	975,518	3,664,558	2,220,335
Operating lease expenses	2,087,989	446,916	3,451,812	1,123,046
Utilities and building maintenance	614,805	490,227	2,111,298	1,920,857
Business trip expenses	695,577	586,666	2,090,540	1,643,997
Employee benefit expense	345,004	316,203	860,732	1,024,729
Other	7,814,025	133,564	16,926,438	10,292,164
	<u>186,564,431</u>	<u>158,859,578</u>	<u>528,866,202</u>	<u>471,170,040</u>

20. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Personnel costs, including taxes, contributions and unused vacation provision	10,294,884	9,197,884	30,832,203	26,707,836
Taxes	7,462,904	3,528,850	13,388,310	10,319,267
Allowances for doubtful debts	2,810,926	(545,361)	4,020,764	297,441
Depreciation and amortization	1,276,784	1,261,194	3,769,650	3,352,127
Consulting, audit and legal services	736,009	936,037	2,514,024	3,432,581
Business trip expenses	425,715	312,760	1,122,801	875,214
Operating lease expenses	371,105	323,454	1,022,466	835,110
Advertising expenses	459,572	189,398	941,222	539,462
Other third party services	181,311	90,324	643,938	263,290
Expenses on holiday and cultural events	364,337	327,900	607,887	519,232
Bank services	154,074	267,182	586,545	807,117
Utilities and building maintenance	131,025	133,866	542,358	507,422
Materials	172,210	154,420	469,995	395,325
Social sphere objects maintenance	67,345	62,223	311,358	290,054
Insurance	73,523	63,086	225,325	173,147
Employee benefit expenses	78,173	62,317	187,754	181,025
Professional trainings and qualifications	46,934	25,692	147,090	142,642
Repair and maintenance	46,343	55,206	107,250	136,847
Other	4,131,683	2,872,652	6,478,600	5,506,864
	<u>29,284,857</u>	<u>19,319,084</u>	<u>67,919,540</u>	<u>55,282,003</u>

21. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Interest expense on borrowings	22,182,161	19,793,916	63,897,366	58,576,466
Finance leasing interest	-	17,249	-	53,136
Ineffective part on hedging instruments	1,824	(67,278)	65,520	167,350
Other finance cost	258,840	344,345	6,377,754	1,188,521
	<u>22,442,825</u>	<u>20,088,232</u>	<u>70,340,640</u>	<u>59,985,473</u>

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22. EARNINGS PER SHARE

Basic earnings per share are calculated based on the weighted average number of common shares outstanding during the period. Basic and diluted per share data are the same, as there are no dilutive instruments outstanding. As at 30 September 2017 and 31 December 2016, there were no dilutive instruments outstanding.

	Three months ended 30 September		Nine months ended 30 September	
	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Weighted average number of common shares	496,113,720	495,243,055	496,085,698	495,032,787
(Loss)/ profit for the period attributable to the Shareholder (thousand tenge)	(35,850,598)	18,516,465	(30,357,915)	23,722,623
(Loss)/ profit per common share (tenge)	(72)	37	(61)	48
(Loss)/ profit from continued operations for the period attributable to the Shareholder (thousand tenge)	(37,210,220)	18,911,481	(31,620,451)	27,139,621
(Loss)/ profit per common share from continued operations (tenge)	(75)	38	(64)	55

Carrying amount per share as at 30 September 2017 and 31 December 2016 is presented below:

	30 September 2017 (unaudited)	31 December 2016
Net assets, excluding intangible assets and non-controlling interests	1,161,048,584	1,145,408,597
Number of common shares in issue	496,113,720	496,063,720
Carrying amount per share, tenge ³	2,340	2,309

23. FINANCIAL AND CONTINGENT LIABILITIES

Capital commitments

As at 30 September 2017, the Group had capital commitments for the construction of "Zhezkazgan – Belneu" and "Arkalyk – Shubarkol" railway lines, purchase of long rails, development of the railway junction of Astana station, including construction of a station complex, as well as liabilities on project *Construction of ferry facilities in sea port Kuryk, development of freight-and-passenger ferries*, and acquisition of freight and passenger electric locomotives, freight and passenger diesel locomotives totaling 939,160,188 thousand tenge (31 December 2016: 1,136,590,240 thousand tenge).

