

# **KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC**

Forms of consolidated annual financial statements  
for publication by public interest entities  
(other than financial institutions) for the year ended  
31 December 2022, in accordance with the format  
approved by the Order of the Minister of Finance of the  
Republic of Kazakhstan dated 28 June 2017 No. 404  
(with amendments from 2 March 2022 No. 241)

# 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 OF THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Management of Kazakhstan Temir Zholy National Company JSC ("the Company") is responsible for the preparation of the forms of consolidated annual financial statements that present fairly the consolidated financial position of the Company and its subsidiaries ("the Group") as at 31 December 2022, and the consolidated results of its operations, consolidated cash flows and consolidated changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRSs"), as issued by the International Accounting Standards Board, and with the format of annual financial statements for publication by public interest entities in the media (other than financial institutions) approved by the Order of the Minister of Finance of the Republic of Kazakhstan dated 28 June 2017 No. 404 (with amendments from 2 March 2022 No. 241) (hereinafter - "Order No.404").

In preparing the forms of consolidated annual financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and consolidated financial performance;
- compliance with the format of annual financial statements approved by Order No.404, as well as compliance with the consolidated financial statements prepared in accordance with IFRSs; 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 ensure that the forms of the consolidated annual financial statements comply with the format of the annual financial statements approved by Order No.404, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRSs;
- maintaining statutory accounting records in compliance with the legislation of the Republic of Kazakhstan and IFRSs;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

These forms of annual consolidated financial statements for the year ended 31 December 2022, were authorised for issue by management on 24 March 2023 and subject to further approval by the Board of Directors and the Shareholder.

On behalf of the Group's management:



  
**Yelena Stankova**  
**Chief Accountant**  
24 March 2023

## INDEPENDENT AUDITOR'S REPORT ON THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

To the Board of Directors and the Shareholder of Kazakhstan Temir Zholy  
National Company JSC:

### Opinion

We have audited the forms of consolidated annual financial statements of Kazakhstan Temir Zholy National Company JSC ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and explanatory note to the forms of consolidated annual financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the Group's accompanying forms of consolidated annual financial statements for the year ended 31 December 2022 presented fairly, in all material respects, in accordance with the Order of the Minister of Finance of the Republic of Kazakhstan dated 28 June 2017 No. 404 (with amendments from 2 March 2022 No. 241) (hereinafter - "Order No.404").

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Forms of Consolidated Annual Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("the IESBA Code") together with the ethical requirements that are relevant to our audit of the forms of consolidated annual financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter

We draw your attention to Note 2 to the forms of consolidated annual financial statements, which specifies the basis for their preparation. Forms of consolidated annual financial statements have been prepared to ensure that the Group complies with the requirements of Order No.404 regarding the preparation of forms of annual financial statements. As a result, these forms of consolidated annual financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

## **Other Information**

The Group prepared the separate set of the consolidated financial statements in accordance with International Financial Reporting Standards, in respect of which we issued a separate audit opinion to the Board of Directors and the Shareholder on 13 March 2023.

### **Responsibilities of Management and Those Charged With Governance for the Forms of Consolidated Annual Financial Statements**

Management is responsible for the preparation and fair presentation of the forms of consolidated annual financial statements in accordance with Order No.404, and for such internal control as management determines is necessary to enable the preparation of forms of consolidated annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the forms of consolidated annual financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process of the forms of consolidated annual financial statements.

### **Auditor's responsibilities for the audit of the forms of consolidated annual financial statements**

Our objectives are to obtain reasonable assurance about whether the forms of consolidated annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these forms of consolidated annual financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the forms of consolidated annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Olga Belonogova  
Engagement Partner  
Qualified Auditor  
of the Republic of Kazakhstan  
Qualification Certificate  
No. MF – 0000865  
dated 13 August 2019



Zhangir Zhilybayev  
General Director  
Deloitte LLP

State Audit License of the  
Republic of Kazakhstan No. 0000015,  
type MFU-2, issued by the Ministry of Finance  
of the Republic of Kazakhstan  
dated 13 September 2006

24 March 2023  
Almaty, Republic of Kazakhstan

# **CONSOLIDATED BALANCE SHEET**

reporting period 2022

**Submitted:** to the depository of financial statements in electronic format via software

**The administrative data form is available on the Internet resource:** [www.minfin.gov.kz](http://www.minfin.gov.kz)

**Administrative data form index:** No.1 - B (balance sheet)

**Periodicity:** annual

**Range of persons providing information:** public interest entities based on the results of the financial year

**Deadline for submission of the administrative data form:** annually not later than 31 August of the year following the reporting year

**Name of the entity:** Kazakhstan Temir Zholy National Company JSC

as at 31 December 2022

in thousands of tenge

<b>ASSETS</b>	<b>Line</b>	<b>At the end of the reporting period</b>	<b>At the beginning of the reporting period</b>
<b>I. Current assets</b>			
Cash and cash equivalents	010	266,955,731	178,000,480
Current financial assets at amortised cost	011	1,934	1,898
Current financial assets at fair value through other comprehensive income	012	-	-
Current financial assets at fair value through profit or loss	013	-	-
Current derivative financial instruments	014	-	-
Other current financial assets	015	7,165,793	237,775
Current trade and other accounts receivable	016	16,876,353	27,300,865
Current lease receivables	017	536,228	323,233
Current contract assets	018	3,064,641	6,643,664
Current income tax	019	2,138,672	3,945,007
Inventories	020	45,029,186	42,400,873
Biological assets	021	-	-
Other current assets	022	107,059,479	82,585,201
<b>Total current assets (sum of lines from 010 to 022)</b>	<b>100</b>	<b>448,828,017</b>	<b>341,438,996</b>
Assets (or disposal groups) held for sale	101	45,824,687	-
<b>II. Non-current assets</b>			
Non-current financial assets at amortised cost	110	4,772,065	4,751,055
Non-current financial assets at fair value through other comprehensive income	111	-	-
Non-current financial assets at fair value through profit or loss	112	73,326	100,753
Non-current derivative financial instruments	113	27,154	-
Investments at cost	114	-	-
Equity method investments	115	28,798,638	27,688,499
Other non-current financial assets	116	14,266,726	13,736,545
Non-current trade and other accounts receivable	117	1,790,708	2,931,371
Non-current lease receivables	118	-	-
Non-current contract assets	119	-	-
Investment property	120	8,496,082	8,628,767
Property, plant and equipment	121	3,037,955,735	2,787,265,334
Right-of-use assets	122	77,243,877	79,020,087
Biological assets	123	-	-
Exploration and evaluation assets	124	-	-
Intangible assets	125	28,021,129	29,952,224
Deferred tax assets	126	63,445	144,600
Other non-current assets	127	299,760,638	308,476,123
<b>Total non-current assets (sum of lines from 110 to 127)</b>	<b>200</b>	<b>3,501,269,523</b>	<b>3,262,695,358</b>
<b>Balance (line 100 + line 101 + line 200)</b>		<b>3,995,922,227</b>	<b>3,604,134,354</b>



## CONSOLIDATED BALANCE SHEET (CONTINUED)

reporting period 2022

**Submitted:** to the depository of financial statements in electronic format via software

**The administrative data form is available on the Internet resource:** [www.minfin.gov.kz](http://www.minfin.gov.kz)

**Administrative data form index:** No.1 - B (balance sheet)

**Periodicity:** annual

**Range of persons providing information:** public interest entities based on the results of the financial year

**Deadline for submission of the administrative data form:** annually not later than 31 August of the year following the reporting year

**Name of the entity:** Kazakhstan Temir Zholy National Company JSC

as at 31 December 2022

in thousands of tenge

LIABILITIES AND EQUITY	Line	At the end of the reporting period	At the beginning of the reporting period
<b>III. Current liabilities</b>			
Current financial liabilities at amortised cost	210	256,506,002	215,808,576
Current financial liabilities at fair value through profit or loss	211	-	-
Current derivative financial instruments	212	-	-
Other current financial liabilities	213	-	-
Current trade and other accounts payable	214	123,723,659	122,126,111
Current provisions	215	2,459,895	3,788,226
Current income tax liabilities	216	507,627	9,993
Employee benefits	217	44,931,343	39,929,075
Current lease liabilities	218	14,558,634	25,642,269
Current contract liabilities	219	119,393,279	95,309,610
Government subsidies	220	2,800,049	2,404,736
Dividends payable	221	-	-
Other current liabilities	222	48,172,282	30,947,537
<b>Total current liabilities (sum of lines from 210 to 222)</b>	<b>300</b>	<b>613,052,770</b>	<b>535,966,133</b>
Disposal group liabilities held for sale	301	30,847	-
<b>IV. Non-current liabilities</b>			
Non-current financial liabilities at amortised cost	310	1,430,825,004	1,361,403,593
Non-current financial liabilities at fair value through profit or loss	311	-	-
Non-current derivative financial instruments	312	564,449	-
Other non-current financial liabilities	313	29,996,786	29,953,059
Non-current trade and other accounts payable	314	-	-
Non-current provisions	315	-	503,161
Deferred tax liabilities	316	357,490,550	308,299,876
Employee benefits	317	37,406,213	37,082,918
Non-current lease liabilities	318	38,860,701	34,442,877
Non-current contract liabilities	319	-	-
Government subsidies	320	25,003,061	22,048,277
Other non-current liabilities	321	-	1,992,857
<b>Total non-current liabilities (sum of lines from 310 to 321)</b>	<b>400</b>	<b>1,920,146,764</b>	<b>1,795,726,618</b>



**CONSOLIDATED BALANCE SHEET (CONTINUED)**

reporting period 2022

**Submitted:** to the depository of financial statements in electronic format via software**The administrative data form is available on the Internet resource:** [www.minfin.gov.kz](http://www.minfin.gov.kz)**Administrative data form index:** No.1 - B (balance sheet)**Periodicity:** annual**Range of persons providing information:** public interest entities based on the results of the financial year**Deadline for submission of the administrative data form:** annually not later than 31 August of the year following the reporting year**Name of the entity:** Kazakhstan Temir Zholy National Company JSC

as at 31 December 2022

in thousands of tenge

LIABILITIES AND EQUITY	Line	At the end of the reporting period	At the beginning of the reporting period
<b>V. Equity</b>			
Charter (shareholder's) capital	410	1,086,324,360	1,086,085,094
Share premium	411	-	-
Redeemed equity instruments	412	-	-
Components of other comprehensive income	413	12,138,004	(42,071,637)
Retained earnings (accumulated deficit)	414	348,376,288	214,573,407
Other capital	415	97	97
<b>Total equity, attributable to the owners (sum of lines from 410 to 415)</b>	<b>420</b>	<b>1,446,838,749</b>	<b>1,258,586,961</b>
Non-controlling interests	421	15,853,097	13,854,642
<b>Total equity (line 420 + line 421)</b>	<b>500</b>	<b>1,462,691,846</b>	<b>1,272,441,603</b>
<b>Balance (line 300 + line 301 + line 400 + line 500)</b>		<b>3,995,922,227</b>	<b>3,604,134,354</b>

On behalf of the Group's management:



Dair Kusherov  
Finance Director  
24 March 2023

Yelena Stankova  
Chief Accountant  
24 March 2023

# **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

reporting period 2022

**Submitted:** to the depository of financial statements in electronic format via software

**The administrative data form is available on the Internet resource:** [www.minfin.gov.kz](http://www.minfin.gov.kz)

**Administrative data form index:** No.2 - SPL

**Periodicity:** annual

**Range of persons providing information:** public interest entities based on the results of the financial year

**Deadline for submission of the administrative data form:** annually not later than 31 August of the year following the reporting year

**Name of the entity:** Kazakhstan Temir Zholy National Company JSC

for the year ending 31 December 2022

in thousands of tenge

DESCRIPTION	Line	At the end of the reporting period	At the beginning of the reporting period
Revenue from sale of goods, operations and services	010	1,481,465,237	1,328,536,461
Cost of goods, operations and services sold	011	(1,204,232,817)	(980,898,012)
<b>Gross profit (loss) (line 010 – line 011)</b>	<b>012</b>	<b>277,232,420</b>	<b>347,638,449</b>
Selling expenses	013	-	-
Administrative expenses	014	(92,598,881)	(90,207,489)
<b>Total operating profit (loss) (+/- lines from 012 to 014)</b>	<b>020</b>	<b>184,633,539</b>	<b>257,430,960</b>
Finance income	021	61,098,662	18,057,165
Finance costs	022	(145,697,642)	(126,267,580)
Share of the profit (loss) of associates and joint ventures accounted by equity method	023	8,545,564	10,825,543
Other income	024	4,253,228	10,168,922
Other expenses	025	(44,408,565)	(15,472,213)
<b>Profit (loss) before tax (+/- lines from 020 to 025)</b>	<b>100</b>	<b>68,424,786</b>	<b>154,742,797</b>
Expenses (-) (income (+)) of corporate income tax	101	(31,540,807)	(34,131,775)
<b>Profit (loss) after tax from continuing operations (line 100 + line 101)</b>	<b>200</b>	<b>36,883,979</b>	<b>120,611,022</b>
Profit (loss) after tax from continued operations	201	-	-
<b>Profit for the year (line 200 + line 201), attributable to:</b>	<b>300</b>	<b>36,883,979</b>	<b>120,611,022</b>
owners of the parent company		34,887,277	119,086,137
non-controlling interests		1,996,702	1,524,885
<b>Other comprehensive income, total (sum of 420 and 440):</b>	<b>400</b>	<b>58,423,314</b>	<b>2,305,165</b>
<b>including:</b>			
revaluation of debt financial instruments designated as at fair value through other comprehensive income	410	-	-
share of other comprehensive income (loss) of associates and joint ventures accounted by equity method	411	-	-
effect of a change in income tax rate on deferred tax	412	-	-
cash flow hedging	413	(2,445,158)	823,250
foreign exchange difference on investments in foreign entities	414	2,213,013	1,137,025
hedging of net investments in foreign operations	415	-	-
other components of other comprehensive income	416	-	-
reclassification adjustment to profit (loss)	417	54,441,786	-
tax effect of components of other comprehensive income	418	-	-
<b>Total other comprehensive income that may be reclassified subsequently to profit or loss (net of income tax) (sum of lines from 410 to 418)</b>	<b>420</b>	<b>54,209,641</b>	<b>1,960,275</b>
revaluation of property, plant and equipment and intangible assets	431	-	-
share of other comprehensive income (loss) of associates and joint ventures accounted by equity method	432	-	-
actuarial gain (loss) on pension obligations	433	4,213,673	344,890
tax effect of components of other comprehensive income	434	-	-
revaluation of debt financial instruments designated as at fair value through other comprehensive income	435	-	-
<b>Total other comprehensive income that will not be reclassified subsequently to profit or loss (net of income tax) (sum of lines from 431 to 435)</b>	<b>440</b>	<b>4,213,673</b>	<b>344,890</b>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)**

reporting period 2022

**Submitted:** to the depository of financial statements in electronic format via software**The administrative data form is available on the Internet resource:** [www.minfin.gov.kz](http://www.minfin.gov.kz)**Administrative data form index:** No.2 - SPL**Periodicity:** annual**Range of persons providing information:** public interest entities based on the results of the financial year**Deadline for submission of the administrative data form:** annually not later than 31 August of the year following the reporting year**Name of the entity:** Kazakhstan Temir Zholy National Company JSC

for the year ending 31 December 2022


in thousands of tenge

DESCRIPTION	Line	At the end of the reporting period	At the beginning of the reporting period
<b>Total comprehensive income (line 300 + line 400)</b>	<b>500</b>	<b>95,307,293</b>	<b>122,916,187</b>
Total comprehensive income, attributable to:			
owners of the parent company		93,308,838	121,390,815
non-controlling interests		1,998,455	1,525,372
<b>Earnings per share:</b>	<b>600</b>	<b>0.070</b>	<b>0.240</b>
including:			
Basic:			
from continuing operations		0.070	0.240
from discontinued operations		-	-
Diluted:			
from continuing operations		-	-
from discontinued operations		-	-

On behalf of the Group's management:

**Dair Kusherov**  
**Finance Director**

24 March 2023

  
**Yelena Stankova**  
**Chief Accountant**

24 March 2023

# **CONSOLIDATED STATEMENT OF CASH FLOWS (DIRECT METHOD)**

reporting period 2022

**Submitted:** to the depository of financial statements in electronic format via software

**The administrative data form is available on the Internet resource:** [www.minfin.gov.kz](http://www.minfin.gov.kz)

**Administrative data form index:** No.3 – SCF-P

**Periodicity:** annual

**Range of persons providing information:** public interest entities based on the results of the financial year

**Deadline for submission of the administrative data form:** annually not later than 31 August of the year following the reporting year

**Name of the entity:** Kazakhstan Temir Zholy National Company JSC

for the year ending 31 December 2022

in thousands of tenge

DESCRIPTION	Line	At the end of the reporting period	At the beginning of the reporting period
<b>I. Cash flows from operating activities:</b>			
<b>1. Total cash inflows (sum of lines from 011 to 016)</b>	<b>010</b>	<b>1,646,046,708</b>	<b>1,434,750,061</b>
<b>including:</b>			
sale of goods and services	011	1,454,931,483	1,255,034,412
other revenue	012	-	-
advances received from customers, clients	013	114,983,018	84,021,319
receipts under insurance contracts	014	-	-
interest received	015	8,631,054	8,893,059
other receipts	016	67,501,153	86,801,271
<b>2. Total cash outflows (sum of lines from 021 to 027)</b>	<b>020</b>	<b>(1,383,779,928)</b>	<b>(1,118,182,951)</b>
<b>including:</b>			
payments to suppliers for goods and services	021	(557,776,702)	(481,914,736)
advances paid to suppliers for goods and services	022	(24,820,848)	(6,788,026)
salaries paid	023	(376,448,854)	(286,906,161)
interest paid	024	(118,929,995)	(119,449,783)
payments under insurance contracts	025	-	-
income tax and other payments to budget	026	(146,461,326)	(142,023,816)
other payments	027	(159,342,203)	(81,100,429)
<b>3. Net cash from operating activities (line 010 – line 020)</b>	<b>030</b>	<b>262,266,780</b>	<b>316,567,110</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS (DIRECT METHOD)**  
**(CONTINUED)**

reporting period 2022

**Submitted:** to the depository of financial statements in electronic format via software

**The administrative data form is available on the Internet resource:** [www.minfin.gov.kz](http://www.minfin.gov.kz)

**Administrative data form index:** No.3 – SCF-P

**Periodicity:** annual

**Range of persons providing information:** public interest entities based on the results of the financial year

**Deadline for submission of the administrative data form:** annually not later than 31 August of the year following the reporting year

**Name of the entity:** Kazakhstan Temir Zholy National Company JSC

for the year ending 31 December 2022

in thousands of tenge

DESCRIPTION	Line	At the end of the reporting period	At the beginning of the reporting period
<b>II. Cash flows from investing activities:</b>			
<b>1. Total cash inflows (sum of lines from 041 to 052)</b>	<b>040</b>	<b>9,786,790</b>	<b>11,838,209</b>
<b>including:</b>			
sale of property, plant and equipment	041	122,318	3,427,230
sale of intangible assets	042	-	-
sale of other non-current assets	043	1,932,050	2,329,992
sale of equity instruments of other entities (other than subsidiaries) and interest share in joint ventures	044	-	-
sale of debt instruments	045	-	-
compensation for loss of control over subsidiaries	046	-	-
cash deposits withdrawal	047	3,050	4,130
sale of other financial assets	048	29,686	127,573
futures and forward contracts, options and swaps	049	-	-
dividends received	050	7,699,686	5,742,751
interest received	051	-	-
other receipts	052	-	206,533
<b>2. Total cash outflows (sum of lines from 061 to 073)</b>	<b>060</b>	<b>(342,086,807)</b>	<b>(261,805,741)</b>
<b>including:</b>			
acquisition of property, plant and equipment	061	(340,352,815)	(256,842,544)
acquisition of intangible assets	062	(1,604,795)	(206,082)
acquisition of other non-current assets	063	-	-
purchase of equity instruments of other entities (other than subsidiaries) and interest share in joint ventures	064	(70,139)	(4,751,919)
purchase of debt instruments	065	-	-
acquisition of control over subsidiaries	066	-	-
placement of cash deposits	067	(1,100)	(5,129)
interest paid	068	-	-
acquisition of other financial assets	069	-	-
loans issued	070	-	-
futures and forward contracts, options and swaps	071	-	-
investments in associates and subsidiaries	072	(57,958)	-
other payments	073	-	(67)
<b>3. Net cash from investing activities (line 040 – line 060)</b>	<b>080</b>	<b>(332,300,017)</b>	<b>(249,967,532)</b>



**CONSOLIDATED STATEMENT OF CASH FLOWS (DIRECT METHOD)**  
**(CONTINUED)**

reporting period 2022

**Submitted:** to the depository of financial statements in electronic format via software

**The administrative data form is available on the Internet resource:** [www.minfin.gov.kz](http://www.minfin.gov.kz)

**Administrative data form index:** No.3 – SCF-P

**Periodicity:** annual

**Range of persons providing information:** public interest entities based on the results of the financial year

**Deadline for submission of the administrative data form:** annually not later than 31 August of the year following the reporting year

