

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

Condensed interim consolidated financial statements
for three and six months ended 30 June 2022
(unaudited)

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND SIX MONTHS ENDED 30 JUNE 2022

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KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND SIX MONTHS ENDED 30 JUNE 2022

Management of Kazakhstan Temir Zholy National Company JSC ("the Company") is responsible for the preparation of the condensed interim consolidated financial statements that present fairly the consolidated financial position of the Company and its subsidiaries (collectively – "the Group") as at 30 June 2022, and the consolidated results of its operations for three and six months then ended, consolidated cash flows and consolidated changes in equity for the six months then ended in compliance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board.

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

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

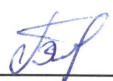
Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the condensed interim consolidated financial statements of the Group comply with IAS 34;
- maintaining statutory accounting records in compliance with local legislation 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 condensed interim consolidated financial statements for three and six months ended 30 June 2022 were approved for issue by management on 15 August 2022.

On behalf of the Group's management:


Dair Kusherov
Finance Director
15 August 2022


Yelena Stankova
Chief Accountant
15 August 2022

REPORT ON REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of Kazakhstan Temir Zholy National Company JSC and its subsidiaries (the “Group”) as of 30 June 2022 and the related condensed interim consolidated statements of profit or loss and other comprehensive income for three and six months then ended, condensed interim consolidated statements of changes in equity and cash flows for the six months then ended, and selected explanatory notes. Management is responsible for the preparation and presentation of these condensed interim consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Deloitte LLP

15 August 2022

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022 (in millions of Tenge)

	Notes	30 June 2022 (unaudited)	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	6	3,079,437	3,038,289
Goodwill		15,520	15,520
Intangible assets		15,662	16,481
Investment in joint ventures	7	997	895
Investment in associates	7	35,449	26,793
Deferred tax assets		23	145
Other non-current assets	8	167,263	164,572
Total non-current assets		3,314,351	3,262,695
Current assets			
Cash and cash equivalents	9	94,572	178,000
Inventories	10	48,665	42,401
VAT recoverable		28,278	34,417
Trade accounts receivable	11	21,738	23,248
Contract assets		7,410	6,644
Prepaid income tax		1,405	3,945
Other current assets	12	100,570	52,784
Total current assets		302,638	341,439
Total assets		3,616,989	3,604,134
EQUITY AND LIABILITIES			
Equity			
Share capital		1,086,085	1,086,085
Additional paid-in capital	13	239	-
Hedging reserve	13	-	(51,997)
Foreign currency translation reserve	13	22,082	9,925
Retained earnings		183,249	214,574
Equity attributable to the Shareholder		1,291,655	1,258,587
Non-controlling interests		14,801	13,855
Total equity		1,306,456	1,272,442

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022 (CONTINUED) (in millions of Tenge)

	Notes	30 June 2022 (unaudited)	31 December 2021
Non-current liabilities			
Borrowings	14	1,283,735	1,361,403
Deferred tax liabilities		311,518	308,300
Employee benefit obligations		38,105	37,083
Lease liabilities	15	36,269	34,443
Other non-current liabilities	18	55,996	54,497
Total non-current liabilities		1,725,623	1,795,726
Current liabilities			
Borrowings	14	248,088	215,809
Trade accounts payable	16	104,929	116,531
Contract liabilities	17	82,699	95,310
Lease liabilities	15	23,265	25,355
Other taxes payable		18,857	17,250
Employment benefit obligations		9,100	9,100
Other current liabilities	18	97,972	56,611
Total current liabilities		584,910	535,966
Total liabilities		2,310,533	2,331,692
Total equity and liabilities		3,616,989	3,604,134

On behalf of the Group's management:


Dair Kusherov
Finance Director

15 August 2022


Yelena Stankova
Chief Accountant

15 August 2022

The notes below are an integral part of these condensed interim consolidated financial statements.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THREE AND SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED) (in millions of Tenge)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2022	2021	2022	2021
Continuing operations					
Revenue and other income					
Revenue from freight transportation	19	313,840	308,699	581,591	574,450
Revenue from passenger transportation	19	19,268	12,803	35,167	23,437
Government grants		7,823	8,138	14,104	14,321
Other revenue	20	17,590	9,223	29,455	22,663
Total revenue and other income		358,521	338,863	660,317	634,871
Cost of sales	21	(275,554)	(228,439)	(558,529)	(450,796)
Gross profit		82,967	110,424	101,788	184,075
General and administrative expenses	22	(26,394)	(20,227)	(47,940)	(42,610)
Finance income	23	18,154	3,204	22,777	6,280
Finance costs	23	(32,462)	(31,962)	(67,097)	(63,333)
Foreign exchange loss		(642)	(14,972)	(33,802)	(10,186)
Share in (loss)/profit of associates and joint ventures	7	(2,209)	2,887	279	5,088
Asset (impairment)/ impairment reversal		(1,339)	(216)	1,548	20
Other profit or losses, net		105	5,609	1,091	6,925
Profit/(loss) before income tax		38,180	54,747	(21,356)	86,259
Corporate income tax benefit/(expenses)		34	(12,377)	(9,023)	(18,403)
Profit/(loss) for the period		38,214	42,370	(30,379)	67,856

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED) (CONTINUED) (in millions of Tenge)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2022	2021	2022	2021
Other comprehensive income/(loss) for the period, net of income tax:					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Net fair value (loss)/profit on cash flow hedging instruments	13	-	(2,446)	(2,445)	2,527
Reclassification of the loss on cash flow hedging instruments to the loss for the period	13,19	-	-	54,442	-
Foreign exchange difference on the translation of foreign operations		10,680	975	12,157	1,164
Other comprehensive income/(loss) for the period		10,680	(1,471)	64,154	3,691
Total comprehensive income for the period		48,894	40,899	33,775	71,547
Profit/(loss) for the period attributable to:					
The Shareholder		37,762	42,052	(31,325)	67,324
Non-controlling interests		452	318	946	532
		38,214	42,370	(30,379)	67,856
Comprehensive income for the period, attributable to:					
The Shareholder		48,442	40,581	32,829	71,015
Non-controlling interests		452	318	946	532
		48,894	40,899	33,775	71,547
Profit/(loss) per share in tenge	24	76	85	(63)	136