Other contractual obligations

The Group has contingent liabilities under the three agreements for the provision of freight handling services and freight storage in the future, concluded with LLP Continental Logistics, SB Sberbank of Russia JSC, Odyssey Investments Group LLP and KTZ Express JSC dated 20 November 2015; LLP Aktau Sea North Terminal, SB Sberbank of Russia JSC, Inter Port Development PTE LTD and KTZ Express JSC dated 28 December 2015; and LLP Continental Logistics Shymkent, Odyssey Investments Group LLP and KTZ Express JSC dated 15 August 2016 (hereinafter together – "the Agreements"). The Agreements stipulate that the Company has to acquire the minimum volume of freight storage services for 10, 13, and 15 years, which is a potentially an onerous term. Starting from 15 September 2016 the period of rendering services has started under the agreement dated 20 November 2015.

³ Carrying value of shares is calculated in accordance with requirements of Kazakhstan Stock Exchange (KASE).

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During the nine months ended 30 September 2017, the Group, as represented by KTZ Express JSC, failed to perform obligation before Continental Logistics LLP to purchase minimum volume of freight storage services under agreement dated 20 November 2015. However, the Group does not expect that it will incur any losses due to failure to perform obligation to purchase minimum volumes of services for storage of goods, as it received confirmation that Continental Logistics LLP does not have claims and is not going to claim the Group on performance of the obligations under this agreement.

Based on the assessment made, management of the Group believes that there is no high probability of non-performance of the obligation to purchase minimum volumes of services for storage of goods in future and, therefore, the Group has not provided for potential liability as at 30 September 2017 and 31 December 2016.

Contingent liabilities

Legal claims

The Group is subject to various legal proceedings related to business operations, such as property damage claims. The Group does not believe that pending or threatened claims of these types, individually or in aggregate, are likely to have any material adverse effect on the Group's consolidated financial position, results of operations, or cash flows.

Insurance

The insurance market is still in the early stage of development in Kazakhstan and, in common with other state-owned enterprises, the Group does not, with the exception of obligatory passenger insurance with regard to personal injury, death and loss or damage to passenger property, maintain any insurance against the risk of damage to any of its properties, assets or equipment (including infrastructure, rolling stock and stations), nor against business interruption or third party liability in respect of property or environmental damage arising from accidents to the Group's property or relating to the Group's operations. The Group maintains the required insurance coverage under policies purchased from commercial insurance operators in Kazakhstan.

Guarantees

As at 30 September 2017, Guarantees comprised the following:

	Guarantee purpose	Guarantee issued date	Guarantee maturity	Guarantee amount, thousand tenge
Eurasian Development Bank	Execution of obligations of the joint venture Electrovoz Kurastyru Zauyty LLP on financing construction of the plant for production of locomotives	17 September 2012	till 2023	2,370,000
Development Bank of Kazakhstan JSC	Execution of obligations of the associate Aktobe Rail and Section Mill Plant LLP on financing construction of rail and section mill plant in Aktobe	4 July 2013	till 2023	24,438,382

In the Note 18, a fair value of these guarantees is disclosed. As at 30 September 2017 and 31 December 2016, the Group did not have a liability in relation to the above listed guarantees, which would require recognition of provisions for these guarantees.

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(in thousands of tenge, unless otherwise indicated)

Finance lease

In December 2016, the Group, as represented by the subsidiary Passenger Transportation JSC, concluded finance lease agreement with DBK-Leasing JSC for rent of 43 wagons, produced by Tulpar-Talgo LLP, for total amount of 12,938,279 thousand tenge, for 20 years and interest rate 1.75% per annum. Grace period for principal repayment is 6 years. The Group will be a lessee in the arrangement. The inception of lease is expected in December 2017. The Company acted as a guarantor for the obligations of Passenger transportation JSC.

In July 2017, the Group, as represented by the subsidiary Passenger Transportation JSC, concluded finance lease agreement with DBK-Leasing JSC for rent of 62 wagons, produced by Tulpar-Talgo LLP, for total amount of 18,891,579 thousand tenge, for 20 years and interest rate 1.75% per annum. Grace period for principal repayment is 6 years. The Group will be a lessee in the arrangement. The inception of lease is expected in December 2018. The Company acted as a guarantor for the obligations of Passenger transportation JSC.

In August 2017, the Group, as represented by the subsidiary Kaztemirtrans JSC, concluded finance lease agreement with DBK-Leasing JSC for rent of 1000 gondola cars for total amount of 15,076,958 thousand tenge, for 15 years and interest rate 15% per annum, from which 10% per annum is subsidized from the republican budget. Grace period for principal repayment is 7 years. The Group will be a lessee in the arrangement. The inception of lease is expected in November-December 2017. The Company acted as a guarantor for the obligations of Kaztemirtrans JSC.