**Name of the entity:** Kazakhstan Temir Zholy National Company JSC

for the year ending 31 December 2022

in thousands of tenge

DESCRIPTION	Line	At the end of the reporting period	At the beginning of the reporting period
<b>III. Cash flows from financing activities:</b>			
<b>1. Total cash inflows (sum of lines from 091 to 094)</b>	<b>090</b>	<b>1,137,877,848</b>	<b>125,839,000</b>
<b>including:</b>			
issue of shares and other financial instruments	091	692,706,165	-
proceeds from borrowings	092	445,171,683	125,839,000
interest received	093	-	-
other receipts	094	-	-
<b>2. Total cash outflows (sum of lines from 101 to 105)</b>	<b>100</b>	<b>(976,195,705)</b>	<b>(169,899,856)</b>
<b>including:</b>			
repayment of borrowings	101	(973,799,813)	(168,280,213)
interest paid	102	-	-
dividends paid	103	-	-
payments to owners on the shares of the entity	104	-	-
other payments	105	(2,395,892)	(1,619,643)
<b>3. Net cash from financing activities (line 090 – line 100)</b>	<b>110</b>	<b>161,682,143</b>	<b>(44,060,856)</b>
4. Effect of foreign currency exchange rates to tenge	120	(2,691,163)	63,567
5. Effect of changes in cash and cash equivalents	130	(2,492)	(9,178)
<b>6. Increase +/- decrease in cash and cash equivalents (line 030 +/- line 080 +/- line 110 +/- line 120 +/- line 130)</b>	<b>140</b>	<b>88,955,251</b>	<b>22,593,111</b>
<b>7. Cash and cash equivalents at the beginning of the reporting period</b>	<b>150</b>	<b>178,000,480</b>	<b>155,407,369</b>
<b>8. Cash and cash equivalents at the end of the year</b>	<b>160</b>	<b>266,955,731</b>	<b>178,000,480</b>

On behalf of the Group's management:

**Dair Kusherov**  
**Finance Director**

24 March 2023

**Yelena Stankova**  
**Chief Accountant**

24 March 2023

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

reporting period 2022

**Submitted:** to the depository of financial statements in electronic format via software

**The administrative data form is available on the Internet resource:** [www.minfin.gov.kz](http://www.minfin.gov.kz)

**Administrative data form index:** No.5 – CE

**Periodicity:** annual

**Range of persons providing information:** public interest entities based on the results of the financial year

**Deadline for submission of the administrative data form:** annually not later than 31 August of the year following the reporting year

**Name of the entity:** Kazakhstan Temir Zholy National Company JSC

for the year ending 31 December 2022

in thousands of tenge

DESCRIPTION	Line	Equity, attributable to owners					Non-controlling interests	Total equity
		Charter (shareholder's) capital	Share premium	Redeemed equity instruments	Components of other comprehensive income	Retained earnings		
Balance as at 1 January of the previous year	010	1,082,299,194	-	-	(44,031,912)	88,857,267	11,480,270	1,138,604,819
Change in accounting policy	011	-	-	-	-	-	-	-
Restated balance (line 010 +/- line 011)	100	1,082,299,194	-	-	(44,031,912)	88,857,267	11,480,270	1,138,604,819
Total comprehensive income (line 210 + line 220):	200	-	-	-	1,960,275	119,430,540	1,525,372	122,916,187
Profit (loss) for the year	210	-	-	-	-	119,086,137	1,524,885	120,611,022
Total other comprehensive income (sum of lines from 221 to 229):	220	-	-	-	1,960,275	344,403	487	2,305,165
including:								
revaluation of debt financial instruments designated as at fair value through other comprehensive income (net of tax effect)	221	-	-	-	-	-	-	-
revaluation of equity financial instruments designated as at fair value through other comprehensive income (net of tax effect)	222	-	-	-	-	-	-	-
revaluation of property, plant and equipment and intangible assets (net of tax effect)	223	-	-	-	-	-	-	-
share of other comprehensive income (loss) of associates and joint ventures accounted by equity method	224	-	-	-	-	-	-	-
actuarial gain (loss) on pension obligations	225	-	-	-	-	344,403	487	344,890
effect of a change in income tax rate on deferred tax	226	-	-	-	-	-	-	-
cash flow hedging (net of tax effect)	227	-	-	-	823,250	-	-	823,250
hedging of net investments in foreign operations	228	-	-	-	-	-	-	-
foreign exchange difference on investments in foreign entities	229	-	-	-	1,137,025	-	-	1,137,025



# **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)**

reporting period 2022

**Submitted:** to the depository of financial statements in electronic format via software

**The administrative data form is available on the Internet resource:** [www.minfin.gov.kz](http://www.minfin.gov.kz)

**Administrative data form index:** No.5 – CE

**Periodicity:** annual

**Range of persons providing information:** public interest entities based on the results of the financial year

**Deadline for submission of the administrative data form:** annually not later than 31 August of the year following the reporting year

**Name of the entity:** Kazakhstan Temir Zholy National Company JSC

for the year ending 31 December 2022

in thousands of tenge

DESCRIPTION	Line	Equity, attributable to owners					Non-controlling interests	Total equity
		Charter (shareholder's) capital	Share premium	Redeemed equity instruments	Components of other comprehensive income	Retained earnings	Other capital	
Total operations with owners (sum of lines from 310 to 318):	300	3,785,900	-	-	-	6,285,600	97	10,071,597
including:								
Share-based remuneration to employees:	310	-	-	-	-	-	-	-
including:								
cost of employee services		-	-	-	-	-	-	-
issuance of shares under an employee share scheme		-	-	-	-	-	-	-
tax benefit in relation to the employee share scheme		-	-	-	-	-	-	-
Owners contributions	311	-	-	-	-	-	-	-
Issue of own equity instruments (shares)	312	3,785,900	-	-	-	-	-	3,785,900
Issuance of equity instruments related to a business combination	313	-	-	-	-	-	-	-
Equity component of convertible instruments (net of tax effect)	314	-	-	-	-	-	-	-
Dividends payment	315	-	-	-	-	-	-	-
Other distributions to owners	316	-	-	-	-	-	-	-
Other operations with owners	317	-	-	-	-	6,285,600	97	6,285,697
Changes in interest in subsidiaries that do not result in a loss of control	318	-	-	-	-	-	-	-
Other operations	319	-	-	-	-	-	-	849,000

# **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)**

reporting period 2022

**Submitted:** to the depository of financial statements in electronic format via software

**The administrative data form is available on the Internet resource:** [www.minfin.gov.kz](http://www.minfin.gov.kz)

**Administrative data form index:** No.5 – CE

**Periodicity:** annual

**Range of persons providing information:** public interest entities based on the results of the financial year

**Deadline for submission of the administrative data form:** annually not later than 31 August of the year following the reporting year

**Name of the entity:** Kazakhstan Temir Zholy National Company JSC

for the year ending 31 December 2022

in thousands of tenge

DESCRIPTION	Line	Equity, attributable to owners					Non-controlling interests	Total equity
		Charter (shareholder's) capital	Share premium	Redeemed equity instruments	Components of other comprehensive income	Retained earnings	Other capital	
Balance as at 1 January of the reporting year (line 100 + line 200 + line 300 + line 319)	400	1,086,085,094	-	-	(42,071,637)	214,573,407	97	1,272,441,603
Change in accounting policy	401	-	-	-	-	-	-	-
Restated balance (line 400 +/- line 401)	500	1,086,085,094	-	-	(42,071,637)	214,573,407	97	1,272,441,603
Total comprehensive income (line 610 + line 620):	600	-	-	-	54,209,641	39,099,197	-	95,307,293
Profit (loss) for the year	610	-	-	-	-	34,887,277	-	36,883,979
Total other comprehensive income (sum of lines from 621 to 629):	620	-	-	-	54,209,641	4,211,920	-	58,423,314
including:								
revaluation of debt financial instruments designated as at fair value through other comprehensive income (net of tax effect)	621	-	-	-	-	-	-	-
revaluation of equity financial instruments designated as at fair value through other comprehensive income (net of tax effect)	622	-	-	-	-	-	-	-
revaluation of property, plant and equipment and intangible assets (net of tax effect)	623	-	-	-	-	-	-	-
share of other comprehensive income (loss) of associates and joint ventures accounted by equity method	624	-	-	-	-	-	-	-
actuarial gain (loss) on pension obligations	625	-	-	-	-	-	-	-
effect of a change in income tax rate on deferred tax	626	-	-	-	-	4,211,920	-	4,213,673
cash flow hedging (net of tax effect)	627	-	-	-	51,996,628	-	-	-
hedging of net investments in foreign operations	628	-	-	-	-	-	-	-
foreign exchange difference on investments in foreign entities	629	-	-	-	2,213,013	-	-	2,213,013

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

reporting period 2022

Submitted: to the depository of financial statements in electronic format via software

The administrative data form is available on the Internet resource: [www.minfin.gov.kz](http://www.minfin.gov.kz)

Administrative data form index: No.5 – CE

Periodicity: annual

Range of persons providing information: public interest entities based on the results of the financial year

Deadline for submission of the administrative data form: annually not later than 31 August of the year following the reporting year

Name of the entity: Kazakhstan Temir Zholy National Company JSC

for the year ending 31 December 2022

in thousands of tenge

DESCRIPTION	Line	Equity, attributable to owners					Non-controlling interests	Total equity
		Charter (shareholder's) capital	Share premium	Redeemed equity instruments	Components of other comprehensive income	Retained earnings	Other capital	
Total operations with owners (sum of lines from 710 to 718):	700	239,266	-	-	-	94,703,684	-	94,942,950
Including:								
Share-based remuneration to employees:	710	-	-	-	-	-	-	-
Including:								
cost of employee services		-	-	-	-	-	-	-
issuance of shares under an employee share scheme		-	-	-	-	-	-	-
tax benefit in relation to the employee share scheme		-	-	-	-	-	-	-
Owners contributions	711	239,266	-	-	-	-	-	239,266
Issue of own equity instruments (shares)	712	-	-	-	-	-	-	-
Issuance of equity instruments related to a business combination	713	-	-	-	-	-	-	-
Equity component of convertible instruments (net of tax effect)	714	-	-	-	-	-	-	-
Dividends payment	715	-	-	-	-	-	-	-
Other distributions to owners	716	-	-	-	-	-	-	-
Other operations with owners	717	-	-	-	-	94,703,684	-	94,703,684
Changes in interest in subsidiaries that do not result in a loss of control	718	-	-	-	-	-	-	-
Other operations	719	-	-	-	-	-	-	-
Balance as at 31 December of the reporting year (line 500 + line 600 + line 700 + line 719)	800	1,086,324,360	-	-	12,138,004	348,376,288	97	1,462,691,846

On behalf of the Group's management:



Dair Kusherov  
Finance Director

Yelena Stankova  
Chief Accountant

24 March 2023

24 March 2023

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 *(in thousands of tenge, unless stated otherwise)*

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### 1. GENERAL INFORMATION

Kazakhstan Temir Zholy National Company JSC (“the Company”) was created in the Republic of Kazakhstan (hereinafter – “Kazakhstan”) in accordance with Resolutions of the Kazakhstan Government (“the Ultimate Shareholder”) to establish a holding company for state railway industry assets management. The Company was registered on 15 May 2002. The forms of consolidated annual financial statements include 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 Street, Astana, 010000, Republic of Kazakhstan.

Samruk-Kazyna Sovereign Welfare Fund JSC (“the Shareholder”) is the Company’s sole shareholder.

The Group operates the nationwide mainline railway network services to freight and passenger transportation; and operates, maintains and upgrades main railway infrastructure in Kazakhstan. To regulate the Kazakhstan rail industry, the government sets the tariffs for main railway network services, as well as for railway freight transportation services (according to the Kazakhstan Entrepreneurial Code) and passenger transportation on socially important routes, partially subsidising the cost through government grants. The level of regulated tariffs differ based on the type of freight transported. The government does not regulate international transit and container freight transportation tariffs.

The Kazakhstan Ministry of the National Economy’s Committee for the Regulation of Natural Monopolies (“CRNM”) approved main railway network service tariffs for 2021-2025, introducing differentiated mainline freight transportation tariffs for diesel locomotives on non-electrified track sections and electric locomotives on electrified track sections. Locomotive traction services were divided into diesel and electric traction. From 16 October 2022, CRNM agreed to increase the tariffs for freight transportation services and, as a result, the increase was in average 14.67% for the year ended 31 December 2022. The differentiation led to a 6.2% freight transportation tariff increase for carriages and containers in 2022 (2021: 13%).

From 1 July 2022, the authorised body, represented by the Ministry of Industry and Infrastructure Development agreed a 7% increase in passenger transportation tariffs for socially important interdistrict routes (2021: 7%).

#### **Operating environment**

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly and are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the government’s fiscal and monetary policies, together with developments in the legal, regulatory and political environment.

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. Also, the government expenses on major infrastructure projects and various socio-economic development programs have a significant impact on the country’s economy.

At the start of January 2022, Kazakhstan witnessed mass protests, which turned into mass unrest. The situation in Kazakhstan stabilised and was under the control of the authorities by 15 January 2022. These events have not had a significant effect on the Group’s operations.

**EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**  
*(in thousands of tenge, unless stated otherwise)*

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The conflict between Russia and Ukraine escalated in early 2022. As a result, several countries introduced economic sanctions against Russia and Belarus, including measures to ban new investment and block major financial institutions and many state enterprises.

In 2022, the average price for Brent crude oil was 101.8 USD per barrel (2021: 68.63 USD per barrel). According to preliminary estimates, the Kazakhstan's gross domestic product ("GDP") grew by 3.1% in 2022. The inflation in Kazakhstan accelerated in 2022 to 20.3% per annum (2021: 8.4%).

In 2022, the National Bank of the Republic of Kazakhstan raised the base rate from 10.25% to 16.75% per annum with a corridor of +/- 1.0 percentage points to reduce the negative impact of the external factors on the Kazakhstan's economy, and also, in the first half of 2022, the interventions were made in the foreign exchange market in order to support the tenge exchange rate against foreign currencies.

However, uncertainty exists related to future development of the geopolitical risks and their impact on the economy of Kazakhstan.

Management of the Group is monitoring developments in the economic and political situation in Kazakhstan and the world and taking measures it considers necessary to support the sustainability and development of the Group's business for the foreseeable future. The Group has liabilities denominated in foreign currencies, therefore, if the exchange rate increases, there is an increase in the foreign exchange loss. In general, the Group does not expect a significant negative impact from the current changes on the Group's business and operations, as freight rail traffic, including international (transit) freight transportation has not been suspended in either Kazakhstan or other countries. During 2022, the volume of freight transportation in transit and export routes increased compared to the previous year.

However, the consequences of these events and related future changes may have a significant impact on the Group's operations.

The State controls Group structure and determines the long-term railway operating strategy in Kazakhstan. The railway industry has been in a state of restructuring since 1997, which has involved changing the regulatory environment and creating conditions for attracting investment to the sector.

At the end of 2022, in accordance with the instructions of the President of Kazakhstan, the Concept for the Development of the Transport and Logistics Potential of Kazakhstan until 2030 (hereinafter – "the Concept") was developed and approved by the Decree of the Government of the Republic of Kazakhstan, which presumes the transformation of the Group into a national transport and logistics entity, increasing logistics competencies, developing infrastructure and strengthening commercial activities abroad, changing the tariff policy taking into account the further liberalisation of the railway services market, introducing digitalisation and attracting private investments in the industry.

Implementation of the Group's Development Strategy until 2029 will continue in accordance with the Concept. At the same time, the Group will continue to work to improve operating efficiency, develop transit traffic, including alternative routes, optimise the structure of the corporate portfolio in line with the state privatisation program, ensuring financial stability for the Group, improving customer satisfaction, guaranteeing train traffic safety, and ensuring sustained Group development.

**EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**  
*(in thousands of tenge, unless stated otherwise)*

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**2. BASIS FOR THE PREPARATION OF THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**

**Statement of compliance**

The Group's forms of consolidated annual financial statements have been prepared in accordance with the format of annual financial statements for publication by public interest entities (other than financial institutions) approved by the Order of the Minister of Finance of the Republic of Kazakhstan dated 28 June 2017 No. 404 (with amendments from 2 March 2022 No. 241) (hereinafter - "Order No.404") based on the consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

**Going concern**

The Group's forms of consolidated annual 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 business for the foreseeable future. As at 31 December 2022, current Group liabilities exceeded its current assets by 118,430,913 thousand tenge (31 December 2021: 194,527,137 thousand tenge). As at 31 December 2022, current liabilities include borrowings of 256,506,002 thousand tenge that are payable within twelve months of the reporting date. In addition, at the start of 2022, Kazakhstan witnessed mass protests, in February 2022 the tenge depreciated significantly against major foreign currencies amid the external geopolitical situation. The impact of these events on the Group's operations is described in Note 1. However, profit for the year ended 31 December 2022 amounted to 36,883,979 thousand tenge (2021: 120,611,022 thousand tenge), and cash inflows from operating activities amounted to 262,266,780 thousand tenge (2021: 316,567,110 thousand tenge).

Group management has assessed the Group's needs for cash, as well as its scheduled debt repayments and development plans. Historically, the Group has financed major investment projects using funds from the government of Kazakhstan and through borrowings, in addition to cash from operating activities. To realise Kazakhstan's transit potential, the Group continues to take measures to attract additional transit traffic and expand its influence on the multimodal transportation market. Management of the Group has been having discussions with investors to refinance borrowings due to be repaid within twelve months after the reporting date and a positive decision from the discussions is recognised as high.

In assessing its going concern status, management also considered the Group's financial position, expected future performance and cash flows from operations, its borrowings, available credit facilities, its capital expenditure commitments, expected tariff growth, exchange rates and other risks that Group is facing. Besides that, the Group received Letter of Support from the Shareholder regarding its intent and ability to render the Group continuous ongoing financial and operating support in the foreseeable future. After completing the relevant analysis and the available mitigating actions to management whereby management can carry out certain actions to improve the going concern and liquidity position of the Group, the management concluded that the Group has adequate resources to continue in operational existence and settle its liabilities (Note 41) and that the going concern basis is appropriate in preparing these forms of consolidated annual financial statements.

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of tenge, unless stated otherwise)*

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#### Basis for measurement

The forms of consolidated annual financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at their revalued amount or fair value as at the reporting date.

#### Functional and presentation currency

The Group's forms of consolidated annual financial statements are presented in Kazakhstan tenge ("tenge"). The assets and liabilities of foreign operations, where the functional currency is different from tenge, are translated into tenge at the exchange rate prevailing on the reporting date, while profit and loss items are translated into tenge at the weighted-average exchange rate for the year, unless exchange rates fluctuate significantly during that year, in which case the exchange rates at the date of transactions are used. Exchange rate differences arising on translation are recorded to other comprehensive income. Upon disposal of an overseas enterprise, all accumulated exchange differences related to that specific overseas enterprises are recognised in profit or loss.

Tenge is not a fully convertible currency outside of the Republic of Kazakhstan. Transactions in currencies other than the Group's functional currency (foreign currencies) are recorded at the market rate effective at the transaction date using market rates set by the Kazakhstan Stock Exchange ("KASE"). For foreign currencies not quoted by KASE, exchange rates are set by the National Bank using cross-rates to the US Dollars ("US\$") in accordance with quotations received from Reuters.

Monetary assets and liabilities that are denominated in foreign currencies are translated to an entity's functional currency at the exchange rate effective at the reporting date. All differences arising from a change in exchange rates subsequent to the transaction are recognised in profit or loss, except for exchange differences from translation recognised in other comprehensive income and exchange differences on loans that are directly attributable to the acquisition, construction or production of an asset, meeting certain requirements included in the cost of this asset. Non-monetary assets and liabilities denominated in foreign currencies that are carried at fair value are remeasured at the rates prevailing at the date when fair value was determined. Non-monetary assets and liabilities denominated in foreign currencies that are carried at historical cost are not remeasured.

The table below presents tenge exchange rates as at the following dates:

	31 December 2022	31 December 2021	The weighted average rate for 2022	The weighted average rate for 2021
US Dollar	462.65	431.80	460.48	426.03
Euro	492.86	489.10	484.22	503.88
Swiss Franc	501.19	473.15	482.60	466.13
Russian Rouble	6.43	5.76	6.96	5.79



## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

#### 3. SIGNIFICANT ACCOUNTING POLICIES

##### Adoption of new and revised standards

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2022. Their adoption has not had any significant impact on the disclosures or on the amounts reported in these forms of consolidated annual financial statements.

- Amendments to IFRS 3 *References to the Conceptual Framework*
- Amendments to IAS 16 *Property, Plant and Equipment—Proceeds before Intended Use*
- Amendments to IAS 37 *Onerous Contracts—Cost of Fulfilling a Contract*
- Annual Improvements to IFRS Standards 2018-2020 Cycle Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases*, and IAS 41 *Agriculture*

##### New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these forms of consolidated annual financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Description of the standard and interpretation	Applicable to annual periods beginning on or after
IFRS 17 (including the June 2020 Amendments to IFRS 17) <i>Insurance Contracts</i>	1 January 2023
Amendments to IFRS 10 and IAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined by the IASB
Amendments to IAS 1 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to IAS 8 <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to IAS 12 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to IFRS 16 <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to IAS 1 <i>Non-current Liabilities with Covenants</i>	1 January 2024

Management does not expect that the adoption of standards above will have a significant impact on the forms of consolidated annual financial statements of the Group in the future periods.