On behalf of the Group's management:


Dair Kusherov
Finance Director


Yelena Stankova
Chief Accountant

15 August 2022

15 August 2022

The notes below are an integral part of these condensed interim consolidated financial statements.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED) (in millions of Tenge)

	Notes	Six months ended 30 June	
		2022	2021
Operating activities:			
(Loss)/profit for the period		(30,379)	67,856
Income tax expenses recognised in profit or loss		9,023	18,403
Adjustments for:			
Depreciation and amortisation		71,810	69,402
Finance costs	23	67,097	63,333
Reversal of provision for assets impairment		(1,548)	(20)
Finance income	23	(22,777)	(6,280)
Share of profit of associates and joint ventures	7	(279)	(5,088)
Accrual of allowance for expected credit losses of accounts receivable and impairment of short-term advances paid		4,667	2,132
Foreign exchange loss		33,802	10,186
Reclassification of the loss on cash flow hedging instruments to the loss for the period	13,19	54,442	-
Others		8,920	(2,631)
Operating income before changes in working capital and other balances		194,778	217,293
Change in trade accounts receivable		(6,965)	(9,341)
Change in inventories		(5,705)	(1,493)
Change in other current and non-current assets (including non-current VAT recoverable)		(50,285)	(20,286)
Change in trade accounts payable		9,593	(9,280)
Change in other taxes payable		(758)	(13,460)
Change in other liabilities		37,608	16,027
Change in employee benefit obligations		(2,758)	(2,225)
Cash generated from operations		175,508	177,235
Interest paid		(45,896)	(43,454)
Interest received		4,543	3,445
Corporate income tax paid		(579)	(756)
Net cash flows from operating activities		133,576	136,470

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED) (CONTINUED) (in millions of Tenge)

	Notes	Six months ended 30 June	
		2022	2021
Investing activities:			
Purchase of property, plant and equipment, including advances paid for property, plant and equipment		(102,835)	(96,980)
Proceeds from the sale of other non-current assets		1,151	1,137
Investments acquired in joint ventures		(70)	(4,706)
Others		(1,476)	192
Net cash flows from investing activities		(103,230)	(100,357)
Financing activities:			
Proceeds from borrowings	14	210,650	-
Repayment of borrowings	14	(317,549)	(34,413)
Repayment of lease liabilities	14	(5,028)	(6,275)
Others		(399)	(60)
Net cash flows from financing activities		(112,326)	(40,748)
Net decrease in cash and cash equivalents		(81,980)	(4,635)
Cash and cash equivalents at the beginning of the period	9	178,000	155,407
Effect of changes in foreign exchange rates on cash and cash equivalent balances held in foreign currency		(1,471)	458
Effect of changes in the allowance for expected credit losses		23	1
Cash and cash equivalents at the end of the period	9	94,572	151,231
Non-cash transactions:			
Purchase of property, plant and equipment from borrowed funds by direct bank transfer to the supplier	14	4,095	7,882

On behalf of the Group's management:


Dair Kusherov
Finance Director

15 August 2022


Yelena Stankova
Chief Accountant

15 August 2022

The notes below are an integral part of these condensed interim consolidated financial statements.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2022 (in millions of Tenge)

	Share capital	Additional paid-in capital	Hedging reserve	Foreign currency translation reserve	Retained earnings	Shareholder equity	Non-controlling interests	Total equity
As at 1 January 2021	1,082,299	-	(52,820)	8,788	88,858	1,127,125	11,480	1,138,605
Profit for the period	-	-	-	-	67,324	67,324	532	67,856
Other comprehensive income for the period	-	-	2,527	1,164	-	3,691	-	3,691
Total comprehensive income for the period	-	-	2,527	1,164	67,324	71,015	532	71,547
Share issue (Note 13)	3,786	-	-	-	-	3,786	-	3,786
Disposal of a subsidiary	-	-	-	-	-	-	849	849
As at 30 June 2021 (unaudited)	1,086,085	-	(50,293)	9,952	156,182	1,201,926	12,861	1,214,787
As at 1 January 2022	1,086,085	-	(51,997)	9,925	214,574	1,258,587	13,855	1,272,442
(Loss)/profit for the period	-	-	-	-	(31,325)	(31,325)	946	(30,379)
Other comprehensive income for the period	-	-	51,997	12,157	-	64,154	-	64,154
Total comprehensive income/(loss) for the period	-	-	51,997	12,157	(31,325)	32,829	946	33,775
Share issue (Note 13)	-	239	-	-	-	239	-	239
As at 30 June 2022 (unaudited)	1,086,085	239	-	22,082	183,249	1,291,655	14,801	1,306,456

On behalf of the Group's management:


Dair Kusherov
 Finance Director

15 August 2022


Yelena Starkova
 Chief Accountant

15 August 2022

The notes below are an integral part of these condensed interim consolidated financial statements.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND SIX MONTHS ENDED 30 JUNE 2022 *(in millions of Tenge, unless otherwise stated)*

1. GENERAL INFORMATION

Kazakhstan Temir Zholy National Company JSC (the “Company”) was created in 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 condensed interim consolidated financial statements include the results of the operations of the Company and its wholly controlled subsidiaries (collectively, the “Group”). The address of the Company’s registered office is 6, D. Kunayev Street, Nur-Sultan, 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 providing freight and passenger transportation services; and operates, maintains and upgrades railway infrastructure in the Republic of Kazakhstan (hereinafter – “Kazakhstan”). To regulate the Kazakhstan rail industry, the government sets the tariffs the Group charges for its 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.