In August 2017, the Group, as represented by the subsidiary KTZ-Express JSC, concluded finance lease agreement with DBK-Leasing JSC for rent of 1995 wagons-platforms for total amount of 33,263,982 thousand tenge, for 15 years and interest rate 15% per annum, from which 10% per annum is subsidized from the republican budget. Grace period for principal repayment is 7 years. The Group will be a lessee in the arrangement. The inception of lease is expected in November-December 2017. The Company acted as a guarantor for the obligations of KTZ-Express JSC.

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(in thousands of tenge, unless otherwise indicated)

24. RELATED PARTY TRANSACTIONS

The nature of related party relationships for those related parties with which the Group entered into significant transactions or had significant balances outstanding as at 30 September 2017 and 31 December 2016 are detailed below.

		Shareholder	Associates of the Group	Joint ventures where the Group is a participant	Companies in the Group of the Shareholder	Other related parties
Debt due from related parties for goods, services and non-current assets	2017	6,527	11,919,893	589,189	1,383,229	-
	2016	-	9,580,245	7,397,824	1,656,854	-
<i>including allowance on doubtful debt</i>	2017	-	(18,014)	(24,941)	(33,150)	-
	2016	-	(16,763)	(191,312)	(33,552)	-
Debt to related parties for goods, services and non-current assets	2017	-	5,818,218	2,185,671	2,737,483	687,984
	2016	-	1,619,534	4,299,385	3,816,564	-
Current accounts and contributions	2017	-	-	-	-	326
	2016	-	-	-	-	309
Restricted cash	2017	-	-	-	-	-
	2016	-	-	-	-	357,811
Loans issued	2017	-	-	-	-	-
	2016	-	-	99,428	-	-
<i>including allowance for impairment provision</i>	2017	-	-	-	-	-
	2016	-	-	(590,075)	-	-
Loans received	2017	79,030,777	-	-	-	39,460,692
	2016	152,960,581	-	-	-	43,813,136
Finance lease liabilities	2017	-	-	-	-	-
	2016	-	-	-	-	136,052
Dividends receivable	2017	-	-	-	-	-
	2016	-	-	1,663,776	-	-
Dividends payable	2017	16,424,670	-	-	-	-
	2016	16,424,670	-	-	-	-

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Transactions with related parties for the nine months ended 30 September were as follows:

		Shareholder	Associates of the Group	Joint ventures where the Group is a participant	Companies in the group of the Shareholder	Other related parties
Sale of goods, services and non-current assets	2017	22,148	899,874	18,376,720	10,922,223	-
	2016	-	360,764	25,704,306	11,104,556	-
(Accrual)/recovery of allowance on doubtful debt	2017	-	(1,251)	(1,045)	403	-
	2016	-	-	(191,312)	1,420,580	-
Purchase of goods, services and non- current assets	2017	99	33,383,889	632,819	9,203,796	10,566
	2016	-	32,414,093	1,646,380	7,619,499	19
Loans given / (repayment of loans given)	2017	-	-	12,512	-	-
	2016	-	-	785,565	-	-
Loans received	2017	-	-	-	-	-
	2016	5,500,000	-	-	-	1,070,299
Repayment of loans received	2017	75,000,000	-	-	-	5,149,572
	2016	-	-	-	-	5,176,933
Finance income	2017	-	-	13,949	-	-
	2016	-	-	162,319	-	-
Finance costs	2017	4,746,063	-	872	-	2,118,941
	2016	6,561,510	-	14,839	-	2,610,166
Dividends receivable	2017	-	-	-	-	-
	2016	-	-	1,303,264	-	-
Contributions to charter capital	2017	50,000,000	-	-	-	-
	2016	46,543,584	-	-	-	-

As at 30 September 2017 and 31 December 2016, certain Group's borrowings of 3,009,004 thousand tenge and 3,285,544 thousand tenge, respectively, were guaranteed by the Government of the Republic of Kazakhstan.

As at 30 September 2017, certain borrowings of the associates and joint ventures have been guaranteed by the Group (Note 23).