##### Significant accounting policies

##### Property, plant and equipment

Property, plant and equipment is stated at historical cost less subsequent accumulated depreciation and impairment losses. Depreciation is charged once the asset becomes available for its intended use.

##### Subsequent costs

The costs of the day-to-day servicing incurred during an asset's useful life (regular maintenance to ensure the asset remains in a working condition) and repair expenses (technical inspections, maintenance contracts, etc.) are recorded in profit or loss when incurred.

**EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**  
*(in thousands of tenge, unless stated otherwise)*

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Costs are capitalised only if those costs qualify for recognition as assets in accordance with provisions of IAS 16 *Property, Plant and Equipment*.

*Construction-in-progress*

Construction-in-progress comprises costs directly related to the acquisition and construction of property, plant and equipment, including the appropriate allocation of directly attributable variable overheads incurred during construction. The carrying value of construction-in-progress items is regularly reviewed for its fair presentation and impairment.

**Lease contracts**

*The Group as lessee*

For the lease contracts (or separate components of the contracts), under which the Group is granted the right to control the use of an identified asset (as defined by IFRS 16 *Leases*) for a certain period of time in exchange for consideration, the Group recognises a right-of-use asset and a corresponding lease liability at the inception of the contract. Non-lease components of the contracts are accounted for in accordance with other relevant standards.

In accordance with IFRS 16 *Leases*, the Group applies practical expedient for not recognising the lease for the lease contracts with lease term of less than 12 months at lease inception and without purchase option, for the leases with variable lease rates that do not depend on an index or rate and for the leases of low value assets (less than 2,000 thousand tenge). The Group recognises short-term leases and leases of low value assets as expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease payments are discounted by using the Group incremental borrowing rate, except when the rate is implicit in the lease and can be readily determined.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- Lease payments change due to index or rate changes or a change in expected payments under a guaranteed residual value, in which cases lease liabilities are remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a floating interest rate change, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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At the commencement date, the Group measures the right-of-use asset at cost that includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs incurred by the lessee. The right-of-use asset is subsequently measured according to the accounting policy that is applied for own assets, including for depreciation and amortisation and impairment measurement. The recognised right-of-use asset is depreciated over the shorter period of expected useful life of the underlying asset or lease term. If the lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects the Group's intent to purchase, the related right-of-use asset is depreciated over the useful life of the underlying asset.

The Group presents lease liabilities and right-of-use assets in the consolidated balance sheet as a separate lines (Note 16 and 24).

*The Group as lessor*

The Group enters into lease agreements as a lessor with respect to some of its property, plant and equipment items (Notes 15 and 29).

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

**Borrowing costs**

The Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets as part of the cost of that asset.

The Group capitalises borrowing costs on general purpose borrowings to the extent they are used to obtain a qualifying asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the Group's borrowings used to construct and produce a qualifying asset, other than borrowings received specifically for the purpose of obtaining a qualifying asset. Moreover, if the loan remains outstanding after the relevant qualifying asset is ready for its intended use, then in calculating the capitalisation rate, the loan is included in the general borrowing pool.

Investment income generated on a temporary investment of specific borrowings pending their use on qualifying assets is deducted from borrowing costs eligible for capitalisation.

Borrowing costs also include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. As a result, capitalised borrowing costs denominated in foreign currencies, adjusted for exchange differences, cannot exceed the borrowing costs that would have been capitalised if the borrowing had been denominated in the functional currency. Any excess exchange difference is recognised in profit or loss.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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**Inventories**

Inventories are valued at the lower of cost or net realisable value. Costs comprise of charges incurred to bring the inventory to its present location and condition for its intended use. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale. When inventories are released into production, sold or otherwise disposed of, they are valued at the weighted-average cost basis.

**Financial instruments**

Financial assets and liabilities are recognised in the Group's consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value.

All recognised financial assets are measured subsequently either at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Wherein:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI); and
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

In the current year, the Group did not designate any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are further evaluated for impairment (Note 4).

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Gains or losses on insubstantial modification of financial liabilities at amortised cost are recognised in profit or loss. A gain or loss is determined as the difference between the carrying value at the date of modification and the present value of the estimated future cash flows discounted using an initial effective interest rate of the financial instrument.

A substantial modification should be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

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**Derivative financial instruments**

The Group uses the currency swap derivative financial instrument to manage its currency risk.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are presented as non-current assets or non-current liabilities if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

**Assets (or disposal groups) held for sale**

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable within 12 months since classification date and the asset (or disposal group) is available for immediate sale in its present condition. Assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

When the asset ceased to be classified as held for sale, the Group includes any required adjustment to the carrying amount of the asset in profit or loss from continuing operations in the period in which the classification criteria are no longer met. If the disposal group or asset that ceases to be classified as held for sale is a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture or an associate, the Group amends retrospectively the financial statements for the periods since classification as held for sale.

**Equity**

*Charter (shareholder's) capital*

Common shares are classified as equity. Costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from equity proceeds. All non-cash contributions to charter (shareholder's) capital are assessed by an independent appraiser at fair value as at the date of the contribution.

Consideration received for common shares yet to be legally registered is recognised as other capital until they are registered, when any proceeds are transferred to charter (shareholder's) capital.

*Other operations with owner*

The Group enters into equity transactions with the Shareholder, such as asset transfers, adjustments for below market interest loans and others that would not relate to the acquisition of additional charter (shareholder's) capital in the Group. The Group recognises such transactions through equity in retained earnings.

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*Other distributions to owners*

Distributions are recognised in equity when the Group has irrevocably committed to transfer cash or non-monetary assets to its Shareholder/Ultimate Shareholder free of charge and the amount of the commitment can be reliably measured. Distributions are recognised in equity net of any related deferred tax effects, where appropriate.

**Hedge accounting**

The Group designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of a hedge relationship, an entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

*Cash flow hedges*

The effective portion of changes in the fair value of financial instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of components of other comprehensive income. A gain or loss relating to the ineffective portion is recognised immediately in profit or loss for the reporting period, and is included in the 'finance costs' line item.

Amounts previously recognised in other comprehensive income are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item.

Hedge accounting is discontinued when:

- a) the Group revokes the hedging relationship,
- b) the hedging instrument expires or is sold, terminated, or exercised, or
- c) it no longer qualifies for hedge accounting.

Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

**Government grants**

Government grants are recognised when there is reasonable assurance that the subsidy will be received, and all corresponding conditions will be met.

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Government grants are recognised in profit or loss on a systematic basis as expenses due to be compensated by the subsidies are recognised simultaneously in profit or loss. In particular, the government allows the Group to receive subsidies in the form of government grants to partially cover the cost of transporting passengers on socially important routes in Kazakhstan. Government grants are recognised on a systematic basis over the periods as the subsidies are used to cover carrier costs to transport passengers on socially important routes.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

**Revenue**

The Group recognises revenue to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is recognised less Value Added Tax (hereinafter – “VAT”) and rebates.

*Revenue from freight transportation services*

Freight transportation service revenue is recognised over time. The extent of completion of the freight transportation process is calculated as the ratio of transportation provided as at the reporting date to total transportation.

The Group provides services on monthly 100% prepayment terms, as agreed in contracts with customers. Prepayments received from customers for transportation services not yet rendered are typically short-term and recognised as advances received within contract liabilities at the date of receipt.

Advances received from customers for domestic, international import, international export and international transit freight transportation services are recognised as deferred income within contract liabilities once transportation has started. Deferred income is credited to revenue of the reporting period as the services are provided.

There is no significant financing component in contracts with the Group's customers due to the short time elapsed between the transfer of the promised services to the customer and the moment the customer pays for these services.

Pursuant to the CRNM Order *On the Approval Of a Temporary Decreasing Coefficient For Railway Freight Transportation Tariffs*, certain contracts include discounts dependent on the volumes of services consumed. Revenue from these services is recognised based on contractual prices less estimated discounts. The Group uses the expected value method to estimate the discount amount.

As at 31 December 2022 and 2021, the Group has no obligations to counterparties associated with provision of discounts.



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The Group discloses handling service revenue in freight transportation service revenue and recognises it by the extent of completion of the services at the reporting date, as the performance obligation is satisfied over time and customers receive and use the benefits of the Group's performance simultaneously. The extent of service completion is calculated as the ratio of transportation volume, provided as at the reporting date to total transportation volumes.

Rolling stock handling services are provided, as a rule, based on prepayments, which are recognised as advances received within contract liabilities.

Additional charges related to the transportation process and other revenue from freight transportation are recognised over time.

*Revenue from passenger transportation services*

Revenue from passenger transportation services is recognised over time by the extent of completion of transportation at the reporting date. Proceeds from ticket sales are recognised as deferred income, accounted for as contract liabilities, which is transferred to revenue from the time of departure of a passenger. Prepayments received from customers for transportation services not yet rendered are recorded within advances at the time of their receipt. Upon receipt of applications for passenger transportation and issuing tickets, advances approximating the expected estimated revenue from the services are transferred to deferred income. Deferred income is similarly transferred to revenue as passengers depart.

Passenger transportation services are generally completed within several hours/days. An analysis of past experience has shown that passenger transportation in progress at the reporting date is insignificant.

*Other revenue*

Other revenue includes penalties received, revenues from the sale of goods, materials, scrap metal, loading and unloading services and vehicle servicing.

Other revenue from the provision of services is recognised over time as the services are provided. When a performance obligation is not satisfied over time (sale of goods, materials and scrap metals and others), the performance obligation is satisfied at a point in time.

The Group when accounting for significant contracts under which the period between the transfer of the promised goods or services to the customer and the respective payment exceeds one year, adjusts the transaction price for the time value of money.

**Sale and lease back transactions**

The Group accounts for a transfer of an asset in a sale and leaseback transaction as a sale only if the transfer meets the requirements of IFRS 15 *Revenue from Contracts with Customers*.

Under IFRS 15, if a sale is to be recognised by the seller-lessee, then the right-of-use asset leased back is measured at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. The seller-lessee recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

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If the transfer of an asset by the seller-lessee does not meet the requirements of IFRS 15 to be accounted for as a sale of the asset, the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to proceeds for the transfer by applying IFRS 9 *Financial Instruments*.

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the forms of consolidated annual financial statements in compliance with IFRSs requires the Group's management to make judgements and use estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date of the forms of consolidated annual financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on historical experience and other factors that are considered to be relevant, events or actions may mean that actual results ultimately differ from those estimates.

**Critical judgements in applying accounting policies**

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated forms of annual financial statements.

*Control assessment*

Subsidiaries are those entities controlled by the Group. The Group controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. Losses are attributed to non-controlling interests in full, even if this results in a debit balance ("deficit") (Note 39).

Under the trust management agreement with the Shareholder, the Company recognised Aktau Sea Commercial Port National Company JSC as a subsidiary because of the extensive authority given to the Company by the Shareholder. The trust management agreement of 100% shares gives it the practical ability to manage the relevant activities of the entity unilaterally. The Company is also entitled to receive residual returns in the entity.

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*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 for similar loans in arm's length transactions. These loans are initially recognised at the fair value of the consideration received less directly attributable transaction costs. The Group calculates the fair value (amortised cost) of these loans using market rates on governmental long-term treasury bonds with comparable maturities, given the Group's status as a monopolist in the Kazakhstan railway industry and 100% state ownership, and recognises 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 amortised cost using the effective interest method.

The benefit from government loans with an interest rate below the market, where the Group, upon receipt of loans, qualifying under certain criteria established by the State for all market participants, is recognised by the Group as a government grant. In other cases, the Group considers these loans as transactions with the ultimate Shareholder and accounts for the fair value adjustments of the loans received at a rate below market through equity.

*Assets (or disposal groups) classified as held for sale*

In 2020, the Government of Kazakhstan approved the "Comprehensive Privatisation Plan for 2021-2025" ("the Plan"). Under the Plan, management of the Group approves a list of subsidiaries, associates and joint ventures of the Group subject to disposal. IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* requires management judgement regarding the high probability of the sale of an asset. As at 31 December 2022, the management of the Group reviewed the status of implementation of the Plan and classified certain assets and liabilities as disposal groups held for sale related to the entities that meet IFRS 5 criteria (Note 13).

*Cash-generating unit identification*

The Group considers all segments as a single cash-generating unit (CGU) because under the Group's current operating model, cash flows for each segment are not considered sufficiently independent. Railway infrastructure is holistic and is not differentiated into freight and passenger transportation lines. Accordingly, there is no objective allocation of infrastructure assets for cash flows from freight and passenger transportation. Due to the specifics of freight transportation tariff regulation and the need to cross-subsidise passenger transportation, railway infrastructure cannot generate independent cash flows. Accordingly, the Group is treated as one CGU.

The Government of Kazakhstan, as the Company's Ultimate Shareholder, has approved a privatisation plan for certain Group entities and the Concept, which, if implemented, would result in a new interaction mechanism among its various business units. As the Group's restructuring processes have not been completed, these possible developments were not taken into account in the identification of CGUs for current year. Subsequent changes in the identification of CGUs may affect the carrying amount of the Group's assets.

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*Assessment of impairment indicators of property, plant and equipment*

When assessing impairment indicators of property, plant and equipment the Group considers external and internal impairment indicators. The management of the Group considered external and internal impairment indicators to determine if any events or changes in circumstances demonstrate that the carrying amount of property, plant and equipment is not recoverable.

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

As at 31 December 2022, the Group performed the analysis of the above external and internal impairment indicators of property, plant and equipment, in particular changes in interest rates, an analysis of the achievement of actual indicators versus budgeted indicators, as well as an analysis of the transit freight turnover and changes in the exchange rate of tenge to the Swiss franc, as the transit tariff is set in Swiss franc.

The measurement of whether each external and internal factor is an indication of impairment requires significant management judgement. Management's key judgement is based on the fact that amid the current geopolitical situation and disruption of traditional transportation and logistics chains, the country's transit potential is a key factor in the promotion of transcontinental trade. In 2022, transit freight transportation traffic and revenue exceeded targets, while the Concept stipulating further development of the rail sector in Kazakhstan was also approved in December 2022.

The management of the Group did not identify any events that occurred in 2022 that could be considered as an indicator of the impairment of the single CGU as at 31 December 2022.

*Accounting treatment of financing arrangements with Industrial Development Fund JSC*

The Group, represented by Passenger Transportation JSC and Tulpar Wagon Construction Plant LLP, entered into a number of trilateral purchase-sale and finance lease agreements with Industrial Development Fund JSC, which is under the common control of the ultimate Shareholder, to renew its passenger carriage fleet. Under the agreements, Industrial Development Fund JSC finances Tulpar Wagon Construction Plant LLP's construction of passenger carriages on a 100% prepayment basis for ownership with a further finance lease to Passenger Transportation JSC.

Management of the Group concluded that the transaction between Tulpar Wagon Construction Plant LLP and Industrial Development Fund JSC does not meet the requirements of IFRS 15 *Revenue from Contracts with Customers* to account for the asset sale at the Group level, as control over passenger carriages is not transferred to Industrial Development Fund JSC, but remains with the Group.

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Industrial Development Fund JSC finances the construction of the carriages, but is limited in its ability to direct the subsequent use of and obtain all of the remaining benefits from the asset. Accordingly, the Group recognises the obligation to Industrial Development Fund JSC as a financial liability (borrowing) according to IFRS 9 *Financial Instruments* and recognises passenger carriages and work-in-progress as property, plant and equipment items and construction in progress in accordance with IFRS 16.103 *Leases* (Note 3).

Since financing was provided at preferential interest rates and the terms were provided exclusively to finance the upgrade of the Passenger transportation JSC passenger carriage fleet based on a Kazakhstan Government Resolution, the Group considers these transactions as transactions with the ultimate Shareholder and recognises fair value adjustments of the loans received at below market rate through equity within retained earnings as other contributions (Notes 19 and 28).

**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 for which there is a significant risk they may cause a material adjustment to the carrying amounts of assets and liabilities during the next financial year.

*Impairment of property, plant and equipment, intangible assets and goodwill*

The Group performs an impairment indicators analysis of property, plant and equipment and intangible assets at each reporting date.

If any such an indication exists, the recoverable amount of the asset is estimated and compared to its carrying amount. If the carrying amount exceeds the recoverable amount, an 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 (WACC rate) that management believes reflects the current market assessment of the time value of money and the risks specific to the assets. The change in the estimated recoverable amount may result in an additional impairment or a reversal of the impairment and thus an impairment reversal being recognised in future periods.

Management assesses the recoverability of goodwill annually as at 31 December and whenever there is an indication that the CGU may be impaired.

For the analysis of goodwill impairment, management has used the detailed calculation of value in use of the single cash-generating unit as at 31 December 2022.

A number of subjective factors, both operational and financial, using the best evidence available, had been used to estimate cash flows.

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The Group applied the cash flows forecast period of 10 years, as the Group prepares its Development Strategy for 10-year period and makes forecasts within the framework of this strategy, projecting an increase in freight turnover based on GDP growth rates of the Republic of Kazakhstan and neighbouring regions, since such dependence was noted in the past. Given the availability of forecasts for GDP growth rates over a 10-year horizon, the Group's management believes it can reliably forecast its cash flows over a 10-year period. The level of tariffs for access to the mainline railway network used in the forecast period is based on the tariffs approved by the CRNM for 2021-2025, while in subsequent periods the tariffs were adjusted taking into account the forecasted inflation rate. The transit rates have been adjusted based on the forecasted Swiss Franc to tenge exchange rate. The long-term growth rate in terminal period is 4%

Operational assumptions used in the test reflect expected volumes of transportation services, including transit volumes, based on projected demand and historical growth dynamic of transit freight transportation volumes.

Financial assumptions include significant estimates associated with tariff forecasts and growth rates, discounts, and projected tenge to Swiss Franc exchange rates, in which the revenue from transit transportation is denominated. The discount rate (WACC) used in calculating the value in use of the Group amounted to 12.61%.

Management of the Group concluded that the recoverable amount of the goodwill exceeds its carrying amount as at 31 December 2022.

The Group conducted a sensitivity analysis and concluded that when using the following reasonably possible changes in key assumptions individually and unchanged remaining parameters, the fair value of property, plant and equipment, intangible assets and goodwill will equal its carrying value:

- *Freight transportation volumes* – A decrease of the volumes by 12.53% compared to the calculation;
- *Discount rate (WACC)* – An increase of the discount rate from 12.61% to 14.58%.

However, with more significant changes in any of the above key assumptions or simultaneous adverse impact of several factors, could result in the carrying amount of Group non-current assets being higher than their recoverable amount, and the requirement to recognise impairment in the future.

*Recoverability of VAT*

As at each reporting date, the Group assesses the recoverability of VAT on international transportation sales. The Group cannot charge VAT onwards to these customers, and accordingly can only recover the amount in question from the tax authorities. To assess VAT recoverability, the Group considers information from its internal tax department on projected VAT collection, correspondence with the tax authorities and historical recovery experience. Actual VAT amounts recovered could differ materially from Group estimates, which could affect future operating results significantly. As at 31 December 2022, VAT recoverable of 37,808,974 thousand tenge was classified as current assets. The Group expects that the given amount will be reimbursed by the tax authorities during 2023.

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*Depreciation of property, plant and equipment and amortisation of intangible assets*

Property, plant and equipment and intangible assets are depreciated and amortised using the straight-line method over estimated useful lives, which along with residual values and depreciation methods are reviewed at each reporting date, and adjusted if appropriate. Changes are accounted for prospectively as a change in accounting estimates. Estimates of the useful lives and residual value of these assets are based on expected economic use, repair and maintenance programmes, activity levels, technological advancements and other business conditions. A change in these assumptions could result in significantly different depreciation amounts than those previously recognised.

The estimated useful lives applied by the Group are as follows (in years):

Buildings and constructions	10-140
Rail track infrastructure	5-100
Machinery and equipment	3-35
Vehicles	4-40
Others	2-50
Intangible assets	1-10

*Taxation*

Kazakhstan legislative acts and regulations are not always clearly written. Instances of inconsistent opinions between local, regional and national tax authorities are possible. Where additional taxes are imposed by the tax authorities, fines and interest applied are significant; fines are generally assessed at 80% of additional taxes accrued, and interest is assessed at 20.94% of additional accruals or overdue taxes. As a result, fines and interest can exceed the amount of additional accrued taxes.

Because of the uncertainties disclosed above, the ultimate amount of taxes, fine and interest, if any, imposed may be in excess of the amount expensed to date and accrued as at 31 December 2022. Any differences between the estimated amount and the actual amount paid, if any, could have a significant impact on future operating results.

*Significant increase in credit risk*

The Group recognises an allowance for expected credit losses for financial instruments in the amount equal to 12-month expected credit losses for stage 1 assets, or lifetime expected credit losses for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

The Group also recognises an expected credit losses allowance under financial guarantee agreements for 12 months or lifetime, depending on the change in credit risk since initial recognition. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.



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For the purpose of internal credit risk management, the Group considers the following to be a default, as past experience has shown that a financial asset that meets one of the following criteria is generally non-recoverable:

- overdue: more than 90 days overdue on the counterparty's obligations (except when the Group has reasonable and substantiated information demonstrating that it is more appropriate to use the default criterion with a long delay in payment);
- downgrade of the external credit rating of the counterparty to the default "D";
- inability to fulfil obligations as a result of financial difficulties of the counterparty (suspension of interest accrual or decrease in the interest rate on the financial asset, write-off of the principal amount, extension of maturity of the financial asset, restructuring, leading to a decrease or write-off of the loan amount or debt forgiveness, etc.); or
- information generated internally or obtained from external sources indicates that the debtor is unlikely to make full payments to creditors, including the Group (not taking into account the collateral held by the Group).