For 2021-2025, the Kazakhstan Ministry of the National Economy’s Committee for the Regulation of Natural Monopolies (“CRNM”) approved railway network service tariffs, 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. The differentiation led to a 2.7% freight transportation tariff increase for carriages and containers for the six months of 2022.

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

The Group's operations are not subject to significant seasonal fluctuations. Revenue from freight transportation services is relatively stable throughout the year, however, due to the seasonality of passenger transportation, revenue is generally expected to increase in the second half of the year compared to the first half of the year, mainly due to the vacation season in the summer.

Operating environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political, 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.

Kazakhstan produces and exports large volumes of oil and gas, therefore, its economy is particularly sensitive to the global oil and gas price.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE AND SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED)**
(in millions of Tenge, unless otherwise stated)

The Group's management continues to monitor the development of the COVID-19 situation and does not expect a significant impact of the pandemic on the further activities of the Group.

In the beginning of January 2022, Kazakhstan witnessed mass protests, which turned into mass unrest. The situation in Kazakhstan stabilised and was taken under the control of the authorities by 15 January 2022. The government is focusing on stabilising the political and socio-economic situation.

These events have not had a significant effect on the Group's operations.

In February – March 2022, the tenge depreciated significantly against major foreign currencies amid the external geopolitical situation driven by escalating tensions in the region. During the six months of 2022 depreciation of tenge resulted in a foreign exchange loss, most of which relates to borrowings in foreign currencies. In order to reduce the negative impact of external factors on the Kazakhstani economy, the National Bank of the Republic of Kazakhstan raised the base rate from 10.25% to 14% per annum with a corridor of +/- 1.0 p.p., and interventions with respect to the currency market were performed to support the tenge exchange rate against foreign currencies. On 25 July 2022, the base rate was raised to 14.5%. However, there is uncertainty related to the future development of the geopolitical risks and their impact on the overall economy of the Republic of Kazakhstan.

Group management is monitoring the current economic and political situation in Kazakhstan and the world and is taking the measures it believes are required to maintain stability and develop the Group's business in the near future. The current changes resulting from the situation have not had and are not expected to have a significant negative impact on the Group's trading and operations, as freight rail traffic including international (transit) freight transportation has not been suspended in either Kazakhstan or other countries.

However, the consequences of the events and any future related changes could potentially have a significant impact on Group operations.

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

According to the Group's strategy until 2029, work was continued in 2022 to improve performance, develop transit traffic, including alternative routes, and streamline its corporate portfolio in line with the state privatisation programme, ensuring financial stability for the Group, improving client satisfaction, guaranteeing train safety and ensuring sustained Group development.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE AND SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED)**
(in millions of Tenge, unless otherwise stated)

2. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

Statement of compliance

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

Going concern

The Group's condensed interim consolidated financial statements have been prepared on a going concern basis. This assumes the sale of assets and settlement of liabilities in the normal course of business for the foreseeable future. As at 30 June 2022, the Group's current liabilities exceeded its current assets by 282,272 million tenge (31 December 2021: 194,527 million tenge). As at 30 June 2022, current liabilities include borrowings of 248,088 million tenge that are payable within 12 months after 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, loss for the six months ended 30 June 2022 amounted to 30,379 million tenge (2021: profit of 67,856 million tenge), and cash inflows from operating activities amounted to 133,576 million tenge (2021: 136,470 million tenge).

The management of the Group 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 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.

In assessing its going concern status, management also considered the Group's financial position, expected future financial results and cash flows from operating activities, its borrowings, available credit facilities and capital commitments, expected tariff growth, foreign currency exchange rates and other risks that Group is facing. As at 30 June 2022, the Group has available credit lines in credit institutions: Halyk Bank of Kazakhstan JSC (2,000 million tenge) and Citibank Europe Plc (70,000,000 US Dollars) for the total amount of 34,924 million tenge. Besides that, the Group received Letter of Support from the Shareholder regarding its intention and ability to provide the Group with continuous ongoing financial and operating support in the foreseeable future. After completing the relevant analysis, taking into account the events described in Note 28 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 had adequate resources to continue its operating activities and settle its liabilities and that the going concern basis is appropriate in preparing these condensed interim consolidated financial statements.

Basis of preparation

These condensed interim consolidated financial statements are unaudited and do not include all disclosures required for annual financial statements. The Group omitted disclosures, which would substantially duplicate the information contained in its audited annual consolidated financial statements for 2021 prepared in accordance with International Financial Reporting Standards ("IFRSs"), (such as accounting policies and details of accounts, which have not changed significantly in amount or composition).

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE AND SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED)**
(in millions of Tenge, unless otherwise stated)

These condensed interim consolidated financial statements should be read in conjunction with the Group's annual consolidated financial statements for 2021.

These financial statements is based on the same accounting principles, accounting judgements, presentation methods and calculation methods as the consolidated financial statements of the Group as at 31 December 2021.

3. ADOPTION OF NEW AND REVISED STANDARDS

The following Amendments to Standards became effective from 1 January 2022:

- 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 (Amendments to IFRS 1 – *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments* – Accounting for commission in the “10% test” to derecognise financial liabilities, IFRS 16 *Leases* – Removal of the illustration of the reimbursement of leasehold improvements, and IAS 41 – Accounting treatment of tax payments when measuring fair value).

The aforementioned amendments did not impact the Group's condensed interim consolidated financial statements.

New and revised IFRS in issue, but not yet effective

A number of new standards, clarifications and changes to standards become effective for annual periods beginning on or after 1 January 2023. The Group did not apply the following standards, clarifications and amendments to standards early:

- IFRS 17 *Insurance Contracts* (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective date not yet set);
- Amendments to IAS 1 – *Classification of Liabilities as Current or Non-Current* (effective, inclusive of draft additional amendments issued in November 2021, for annual periods beginning on or after 1 January 2024);
- Amendments to IAS 1 – *Disclosure of Accounting Policies* (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 8 – *Definition of Accounting Estimates* (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 12 – *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (effective for annual periods beginning on or after 1 January 2023).