Transactions with the companies in the group of the Shareholder, associates and joint ventures and other related parties are mainly comprise transactions with KazMunaiGas National Company JSC (fuel), Kazakhtelecom JSC (communication services), Kazatomprom National Nuclear Company JSC (electricity), KEGOC JSC (electricity), Kazpost JSC (post services), Kazakhstan Engineering National Company JSC (engineering production) and Samruk-Energo JSC (electricity). In addition, the Group provides railway transportation services to the associates and joint ventures of the Shareholder.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 (CONTINUED)

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As at 30 September, the Group recognized constructive obligations for the construction of the following objects for the benefit of the Shareholder:

	Current liabilities					Non-current liabilities
	Teleradio complex equipment	Mangistau municipalities	Kinder-garten in Astana	Ice palace	Total	Total Ice palace
At 1 January 2016	28,238,638	247,276	1,702,660	-	30,188,574	48,601,265
Additions for the period	-	-	195,587	-	195,587	-
Decrease in liabilities	-	-	(30,315)	-	(30,315)	(869,993)
Written-off during the period	-	-	(1,825,478)	-	(1,825,478)	-
At 30 September 2016	<u>28,238,638</u>	<u>247,276</u>	<u>42,454</u>	<u>-</u>	<u>28,528,368</u>	<u>47,731,272</u>
At 1 January 2017	-	247,276	42,454	47,778,069	48,067,799	-
Additions for the period	-	-	-	5,733,368	5,733,368	-
Written-off during the period	-	-	-	(53,511,437)	(53,511,437)	-
At 30 September 2017	<u>-</u>	<u>247,276</u>	<u>42,454</u>	<u>-</u>	<u>289,730</u>	<u>-</u>

As at 30 September, the group incurred the following costs related to the construction of the objects for the benefit of the shareholder under abovementioned constructive obligations:

	Current assets					Non-current liabilities
	Teleradio complex equipment	Mangistau municipalities	Kinder-garten in Astana	Ice palace	Total	Total Ice palace
At 1 January 2016	28,238,638	247,276	1,672,345	-	30,158,259	41,268,374
Additions	-	-	-	-	-	4,535,331
Disposals	-	-	(1,629,891)	-	(1,629,891)	(152,619)
At 30 September 2016	<u>28,238,638</u>	<u>247,276</u>	<u>42,454</u>	<u>-</u>	<u>28,528,368</u>	<u>45,651,086</u>
At 1 January 2017	-	247,276	42,454	47,778,069	48,067,799	-
Disposals	-	-	-	(47,778,069)	(47,778,069)	-
At 30 September 2017	<u>-</u>	<u>247,276</u>	<u>42,454</u>	<u>-</u>	<u>289,730</u>	<u>-</u>

Ice Palace recognized as Assets for the benefit of the Shareholder was transferred to the Astana Akimat on a free-of-charge basis in May 2017 in accordance with the decision of the Ultimate Shareholder (Note 15).

Compensation of key management personnel

Key management personnel comprise members of the Group's Management Board, Board of Directors totaling 15 persons as at 30 September 2017 (30 September 2016: 14 persons). Total amount of the compensation to key management personnel, included in the personnel costs comprised 342,524 thousand tenge for the nine months ended 30 September 2017 (30 September 2016: 217,733 thousand tenge). Compensation to key management personnel is mainly consists of expenses related to salary based on agreements, and bonuses based on operational results.

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(in thousands of tenge, unless otherwise indicated)

25. FINANCIAL INSTRUMENTS FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which an instrument could be exchanged in a current transaction between knowledgeable willing parties according to arm's length conditions, other than in a forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is needed to arrive at a fair value, based on current economic conditions and the specific risks attributable to the instrument.

The following methods and assumptions are used by the Group to estimate the fair value of these financial instruments:

Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates their fair value due to the short-term maturity of these financial instruments.

Financial assets and liabilities

For assets and liabilities maturing within twelve months, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments.

For financial assets and liabilities maturing in over twelve months, the fair value represents the present value of estimated future cash flows discounted at period-end market rates.

Borrowings

The estimated fair value for loans from banks was made by discounting the scheduled future cash flows of individual loans through the estimated maturity using prevailing market rates as at the respective year-end for debt with a similar maturity and credit-rating profile. The Group's bank loans are mostly provided by international development institutions and foreign banks. Interest rates for such loans, even though they are lower than the interest rates of the financial institutions in the Republic of Kazakhstan, are considered to be the market interest rates for this category of lenders. The fair value of debt securities issued has been determined based on market prices at the reporting date.