**5. SEGMENT INFORMATION**

The Group's operating segments are based on services provided. It has two reportable segments, namely freight transportation and passenger transportation. All other operating segments, including mainly utilities, loading and unloading services, and vessel servicing, which in aggregate do not exceed quantitative thresholds for disaggregation, are thus not separately disclosed and combined into "Others".

Management of the Group tracks a number of segment profitability elements, such as profit before income tax, profit for the year and gross profit. However, profit for the year is the primary measure used by management of the Group to allocate resources and assess segment performance.

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

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The Group does not have a specific pricing policy for inter-segmental sales.

	For the year ended 31 December 2022					
	Freight transportation	Passenger transportation	Reportable segments	Others	Consolidation	Total
<b>Key operating indices</b>						
Revenue from sale of goods, operations and services						
Transportation revenue from third parties	1,283,513,235	88,421,030	1,371,934,265	-	-	1,371,934,265
Transportation revenue from intersegment transactions	1,755,526	60,262,715	62,018,241	-	(62,018,241)	-
Government grants	-	38,205,254	38,205,254	-	-	38,205,254
Other income from third parties	50,791,798	4,519,407	55,311,205	16,014,513	-	71,325,718
Other income from intersegment transactions	28,160,422	3,218,014	31,378,436	7,637,690	(39,016,126)	-
<b>Total revenue from sale of goods, operations and services</b>	<b>1,364,220,981</b>	<b>194,626,420</b>	<b>1,558,847,401</b>	<b>23,652,203</b>	<b>(101,034,367)</b>	<b>1,481,465,237</b>
Cost of goods, operations and services sold	(1,119,582,296)	(167,634,217)	(1,287,216,513)	(16,728,573)	99,712,269	(1,204,232,817)
<b>Gross profit (loss)</b>	<b>244,638,685</b>	<b>26,992,203</b>	<b>271,630,888</b>	<b>6,923,630</b>	<b>(1,322,098)</b>	<b>277,232,420</b>
Administrative expenses	(80,179,405)	(7,782,152)	(87,961,557)	(5,655,592)	1,018,268	(92,598,881)
<b>Total operating income (loss)</b>	<b>164,459,280</b>	<b>19,210,051</b>	<b>183,669,331</b>	<b>1,268,038</b>	<b>(303,830)</b>	<b>184,633,539</b>
Finance income	61,339,495	4,173,028	65,512,523	1,166,165	(5,580,026)	61,098,662
Finance costs	(141,019,215)	(10,872,614)	(151,891,829)	(532,262)	6,726,449	(145,697,642)
Share of the profit (loss) of associates and joint ventures accounted by equity method	8,545,564	-	8,545,564	-	-	8,545,564
Other income	3,996,421	113,855	4,110,276	170,654	(27,702)	4,253,228
Other expenses	(42,050,910)	(2,066,236)	(44,117,146)	(533,143)	241,724	(44,408,565)
<b>Profit before tax</b>	<b>55,270,635</b>	<b>10,558,084</b>	<b>65,828,719</b>	<b>1,539,452</b>	<b>1,056,615</b>	<b>68,424,786</b>
Corporate income tax expense (-) (income (+))	(29,195,273)	(2,020,137)	(31,215,410)	(400,350)	74,953	(31,540,807)
<b>Profit after tax from continuing operations</b>	<b>26,075,362</b>	<b>8,537,947</b>	<b>34,613,309</b>	<b>1,139,102</b>	<b>1,131,568</b>	<b>36,883,979</b>
<b>Other key segment information</b>						
Capital expenditures on property, plant and equipment and construction in progress	333,074,832	28,611,888	361,686,720	508,791	1,890,516	364,086,027
Depreciation of property, plant and equipment	130,407,513	14,656,810	145,064,323	1,613,805	(115,228)	146,562,900

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## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

	For the year ended 31 December 2021					
	Freight transportation	Passenger transportation	Reportable segments	Others	Consolidation	Total
<b>Key operating indices</b>						
Revenue from sale of goods, operations and services						
Transportation revenue from third parties	1,184,270,705	57,256,333	1,241,527,038	-	-	1,241,527,038
Transportation revenue from intersegment transactions	1,128,991	58,370,023	59,499,014	-	(59,499,014)	-
Government grants	-	39,234,808	39,234,808	-	-	39,234,808
Other income from third parties	33,333,677	3,021,953	36,355,630	11,418,985	-	47,774,615
Other income from intersegment transactions	27,519,295	629,135	28,148,430	6,291,540	(34,439,970)	-
<b>Total revenue from sale of goods, operations and services</b>	<b>1,246,252,668</b>	<b>158,512,252</b>	<b>1,404,764,920</b>	<b>17,710,525</b>	<b>(93,938,984)</b>	<b>1,328,536,461</b>
Cost of goods, operations and services sold	(932,063,063)	(127,798,051)	(1,059,861,114)	(13,120,746)	92,083,848	(980,898,012)
<b>Gross profit (loss)</b>	<b>314,189,605</b>	<b>30,714,201</b>	<b>344,903,806</b>	<b>4,589,779</b>	<b>(1,855,136)</b>	<b>347,638,449</b>
Administrative expenses	(77,182,693)	(10,680,145)	(87,862,838)	(3,897,608)	1,552,957	(90,207,489)
<b>Total operating income (loss)</b>	<b>237,006,912</b>	<b>20,034,056</b>	<b>257,040,968</b>	<b>692,171</b>	<b>(302,179)</b>	<b>257,430,960</b>
Finance income	18,236,236	1,803,964	20,040,200	975,564	(2,958,599)	18,057,165
Finance costs	(120,038,789)	(4,783,479)	(124,822,268)	(3,177,832)	1,732,520	(126,267,580)
Share of the profit (loss) of associates and joint ventures accounted by equity method	10,825,543	-	10,825,543	-	-	10,825,543
Other income	9,652,878	867,135	10,520,013	332,835	(683,926)	10,168,922
Other expenses	(15,448,060)	(467,169)	(15,915,229)	(304,200)	747,216	(15,472,213)
<b>Profit before tax</b>	<b>140,234,720</b>	<b>17,454,507</b>	<b>157,689,227</b>	<b>(1,481,462)</b>	<b>(1,464,968)</b>	<b>154,742,797</b>
Corporate income tax expense (-) (income (+))	(32,660,467)	(4,283,677)	(36,944,144)	(10,559)	2,822,928	(34,131,775)
<b>Profit after tax from continuing operations</b>	<b>107,574,253</b>	<b>13,170,830</b>	<b>120,745,083</b>	<b>(1,492,021)</b>	<b>1,357,960</b>	<b>120,611,022</b>
<b>Other key segment information</b>						
Capital expenditures on property, plant and equipment and construction in progress	344,864,728	182,764	345,047,492	238,090	11,854,591	357,140,173
Depreciation of property, plant and equipment	130,643,009	8,642,717	139,285,726	1,693,650	(4,275)	140,975,101

### Geographical information of the Group

The Group generates its revenue from customers in multiple geographical regions. The table below shows revenue based on customer country of domicile for each of the years ended 31 December:

Customer location	2022	2021
Kazakhstan	1,440,584,081	1,291,832,339
Russia	23,595,150	23,576,052
Others	17,286,006	13,128,070
<b>Total</b>	<b>1,481,465,237</b>	<b>1,328,536,461</b>

Practically all of the Group's non-current assets are in Kazakhstan.

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## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

### 6. CASH AND CASH EQUIVALENTS (line 010 of Consolidated balance sheet and line 160 of Consolidated statement of cash flows)

	31 December 2022	31 December 2021
Short-term tenge bank deposits	68,186,977	128,370,675
Short-term Russian Rouble bank deposits	-	597,311
Cash in tenge current accounts	186,774,257	30,652,532
Cash in US\$ current bank accounts	7,641,602	13,097,943
Cash in Russian Rouble current bank accounts	3,308,593	2,481,563
Cash in bank accounts in other currencies	599,304	1,159,605
Cash in Euro current bank accounts	474,415	1,667,401
Petty cash	4,321	4,701
	<b>266,989,469</b>	<b>178,031,731</b>
Less: allowance for expected credit losses on cash and cash equivalents	(33,738)	(31,251)
<b>Total</b>	<b>266,955,731</b>	<b>178,000,480</b>

Other payments in cash flow from operating activities (lines 027 and 020) of Consolidated statement of cash flows for the year ended 31 December 2022 includes changes in cash of disposal groups classified as held for sale in the amount of 76,552 thousand tenge (2021: 67 thousand tenge).

As at 31 December 2022, the weighted average interest rate on cash in current accounts was 0.22% in tenge and 1.64% in other currencies (31 December 2021: 1.75% in tenge and 1.92% in other currencies).

Short-term tenge and foreign currency bank deposits are placed for three months and less, depending on the Group's cash needs. As at 31 December 2022, the weighted average interest rate on short-term bank deposits was 16.18% in tenge (31 December 2021: 9.18% and 8%, respectively).

As at 31 December 2022, cash placed by the Group on current accounts in Kazpost JSC, a related party of the Group, amounted to 162,853,622 thousand tenge (31 December 2021: nil tenge) (Note 41). In addition, the Group places cash and cash equivalents in banks and other financial institutions rated from A+ to B. Based on this, the Group believes that its cash and cash equivalents credit risk as at 31 December 2022 is low.

The allowance for expected credit losses on cash and cash equivalents is based on 12-month expected credit losses, which matches their maturity date.

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## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

### 7. FINANCIAL ASSETS AT AMORTISED COST (lines 011 and 110 of Consolidated balance sheet)

	31 December 2022	31 December 2021
Loans issued	7,292,058	6,572,937
Bonds of commercial banks and other credit institutions, and other debt securities	1,401,851	1,264,598
Less: allowance for expected credit losses on loans issued	(3,539,833)	(2,775,950)
Less: allowance for expected credit losses on bonds of commercial banks and other credit institutions, and other debt securities	(380,077)	(308,632)
<b>Total</b>	<b>4,773,999</b>	<b>4,752,953</b>
Current portion of financial assets at amortised cost	1,934	1,898
Non-current portion of financial assets at amortised cost	4,772,065	4,751,055
<b>Total</b>	<b>4,773,999</b>	<b>4,752,953</b>

As at 31 December 2022 and 2021, financial assets at amortised cost were denominated in tenge.

### 8. OTHER FINANCIAL ASSETS (lines 015 and 116 of Consolidated balance sheet)

	31 December 2022	31 December 2021
Restricted cash	20,105,984	13,972,447
Other financial assets	3,406,527	2,037
Less: allowance for expected credit losses on restricted cash	(260)	(161)
Less: allowance for expected credit losses on other financial assets	(2,079,732)	(3)
<b>Total</b>	<b>21,432,519</b>	<b>13,974,320</b>
Current portion of other financial assets	7,165,793	237,775
Non-current portion of other financial assets	14,266,726	13,736,545
<b>Total</b>	<b>21,432,519</b>	<b>13,974,320</b>

Restricted cash is mostly amounts in Euros used as security on loans from HSBC Continental Europe (formerly – “HSBC France”). The restriction on cash will be released once the loans have been repaid.

### 9. TRADE AND OTHER ACCOUNTS RECEIVABLE (lines 016 and 117 of Consolidated balance sheet)

	31 December 2022	31 December 2021
Trade receivables arising from contracts with customers	21,148,417	26,031,543
Other receivables	6,195,704	13,070,214
Less: allowance for expected credit losses on trade receivables from contracts with customers	(6,872,782)	(3,060,216)
Less: allowance for expected credit losses on other receivables	(1,804,278)	(5,809,305)
<b>Total</b>	<b>18,667,061</b>	<b>30,232,236</b>
Current portion of trade and other receivables	16,876,353	27,300,865
Non-current portion of trade and other receivables	1,790,708	2,931,371
<b>Total</b>	<b>18,667,061</b>	<b>30,232,236</b>

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## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

### 10. CURRENT LEASE RECEIVABLES (line 017 of Consolidated balance sheet)

	31 December 2022	31 December 2021
Lease receivables	1,256,278	2,509,693
Less: allowance for expected credit losses on lease receivables	(720,050)	(2,186,460)
<b>Total</b>	<b>536,228</b>	<b>323,233</b>

### 11. INVENTORIES (line 020 of Consolidated balance sheet)

	31 December 2022	31 December 2021
Railway materials	14,647,464	11,050,434
Materials and supplies	12,481,235	10,994,641
Spare parts	8,310,765	7,129,315
Fuel and lubricants	6,033,537	9,400,944
Construction materials	1,477,589	1,278,414
Work-in-progress	118,479	117,222
Others	3,444,011	3,462,102
	<b>46,513,080</b>	<b>43,433,072</b>
Less: allowance for impairment of inventories	(1,483,894)	(1,032,199)
<b>Total</b>	<b>45,029,186</b>	<b>42,400,873</b>

### 12. OTHER CURRENT ASSETS (line 022 of Consolidated balance sheet)

	31 December 2022	31 December 2021
Other taxes prepaid	43,120,335	41,874,428
VAT recoverable	37,808,974	34,416,684
Short-term advances paid	24,820,753	6,777,229
Prepaid expenses	1,794,650	1,223,304
Assets for distribution to the Shareholder	104,188	104,188
Others	5,348,997	411,954
	<b>112,997,897</b>	<b>84,807,787</b>
Less: allowance for impairment of other current assets	(5,938,418)	(2,222,586)
<b>Total</b>	<b>107,059,479</b>	<b>82,585,201</b>

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

### 13. ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE (line 101 of Consolidated balance sheet) and DISPOSAL GROUP LIABILITIES HELD FOR SALE (line 301 of Consolidated balance sheet)

#### Railway Passenger Coach Construction Plant LLP

During 2022, the Group reorganised its subsidiary Tulpar Wagon Construction Plant LLP by spinning off a new legal entity - Railway Passenger Coach Construction Plant LLP with a part of Tulpar Wagon Construction Plant LLP property and employees. On 13 December 2022, the Group, represented by its subsidiary Kaztemirtrans JSC, entered into a sale agreement with a third party for a 100% interest in the charter capital of Railway Passenger Coach Construction Plant LLP. As at 31 December 2022, the Group classified the assets and liabilities of Railway Passenger Coach Construction Plant LLP in assets (or disposal groups) held for sale at the lower of their carrying amount and fair value less costs to sell. Since this subsidiary does not represent a separate major line of business for the Group, the Group did not classify the financial performance of the subsidiary as a discontinued operation. The management of the Group expects the transaction will be completed within 12 months after the reporting date (Note 42).

The assets and liabilities of Railway Passenger Coach Construction Plant LLP are presented as follows (with intragroup elimination):

	31 December 2022
<b>Assets</b>	
Cash and cash equivalents	76,252
Other current financial assets	40,000,000
Inventories	40,020
Other current assets	7,980
Property, plant and equipment (Note 15)	5,697,793
Other non-current assets	2,642
<b>Total assets (or disposal groups) held for sale</b>	<b>45,824,687</b>
<b>Liabilities</b>	
Current trade and other payables	16,450
Employee benefits	2,884
Other current liabilities	11,513
<b>Total disposal group liabilities held for sale</b>	<b>30,847</b>
<b>Net assets held for sale</b>	<b>45,793,840</b>

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## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

### 14. EQUITY METHOD INVESTMENTS (line 115 of Consolidated balance sheet and line 023 of Consolidated statement of profit or loss)

Description	Primary activity	Main country of operation / country of registration	31 December 2022		31 December 2021	
			Carrying amount	Ownership interest	Carrying amount	Ownership interest
<b>Associates</b>						
United Transport and Logistics Company - Eurasian Rail Alliance JSC (UTLC ERA JSC)	Domestic and international rail transportation and freight forwarding	Russian Federation	16,959,315	33.33%	12,312,302	33.33%
Transtelecom JSC	Telecommunication services	Republic of Kazakhstan	8,501,919	25%	11,239,345	25%
Chinese-Kazakhstan International Logistics Company in Lianyungang	International multimodal transportation	China	3,172,529	49%	3,241,709	49%
Others			-	40-47%	-	40-47%
<b>Total investments in associates</b>			<b>28,633,763</b>		<b>26,793,356</b>	
<b>Joint ventures</b>						
KIF Warehouses LLP	Warehouse operations and supporting transport operations	Republic of Kazakhstan	164,875	50%	895,143	50%
<b>Total investments in joint ventures</b>			<b>164,875</b>		<b>895,143</b>	
<b>Total equity method investments</b>			<b>28,798,638</b>		<b>27,688,499</b>	



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## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

Movements in investments in associates and joint ventures are as follows:

	2022		
	Associates	Joint ventures	Total equity method investments
<b>As at 1 January</b>	<b>26,793,356</b>	<b>895,143</b>	<b>27,688,499</b>
Foreign exchange difference on translation of foreign operations	2,058,065	-	2,058,065
Share of profit	8,508,563	37,001	8,545,564
Contributions to share capital	-	57,958	57,958
Impairment	-	(825,227)	(825,227)
Dividends receivable	(8,726,221)	-	(8,726,221)
<b>As at 31 December</b>	<b>28,633,763</b>	<b>164,875</b>	<b>28,798,638</b>

	2021		
	Associates	Joint ventures	Total equity method investments
<b>As at 1 January</b>	<b>21,217,790</b>	-	<b>21,217,790</b>
Foreign exchange difference on translation of foreign operations	1,143,541	-	1,143,541
Acquisition	-	962,404	962,404
Share of profit/(loss)	10,892,804	(67,261)	10,825,543
Dividends receivable	(6,460,779)	-	(6,460,779)
<b>As at 31 December</b>	<b>26,793,356</b>	<b>895,143</b>	<b>27,688,499</b>

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

Summary financial information on significant associates as at and for the years ended 31 December:

	2022				2021			
	Chinese-Kazakhstan International Logistics Company in Lianyungang	Aktau Marine North Terminal LLP	Transtelecom JSC	United Transportation and Logistics Company – Eurasian Railway Alliance JSC	Chinese-Kazakhstan International Logistics Company in Lianyungang	Aktau Marine North Terminal LLP	Transtelecom JSC	United Transportation and Logistics Company – Eurasian Railway Alliance JSC
Current assets	6,175,236	1,084,120	61,011,558	56,343,525	5,060,387	872,990	42,523,861	47,302,387
Non-current assets	23,946,119	36,895,727	162,119,735	66,242,413	25,151,732	38,398,524	156,378,880	48,348,047
<b>Total assets</b>	<b>30,121,355</b>	<b>37,979,847</b>	<b>223,131,293</b>	<b>122,585,938</b>	<b>30,212,119</b>	<b>39,271,514</b>	<b>198,902,741</b>	<b>95,650,434</b>
Current liabilities	1,169,707	11,046,450	114,510,843	30,930,044	1,058,066	15,624,550	52,500,530	25,338,152
Non-current liabilities	295,467	35,320,518	83,507,765	40,777,947	356,687	43,068,137	110,339,823	33,375,375
<b>Total liabilities</b>	<b>1,465,174</b>	<b>46,366,968</b>	<b>198,018,608</b>	<b>71,707,991</b>	<b>1,414,753</b>	<b>58,692,687</b>	<b>162,840,353</b>	<b>58,713,527</b>
<b>Total net assets/(liabilities)</b>	<b>28,656,181</b>	<b>(8,387,121)</b>	<b>25,112,685</b>	<b>50,877,947</b>	<b>28,797,366</b>	<b>(19,421,173)</b>	<b>36,062,388</b>	<b>36,936,907</b>
Ownership interest	49%	40%	25%	33.3	49%	40%	25%	33.3
Net assets/(liabilities) attributable to the Group	14,041,529	(3,354,848)	6,278,171	16,959,315	14,110,709	(7,768,469)	9,015,597	12,312,302
Accumulated impairment	(10,869,000)	-	-	-	(10,869,000)	-	-	-
Net assets/(liabilities) attributable to the Group, inclusive of impairment	3,172,529	(3,354,848)	6,278,171	16,959,315	3,241,709	(7,768,469)	9,015,597	12,312,302
Accumulated unrecognised loss	-	(3,354,848)	-	-	-	(7,768,469)	-	-
Adjustment to the carrying amount of investments in a change to investee net assets (fair value adjustment of the concessional loan from another shareholder)	-	-	2,223,748	-	-	-	2,223,748	-
<b>Carrying amount of investment</b>	<b>3,172,529</b>	<b>-</b>	<b>8,501,919</b>	<b>16,959,315</b>	<b>3,241,709</b>	<b>-</b>	<b>11,239,345</b>	<b>12,312,302</b>
Income	5,544,619	4,298,295	83,903,859		3,704,700	3,641,936	83,946,694	375,449,250
Profit/(loss) and total comprehensive income/(loss) for the year	406,930	11,034,052	(10,949,702)		182,709	(830,509)	5,175,606	28,528,125
<b>Recognised share of the Group in profit/(loss)</b>	<b>199,396</b>	<b>-</b>	<b>(2,737,426)</b>	<b>11,046,593</b>	<b>89,527</b>	<b>-</b>	<b>1,293,902</b>	<b>9,509,375</b>