The above standards and amendments are not expected to have a significant effect on the consolidated financial statements of the Group after they become effective.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE AND SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED)**
(in millions of Tenge, unless otherwise stated)

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying accounting policies

In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for 2021 prepared in accordance with IFRSs.

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.

Assessment of impairment indicators of property, plant and equipment, intangible assets and goodwill

The Group performs analysis of impairment indicators of the carrying value of property, plant and equipment, intangible assets and goodwill at each reporting date.

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, current replacement costs and other changes in circumstances.

As of 30 June 2022, the Group performed the analysis of the above external and internal impairment indicators of property, plant and equipment, intangible assets and goodwill, 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 management of the Group did not identify any events that occurred during the six months of 2022 that could be considered as an indicator of the impairment of property, plant and equipment, intangible assets and goodwill as of 30 June 2022.

Corporate income tax

For the purpose of the condensed interim consolidated financial statements, the Group calculates corporate income tax expense based on its best estimate of weighted average annual corporate income tax rate expected for the full financial year. The amounts accrued for corporate income tax expense in one interim period might be adjusted in the next interim period of the same financial year if there will be a change in the estimate of the annual corporate income tax rate.

5. SEGMENT INFORMATION

The Group's operating segments are based on services provided. The Group 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

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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 tax, profit for the period from continuing operations and gross profit. However, profit for the period from continuing operations is the primary measure used by management of the Group to allocate resources and assess segment performance.

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

	For the three months, ended 30 June 2022 (unaudited)					
	Freight transportation	Passenger transportation	Reportable segments	Others	Consolidation	Total
Key operating indices						
Revenue and other income						
Transportation revenue from third parties	313,840	19,268	333,108	-	-	333,108
Transportation revenue from intersegment transactions	344	15,035	15,379	-	(15,379)	-
Government grants	-	7,823	7,823	-	-	7,823
Other income from third parties	12,337	1,190	13,527	4,063	-	17,590
Other income from intersegment transactions	6,806	931	7,737	1,219	(8,956)	-
Total revenue and other income	333,327	44,247	377,574	5,282	(24,335)	358,521
Cost of sales	(257,570)	(39,503)	(297,073)	(3,252)	24,771	(275,554)
Gross profit	75,757	4,744	80,501	2,030	436	82,967
General and administrative expenses	(22,885)	(2,359)	(25,244)	(982)	(168)	(26,394)
Finance income	18,326	162	18,488	283	(617)	18,154
Finance costs	(30,890)	(1,505)	(32,395)	(642)	575	(32,462)
Foreign exchange (loss)/gain	(2,079)	1,435	(644)	(19)	21	(642)
Share of the loss of associates and joint ventures	(2,209)	-	(2,209)	-	-	(2,209)
Asset (impairment)/ impairment reversal	(1,642)	223	(1,419)	57	23	(1,339)
Other profit and losses, net	60	26	86	29	(10)	105
Profit before income tax	34,438	2,726	37,164	756	260	38,180
Corporate income tax benefit/(expenses)	2,729	(1,397)	1,332	(353)	(945)	34
Profit for the period	37,167	1,329	38,496	403	(685)	38,214
Other key segment information						
Capital expenditures on property, plant and equipment	56,187	82	56,269	27	1,361	57,657
Depreciation of property, plant and equipment	32,385	2,862	35,247	406	-	35,653

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For the three months, ended 30 June 2021 (unaudited)						
	Freight transportation	Passenger transportation	Reportable segments	Others	Consolidation	Total
Key operating indices						
Revenue and other income						
Transportation revenue from third parties	308,699	12,803	321,502	-	-	321,502
Transportation revenue from intersegment transactions	433	13,374	13,807	-	(13,807)	-
Government grants	-	8,138	8,138	-	-	8,138
Other income from third parties	5,557	639	6,196	3,027	-	9,223
Other income from intersegment transactions	7,533	202	7,735	1,058	(8,793)	-
Total revenue and other income	322,222	35,156	357,378	4,085	(22,600)	338,863
Cost of sales	(215,904)	(30,497)	(246,401)	(2,699)	20,661	(228,439)
Gross profit	106,318	4,659	110,977	1,386	(1,939)	110,424
General and administrative expenses	(19,570)	(1,858)	(21,428)	(743)	1,944	(20,227)
Finance income	3,319	525	3,844	273	(913)	3,204
Finance costs	(30,552)	(1,040)	(31,592)	(965)	595	(31,962)
Foreign exchange (loss)/gain	(14,930)	(82)	(15,012)	9	31	(14,972)
Share of the profit of associates and joint ventures	2,887	-	2,887	-	-	2,887
Assets impairment	(242)	(7)	(249)	(7)	40	(216)
Other profit and losses, net	5,477	81	5,558	51	-	5,609
Profit before income tax	52,707	2,278	54,985	4	(242)	54,747
Corporate income tax expense	(17,041)	(206)	(17,247)	(8)	4,878	(12,377)
Profit/(loss) for the period	35,666	2,072	37,738	(4)	4,636	42,370
Other key segment information						
Capital expenditures on property, plant and equipment	75,158	19	75,177	8	1,050	76,235
Depreciation of property, plant and equipment	32,650	1,908	34,558	284	(2)	34,840