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

As at 30 September 2017 and 31 December 2016, the fair value of financial assets and financial liabilities, except for borrowings and the debt securities issued, was not significantly different from its carrying amount. Carrying amount and fair value of the long-term loans and debt securities issued, as at 30 September 2017 and 31 December 2016 was presented as follows:

	30 September 2017		31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans issued	11,982,017	11,982,017	969,745	969,745
Other financial assets	11,540,174	11,540,174	17,549,976	17,549,976
Borrowings	420,127,166	405,157,356	468,338,685	451,931,634
Debt securities	889,407,175	960,178,670	771,341,089	790,399,781
Financial guarantees	4,308,459	4,308,459	4,399,245	4,399,245

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Fair value hierarchy as at 30 September 2017

	Level 1	Level 2	Level 3	Total
Financial assets				
Loans issued	-	11,982,017	-	11,982,017
Other financial assets	-	11,540,174	-	11,540,174
Total	-	23,522,191	-	23,522,191
Financial liabilities				
Financial liabilities held at amortized cost:				
- debt securities issued	960,178,670	-	-	960,178,670
- bank loans	-	303,143,160	7,156,494	310,299,654
- loans from related parties	-	94,857,702	-	94,857,702
- financial guarantees	-	4,308,459	-	4,308,459
Total	960,178,670	402,309,321	7,156,494	1,369,644,485

Fair value hierarchy as at 31 December 2016

	Level 1	Level 2	Level 3	Total
Financial assets				
Loans issued	-	969,745	-	969,745
Other financial assets	-	17,549,976	-	17,549,976
Total	-	18,519,721	-	18,519,721
Financial liabilities				
Financial liabilities held at amortized cost:				
- debt securities issued	790,399,781	-	-	790,399,781
- bank loans	-	277,311,629	7,705,421	285,017,050
- loans from related parties	-	166,914,584	-	166,914,584
- financial guarantees	-	4,399,245	-	4,399,245
Total	790,399,781	448,625,458	7,705,421	1,246,730,660

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis. Herewith, the most significant input being the discount rate that reflects the credit risk of counterparties.

For trade accounts receivable and payable, the fair value approximates its carrying value.

For the nine months ended 30 September 2017, there were no transfers between the hierarchy levels.

26. EVENTS AFTER THE REPORTING DATE

Borrowings

On 26 October 2017, the Group made a partial early repayment of the short-term loans given by Halyk Bank of Kazakhstan JSC of 8,500,000 thousand tenge under the credit facility agreement dated 26 February 2015 (Note 16).

On 26 October 2017, the Group made an early repayment of the long-term loan given by Halyk Bank of Kazakhstan JSC of 50,000,000 US Dollars (16,647,000 thousand tenge) under the loan agreement dated 26 April 2016.

On 15 November 2017, the Group signed additional agreements with Halyk Bank of Kazakhstan JSC to the credit facility agreement dated 26 February 2015. The additional agreements provide for the extension of maturity date until 2018 and the change in the interest rate from 13% to 12%.

On 21 November 2017, the Group, as represented by the subsidiary Airport Management Group LLP received repayable financial aid given to Nursultan Nazarbaev International Airport JSC

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(known previously as Astana International Airport JSC) in the total amount of 2,060,438 thousand tenge (Note 10).

On 23 November 2017, the Group, as represented by the subsidiary KTZ-Freight Transportation JSC made an early repayment of the short-term loan given by Halyk Bank of Kazakhstan JSC of 5,000,000 thousand tenge under the credit facility agreement dated 26 February 2015 (Note 16).

Issue and placement of bonds

On 24 October 2017, the Group issued and placed bonds of 25,000,000 thousand tenge on the local market for the period until 2027 with coupon rate of 11% per annum. Coupon payment – twice a year.

In November 2017, to refinance part of 700,000,000 US Dollars Eurobonds issued by the Group in 2014, the Group placed Eurobonds of 780,000,000 US Dollars on the Irish Stock Exchange (ISE) and Kazakhstan Stock Exchange (KASE) for the period until 2027 with coupon rate of 4.85% per annum. Coupon payment – twice a year. The Eurobonds are guaranteed by the subsidiaries Kaztemirtrans JSC and KTZ-Freight Transportation JSC. On 20 November 2017, the group received cash of 783,065,400 US Dollars for the repayment of Eurobonds (260,142,157 thousand tenge).

Share issuance

In November 2017, the Group registered 27,000 shares for which property (Karabatan railway station) with a market value of 2,322,567 thousand tenge was received.

Approval of financial statements

These condensed interim consolidated financial statements of the Group for the nine months ended 30 September 2017 have been authorized for issue by the management on 27 November 2017.