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## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

### 15. PROPERTY, PLANT AND EQUIPMENT (LINE 121 of Consolidated balance sheet)

Movements in property, plant and equipment for the years ended 31 December 2022 and 2021 are as follows:

	Rail track infrastructure	Buildings and constructions	Machinery and equipment	Vehicles	Land	Others	Total
<b>Carrying value as at 1 January 2021</b>	<b>1,157,449,777</b>	<b>319,784,551</b>	<b>253,192,638</b>	<b>912,359,037</b>	<b>3,969,040</b>	<b>8,021,898</b>	<b>2,654,776,941</b>
Additions	55,002	608,298	6,430,319	31,574,679	33	89,091	38,757,422
Disposals	(4,295,637)	(337,903)	(2,425,325)	(4,721,485)	(7,826)	(383,281)	(12,171,457)
Depreciation charge	(37,138,548)	(7,692,460)	(27,078,677)	(53,154,650)	-	(1,500,978)	(126,565,313)
Depreciation on disposal	4,076,257	217,255	2,323,288	4,543,396	-	375,802	11,535,998
(Impairment)/impairment reversal	(618,375)	(12,398)	(130,833)	(267,465)	-	3,294	(1,025,777)
Other movements and transfers <sup>1</sup>	86,303,483	(8,551,683)	15,764,508	128,370,910	(1,021)	71,323	221,957,520
<b>Carrying value as at 31 December 2021</b>	<b>1,205,831,959</b>	<b>304,015,660</b>	<b>248,075,918</b>	<b>1,018,704,422</b>	<b>3,960,226</b>	<b>6,677,149</b>	<b>2,787,265,334</b>
Cost	1,511,717,945	369,289,164	487,440,536	1,559,969,554	3,960,226	21,857,720	3,954,235,145
Accumulated depreciation and impairment	(305,885,986)	(65,273,504)	(239,364,618)	(541,265,132)	-	(15,180,571)	(1,166,969,811)
<b>Carrying value as at 31 December 2021</b>	<b>1,205,831,959</b>	<b>304,015,660</b>	<b>248,075,918</b>	<b>1,018,704,422</b>	<b>3,960,226</b>	<b>6,677,149</b>	<b>2,787,265,334</b>
Property, plant and equipment that are subject to operating lease (Group as the lessor)	-	184,042	5,341	24,225,136	-	39	24,414,558
<b>Carrying value as at 1 January 2022</b>	<b>1,205,831,959</b>	<b>304,015,660</b>	<b>248,075,918</b>	<b>1,018,704,422</b>	<b>3,960,226</b>	<b>6,677,149</b>	<b>2,787,265,334</b>
Additions	323,657	582,908	5,921,760	1,241,207	7,133	1,369,962	9,446,627
Disposals	(178,209)	(376,245)	(2,661,075)	(4,549,744)	(10,524)	(535,646)	(8,311,443)
Depreciation charge	(39,409,576)	(7,191,262)	(25,572,823)	(56,328,338)	-	(1,250,090)	(129,752,089)
Depreciation on disposal	166,014	236,743	2,525,041	4,265,254	-	527,256	7,720,308
Impairment	(92,369)	(40,158)	(112,356)	(269,708)	-	(3,907)	(518,498)
Transfer to assets classified as held for sale (Note 13)	-	(4,347,008)	(791,442)	(2,961)	-	(556,382)	(5,697,793)
Other movements and transfers <sup>1</sup>	124,837,537	943,169	9,269,477	242,725,526	2,368	25,212	377,803,289
<b>Carrying value as at 31 December 2022</b>	<b>1,291,479,013</b>	<b>293,823,807</b>	<b>236,654,500</b>	<b>1,205,785,658</b>	<b>3,959,203</b>	<b>6,253,554</b>	<b>3,037,955,735</b>
Cost	1,628,324,710	362,448,592	497,702,566	1,794,455,490	3,959,203	21,723,684	4,308,614,245
Accumulated depreciation and impairment	(336,845,697)	(68,624,785)	(261,048,066)	(588,669,832)	-	(15,470,130)	(1,270,658,510)
<b>Carrying value as at 31 December 2022</b>	<b>1,291,479,013</b>	<b>293,823,807</b>	<b>236,654,500</b>	<b>1,205,785,658</b>	<b>3,959,203</b>	<b>6,253,554</b>	<b>3,037,955,735</b>
Property, plant and equipment that are subject to operating lease (Group as the lessor)	-	233,503	2,978	23,005,264	-	-	23,241,745

<sup>1</sup> Other movements and transfers also include transfers to/from inventories.

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

As at 31 December 2022 and 2021, Group property, plant and equipment with a carrying amount of 11,171,840 thousand tenge and 19,577,062 thousand tenge, respectively, was used as collateral for specific borrowings.

As at 31 December 2022 and 2021, the cost of the Group's fully depreciated property, plant and equipment in use was 359,364,568 thousand tenge and 337,592,431 thousand tenge, respectively.

### 16. RIGHT-OF-USE ASSETS (line 122 of Consolidated balance sheet)

	Buildings and constructions	Machinery and equipment	Vehicles	Others	Intangible assets (software)	Total
<b>Carrying value as at 1 January 2021</b>	<b>1,538,164</b>	<b>28,688,370</b>	<b>14,160,269</b>	<b>6,155,034</b>	<b>176,262</b>	<b>50,718,099</b>
Lease additions	121,876	-	42,551,867	-	-	42,673,743
Disposals	(168,453)	-	(11,053)	(36,171)	-	(215,677)
Depreciation charge	(264,444)	(9,861,093)	(3,703,439)	(580,812)	(160,369)	(14,570,157)
Depreciation on disposal	100,137	-	2,126	12,767	-	115,030
Other movements and transfers	92,559	-	-	206,490	-	299,049
<b>Carrying value as at 31 December 2021</b>	<b>1,419,839</b>	<b>18,827,277</b>	<b>52,999,770</b>	<b>5,757,308</b>	<b>15,893</b>	<b>79,020,087</b>
Cost	1,925,111	37,727,707	59,990,353	7,613,906	492,406	107,749,483
Accumulated depreciation	(505,272)	(18,900,430)	(6,990,583)	(1,856,598)	(476,513)	(28,729,396)
<b>Carrying value as at 1 January 2022</b>	<b>1,419,839</b>	<b>18,827,277</b>	<b>52,999,770</b>	<b>5,757,308</b>	<b>15,893</b>	<b>79,020,087</b>
Lease additions	363,175	-	13,910,287	686,467	-	14,959,929
Disposals	(253,140)	-	-	-	(244,861)	(498,001)
Depreciation charge	(264,009)	(9,861,095)	(4,845,057)	(1,840,650)	(4,239)	(16,815,050)
Depreciation on disposal	171,171	-	-	-	244,861	416,032
Impairment	-	-	-	(834,304)	-	(834,304)
Other movements and transfers	80,247	-	-	914,937	-	995,184
<b>Carrying value as at 31 December 2022</b>	<b>1,517,283</b>	<b>8,966,182</b>	<b>62,065,000</b>	<b>4,683,758</b>	<b>11,654</b>	<b>77,243,877</b>
Cost	2,115,393	37,727,707	73,900,640	9,219,303	24,018	122,987,061
Accumulated depreciation	(598,110)	(28,761,525)	(11,835,640)	(4,535,545)	(12,364)	(45,743,184)

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

### 17. INTANGIBLE ASSETS (line 125 of Consolidated balance sheet)

	Licenses	Software	Goodwill	Others	Total
<b>Carrying value as at 1 January 2021</b>	<b>577,055</b>	<b>5,749,464</b>	<b>15,519,895</b>	<b>3,428,281</b>	<b>25,274,695</b>
Share capital contributions/additions	3,789,288	168,798	-	5,530	3,963,616
Disposals	(1,612)	(35,861)	-	-	(37,473)
Depreciation charge	(158,313)	(2,017,094)	-	(806,481)	(2,981,888)
Depreciation on disposals	1,612	35,861	-	-	37,473
Other transfers and movements	46,142	3,649,659	-	-	3,695,801
<b>Carrying value as at 31 December 2021</b>	<b>4,254,172</b>	<b>7,550,827</b>	<b>15,519,895</b>	<b>2,627,330</b>	<b>29,952,224</b>
Cost	5,859,913	32,268,692	15,519,895	4,487,986	58,136,486
Accumulated depreciation and impairment	(1,605,741)	(24,717,865)	-	(1,860,656)	(28,184,262)
<b>Carrying value as at 1 January 2022</b>	<b>4,254,172</b>	<b>7,550,827</b>	<b>15,519,895</b>	<b>2,627,330</b>	<b>29,952,224</b>
Additions	10,451	108	-	27,213	37,772
Disposals	(31,078)	(61,850)	-	(4,600)	(97,528)
Depreciation charge	(158,035)	(2,216,011)	-	(820,806)	(3,194,852)
Depreciation on disposals	31,078	61,360	-	4,600	97,038
Other transfers and movements	-	1,226,475	-	-	1,226,475
<b>Carrying value as at 31 December 2022</b>	<b>4,106,588</b>	<b>6,560,909</b>	<b>15,519,895</b>	<b>1,833,737</b>	<b>28,021,129</b>
Cost	5,839,286	33,926,558	15,519,895	4,510,599	59,796,338
Accumulated depreciation and impairment	(1,732,698)	(27,365,649)	-	(2,676,862)	(31,775,209)

### 18. OTHER NON-CURRENT ASSETS (line 127 of Consolidated balance sheet)

	31 December 2022	31 December 2021
Construction in-progress	140,742,801	186,601,103
Advances paid for property, plant and equipment	101,630,880	104,053,590
VAT recoverable	81,882,720	43,797,426
Prepaid expenses	882,893	927,388
Others	23,941	646,378
<b>Total</b>	<b>325,163,235</b>	<b>336,025,885</b>
Less: allowance for impairment of construction in-progress	(12,522,969)	(12,548,685)
Less: allowance for VAT recoverable	(11,823,206)	(10,379,708)
Less: allowance for advances paid for property, plant and equipment	(1,056,422)	(4,361,888)
Less: allowance for impairment of other non-current assets	-	(259,481)
<b>Total</b>	<b>299,760,638</b>	<b>308,476,123</b>

#### Construction in-progress

As at 31 December 2022, construction-in-progress mainly consists of project costs to build the Zhezkazgan-Beineu and Siding 19-Dostyk railways, a ferry complex at the Kuryk port and other railway infrastructure reconstruction.

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

For the years ended 31 December 2022 and 2021, capitalised borrowing costs amounted to 5,672,979 thousand tenge and 4,793,590 thousand tenge, respectively. The Group's average capitalisation rate varies between 3.88% and 8.82% (2021: between 2.08% and 10.78%).

As at 31 December advances paid for property, plant and equipment included:

	31 December 2022	31 December 2021
Electro locomotive supplies	72,752,701	68,035,936
Rail purchases	9,958,688	21,355,920
Diesel locomotive supplies	9,074,540	4,996,103
Railroad switch supplies	5,239,551	-
Construction of a ferry complex at Kuryk port	648,703	2,244,104
Freight carriage supplies	-	2,999,926
Others	3,956,697	4,421,601
<b>Total</b>	<b>101,630,880</b>	<b>104,053,590</b>

### 19. FINANCIAL LIABILITIES AT AMORTISED COST (lines 210 and 310 of Consolidated balance sheet)

Borrowings, including accrued interest, which is accounted for at amortised cost consisted of the following:

	31 December 2022		31 December 2021	
	Amount	Weighted average effective interest rate (%)	Amount	Weighted average effective interest rate (%)
Fixed interest rate loans	300,747,911		240,889,635	
- in tenge	231,550,897	11.34	164,643,806	7.51
- in Euro	69,197,014	6.57	76,245,829	6.57
Variable interest rate loans	152,426,747		124,017,208	
- in tenge	152,426,747	15.01	13,066,365	12.39
- in Russian Roubles	-	-	110,950,843	11.00
Fixed interest rate debt securities issued	1,052,190,760		1,158,929,770	
- in tenge	563,621,237	10.20	468,569,500	10.81
- in US\$	363,220,904	2.00	396,207,057	6.95
- in Swiss Francs	125,348,619	3.25	207,320,869	3.42
- in other currencies	-	-	86,832,344	8.75
Floating interest rate debt securities issued	181,965,588		53,375,556	
- in tenge	181,965,588	16.64	53,375,556	9.92
<b>Total</b>	<b>1,687,331,006</b>		<b>1,577,212,169</b>	
Current portion of loans and debt securities issued	256,506,002		215,808,576	
Non-current portion of loans and debt securities issued	1,430,825,004		1,361,403,593	
<b>Total</b>	<b>1,687,331,006</b>		<b>1,577,212,169</b>	

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

The following borrowings, presented at discounted base, excluding debt securities, should be repaid as follows:

	31 December 2022	31 December 2021
During the year	103,430,944	23,742,574
1-2 years	64,263,436	8,269,123
2-3 years	35,363,492	148,968,926
3-4 years	34,862,649	9,627,265
4-5 years	28,919,608	11,390,335
Over 5 years	186,334,529	162,908,620
<b>Total</b>	<b>453,174,658</b>	<b>364,906,843</b>

#### Loans received

##### *Halyk Bank of Kazakhstan JSC*

In 2022, the Group, represented by the Company and its subsidiary KTZ-Freight transportation LLP, under the credit line Agreement with Halyk Bank of Kazakhstan JSC, concluded on 26 February 2015, received 118,000,000 thousand tenge with an interest rate of 14.5% to 16% and a maturity of up to 6 months. The Group has made full/partial early repayment of loans received in the total amount of 113,500,000 thousand tenge.

In 2022, the Group, represented by its subsidiary KTZ-Freight transportation LLP, under the credit line Agreement with Halyk Bank of Kazakhstan JSC, concluded on 22 October 2022, received 82,310,207 thousand tenge. Interest is repaid quarterly at the interest rate of "base rate of the National Bank of the Republic of Kazakhstan + 2% margin". Principal is repayable in semi-annual installments until full repayment in 2032.

In 2022, the Group, represented by its subsidiary KTZ-Passenger locomotives LLP, under the credit line Agreement with Halyk Bank of Kazakhstan JSC, concluded on 20 October 2022, received 58,265,976 thousand tenge. Interest is repaid quarterly at the interest rate of "base rate of the National Bank of the Republic of Kazakhstan + 2% margin". Principal is repayable in semi-annual installments until full repayment in 2029.

##### *HSBC Continental Europe*

In 2022, the Group, represented by its subsidiary KTZ-Freight transportation LLP, under the Master Framework Agreement with HSBC Continental Europe, together with HSBC Bank Plc and HSBC Kazakhstan Subsidiary Bank JSC, and with the support of the COFACE export-credit agency, dated 31 May 2012 to finance the acquisition of freight and passenger locomotives for a total of 880,877,000 Euros and its addendums, borrowed 13,329,103 Euros (6,547,435 thousand tenge) (including the COFACE premium). Loan interest is paid semi-annually at EUR CIRR + 0.4% margin, which is fixed at each tranche date. Principal is repaid semi-annually until full repayment in 2031.

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of tenge, unless stated otherwise)*

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#### *Forte Bank JSC*

In 2022, the Group, represented by the Company, under the credit line Agreement with Forte Bank JSC, concluded on 13 June 2022, received 130,000,000 thousand tenge with an interest rate of 15.5% to 18.25 % and maturity from 3 to 6 months. As at 31 December 2022, the Group made full/partial early repayment of loans received in the total amount of 80,000,000 thousand tenge.

#### *Citibank Kazakhstan JSC*

In 2022, the Group, represented by a subsidiary KTZ-Freight transportation LLP, under the Master agreement with Citibank Kazakhstan JSC on short-term loans, concluded on 30 November 2009, received borrowings in the total amount of 12,650,000 thousand tenge with an interest rate of 17% and maturity date up to 1 year. The principal is repayable in a lump sum in May 2023.

#### *Citibank Europe plc*

In July 2022, the Group, represented by the Company, under the credit line Agreement with Citibank Europe plc, concluded on 16 June 2022, received 29,999,995 US Dollars (13,945,500 thousand tenge) with an interest rate of 4.61% and maturity of up to 3 months. The Group made a full early repayment of borrowings received.

#### *The Shareholder*

The Group, represented by the Company, under a loan agreement with the Shareholder concluded on 25 May 2022, received 30,000,000 thousand tenge with an interest rate of 14.5% and maturity of up to 2 months. The Group repaid the loan in July 2022 (Note 40).

#### **Early repayment of non-current borrowings**

In March 2022, the Group's management made a decision to early repay the principal debt of loans from VTB Bank PJSC and Sberbank SB JSC in the amount of 19,400,000,000 Russian Roubles (93,680,950 thousand tenge) and 5,064,317 thousand tenge, respectively. In March 2022, the Group made an early repayment of principal and accrued interest on this loans.



# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

### Debt securities issued

As at 31 December, debt securities issued included:

	Repayment date	Exchanges	2022	2021
<b>Bonds issued, by price <sup>2</sup></b>				
2% Eurobonds (100%) in US\$	28 October 2025	KASE	363,220,904	-
11.5% Bonds (100%) in tenge	3 October 2034	KASE	308,433,333	308,433,333
TONIA Compounded 6M + 3% margin (19%) Bonds (100%) in tenge	22 July 2024	KASE	128,215,725	-
7.37% Bonds (100%) in tenge	30 December 2042	KASE	94,097,080	-
3.25% Eurobonds (100%) in Swiss Francs	5 December 2023	SIX Swiss Exchange	84,924,565	79,713,118
9.25% Bonds (100%) in tenge	15 November 2024	KASE	76,830,729	76,830,729
Inflation rate + 2.52% (11.02%) Bonds (100%) in tenge	25 April 2026	KASE	53,749,863	53,375,556
11.5% Bonds (100%) in tenge	12 September 2034	KASE	41,379,997	41,379,999
3.25% Eurobonds (104.238%) in Swiss Francs	5 December 2023	SIX Swiss Exchange	40,424,054	38,399,754
11% Bonds (100%) in tenge	23 July 2027	KASE	26,184,030	26,184,028
2% Bonds (100%) in tenge	20 August 2034	KASE	16,696,068	15,741,411
6.95% Eurobonds (105.521%) in US\$	10 July 2042	LSE/KASE	-	396,207,057
3.638% Eurobonds (100%) in Swiss Francs	20 June 2022	SIX Swiss Exchange	-	89,207,997
8.75% Eurobonds (100%) in Russian Roubles	7 June 2022	MOEX	-	86,832,344
<b>Total debt securities issued</b>			<b>1,234,156,348</b>	<b>1,212,305,326</b>
Current portion of debt securities issued			153,075,058	192,066,002
Non-current portion of debt securities issued			1,081,081,290	1,020,239,324
<b>Total</b>			<b>1,234,156,348</b>	<b>1,212,305,326</b>

### Debt securities issued

On 22 July 2022, the Group, represented by the Company replenished working capital by issuing bonds on Kazakhstan Stock Exchange in the amount of 118,944,719 thousand tenge with coupon rate TONIA Compounded 6M+3% margin and maturity date of 22 July 2024. The coupon is paid twice a year.

<sup>2</sup> The percentage in brackets represents the cost of placing bonds/Eurobonds from par value (with a premium/discount or at par value).

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of tenge, unless stated otherwise)*

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In 2022, the Group, represented by the Company, for the purpose of early repayment of 2012 Eurobonds with a total nominal value of 1,100,000,000 million US Dollars (residual balance of 882,978,000 US Dollars after partial early repayment in 2020), issued Eurobonds on the Kazakhstan Stock Exchange in favour of the Shareholder in the amount of 882,978,000 US Dollars (410,902,642 thousand tenge) with a preferential coupon rate of 2% per annum and a maturity date on 28 October 2025 (Note 40). Coupon payment – twice a year. Bonds were issued with a coupon rate below the market rate and the fair value was calculated based on the market rate of 6.6%. The Group recognised an adjustment to the fair value of the bonds as other contributions in the amount of 106,622,574 US Dollars (49,617,881 thousand tenge), net of deferred tax in the amount of 21,324,515 US Dollars (9,923,576 thousand tenge) through equity in retained earnings as other contributions (Note 28).

In December 2022, the Group, represented by the Company, to implement the project “Modernisation of the railway transport corridor Dostyk-Aktogay-Moiynty-Zharyk-Zhezkazgan-Saksaulskaya-Kandyagash-Aktobe-Iletsk (construction of second tracks of the Dostyk-Moiynty railway section)”, issued bonds on the Kazakhstan Stock Exchange in favour of the Shareholder in the amount of 162,858,804 thousand tenge with a coupon rate of 7.37% per annum and a maturity date on 30 December 2042 (Note 40). Coupon payment - twice a year. The bonds were issued with a coupon rate below the market rate and the fair value was calculated based on the market rate of 13.99%. The Group recognised an adjustment to fair value of the bonds as other contributions in the amount of 68,761,724 thousand tenge, net of deferred tax in the amount of 13,752,345 thousand tenge through equity in retained earnings as other contributions (Note 28).