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	For the six months, ended 30 June 2022 (unaudited)					
	Freight transportation	Passenger transportation	Reportable segments	Other	Consolidation	Total
Key operating indices						
Revenue and other income						
Transportation revenue from third parties	581,591	35,167	616,758	-	-	616,758
Transportation revenue from intersegment transactions	1,035	30,003	31,038	-	(31,038)	-
Government grants	-	14,104	14,104	-	-	14,104
Other income from third parties	20,287	2,107	22,394	7,061	-	29,455
Other income from intersegment transactions	13,512	1,725	15,237	3,064	(18,301)	-
Total revenue and other income	616,425	83,106	699,531	10,125	(49,339)	660,317
Cost of sales	(523,191)	(77,719)	(600,910)	(6,916)	49,297	(558,529)
Gross profit	93,234	5,387	98,621	3,209	(42)	101,788
General and administrative expenses	(41,806)	(4,424)	(46,230)	(1,971)	261	(47,940)
Finance income	22,922	462	23,384	521	(1,128)	22,777
Finance costs	(63,522)	(3,019)	(66,541)	(1,278)	722	(67,097)
Foreign exchange (loss)/gain	(33,897)	(317)	(34,214)	124	288	(33,802)
Share of the profit of associates and joint ventures	279	-	279	-	-	279
Assets impairment reversal	1,309	115	1,424	101	23	1,548
Other profit and losses, net	1,011	38	1,049	57	(15)	1,091
(Loss)/profit before income tax	(20,470)	(1,758)	(22,228)	763	109	(21,356)
Corporate income tax expenses	(5,842)	(2,224)	(8,066)	(484)	(473)	(9,023)
(Loss)/profit for the period	(26,312)	(3,982)	(30,294)	279	(364)	(30,379)
Other key segment information						
Capital expenditures on property, plant and equipment	87,602	24,296	111,898	329	1,890	114,117
Depreciation of property, plant and equipment (Note 6)	65,154	5,650	70,804	804	(2)	71,606

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	For the six months, ended 30 June 2021 (unaudited)					
	Freight transportation	Passenger transportation	Reportable segments	Other	Consolidation	Total
Key operating indices						
Revenue and other income						
Transportation revenue from third parties	574,450	23,437	597,887	-	-	597,887
Transportation revenue from intersegment transactions	541	26,698	27,239		(27,239)	-
Government grants	-	14,321	14,321	-	-	14,321
Other income from third parties	15,543	1,382	16,925	5,738	-	22,663
Other income from intersegment transactions	14,771	301	15,072	2,700	(17,772)	-
Total revenue and other income	605,305	66,139	671,444	8,438	(45,011)	634,871
Cost of sales	(429,073)	(58,618)	(487,691)	(5,824)	42,719	(450,796)
Gross profit	176,232	7,521	183,753	2,614	(2,292)	184,075
General and administrative expenses	(39,545)	(3,908)	(43,453)	(1,247)	2,090	(42,610)
Finance income	6,805	792	7,597	502	(1,819)	6,280
Finance costs	(60,712)	(2,004)	(62,716)	(1,915)	1,298	(63,333)
Foreign exchange (loss)/gain	(10,094)	(155)	(10,249)	19	44	(10,186)
Share of the profit of associates and joint ventures	5,088	-	5,088	-	-	5,088
Impairment reversal/asset (impairment)	4,409	(18)	4,391	22	(4,393)	20
Other profit and losses, net	6,748	102	6,850	75	-	6,925
Profit before income tax	88,931	2,330	91,261	70	(5,072)	86,259
Corporate income tax (expenses)/benefit	(19,272)	650	(18,622)	(104)	323	(18,403)
Profit/(loss) for the period	69,659	2,980	72,639	(34)	(4,749)	67,856
Other key segment information						
Capital expenditures on property, plant and equipment	124,112	134	124,246	118	1,223	125,587
Depreciation of property, plant and equipment (Note 6)	64,887	3,873	68,760	865	(3)	69,622

Geographical information of the Group

The Group generates its revenue from customers in multiple geographical regions.

	For the three months ended 30 June		For the six months ended 30 June	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Kazakhstan	349,728	331,350	643,082	616,445
Russia	4,383	3,770	9,901	12,263
Others	4,410	3,743	7,334	6,163
	358,521	338,863	660,317	634,871

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

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6. PROPERTY, PLANT AND EQUIPMENT

	Rail track infrastructure	Buildings and constructions	Machinery and equipment	Vehicles	Land	Other	Construction-in- progress	Total
Carrying value as at								
1 January 2021	1,157,450	321,322	281,881	926,519	3,969	14,177	131,099	2,836,417
Additions	27	2,442	2,028	39,731	12	21	60,598	104,859
Disposals	(1,146)	(495)	(1,068)	(2,258)	(4)	(187)	-	(5,158)
Lease additions	-	350	-	19,883	-	-	-	20,233
Depreciation charge (Note 5)	(18,389)	(4,157)	(18,505)	(27,507)	-	(1,064)	-	(69,622)
Depreciation on disposal	944	198	1,023	2,093	-	185	-	4,443
Transfer to assets held for sale	-	(1,896)	(196)	(1,568)	(22)	(56)	(24)	(3,762)
Other movements and transfers ¹	4,773	(2,151)	5,039	29,434	(12)	281	(37,820)	(456)
Carrying value as at								
30 June 2021 (unaudited)	1,143,659	315,613	270,202	986,327	3,943	13,357	153,853	2,886,954
Cost	1,445,407	376,703	510,988	1,507,037	3,943	28,844	165,682	4,038,604
Accumulated depreciation and impairment	(301,748)	(61,090)	(240,786)	(520,710)	-	(15,487)	(11,829)	(1,151,650)
Carrying value as at								
30 June 2021 (unaudited)	1,143,659	315,613	270,202	986,327	3,943	13,357	153,853	2,886,954
Including:								
Rights-of-use assets:								
Cost	-	2,073	37,728	32,710	-	6,422	-	78,933
Accumulated depreciation and impairment	-	(213)	(4,109)	(4,409)	-	(797)	-	(9,528)
Carrying value	-	1,860	33,619	28,301	-	5,625	-	69,405
Property, plant and equipment that are subject to operating lease (the Group as the lessor)	-	140	6	8,897	-	-	-	9,043

¹ Other movements and transfers also include transfers to/from inventories, impairment/reversal of impairment

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	Rail track infrastructure	Buildings and constructions	Machinery and equipment	Vehicles	Land	Other	Construction-in- progress	Total
Carrying amount as at								
1 January 2022	1,205,831	305,435	266,902	1,071,704	3,960	12,437	172,020	3,038,289
Additions	175	105	1,045	468	4	236	105,771	107,804
Disposals	(31)	(207)	(975)	(2,709)	(8)	(129)	(3)	(4,062)
Lease additions	-	96	-	6,392	-	4	-	6,492
Depreciation charge (Note 5)	(19,489)	(3,827)	(17,605)	(29,723)	-	(962)	-	(71,606)
Depreciation on disposal	23	140	974	2,676	-	125	-	3,938
Other movements and transfers ²	26,643	705	1,652	67,042	-	(462)	(96,998)	(1,418)
Carrying value as at								
30 June 2022 (unaudited)	1,213,152	302,447	251,993	1,115,850	3,956	11,249	180,790	3,079,437
Cost	1,537,771	372,003	527,398	1,691,431	3,956	29,906	192,604	4,355,069
Accumulated depreciation and impairment	(324,619)	(69,556)	(275,405)	(575,581)	-	(18,657)	(11,814)	(1,275,632)
Carrying value as at								
30 June 2022 (unaudited)	1,213,152	302,447	251,993	1,115,850	3,956	11,249	180,790	3,079,437
Including:								
Rights-of-use assets:								
Cost	-	1,956	37,728	66,383	-	8,071	-	114,138
Accumulated depreciation and impairment	-	(589)	(23,831)	(9,367)	-	(2,858)	-	(36,645)
Carrying value	-	1,367	13,897	57,016	-	5,213	-	77,493
Property, plant and equipment that are subject to operating lease (the Group as the lessor)	-	208	4	23,204	-	-	-	23,416

² Other movements and transfers also include transfers to/from inventories, impairment/reversal of impairment

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7. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

For the six months ended 30 June, movements in investments in associates and joint ventures are presented as follows:

	2022	2021
Associates		
As at 1 January	26,793	21,218
Foreign exchange difference on translation of foreign operations	11,116	1,005
Share in profit	235	5,098
Dividends receivable	(2,695)	(3,984)
As at 30 June (unaudited)	35,449	23,337
Joint ventures		
As at 1 January	895	-
Additions	-	966
Share in profit/(loss)	44	(10)
Charter capital contributions	58	-
As at 30 June (unaudited)	997	956

As at 30 June 2022, the Group's unrecognised share of the losses of its significant associate, Aktau Marine North Terminal LLP amounted to 9,979 million tenge (31 December 2021: 7,768 million tenge).

8. OTHER NON-CURRENT ASSETS

	30 June 2022 (unaudited)	31 December 2021
Advances paid for property, plant and equipment	93,309	104,054
VAT recoverable	54,625	43,797
Investment property	8,556	8,629
Others	999	1,027
Less: allowance for non-recoverable VAT	(10,380)	(10,380)
Less: allowance for advances for property, plant and equipment	(1,324)	(4,362)
Total other non-financial assets	145,785	142,765
Restricted cash	13,808	13,737
Loans given	6,493	6,146
Loans given to employees	1,899	2,178
Bonds of the second-tier Kazakhstani banks and other credit institutions and other debt securities	1,332	1,262
Long-term trade accounts receivable (Note 11)	51	47
Others	1,049	1,663
Less: allowance for expected credit losses on loans given	(2,482)	(2,349)
Less: allowance for expected credit losses on other non-current financial assets	(672)	(877)
Total other financial assets	21,478	21,807
	167,263	164,572

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Restricted cash primarily represents amounts in euro pledged as collateral for loans received from HSBC France. The restriction on the use of funds will be removed after the repayment of these loans.

As at 30 June 2022, advances paid for property, plant and equipment included the following:

	30 June 2022 (unaudited)	31 December 2021
Supply of electric locomotives	63,655	68,036
Capital repairs of the railway	9,726	-
Supply of diesel locomotives	8,347	4,996
Purchase of rails	3,004	21,356
Construction of a ferry complex at Kuryk Port	2,139	2,244
Others	6,438	7,422
	93,309	104,054

9. CASH AND CASH EQUIVALENTS

	30 June 2022 (unaudited)	31 December 2021
Short-term bank deposits in tenge	42,917	128,371
Short-term bank deposits in Russian roubles	-	597
Cash in bank current accounts, in tenge	32,220	30,653
Cash in bank current accounts, in US Dollars	13,285	13,098
Cash in bank current accounts, in Russian roubles	4,979	2,482
Cash in bank current accounts, in euro	663	1,667
Cash in bank accounts, in other currencies	478	1,158
Petty cash	38	5
Less: allowance for expected credit losses on cash and cash equivalents	(8)	(31)
	94,572	178,000

As at 30 June 2022, the weighted average interest rate for cash in current accounts was 1.51% per annum in tenge and 1.38% per annum in other currencies (31 December 2021: 1.75% in tenge and 1.92% in other currencies).

Short-term bank deposits in tenge and in foreign currencies are placed for various periods of up to three months, depending on the Group's cash needs. As at 30 June 2022, the weighted average interest rate for short-term bank deposits was 13.38% in tenge (31 December 2021: 9.18% in tenge and 8% in other currencies).

The Group places most of its cash and cash equivalents in banks and other financial institutions rated between A+ and B. Based on this, the Group believes that the cash and cash equivalents credit risk as at 30 June 2022 is low.