#### *Repayment of debt securities*

In October-November 2022, the Group, represented by the Company made an early repayment of 2012 Eurobonds with a total nominal value of 1,100,000,000 million US Dollars (residual balance of 882,978,000 US Dollars after partial early repayment in 2020). The total repayment amount was 901,899,483 US Dollars (419,998,388 thousand tenge), including interest accrued of 18,921,483 US Dollars (8,838,818 thousand tenge). As a result of the repayment of the Eurobonds, the Group recognised the non-amortised portion of the transaction costs in the amount of 440,332 thousand tenge and the premium in the amount of 16,889,980 thousand tenge in finance costs and finance income, respectively.

#### *State subsidy of the interest rate*

In May 2020, the Group, represented by the Company entered into an agreement with the Transport Committee of the Ministry of Industry and Infrastructure Development of Kazakhstan to subsidise a part of the coupon rate in the amount of 307,194,406 thousand tenge for bonds issued in 2019 at a coupon rate of 11.5% per annum and used for the early repayment of 2017 Eurobonds in the amount of 780,000,000 US Dollars, which in turn were attracted and utilised for infrastructure modernisation, updating locomotives and freight cars. The agreement stipulates that the amount of subsidy should be provided for under the Republican budget program "Subsidising the coupon rate on the carrier's Bonds issued for the development of the main railway network and rolling stock of railway transport" (hereinafter – “the Program”). Since the Program is available to all transportation companies that have the status of a “carrier” in accordance with the Law on Railway Transport, the Group’s management accounts for the financing under this Program as a government grant recognised within finance income.

**EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL  
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*(in thousands of tenge, unless stated otherwise)*

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During 2022, the Group recognised income from government subsidies under the Program in the amount of 29,183,000 thousand tenge as a part of finance income (Note 32).

The fair value of borrowings is presented in Note 41.

**Credit agreements and breaches of credit agreements**

Debt securities contain covenants that place certain limitations on the Group including, but not limited to, business changes and asset disposal, limitations on mergers and consolidations with other legal entities. In the event of default, as defined by debt security indenture, investors are entitled to demand the repayment of debt securities.

According to finance lease agreements with Industrial Development Fund JSC, which the Group accounts for as borrowings, the Group is obliged to comply with certain non-financial covenants, which have been met as at 31 December 2022.

EBRD loan agreements include certain financial covenants, such as Adjusted Debt to Adjusted EBITDA and Interest Coverage Ratios (based on Adjusted EBITDA). These terms have been met as at 31 December 2022.

In accordance with arrangements with HSBC Continental Europe regarding financial and non-financial covenants, the Group should comply with the covenant that the Company has any two of three corporate ratings (S&P, Fitch, Moody's) of at least BB. As at 31 December 2022, this covenant was met.

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

### Reconciliation of changes in liabilities and cash flows from financing activity

	2022			2021		
	Borrowings and debt securities issued	Lease liabilities (Note 24)	Total	Borrowings and debt securities issued	Lease liabilities (Note 24)	Total
<b>As at 1 January</b>	<b>1,577,212,169</b>	<b>59,797,556</b>	<b>1,637,009,725</b>	<b>1,570,178,591</b>	<b>50,185,592</b>	<b>1,620,364,183</b>
<b>Changes due to cash flows from financing activities</b>						
Repayment of borrowings	(956,465,459)	-	(956,465,459)	(156,006,690)	-	(156,006,690)
Proceeds from borrowings	1,137,877,848	-	1,137,877,848	125,839,000	-	125,839,000
Repayment of lease liabilities	-	(17,334,354)	(17,334,354)	-	(12,273,523)	(12,273,523)
<b>Total changes due to cash flows from financing activities</b>	<b>181,412,389</b>	<b>(17,334,354)</b>	<b>164,078,035</b>	<b>(30,167,690)</b>	<b>(12,273,523)</b>	<b>(42,441,213)</b>
<b>Other changes</b>						
Effect of changes in foreign exchange rates	30,788,984	382,586	31,171,570	10,528,367	(102,757)	10,425,610
Cash flow hedging	2,445,158	-	2,445,158	(823,250)	-	(823,250)
Acquisition of property, plant and equipment through borrowings	5,705,825	-	5,705,825	27,705,007	-	27,705,007
New lease agreements	-	7,301,171	7,301,171	-	21,411,005	21,411,005
Adjustment to the fair value of loans received from the Shareholder/Ultimate Shareholder at rates lower than market (Note 28)	(118,379,605)	-	(118,379,605)	(7,857,000)	-	(7,857,000)
Interest costs and discount amortisation, including capitalised	139,365,705	8,320,909	147,686,614	123,093,076	7,413,503	130,506,579
Interest paid	(113,137,207)	(6,438,405)	(119,575,612)	(113,756,541)	(7,055,721)	(120,812,262)
Other changes	(18,082,412)	1,052,349	(17,030,063)	(1,688,391)	219,457	(1,468,934)
<b>Total other changes attributable to liabilities</b>	<b>(71,293,552)</b>	<b>10,618,610</b>	<b>(60,674,942)</b>	<b>37,201,268</b>	<b>21,885,487</b>	<b>59,086,755</b>
<b>As at 31 December</b>	<b>1,687,331,006</b>	<b>53,081,812</b>	<b>1,740,412,818</b>	<b>1,577,212,169</b>	<b>59,797,556</b>	<b>1,637,009,725</b>

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

#### 20. OTHER NON-CURRENT FINANCIAL LIABILITIES (line 313 of Consolidated balance sheet)

As at 31 December 2022 and 2021, other non-current financial liabilities include liabilities under guarantee contracts in the amount of 29,996,786 thousand tenge and 29,953,059 thousand tenge, respectively.

As disclosed in Note 38, the Group has provided financial guarantees to banks on loans received by the entities of Nursultan Nazarbayev International Airport, Aktobe Rail and Section Mill Plant LLP and an associate Transtelecom JSC. As at 31 December 2022, liabilities under financial guarantee agreements amounted to 15,548,800 thousand tenge for Nursultan Nazarbayev International Airport JSC, 14,066,973 thousand tenge for Aktobe Rail and Section Mill Plant LLP and 381,013 thousand tenge for an associate Transtelecom JSC (31 December 2021: 15,476,376 thousand tenge for Nursultan Nazarbayev International Airport JSC, 13,952,849 thousand tenge for Aktobe Rail and Section Mill Plant LLP and 523,834 thousand tenge for Transtelecom JSC).

As at 31 December, other financial liabilities were represented in the following currencies:

	31 December 2022	31 December 2021
Tenge	28,082,268	28,404,976
US Dollars	1,914,518	1,548,083
<b>Total</b>	<b>29,996,786</b>	<b>29,953,059</b>

#### 21. CURRENT TRADE AND OTHER ACCOUNTS PAYABLE (line 214 of Consolidated balance sheet)

	31 December 2022	31 December 2021
Trade accounts payable	116,869,949	116,243,281
Other accounts payable	6,853,710	5,882,830
<b>Total</b>	<b>123,723,659</b>	<b>122,126,111</b>

As at 31 December, trade accounts payable were denominated in the following currencies:

	31 December 2022	31 December 2021
Tenge	99,279,138	105,496,762
US Dollars	11,494,232	4,634,053
Euros	4,462,831	3,994,583
In other currencies	1,633,748	2,117,883
<b>Total</b>	<b>116,869,949</b>	<b>116,243,281</b>

Other accounts payable were mainly denominated in tenge.

The average turnover period for accounts payable is 35 days (2021: 37 days).

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

### 22. PROVISIONS (lines 215 and 315 of Consolidated balance sheet)

	31 December 2022	31 December 2021
Other current provisions	2,181,678	2,708,726
Contractual obligations	278,217	1,582,661
<b>Total</b>	<b>2,459,895</b>	<b>4,291,387</b>
Current provisions	2,459,895	3,788,226
Non-current provisions	-	503,161
<b>Total</b>	<b>2,459,895</b>	<b>4,291,387</b>

Provisions include provisions for agreements for which, as at 31 December 2022 and 2021, there is a high probability that their settlement will require an outflow of resources embodying economic benefits. Expenses on provisions are included in other expenses.

### 23. EMPLOYEE BENEFITS (lines 217 and 317 of Consolidated balance sheet)

As at 31 December employee benefits included the following:

	31 December 2022	31 December 2021
Post-employment defined employee benefits and other long-term employee benefits	43,619,132	46,183,384
Allowances for unused vacation and other employee remunerations	28,712,176	23,265,214
Salary payable	10,006,248	7,563,395
<b>Total</b>	<b>82,337,556</b>	<b>77,011,993</b>
Current portion of employee benefits	44,931,343	39,929,075
Non-current portion of employee benefits	37,406,213	37,082,918
<b>Total</b>	<b>82,337,556</b>	<b>77,011,993</b>

#### Post-employment defined employee benefits and other long-term employee benefits

Under Kazakhstan law, pension contributions are the responsibility of employees, and the Group has no current or future obligations to make payments to employees following their retirement, apart from those described below.

In 2019, the Group introduced Early Retirement Rules (hereinafter “Rules No. 1”) to meet a plan to reduce the number of Group employees over the next 5 years. Rules No. 1 apply to employees who have less than 5 years before they reach the statutory retirement age.

In 2021, the Group approved Rules for the payment of compensation to employees of the Company and its subsidiaries (hereinafter “Rules No. 2”) to meet a plan to reduce headcount. Rules No. 2 determine the procedure for paying compensation to employees whose positions are affected by reductions and with whom employment agreements have been terminated by agreement of the parties.

Employee retirement compensation and other long-term employment benefits are paid in accordance with Rules No. 1 and Rules No. 2 and a collective agreement for 2021-2023 between the Group and its staff.

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

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Pursuant to these documents, the Group provides the following benefits under an unfunded scheme:

*Post-employment defined employee benefits:*

- a one-time retirement payment;
- a one-time payment for the early employment agreement termination that depends on work experience in the industry, in accordance with Rules No. 1;
- a retirement age payment of between 70 thousand tenge and 200 thousand tenge per month payable either as a one-time payment for the whole period until the retirement age or on a monthly basis in accordance with Rules No. 1;
- a benefit payment over six months from the date of the termination of an employment agreement of between 70 thousand tenge and 200 thousand tenge per month, in accordance with Rules No. 2;
- financial support to pensioners for the holidays;
- vouchers for sanatorium-resort treatment to pensioners;
- funeral aid of pensioners;
- a one-time payment to pensioners on special anniversaries;
- the reimbursement for denture treatment costs to pensioners;
- the reimbursement of railway ticket costs to pensioners.

*Other long-term employee benefits:*

- financial support for sanatorium-resort treatment to employees;
- financial assistance on denture treatment to employees;
- a one-time payment to employees on anniversaries;
- the reimbursement of railway ticket expense to employees.

The programs are unfunded. Group policy towards these programs does not assume the accumulation of assets to cover obligations. The programs do not require employee contributions.

	31 December 2022	31 December 2021
Non-current portion of employee benefit obligations	37,406,213	37,082,918
Current portion of employee benefit obligations	6,212,919	9,100,466
<b>Total liabilities as at the end of the year</b>	<b>43,619,132</b>	<b>46,183,384</b>

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

Movement in the present value of obligations for the years ended 31 December are as follows:

	2022	2021
Total liabilities at the beginning of the year	46,183,384	43,455,957
Current service cost	1,347,127	1,334,582
Past service cost	218,168	618,849
Interest costs	4,803,427	4,474,360
Actuarial loss/(profit) on other long-term employee benefits	2,773,974	(314,896)
Total expenses recognised in profit or loss	9,142,696	6,112,895
Actuarial revaluation recognised in other comprehensive income:	(4,213,673)	(344,890)
- change in financial assumptions	(25,252)	326,198
- experience-based adjustments	(4,218,493)	(352,560)
- change in demographic assumptions	30,072	(318,528)
Payments made for the year	(7,493,275)	(3,040,578)
<b>Total liabilities as at the end of the year</b>	<b>43,619,132</b>	<b>46,183,384</b>

Post-employment defined benefits and other long-term employee benefits recognised in profit or loss during the years ended 31 December are as follows:

	2022	2021
Cost of goods, operations and services sold (Note 30)	8,744,402	5,558,096
Administrative expenses (Note 31)	398,294	554,799
<b>Total</b>	<b>9,142,696</b>	<b>6,112,895</b>

The Group's obligations were estimated based on published statistical data regarding mortality and actual Group data concerning employee and pensioner headcount, age, gender and years of service, and turnover, as well as expectations that all employees granted with early retirement option under the Rules No. 1, will exercise when reach minimum age, i.e. 5 years before the official retirement age. Average longevity after the retirement age for acting and former retired employees is 14.3 years for men and 18.4 years for women.

Other significant actuarial assumptions as at the reporting date for the consolidated statement of financial position are as follows:

	2022	2021
Discount rate	10.6%	10.4%
Expected annual growth in material aid in the future	4.1% (average)	4.2% (average)
Expected annual minimum salary growth in the future	4.9% (average)	5.3% (average)
Expected annual future growth in rail ticket cost	5.5% (average)	5.6% (average)

According to an actuarial sensitivity analysis, the maximum increase in employee benefit obligations is 7.8% caused by an inflation rate increase of 1%.

The above analysis may not reflect actual changes in post-employment defined employee benefit obligations, as changes in assumptions separate from each other are unlikely (some assumptions are interrelated).



# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

In addition, for the sensitivity analysis, the present value of post-employment defined employee benefit obligations was calculated using the projected unit credit method as at the reporting date. The same method was applied when calculating post-employment defined employee benefit obligations reflected in the consolidated statement of financial position.

The methods and assumptions used in the sensitivity analysis do not differ from those used in prior years.

### 24. LEASE LIABILITIES (lines 218 and 318 of Consolidated balance sheet)

	31 December 2022	31 December 2021
Short-term leases	337,523	287,590
Lease liabilities	53,081,812	59,797,556
<b>Total</b>	<b>53,419,335</b>	<b>60,085,146</b>
Current lease liabilities	14,558,634	25,642,269
Non-current lease liabilities	38,860,701	34,442,877
<b>Total</b>	<b>53,419,335</b>	<b>60,085,146</b>

As at 31 December, the Group's lease liabilities included the following:

	31 December 2022		31 December 2021	
	Lease payments	Present value of lease payments	Lease payments	Present value of lease payments
During one year	14,965,682	14,221,111	27,269,192	25,354,679
Between two and five years inclusive	39,457,853	23,717,342	36,592,356	22,857,401
<b>Total</b>	<b>62,242,410</b>	<b>15,143,359</b>	<b>55,995,491</b>	<b>11,585,476</b>
Less future finance costs	<b>116,665,945</b>	<b>53,081,812</b>	<b>119,857,039</b>	<b>59,797,556</b>
<b>Present value of lease payments</b>	<b>(63,584,133)</b>	<b>-</b>	<b>(60,059,483)</b>	<b>-</b>
Less amounts due within 12 months	<b>53,081,812</b>	<b>53,081,812</b>	<b>59,797,556</b>	<b>59,797,556</b>
<b>Amount to be repaid after 12 months</b>	<b>-</b>	<b>(14,221,111)</b>	<b>-</b>	<b>(25,354,679)</b>
	<b>-</b>	<b>38,860,701</b>	<b>-</b>	<b>34,442,877</b>

### Lease agreements with Industrial Development Fund JSC

#### Flat carriages

In November 2020, the Group, represented by its subsidiary KTZ Express JSC, entered into an agreement to lease 2,000 flat carriages with a total value of 51,692,480 thousand tenge and at interest of 15% per annum, of which 10% per annum is subsidised by the State. The grace period for the principal is 2 years. The Group acts as the lessee.

In 2022, within the framework of the agreement, the Group received 457 flat carriages and recognised right-of-use assets of 10,546,189 thousand tenge for 32 years and a lease liability of 4,776,741 thousand tenge for 15 years.

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

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#### *Passenger carriages*

In December 2022, the Group, represented by its subsidiary Passenger transportation JSC, under the implementation of the investment project "Purchase of passenger carriages", entered into an agreement for the lease of 11 passenger carriages with a total value of 8,318,200 thousand tenge and an interest rate of 1.5% per annum. The grace period for the principal is 6 years. The Group acts as a lessee.

In December 2022, under this agreement, the Group received 5 passenger carriages and recognised right-of-use assets of 3,364,098 thousand tenge for 28 years and a lease liability of 2,150,974 thousand tenge for 20 years.

As at 31 December 2022, interest calculations are based on effective interest rates of between 1.69% and 21.69% (31 December 2021: 2.5%-21.69%).

The requirements of the Group's lease agreements, represented by the subsidiaries KTZ Express JSC, Passenger transportation JSC and Kaztemirtrans JSC, with Industrial Development Fund JSC, incorporate restrictive terms with respect to changing legal status through voluntary liquidation; concluding a transaction or several transactions where the value exceeds 10-25% of the carrying amount of assets; subleasing lease subjects or a part of them. In the event of a default as defined by the lease agreements, the lessor is entitled to demand the indisputable requisition of lease items.

Lease liabilities are mainly denominated in tenge, except for lease liabilities for other equipment, which are denominated in US Dollars.

#### **25. CURRENT CONTRACT LIABILITIES (line 219 of Consolidated balance sheet)**

	<b>31 December 2022</b>	<b>31 December 2021</b>
Advances received on contracts with customers	102,034,617	82,918,543
Deferred income	17,358,662	12,391,067
<b>Total</b>	<b>119,393,279</b>	<b>95,309,610</b>

The revenue recognised in the reporting period, which was included in the balance of advances received at the beginning of the year amounted to 90,289,597 thousand tenge (2021: 67,411,475 thousand tenge).

Contract liabilities as at 31 December 2022 will be recognised in revenue during 12 months after the reporting date.

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

### 26. OTHER LIABILITIES (lines 222 and 321 of Consolidated balance sheet)

	31 December 2022	31 December 2021
Taxes and other obligatory payments to the budget, including:		
VAT	14,016,040	10,132,581
Personal income tax	4,901,193	4,286,852
Social tax	2,253,358	2,094,341
Property tax	95,194	38,063
Others	766,654	687,945
Advances received	12,738,069	701,355
Obligatory pension contributions, social insurance and obligatory medical insurance contributions	11,325,380	9,695,877
Others	2,076,394	5,303,380
<b>Total</b>	<b>48,172,282</b>	<b>32,940,394</b>
Current portion of other liabilities	48,172,282	30,947,537
Non-current portion of other liabilities	-	1,992,857
<b>Total</b>	<b>48,172,282</b>	<b>32,940,394</b>

### 27. DEFERRED TAX ASSETS AND LIABILITIES (lines 126 and 316 of Consolidated balance sheet)

Deferred tax balances calculated by applying the statutory tax rate in effect at the dates of the respective consolidated balance sheets to temporary differences between the tax basis for assets and liabilities and amounts reported in the forms of consolidated annual financial statements as at 31 December are as follows:

	31 December 2022	31 December 2021
<b>Deferred tax assets:</b>		
Tax losses carried forward	111,009,028	105,419,683
Liabilities under financial guarantee contracts	5,999,357	5,990,612
Accounts receivable	5,998,845	5,306,946
Accrued employee liabilities	5,711,698	4,624,183
Discount on loan accounts receivable	1,448,584	1,649,955
Others	5,865,531	8,536,861
	136,033,043	131,528,240
Less: deferred tax assets offset against deferred tax liabilities	(135,969,598)	(131,383,640)
<b>Deferred tax assets</b>	<b>63,445</b>	<b>144,600</b>
<b>Deferred tax liabilities:</b>		
Property, plant and equipment and other non-current assets	(414,171,152)	(381,907,840)
Fair value adjustment to borrowings received from the Shareholder/Ultimate Shareholder at rates below market	(79,277,090)	(57,766,563)
Others	(11,906)	(9,113)
	(493,460,148)	(439,683,516)
Less: deferred tax liabilities offset against deferred tax assets	135,969,598	131,383,640
<b>Deferred tax liabilities</b>	<b>(357,490,550)</b>	<b>(308,299,876)</b>
<b>Total net deferred tax liabilities</b>	<b>(357,427,105)</b>	<b>(308,155,276)</b>

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

Movement in deferred tax liabilities for the years ended 31 December is presented as follows:

	2022	2021
Net deferred tax liabilities as at the beginning of the year	(308,155,276)	(279,872,572)
Recognised in profit or loss	(25,595,908)	(26,711,304)
Recognised in equity (Note 28)	(23,675,921)	(1,571,400)
<b>Net deferred tax liabilities as at the end of the year</b>	<b>(357,427,105)</b>	<b>(308,155,276)</b>

The Group has not recognised deferred tax assets relating to the portion of tax losses carried forward. Management believes it is improbable that there will be sufficient taxable income available in the future against which any such deferred tax assets can be utilised. As at 31 December 2022, the total tax effect of unrecognised tax losses carried forward amounted to 20,743,817 thousand tenge (31 December 2021: 19,785,893 thousand tenge). These tax losses carried forward expire in 10 years from the date they were incurred.

### 28. CHARTER (SHAREHOLDER'S) CAPITAL (line 410 of Consolidated balance sheet), COMPONENTS OF OTHER COMPREHENSIVE INCOME (line 413 of Consolidated balance sheet), RETAINED EARNINGS (ACCUMULATED DEFICIT) (line 414 of Consolidated balance sheet) AND OTHER CAPITAL (line 415 of Consolidated balance sheet)

Owners contributions (lines 311 and 711 of Consolidated statement of changes in equity), reflected in the charter (shareholder's) capital:

	No. of shares authorised for issue	No. of shares issued	Charter capital, thousand tenge	Other capital, thousand tenge
<b>As at 1 January 2021</b>	<b>502,040,458</b>	<b>496,654,806</b>	<b>1,082,299,194</b>	-
Shares issued	-	37,859	3,785,900	97
<b>As at 31 December 2021</b>	<b>502,040,458</b>	<b>496,692,665</b>	<b>1,086,085,094</b>	<b>97</b>
Shares issued	-	1	239,266	-
<b>As at 31 December 2022</b>	<b>502,040,458</b>	<b>496,692,666</b>	<b>1,086,324,360</b>	<b>97</b>

The Company's charter (shareholder's) capital was established through a series of share issuances in exchange for either cash or property, plant and equipment, intangible assets or shares. The Shareholder is entitled to dividends, a part of the Company's assets in the event of liquidation, and preference in purchasing the Company's shares or other securities convertible into Company shares.

During 2022, the Group issued 1 share that was paid by 607 units of wheel sets of total market value of 239,266 thousand tenge by the Shareholder.

During 2021, the Group issued 37,859 shares that were paid by intangible assets in the amount of 3,785,997 thousand tenge by the Shareholder. The Group recognised the difference of 97 thousand tenge as other capital in line 317 "Other operations with owners".

**EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**  
*(in thousands of tenge, unless stated otherwise)*

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**Other operations with owners (lines 317 and 717 of Consolidated statement of changes in equity)**

In 2022, the Group recognised an adjustment to loans received at rates lower than market to fair value of 118,379,605 thousand tenge (2021: 7,857,000 thousand tenge) less the deferred tax effect of 23,675,921 thousand tenge (2021: 1,571,400 thousand tenge) (Notes 19 and 27).

**Other operations (lines 319 and 719 of Consolidated statement of changes in equity)**

In January 2021, following the loss of control over the subsidiary Vostokmashzavod JSC, the Group recognised the disposal of a non-controlling interest of 849,000 thousand tenge.

**Components of other comprehensive income (line 413 of Consolidated balance sheet)**

*Cash flow hedging (net of tax effect) (lines 227 and 627 of Consolidated statement of changes in equity)*

On 7 August 2015, the Group hedged cash flows to reduce the risk of changes in tenge equivalent revenue denominated in Swiss Francs. The principal from Eurobonds issued on 20 June 2014 on the Swiss stock exchange and maturing on 20 June 2022 is used as hedging instrument, which is separately identifiable and reliably estimated. A highly probable revenue stream forecast relating to transit transportation in Swiss Francs, in particular, first sales received in the period from 1 January to 20 June 2022, is the hedged item in this hedging relationship.

As at 31 December 2022, hedge accounting was discontinued due to the receipt of revenue from freight transportation in international (transit) route, which is the hedged item, accordingly, the cumulative deferred loss attributable to this hedging instrument was reclassified from other comprehensive loss to revenue from freight transportation in the amount of 54,441,786 thousand tenge (Note 29).

For the year ended 31 December 2022, the effective portion of 2,445,158 thousand tenge was recorded in the hedging reserve in other comprehensive income as net hedging instrument loss (2021: 823,250 thousand tenge as a net profit).

*Foreign exchange difference on investments in foreign entities (lines 229 and 629 of Consolidated statement of changes in equity)*

The foreign currency translation reserve is used to account for exchange rate differences resulting from the translation of the financial statements of the Company's business units, subsidiaries, joint ventures and associates whose functional currency is not tenge and whose financial statements are included in the Group's forms of consolidated annual financial statements.

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

### 29. REVENUE FROM SALE OF GOODS, OPERATIONS AND SERVICES (line 010 of Consolidated statement of profit or loss)

Revenue for the years ended 31 December included the following:

	2022	2021
Revenue from freight transportation	1,283,513,235	1,184,270,705
Revenue from passenger transportation	88,421,030	57,256,333
Government grants	38,205,254	39,234,808
Other revenue	71,325,718	47,774,615
<b>Total</b>	<b>1,481,465,237</b>	<b>1,328,536,461</b>

In 2022 and 2021, revenue from freight transportation included:

	2022	2021
Revenue from contracts with customers:		
International (transit) routes	447,506,507	425,754,596
Domestic routes	361,722,893	342,125,485
International (export) routes	220,322,223	191,782,322
International (import) routes	149,848,087	134,717,951
Additional charges related to the transportation process	54,683,589	44,494,998
Other revenue from freight transportation	49,429,936	45,395,353
<b>Total</b>	<b>1,283,513,235</b>	<b>1,184,270,705</b>

In 2022, the Group received international (transit) freight transportation revenue, which is the cash flow hedged item, therefore, the accumulated loss in the amount of 54,441,786 thousand tenge attributable to the hedging instrument was reclassified from other comprehensive loss to freight transportation revenue (Note 28).

Revenue from freight transportation is recognised over time.

In 2022 and 2021, revenue from passenger transportation included:

	2022	2021
Revenue from contracts with customers:		
Passenger transportation	78,732,011	49,580,061
Other revenue from passenger transportation	9,689,019	7,676,272
<b>Total</b>	<b>88,421,030</b>	<b>57,256,333</b>

Revenue from passenger transportation of 1,228,882 thousand tenge, attributable to portion of other revenue from passenger transportation, was recognised at a point in time (2021: 1,001,241 thousand tenge), and 87,192,148 thousand tenge was recognised over time (2021: 56,255,092 thousand tenge).

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

In 2022 and 2021 other revenue included:

	2022	2021
Revenue from the sale of goods and provision of other services	40,527,400	33,678,565
Revenue from the lease of carriages	17,491,564	4,742,167
Revenue from fines	8,656,439	5,753,613
Revenue from the lease of other property, plant and equipment	4,650,315	3,600,270
<b>Total</b>	<b>71,325,718</b>	<b>47,774,615</b>

Revenue from the sale of goods and the provision of other services mainly consists of revenue from loading and unloading services, vehicle servicing and the sale of materials and scrap metal.

The Group leases out carriages and other property, plant and equipment under operating lease agreements for up to one year. Accounts receivable under operating leases are payable within one year. Operating leases do not include an extension or early termination option. The Group is not exposed to currency risk as a result of operating leases, as all leases are denominated in tenge. The lessee does not have an option to purchase carriages and other property, plant and equipment at the end of the lease term.

Revenue from fines is mainly represented by interest from the late dispatch of freight from destination stations and for a breach of contracts.

Revenue of 17,391,434 thousand tenge is recognised at a point in time (2021: 15,543,152 thousand tenge), and of 31,792,405 thousand tenge – over time (2021: 23,890,026 thousand tenge).

### 30. COST OF GOODS, OPERATIONS AND SERVICES SOLD (line 011 of Consolidated statement of profit or loss)

	2022	2021
Staff costs, including taxes, contributions and provisions for unused vacations	463,548,397	337,481,908
Repairs and maintenance	189,531,666	152,310,191
Fuel and lubricants	162,722,573	133,907,335
Depreciation and amortisation	141,425,224	135,665,595
Work and services of a production nature	70,134,072	59,595,688
Electricity	52,396,508	51,199,704
Materials and supplies	49,292,195	44,399,939
Property tax and other taxes, excluding social tax and social contributions	26,200,328	25,216,536
Employee benefit expenses and other long-term employee benefits (Note 23)	8,744,402	5,558,096
Utilities and building maintenance	3,997,823	4,269,234
Telecommunication services	3,243,945	2,931,310
Other costs	32,995,684	28,362,476
<b>Total</b>	<b>1,204,232,817</b>	<b>980,898,012</b>

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

### 31. ADMINISTRATIVE EXPENSES (line 014 of Consolidated statement of profit or loss)

	2022	2021
Staff costs, including taxes, contributions and provisions for unused vacation	57,032,535	53,202,086
Property tax and other taxes, excluding social tax and social contributions	9,583,054	9,168,288
Depreciation and amortisation	4,375,808	5,029,596
Various third party services	3,842,680	2,564,167
Expenses to hold celebrations and cultural and mass events	2,351,636	1,531,767
Business trip expenses	1,606,698	947,260
Lease expenses	1,222,288	1,157,073
Utilities and building maintenance	1,012,262	857,407
Telecommunication services	610,034	644,738
Insurance	569,971	407,016
Expenses to maintain social sphere facilities	492,107	431,614
Banking services	439,194	463,958
Employee benefit expenses and other long-term employee benefits (Note 23)	398,294	554,799
Repairs and maintenance	364,963	191,742
Materials	313,181	312,604
Consulting, audit and legal services	310,225	1,972,811
Other expenses	8,073,951	10,770,563
<b>Total</b>	<b>92,598,881</b>	<b>90,207,489</b>

### 32. FINANCE INCOME (line 021 of Consolidated statement of profit or loss)

	2022	2021
Interest rate state subsidies on financial liabilities	31,397,965	2,175,595
Income from written-off non-amortised portion of the premium on early repayment of bonds (Note 19)	16,889,980	-
Interest on cash and cash equivalents	10,058,990	10,379,492
Guarantees issued	647,076	2,217,514
Change in fair value of derivative financial instruments recognised at fair value through profit or loss (Note 41)	27,154	-
Income from recovery of allowance for expected credit losses on financial instruments	-	210,236
Other finance income	2,077,497	3,074,328
<b>Total</b>	<b>61,098,662</b>	<b>18,057,165</b>

Income from interest rate state subsidies on financial liabilities mainly represent income from partial coupon rate subsidies on bonds for the amount of 29,183,000 thousand tenge (Note 19).

### 33. FINANCE COSTS (line 022 of Consolidated statement of profit or loss)

	2022	2021
Interest expense and discount amortisation on loans	133,659,898	118,259,552
Interest expenses on lease	8,320,909	7,413,503
Expenses on accrual of allowance for expected credit losses on financial instruments	837,912	-
Change in fair value of derivative financial instruments recognised at fair value through profit or loss (Note 41)	564,449	-
Other finance costs	2,314,474	594,525
<b>Total</b>	<b>145,697,642</b>	<b>126,267,580</b>



# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

### 34. OTHER INCOME (line 024 of Consolidated statement of profit or loss)

	2022	2021
Income from investment property	1,386,682	1,283,432
Income from disposal of property, plant and equipment, intangible assets and other non-current assets	524,920	7,260,334
Others	2,341,626	1,625,156
<b>Total</b>	<b>4,253,228</b>	<b>10,168,922</b>

### 35. OTHER EXPENSES (line 025 of Consolidated statement of profit or loss)

	2022	2021
Foreign exchange loss, net	34,142,851	11,147,076
Expenses on accrual of allowance for expected credit losses on receivables and allowance for impairment of other current assets	4,864,252	170,224
Expenses on disposal of property, plant and equipment, intangible assets and other non-current assets	3,394,437	2,298,100
Expenses on accrual of allowance for impairment of non-financial assets	616,584	1,933,791
Accrual/(recovery) of expenses on recognition of provisions	424,230	(1,309,734)
Others	966,211	1,232,756
<b>Total</b>	<b>44,408,565</b>	<b>15,472,213</b>

### 36. EXPENSES/INCOME OF CORPORATE INCOME TAX (line 101 of Consolidated statement of profit or loss)

Corporate income tax expense for the years ended 31 December included the following:

	2022	2021
Current income tax expenses	4,248,713	6,678,387
Adjustment of income tax for prior years	1,225,472	62,368
Income tax paid withheld	470,714	679,716
Deferred income tax expense	13,103,600	28,946,861
Change in unrecognised deferred tax assets, including for tax losses carried forward	12,492,308	(2,235,557)
<b>Total</b>	<b>31,540,807</b>	<b>34,131,775</b>

The table below provides a reconciliation of income tax expenses based on accounting profit before tax at the statutory rate against income tax expenses reported for the years ended 31 December:

	2022	2021
<b>Profit before tax</b>	<b>68,424,786</b>	<b>154,742,797</b>
Official tax rate	20%	20%
<b>Calculated corporate income tax expense at the official rate</b>	<b>13,684,957</b>	<b>30,948,559</b>
Tax effect of non-taxable income for tax calculation purposes, and other effect:		
Adjustment of income tax for prior years	1,225,472	62,368
Non-deductible expenses	4,138,070	5,356,405
Change in unrecognised deferred tax assets, including for tax losses carried forward	12,492,308	(2,235,557)
<b>Income tax expense recognised in profit or loss</b>	<b>31,540,807</b>	<b>34,131,775</b>

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

#### 37. EARNINGS PER SHARE (line 600 of Consolidated statement of profit or loss)

Basic earnings per share are calculated using the weighted average number of common shares issued during the year. Basic and diluted per share data are the same, as there are no dilutive instruments outstanding. During 2022 and 2021, there were no antidilutive instruments outstanding.

	2022	2021
Weighted average of common shares	496,692,666	496,674,099
Profit for the year attributable to the Shareholder (thousand tenge)	34,887,277	119,086,137
<b>Earnings per common share (tenge)</b>	<b>70</b>	<b>240</b>

In accordance with the requirements of the Kazakhstan Stock Exchange (KASE), the Company has calculated the carrying amount of one share.

	31 December 2022	31 December 2021
Net assets excluding intangible assets, goodwill and non-controlling interests	1,416,902,996	1,226,586,045
Quantity of common shares in circulation (registered)	496,692,666	496,692,665
<b>Carrying amount of one share (tenge)<sup>3</sup></b>	<b>2,853</b>	<b>2,470</b>

#### 38. FINANCIAL AND CONTINGENT LIABILITIES

##### Investment liabilities

As at 31 December 2022, the Group had liabilities, including the modernisation of the Dostyk-Moiynty railway transport corridor, liabilities under lease agreements with Industrial Development Fund JSC to purchase long rails and freight and passenger electric locomotives, freight and passenger diesel locomotives for a total amount of 1,881,358,243 thousand tenge (31 December 2021: 1,613, 813,630 thousand tenge).

##### *Liabilities under lease agreements with Industrial Development Fund JSC*

In August 2017, the Group, represented by its subsidiary KTZ Express JSC, entered into lease agreements with Industrial Development Fund JSC to lease 1,995 platform carriages for 33,263,982 thousand tenge for 15 years and interest rate of 15% per annum, 10% of which is subsidised by the State. The grace period for the principal is 5 years. The Group acts as a lessee. As at 31 December 2022, platform carriages with a total value of 26,862,143 thousand tenge had not been delivered. The Group is working on the addendum to the lease agreement to reduce the volume of supply to the actually delivered quantity as at 31 December 2022 in the amount of 6,401,839 thousand tenge.

<sup>3</sup> Carrying amount of shares is calculated in accordance with KASE requirements.

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of tenge, unless stated otherwise)*

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In November 2020, the Group, represented by its subsidiary KTZ Express JSC, entered into an agreement to lease 2,000 platform carriages for 51,692,480 thousand tenge, for 15 years and interest rate of 15% per annum, 10% of which is subsidised by the State. The grace period for the principal is 2 years. The Group acts as a lessee. As at 31 December 2022, the commitment for the undelivered platform carriages was 15,145,897 thousand tenge.

In December 2022, the Group, represented by its subsidiary Passenger transportation JSC, under the implementation of the investment project "Purchase of passenger carriages", entered into an agreement for the lease of 11 passenger carriages with a total value of 8,318,200 thousand tenge. The lease term is 20 years, with an interest rate of 1.5% per annum. The grace period for the principal is 6 years. The Group acts as a lessee. As at 31 December 2022, the commitment for the undelivered passenger carriages was 2,890,909 thousand tenge.

#### **Other contractual liabilities**

As at 31 December 2022, the Group, represented by its subsidiary KTZ Express JSC, had an agreement dated 28 December 2015 in place to provide freight handling and freight storage services in the future. The agreement stipulates that the Group has to acquire a minimum volume of freight storage services for 10 years and make substantial payments for those services.

Management of the Group believes that the service period under the Agreement with Aktau Marine North Terminal LLP has not yet commenced, because the Group has not been notified about the commencement date of commercial operations and service period, and the parties have not begun executing the obligations under the Agreement. Management of the Group believes that as at 31 December 2022, the outflow of resources embodying economic benefits under this Agreement is not highly probable.

#### **Contingent liabilities**

##### *Litigation*

The Group is subject to various legal proceedings related to its 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.

##### *Contingent liabilities related to the Kazakhstan tax system*

Due to the uncertainties inherent in the Kazakhstan tax system, the ultimate amount of taxes, fines and late payment interest may exceed the amount expensed as at 31 December 2022 and 2021. It is not possible to determine the value of any unasserted claims that may be charged, if any, or the likelihood of any unfavourable outcome.

The Group's management believes that its interpretation of the Kazakhstan relevant legislation is appropriate and the Group's tax positions will be sustained. However, tax authorities may take a different position on the interpretation of the effective Kazakhstan tax legislation, which may have a significant impact on the Group's forms of consolidated annual financial statements.

**EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**  
*(in thousands of tenge, unless stated otherwise)*

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*Insurance*

The insurance market is still in the early stages 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.

*Environmental protection*

Legislation on environmental protection in Kazakhstan is in the process of development and therefore is subject to constant changes. From 1 July 2021, amendments to the Environmental Code of Kazakhstan ("the Code") has become effective. This Code includes set of principles aimed at minimising the consequences of environmental damage to the activities of entities and/or the full restoration of the environment to its original state. Depending on the level and risk of negative impact on the environment, assets are classified into four categories, where the asset that have a significant negative impact on the environment are classified to the first category. In accordance with the Code, management has analysed and classified the Group's assets that belongs to rail track infrastructure into the second category. The sea port assets were also classified to the second category. The remaining assets of the Group were classified into the third and fourth categories. The Group's management believes that its interpretation of the relevant legislation of the Republic of Kazakhstan is appropriate.

No provision has been made in these forms of consolidated annual financial statements as the Group's management assesses that no any potential asset retirement and land reclamation obligations that could have any material effect on consolidated financial position, results of operations or cash flows of the Group.

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

### Guarantees

As at 31 December 2022 guarantees included the following:

Creditor	Purpose of the guarantee	Guarantee issue date	Guarantee period	Guarantee amount
Development Bank of Kazakhstan JSC	Execute the obligations of the associate Aktobe Rail and Section Mill Plant LLP to finance the construction of a rail and section mill plant in Aktobe	4 July 2013	Until 2033	17,566,209
Development Bank of Kazakhstan JSC	Execute the obligations of Nursultan Nazarbayev International Airport JSC in Astana to finance its modernisation	28 March 2018	Until 2033	22,500,000
Eurasian Development Bank	Execute the obligations of an associate Transtelecom JSC for the implementation of the project Construction of a Fibber-Optic communication line (FOCL)	21 October 2014	Until 2024	2,190,203
Development Bank of Kazakhstan JSC	Execute the obligations of an associate Transtelecom JSC for the implementation of the project ACS of Energy Dispatching Traction	30 June 2014	Until 2024	4,493,244

Note 20 discloses the carrying value of these guarantees.

As at 31 December 2022 and 2021 there were no cases of using the financial guarantees listed above.

Finance lease agreements with Industrial Development Bank of Kazakhstan JSC provide for the Company's compliance with certain financial covenants, such as debt to EBITDA and interest coverage ratio on an annual basis. As at 31 December 2022, these terms have been met.

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

#### 39. SUBSIDIARIES

Information on the composition of the Group is provided below:

№	Subsidiary <sup>4</sup>	Activities	Country	Ownership interest, %	
				31 December 2022	31 December 2021
1	Kaztemirtrans JSC	Freight carriage operation	Kazakhstan	100	100
2	Passenger Transportation JSC	Passenger transportation	Kazakhstan	100	100
3	KTZ-Freight Transportation LLP	Freight transportation and locomotive haulage	Kazakhstan	100	100
4	KTZ Express JSC	Multimodal transportation	Kazakhstan	100	100
5	Kedentransservice JSC	Freight forwarding services, handling rolling stock, terminal services	Kazakhstan	100	100
6	Temirzholsu JSC	Utilities	Kazakhstan	100	100
7	Militarised Railway Security LLP	Security	Kazakhstan	100	100
8	Aktau Sea Commercial Port National Company JSC <sup>5</sup>	Vessel loading and unloading work, vessel servicing	Kazakhstan	100	100
9	Port Kuryk LLP	Freight transshipment and vessel servicing	Kazakhstan	100	100
10	KTZ Finance LLC	Bond issues to finance KTZ Group projects and operations	Russia	100	100
11	KTZ-Passenger Locomotives LLP	Locomotive rolling stock services	Kazakhstan	100	100

#### 40. RELATED PARTY TRANSACTIONS

For the purpose of these forms of consolidated annual financial statements, parties are considered to be related if one party has the ability to control the other or exercise significant influence over the other party when making financial or operational decisions. In addition, parties under common control within the Group are considered to be related. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Related parties may enter into transactions that might not be necessarily available to unrelated parties, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

<sup>4</sup> First level subsidiaries, some of which include subsidiaries that have non-controlling interests.

<sup>5</sup> In November 2013, the Shareholder transferred a 100% ownership interest in National Company Aktau Sea Commercial Port JSC to the Group's trust management. National Company Aktau Sea Commercial Port JSC is recognised as a Group subsidiary although the Group does not legally hold shares in it.

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

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 31 December are detailed below.