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

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10. INVENTORIES

	30 June 2022 (unaudited)	31 December 2021
Fuel and lubricants	13,672	9,401
Track structure materials	11,924	11,050
Materials and supplies	11,809	10,995
Spare parts	7,301	7,129
Construction materials	1,258	1,278
Production in progress	120	117
Others	3,475	3,463
	49,559	43,433
Less: allowance for inventories	(894)	(1,032)
	48,665	42,401

11. TRADE ACCOUNTS RECEIVABLE

	30 June 2022 (unaudited)	31 December 2021
Trade accounts receivable	29,393	28,541
Less: allowance for expected credit losses	(7,604)	(5,246)
	21,789	23,295
Current portion of trade accounts receivable	21,738	23,248
Non-current portion of trade accounts receivable (Note 8)	51	47
	21,789	23,295

As at 30 June 2022, trade accounts receivable from contracts with customers amounted to 27,999 million tenge (31 December 2021: 26,031 million tenge), expected credit losses on these trade accounts receivable for the six months ended 30 June 2022 amounted to 6,701 million tenge (31 December 2021: 3,060 million tenge).

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12. OTHER CURRENT ASSETS

	30 June 2022 (unaudited)	31 December 2021
Other taxes prepaid	42,477	41,874
Advances paid	9,456	6,777
Deferred expenses	1,217	1,223
Others	4,381	4,702
Less: allowance for impairment of advances given and other current non-financial assets	(5,958)	(6,034)
Total other non-financial assets	51,573	48,542
Subsidies	33,172	-
Dividends receivable	3,164	-
Claims, interest and fines	2,652	1,721
Amounts due from employees	1,814	1,664
Others	10,251	2,973
Less: allowance for expected credit losses on other current financial assets	(2,056)	(2,116)
Total other financial assets	48,997	4,242
	100,570	52,784

Subsidies mainly include amounts provided for by the republican budget program “Subsidizing the coupon rate on carrier bonds issued for the development of the main railway network and rolling stock of railway transport” (Note 14).

13. EQUITY

Contributions

Share issue

For the six months ended 30 June 2022, the Shareholder made a contribution of 607 units of wheel sets with a total market value of 239 million tenge in exchange for a 1 share issued by the Group. As at 30 June 2022, the Group recorded this transaction in additional paid-in capital as legal registration of the share has not been completed.

For the six months ended 30 June 2021, the Group issued 37,859 shares, in payment for intangible assets in the amount of 3,786 million tenge that were received from the Shareholder.

Hedging reserve

On 7 August 2015, the Group hedged cash flows to reduce the risk of changes in tenge equivalent revenues denominated in Swiss Francs. The principal of Eurobonds issued on 20 June 2014 on the Swiss stock exchange and maturing on 20 June 2022 are used as hedging instruments, and which are separately identifiable and reliably estimated. A highly probable revenue stream forecast relating to transit traffic 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.

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As at 30 June 2022, hedge accounting was discontinued due to the receipt of revenue from freight transportation in international (transit) route, which is the hedge 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 54,442 million tenge (Note 19).

During the six months ended 30 June 2022, the effective portion of 2,445 million tenge was allocated to the hedging reserve in other comprehensive income in the form of a net loss on the hedging instrument (2021: 2,527 million tenge in the form of net profit).

Foreign currency translation reserve

The currency translation reserve is used to account for foreign exchange differences caused by 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 consolidated financial statements.

14. BORROWINGS

As at 30 June 2022 and 31 December 2021, borrowings, including accrued interest, consisted of the following:

	30 June 2022 (unaudited)		31 December 2021	
	Value	Weighted average effective interest rate (%)	Value	Weighted average effective interest rate (%)
<i>Fixed interest rate borrowings and debt securities issued</i>				
Borrowings received	426,600		240,890	
- in tenge	353,329	11.98	164,644	7.51
- in Euros	73,271	6.57	76,246	6.57
Debt securities issued	1,042,885		1,158,930	
- in tenge	472,503	10.81	468,570	10.81
- in US Dollars	445,726	6.95	396,207	6.95
- in Swiss Francs	124,656	3.25	207,321	3.42
- in other currencies	-	-	86,832	8.75
<i>Variable interest rate borrowings and debt securities issued</i>				
Borrowings received	11,343		124,017	
- in tenge	11,343	12.90	13,066	12.39
- in Russian Roubles	-	-	110,951	11.00
Debt securities issued	50,995		53,375	
- in tenge	50,995	11.02	53,375	9.92
	1,531,823		1,577,212	
Current portion of borrowings	248,088		215,809	
Non-current portion of borrowings	1,283,735		1,361,403	
	1,531,823		1,577,212	

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED) (in millions of Tenge, unless otherwise stated)

Borrowings received

Halyk Bank of Kazakhstan JSC

For the six months ended 30 June 2021, the Group, represented by the Company and subsidiary KTZ – Freight Transportation LLP, within the framework of a credit line agreement with Halyk Bank of Kazakhstan JSC concluded on 26 February 2015, received borrowings in the total amount of 108,000 million tenge with an interest rate of 14.5%-16% and maturity date of up to six months.

In June 2022, the Group made partial early repayment of borrowings received in the amount of 20,000 million tenge.

Forte Bank JSC

In June 2022, the Group, represented by the Company, within the framework of a credit line agreement with Forte Bank JSC concluded on 13 June 2022, received borrowings in the total amount of 60,000 million tenge with an interest rate of 15.5% and maturity date of up to three months.

Citibank Kazakhstan JSC

In May 2022, the Group, represented by a subsidiary KTZ-Freight Transportation LLP, within the framework of a Master agreement with Citibank Kazakhstan on short-term loans, concluded on 30 November 2009, received borrowings in the total amount of 12,650 million tenge with an interest rate of 17% and maturity date of up to 1 year.

The Shareholder

The Group, represented by the Company, under a loan agreement with the Shareholder concluded on 25 May 2022, received borrowings in the total amount of 30,000 million tenge with an interest rate of 14.5% and maturity date of up to 2 months.