		Shareholder	Associates	Companies making up the Shareholder Group	Other related parties <sup>6</sup>
Amounts due from related parties for goods, services and non-current assets, including advances paid	2022	-	2,178,034	1,191,962	9,067
	2021	-	4,747,656	355,928	4,731
<i>including allowances for expected credit losses and impairment of advances paid</i>	2022	-	(1,657,492)	(95,356)	-
	2021	-	(34,719)	(23,492)	(14)
Amounts due to related parties for goods, services and non-current assets, including advances received	2022	-	21,926,930	4,845,209	362,726
	2021	-	19,425,103	2,721,525	2,436,682
Cash on current accounts	2022	-	-	162,853,622	-
	2021	-	-	-	-
Restricted cash	2022	-	-	-	207,981
	2021	-	-	-	117,324
Loans received	2022	588,984,375	-	-	74,948,770
	2021	128,769,489	-	-	72,719,613
Lease liabilities	2022	-	13,865,461	-	32,677,071
	2021	47,751	27,012,478	-	27,290,978

<sup>6</sup> Other related parties include other commercial entities under common control of the ultimate Shareholder.

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

Transactions with related parties for the years ended 31 December are presented as follows:

		Shareholder	Associates	Companies making up the Shareholder Group	Other related parties <sup>6</sup>
Sale of goods, services and non-current assets	2022	-	118,983,917	12,795,066	927,776
	2021	-	133,392,775	7,821,896	688,879
(Accrued)/recovered allowances for expected credit losses and impairment of advances paid	2022	-	(1,622,773)	(82,225)	14
	2021	-	54,882	(2,957)	(14)
Purchase of goods, services and non-current assets	2022	-	26,977,952	50,571,367	4,214,889
	2021	-	28,982,728	7,622,675	1,487,230
Receipt of loans	2022	603,761,446	-	-	-
	2021	-	-	-	13,125,000
Repayment of loans received	2022	31,174,923	-	-	1,076,684
	2021	1,174,923	-	-	1,076,684
New lease agreements (Group as lessee)	2022	-	95,409	-	6,927,715
	2021	-	25,180	-	21,289,129
Lease payments	2022	49,231	15,827,314	-	6,925,794
	2021	196,922	15,318,686	-	2,298,255
Finance income	2022	-	142,821	-	59,476
	2021	-	1,144,447	-	157,931
Finance expenses	2022	14,560,986	2,631,785	-	11,386,628
	2021	9,576,485	4,310,526	-	8,331,238
Dividends due	2022	-	8,726,221	-	-
	2021	-	6,460,779	-	-
Charter (shareholder's) capital contribution	2022	239,266	-	-	-
	2021	3,785,900	-	-	-

In 2022, the Group received a loan from the Shareholder in the amount of 30,000,000 thousand tenge (Note 19).

In 2022, the Group issued Eurobonds and bonds in favour to the Shareholder in the amount of 882,978,000 US Dollars (410,902,642 thousand tenge) and 162,858,804 thousand tenge, respectively (Note 19).

As at 31 December 2022, the Group has borrowings from Industrial Development Fund JSC and Development Bank of Kazakhstan JSC for a total of 74,948,770 thousand tenge (31 December 2021: 72,719,613 thousand tenge).

As at 31 December 2022 and 2021, the Group issued guarantees on certain borrowings of an associate, other related and third parties to ensure the execution of bank obligations (Notes 20 and 38).

As at 31 December 2022, Group borrowings from the Shareholder were mainly received at rates below market varying from 0.075% to 7.37% and maturity varying from 13 to 50 years and at initial recognition were reflected at fair value at rates from 5.4% to 13.99%.



## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of tenge, unless stated otherwise)*

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Transactions with Shareholder group companies, associates and joint ventures and other related parties mainly comprise transactions with KazMunaiGas National Company JSC (fuel), Transtelecom JSC (telecommunication services), Kazakhtelecom JSC (communication services), Kazatomprom National Nuclear Company JSC (electricity), KEGOC JSC (electricity), Kazpost JSC (postal services, cash deposits), Kazakhstan Engineering National Company JSC (engineering production) and Samruk-Energo JSC (electricity). The Group also provides freight transportation services to Shareholder group companies, associates and joint ventures.

#### *Compensation to key management personnel of the Group*

Key management personnel comprise members of the Group's Management Board and Board of Directors, totalling 16 persons for the year ended 31 December 2022 (31 December 2021: 15 persons). Total compensation to key management personnel included in personnel costs in the consolidated statement of profit or loss and other comprehensive income comprised 576,509 thousand tenge for the year ended 31 December 2022 (2021: 806,877 thousand tenge). Compensation paid to key management personnel primarily consists of contractual salary, social tax, unused vacation allowance and other performance-based payments.

#### **41. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Group's principal financial instruments consist of loans, debt securities issued (bonds), lease liabilities, derivative financial instruments, cash and cash equivalents as well as trade accounts receivable and trade accounts payable and other financial assets and liabilities. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk and credit risk. The Group further monitors the market risk and liquidity risk arising from all financial instruments.

#### *Capital risk management*

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to the Shareholder by optimising debt and equity balance. The Group's overall strategy remains unchanged from 2021.

There are no mandatory minimum capital requirements for the Group.

The Group's equity structure includes net debt (loans, debt securities and lease liabilities less cash and cash equivalents) and Group's equity (which comprises share capital, foreign currency translation and cash flow hedge reserves, retained earnings and non-controlling interests).

#### *Financial risk management objectives*

Risk management is an essential element of the Group's operations. The Company monitors and manages financial risks relating to the Group's operations through internal risk reports which analyse risk exposure by the degree and size of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), liquidity risk and cash flow interest rate risk. A description of the Group's risk management policies in relation to those risks presented below.

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

#### Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Group manages market risk through periodic estimates of potential losses that could arise from adverse changes in market conditions.

#### Interest rate risk

The interest rate risk to the Group is the risk of changes in market interest rates reducing the overall return on the Group's investments and/or increasing cash outflow on its loans and debt securities. The Group limits its interest rate risk by monitoring changes in interest rates in the currencies in which its financial instruments are held, and by maintaining a balance between its loans with fixed and variable interest rates.

The Group's exposure to the interest rate risk mainly relates to its loans and debt securities issued with floating interest rates.

The following table shows the sensitivity of the Group's profit before tax and equity to possible changes in interest rates on borrowings (through the effect on interest for variable interest rate borrowing) with all other variables remaining constant.

	31 December 2022		31 December 2021	
	Interest rate increase/ (decrease) in basis points	Effect on pre-tax profit /equity	Interest rate increase/ (decrease) in basis points <sup>7</sup>	Effect on pre-tax profit /equity
Tenge borrowings	245/(245)	(7,785,877)/7,785,877	125/(25)	(788,251)/157,650
Russian Rouble borrowings	-	-	125/(25)	(1,379,825)/275,965

#### Currency risk

The Group undertakes transactions denominated in foreign currencies, consequently, exposing itself to exchange rate fluctuations.

A significant portion of the Group's short-term and long-term foreign currency debt is denominated in US\$. A change in the tenge value against the US\$, or any other foreign currency in which debt is denominated will result in a foreign exchange gain or loss. During 2022, the Group incurred a foreign exchange loss of 34,142,851 thousand tenge, of which a major portion is attributable to borrowing as disclosed in Note 19 (2021: 11,147,076 thousand tenge).

<sup>7</sup> 1 basis point 0.01%

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

The following table reflects the sensitivity of the Group's profit before tax and equity to potential changes in the US\$, Euro, Russian Rouble, Swiss Francs and other exchange rates, provided all other parameters remain constant.

	31 December 2022			31 December 2021		
	Exchange rate increase/ (decrease)	Effect on pre-tax profit	Direct effect on equity	Exchange rate increase/ (decrease)	Effect on pre-tax profit	Direct effect on equity
US\$	21%/ (21%)	(76,837,984)/ 76,837,984	-	13%/ (10%)	(49,117,011)/ 37,782,316	-
Euro	18%/ (18%)	(10,615,574)/ 10,615,574	-	13%/ (10%)	(8,392,800)/ 6,456,000	-
Russian Roubles	22%/ (22%)	623,833/ (623,833)	-	13%/ (13%)	(25,392,895)/ 25,392,895	-
Swiss francs	25%/ (25%)	(31,510,618)/ 31,510,618	-	13%/ (10%)	(102,407)/ 78,755	(26,951,713)/ 20,732,087
In other currencies	25%/ (25%)	206,624/ (206,624)	-	13%/ (10%)	200,549/ (200,549)	-

On 7 August 2015, the Group began cash flow hedging to decrease the risk of a change in the tenge equivalent of revenue denominated in Swiss Francs. Eurobonds issued on 20 June 2014 on the Swiss Stock Exchange are used as hedging instruments. The hedged item is revenue from transit traffic in Swiss Francs. As a result of hedging, in 2022 an effect of 2,445,158 thousand tenge was recognised in other comprehensive income as net loss (2021: 823,250 thousand tenge).

In October-November 2022, the Group entered into agreements with Societe Generale SA (France), Citibank London and J.P. Morgan Securities plc. (UK) cross-currency swap transactions to partially hedge the exposure to foreign exchange risk of borrowings denominated in US Dollars.

Hedged borrowings represent interest and principal payments on USD denominated Eurobonds in the amount of 882,978,000 US Dollars with a coupon rate of 2% per annum and maturity in October 2025 (Note 19).

The Group pays a fixed amount of Swiss Francs in exchange for a fixed amount of US Dollars. The payment of these fixed amounts in Swiss Francs is a natural hedge of the foreign exchange risk of borrowings, as the Group has a share of revenue denominated in Swiss Francs. These derivative financial instruments are not designated into hedging relationships.

As at 31 December 2022, the fair value of derivative financial instruments was recognised under an agreement with J.P. Morgan Securities plc. (UK) within assets in line 113 "Non-current derivative financial instruments" of Consolidated and finance income in the amount of 58,693 US Dollars (27,154 thousand tenge) and under agreements with Societe Generale SA (France) and Citibank London within liabilities in line 312 "Non-current derivative financial instruments" and finance costs in the amount of 1,220,034 US Dollars (564,449 thousand tenge) (Notes 32 and 33).

**EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**  
*(in thousands of tenge, unless stated otherwise)*

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*Credit risk*

Credit risk arising from a party's inability to meet the terms of the Group's financial instrument contracts is generally limited to the amounts, if any, by which the counterparty's obligations exceed the Group's obligations to that party. It is the Group's policy to enter into financial instruments with a range of creditworthy parties. The maximum exposure to credit risk is represented by the carrying value of each financial asset.

Credit risk concentrations may arise from exposure to a single debtor or to groups of debtors having similar characteristics such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions.

As at 31 December 2022, cash held by the Group on current accounts in Kazpost JSC, a related party of the Group (61% of cash and cash equivalents). In addition, cash and cash equivalents are mainly held in Halyk Bank of Kazakhstan JSC with a credit rating of BB+ 'stable' (27% of cash and cash equivalents).

The Group has procedures in place to ensure that sales are only made to customers with the appropriate credit history and that an acceptable credit exposure limit is not exceeded. Credit risk is minimised by the fact that the Group operates on a prepayment basis with the majority of its customers.

In addition, the Group is exposed to credit risk on financial guarantees provided to banks. The maximum risk of the Group in this regard is equal to the maximum amount that the Group will be obliged to pay in the event of claims for guarantees disclosed in Note 38.

*Liquidity risk*

The Group manages short-term, mid-term and long-term financing liquidity risk in accordance with Shareholder requirements. The Group manages liquidity risk by maintaining adequate reserves, bank loans and accessible credit lines by constantly monitoring projected and actual cash flows and comparing the maturity of financial assets and liabilities.

As at 31 December 2022, the Group has also credit lines available in Halyk Bank of Kazakhstan JSC and Forte Bank JSC with undrawn balances totalling 95,500,000 thousand tenge (31 December 2021: in Halyk Bank of Kazakhstan JSC and Citibank Kazakhstan JSC for the total amount of 72,954,000 thousand tenge).

The Group controls and monitors compliance with the covenants set by the Shareholder and credit/guarantee agreements on a regular basis.

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

The following tables reflect the contractual terms of the Group's financial liabilities. The table was prepared using undiscounted cash flows on financial liabilities based on the earliest date at which the Group can be required to pay. The table includes both interest and principal cash flows.

	Up to 1 month	1-3 months	3 months – 1 year	1-5 years	Over 5 years	Total
<b>2022</b>						
<i>Interest-free:</i>						
Trade and other accounts payable	115,841,762	744,473	17,143,672	-	-	133,729,907
<i>Interest-bearing:</i>						
Loans and debt securities issued	28,340,052	14,723,249	319,327,081	1,241,732,356	1,512,974,819	3,117,097,557
Lease liabilities	3,890,784	4,523,121	6,889,300	39,457,853	62,242,410	117,003,468
Derivatives	-	-	(6,625,673)	8,280,473	-	1,654,800
Financial guarantees	-	2,086,431	3,839,417	33,353,252	45,938,459	85,217,559
	<b>148,072,598</b>	<b>22,077,274</b>	<b>340,573,797</b>	<b>1,322,823,934</b>	<b>1,621,155,688</b>	<b>3,454,703,291</b>
<b>2021</b>						
<i>Interest-free:</i>						
Trade and other accounts payable	121,767,063	2,039,012	5,883,431	1,992,857	-	131,682,363
<i>Interest-bearing:</i>						
Loans and debt securities issued	15,847,245	9,461,311	280,868,705	838,400,978	1,974,796,156	3,119,374,395
Lease liabilities	2,683,956	6,483,421	18,389,405	36,592,356	55,995,491	120,144,629
Financial guarantees	-	479,120	2,325,606	30,152,118	54,874,783	87,831,627
	<b>140,298,264</b>	<b>18,462,864</b>	<b>307,467,147</b>	<b>907,138,309</b>	<b>2,085,666,430</b>	<b>3,459,033,014</b>

The amounts presented in the table of financial guarantee agreements reflect the maximum amounts that the Group will be obliged to pay in the event of claims under guarantee agreements. As at reporting date the Group believes that with probability of more than 50% no payments under these agreements will be required. At the same time the given estimate may change if there is a change in the probability of claims under guarantee agreements. This probability is determined by the probability of default of counterparty's account receivable.

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

The following table reflects the expected maturity of the Group's financial assets. It was prepared based on undiscounted contractual cash flows for financial assets, including interest received on these assets, except when the Group expects the cash flow in a different period.

	Up to 1 month	1-3 months	3 months – 1 year	Over 1 year	Unspecified maturity <sup>8</sup>	Total
<b>2022</b>						
<i>Interest-bearing:</i>						
Short-term deposits	68,123,765	-	-	-	23,464	68,147,229
Interest on short-term deposits	330,467	-	-	-	-	330,467
Other financial assets	-	-	100	-	-	100
Interest on other financial assets	-	-	6	-	-	6
Cash and cash equivalents	6,326,524	-	-	-	10,274	6,336,798
Loans issued	-	-	-	5,561,514	3,113,224	8,674,738
<i>Interest-free:</i>						
Cash and cash equivalents	192,465,694	-	-	-	-	192,465,694
Restricted cash	-	-	6,095,426	14,010,298	260	20,105,984
Trade accounts receivable	13,679,830	504,450	52,271	39,084	6,872,782	21,148,417
Lease receivables	531,787	4,441	-	-	720,050	1,256,278
	<b>281,458,067</b>	<b>508,891</b>	<b>6,147,803</b>	<b>19,610,896</b>	<b>10,740,054</b>	<b>318,465,711</b>

	Up to 1 month	1-3 months	3 months – 1 year	Over 1 year	Unspecified maturity <sup>8</sup>	Total
<b>2021</b>						
<i>Interest-bearing:</i>						
Short-term deposits	128,941,343	-	-	-	26,643	128,967,986
Interest on short-term deposits	452,843	-	-	-	-	452,843
Other financial assets	2,034	-	-	-	3	2,037
Interest on other financial assets	65	-	-	-	-	65
Cash and cash equivalents	17,577,383	-	-	-	4,608	17,581,991
Loans issued	-	-	-	6,325,397	2,349,341	8,674,738
<i>Interest-free:</i>						
Cash and cash equivalents	31,481,754	-	-	-	-	31,481,754
Restricted cash	-	-	235,741	13,736,545	161	13,972,447
Trade accounts receivable	21,830,477	1,067,470	26,641	46,739	3,060,216	26,031,543
Lease receivables	316,270	6,963	-	-	2,186,460	2,509,693
	<b>200,602,169</b>	<b>1,074,433</b>	<b>262,382</b>	<b>20,108,681</b>	<b>7,627,432</b>	<b>229,675,097</b>

8 Amounts with unspecified maturity represent amounts for which expected credit losses have accrued.

**EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**  
*(in thousands of tenge, unless stated otherwise)*

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*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, judgement 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 value 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 value 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 year-end market rates.

*Derivative financial instrument*

Fair value of the derivative financial instrument was measured on expected discounted future cash flows based on forward exchange rates (observed at the reporting date) and contract forward rates, discounted at rates that reflect the credit risk of the Group, as well as Societe Generale (France), Citibank London and J.P. Morgan Securities plc (UK).

*Borrowings*

The fair value for bank loans was estimated by discounting the scheduled future cash flows of individual loans through 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 financial institutions and foreign banks. Although interest rates on these borrowings are lower than interest rates of private commercial credit institutions in Kazakhstan, they are treated as the market interest rate for this lender category. The fair value of debt securities issued (bonds) has been determined based on market prices at the reporting date.

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

*Fair value of the Group's financial assets and financial liabilities not regularly measured at fair value (but fair value is mandatorily disclosed).*

As at 31 December 2022 and 2021, the fair value of financial assets and financial liabilities, except for loans issued, borrowings and debt securities was not significantly different from carrying value. The carrying value and fair value of loans issued, borrowings, debt securities (bonds) and other financial assets as at 31 December is presented as follows:

	31 December 2022		31 December 2021	
	Carrying value	Fair value	Carrying value	Fair value
Loans issued	3,752,225	2,895,148	3,796,987	5,299,490
Other financial assets	21,200,924	21,249,845	15,031,039	15,031,039
Borrowings	453,174,658	411,124,079	364,906,843	359,598,909
Debt securities	1,234,156,348	1,107,730,921	1,212,305,326	1,330,260,081

### *Fair value hierarchy*

The Group estimates fair value using the following fair value estimate hierarchy, taking into account the materiality of data used to generate the given estimates:

- Level 1: quotes on an active market (uncorrected) in relation to identified financial instruments.
- Level 2: data differing from quotes attributable to level 1, and available directly (i.e. quotes) or indirectly (i.e. data generated from quotes). This category includes instruments estimated using market quotes on active markets for similar instruments, market quotes for similar instruments on market not treated as active, or other estimation methods, all of whose data used is directly or indirectly based on observable primary data.
- Level 3: data that is not available. This category includes instruments estimated using information not based on observable primary data. Moreover, any such unobservable data has a significant impact on an instrument's estimation. This category includes instruments estimated based on quotes for similar instruments that require the use of material unobservable quotes or judgements to reflect the different between instruments.

The table below provides an analysis of financial instruments as at 31 December 2022 broken down into the fair value hierarchy levels.

	Level 1	Level 2	Level 3	Total
<i>Financial assets recognised at amortised cost:</i>				
-loans issued	-	2,895,148	-	2,895,148
-other financial assets	-	21,176,519	-	21,176,519
Other financial assets recognised at fair value through profit of loss		-	73,326	73,326
<b>Total</b>	<b>-</b>	<b>24,071,667</b>	<b>73,326</b>	<b>24,144,993</b>
<i>Financial liabilities recognised at amortised cost:</i>				
- debt securities	588,642,250	-	-	588,642,250
- debt securities from related parties		519,088,671	-	519,088,671
- bank loans	-	349,887,636	-	349,887,636
- loans from related parties	-	61,236,443	-	61,236,443
<b>Total</b>	<b>588,642,250</b>	<b>930,212,750</b>	<b>-</b>	<b>1,518,855,000</b>



# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

The table below provides an analysis of financial instruments as at 31 December 2021, broken down into the fair value hierarchy levels.

	Level 1	Level 2	Level 3	Total
<i>Financial assets recognised at amortised cost:</i>				
-loans issued	-	5,299,490	-	5,299,490
-other financial assets	-	14,930,286	-	14,930,286
-other financial assets at fair value through profit of loss		-	100,753	100,753
<b>Total</b>	<b>-</b>	<b>20,229,776</b>	<b>100,753</b>	<b>20,330,529</b>
<i>Financial liabilities recognised at amortised cost:</i>				
- debt securities	1,288,064,293	-	-	1,288,064,293
- debt securities from related parties	42,195,788	-	-	42,195,788
- bank loans	-	298,144,666	-	298,144,666
- loans from related parties	-	61,454,243	-	61,454,243
<b>Total</b>	<b>1,330,260,081</b>	<b>359,598,909</b>	<b>-</b>	<b>1,689,858,990</b>

The fair values of the financial assets and financial liabilities in levels 2 and 3 have been determined using generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the counterparty credit risk.

## 42. EVENTS AFTER THE REPORTING DATE

### *Disposal of a subsidiary*

In January 2023, the Group, represented by its subsidiary Kaztemirtrans JSC, completed the sale of a 100% interest in the charter capital of Railway Passenger Coach Construction Plant LLP for 12,000,000 thousand tenge and as a result lost control over this subsidiary (Note 13).

### *Liquidation of a subsidiary*

In January 2023, the Group completed the liquidation of its subsidiary KTZ Finance LLC.