HSBC France

In January – March 2022, the Group, represented by a subsidiary KTZ-Freight Transportation LLP, under the General Framework Agreement with HSBC France from 31 May 2012, together with HSBC Bank Plc and DB “HSBC Kazakhstan” JSC, guaranteed by the COFACE export and credit agency to finance the purchase of electric freight and passenger locomotives for 880,877,000 euros, borrowed 9,329,499 Euros (4,699 million tenge) (including the COFACE premium). Interest is repaid semi-annually at EUR CIRR + a 0.4% margin which is fixed at each tranche date. Principal is repaid semi-annually until fully repaid in 2031.

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 (93,681 million tenge) and 5,064 million tenge, respectively. In March 2022, the Group made an early repayment of principal and accrued interest on these loans.

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FOR THREE AND SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED)**
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Debt securities issued

State subsidy of the interest rate

In May 2020, the Group, represented by the Company, entered into a contract with the Transport Committee of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan to subsidise part of the coupon rate in the amount of 307,194 million tenge, on bonds issued in 2019 at the coupon rate of 11.5% per annum and used for early repayment of Eurobonds issued in 2017 in the amount of 780,000,000 US Dollars, which in turn were attracted and utilised for infrastructure modernization, updating locomotives and freight cars. The Agreement stipulates that the amount of subsidy should be provided for under the Republican budget program No. 010 «Subsidising the coupon rate on the carrier's Bonds issued for the development of the main railway network and rolling stock of railway transport» (further the «Program»). Since the budget 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.

For the six months ended 30 June 2022, the Group recognised income from government subsidies under the Program in the amount of 14,592 million tenge as part of financial income. In addition, the Group recognized deferred income in the amount of 14,592 million tenge as part of other current liabilities as at 30 June 2022.

Fair value of borrowings is disclosed in Note 27.

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 assets disposal, limitations on mergers and consolidations with other legal entities. In the event of default, as defined by the debt securities’ indenture, investors are entitled to require repayment of the debt securities.

According to finance lease agreements with Industrial Development Fund JSC being accounted for by the Group as borrowings, the Group shall comply with certain non-financial covenants.

EBRD loan agreements include certain financial coefficients (covenants), such as Adjusted Debt to Adjusted EBITDA, Adjusted Debt to Equity and Interest Coverage Ratios (based on Adjusted EBITDA) calculated based on consolidated results of the Group semi-annually. As at 30 June 2022, these condition were met.

The Group reached new agreements with HSBC France regarding financial and non-financial covenants - starting from 2020, the Group shall comply with the covenant that the Company has any two of the three corporate ratings (S&P, Fitch, Moody's) at a level not lower than BB. As at 30 June 2022 this covenant was met.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED)

(in millions of Tenge, unless otherwise stated)

Reconciliation of changes in liabilities and cash flows from financing activity

	2022			2021		
	Borrowings and debt securities issued	Lease liabilities (Note 15)	Total	Borrowings and debt securities issued	Lease liabilities (Note 15)	Total
As at 1 January	1,577,212	59,798	1,637,010	1,570,179	50,186	1,620,365
Changes due to cash flows from financing activities						
Repayment of principal on borrowings	(317,549)	-	(317,549)	(34,413)	-	(34,413)
Proceeds from borrowings	210,650	-	210,650	-	-	-
Repayment of lease liabilities	-	(5,028)	(5,028)	-	(6,275)	(6,275)
Total changes due to cash flows from financing activities	(106,899)	(5,028)	(111,927)	(34,413)	(6,275)	(40,688)
Other changes						
Effect of changes in foreign exchange rates	33,658	199	33,857	10,316	(42)	10,274
Cash flows hedging	2,445	-	2,445	(2,527)	-	(2,527)
Purchase of property, plant and equipment through borrowings	4,095	-	4,095	7,882	-	7,882
New lease agreements	-	3,031	3,031	-	10,246	10,246
Interest expenses and amortisation of discount, including those capitalised	65,281	4,222	69,503	60,375	3,249	63,624
Interest paid	(43,393)	(2,999)	(46,392)	(41,309)	(2,841)	(44,150)
Other changes	(576)	311	(265)	(243)	129	(114)
Total other changes attributable to liabilities	61,510	4,764	66,274	34,494	10,741	45,235
As at 30 June (unaudited)	1,531,823	59,534	1,591,357	1,570,260	54,652	1,624,912

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15. LEASE LIABILITIES

	30 June 2022 (unaudited)		31 December 2021	
	Lease payments	Present value of lease payments	Lease payments	Present value of lease payments
Within one year	24,370	23,265	27,269	25,355
From two to five years inclusive	35,148	22,389	36,592	22,857
Over five years	62,582	13,880	55,996	11,586
Net liabilities	122,100	59,534	119,857	59,798
Net of future financial costs	(62,566)	-	(60,059)	-
Present value of lease liabilities	59,534	59,534	59,798	59,798
Less amount due within 12 months		(23,265)		(25,355)
Amount to be repaid after 12 months		36,269		34,443

Lease agreements with Industrial Development Fund JSC

Platform cars

In November 2020, the Group, represented by its subsidiary KTZ Express JSC, entered into lease agreements with Industrial Development Fund JSC to lease 2,000 platform cars for 51,692 million tenge with 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.

During the six months ended 30 June 2022, the Group received 277 platform cars under this agreement and recognized right-of-use assets in the amount of 6,392 million tenge for 32 years as well as lease liability in the amount of 2,934 million tenge with a maturity of 15 years.

As at 30 June 2022, the calculation of interest amount is based on effective interest rates ranging between 2.5% and 21.69% (31 December 2021: from 2.5% to 21.69%).

Requirements related to financial leasing agreements of the Group, represented by subsidiaries KTZ Express JSC and Kaztemirtrans JSC, with Industrial Development Fund JSC, include, but are not limited to conditions related to restrictions on: change of legal status through voluntary liquidation; conclusion of an agreement or several agreements, the amount of which exceeds 25% of the carrying value of assets; transfer of leased items or part of leased items to sublease. In the event of events of default, determined by the terms of financial leasing agreements, the lessor has the right to demand uncontested reclamation of the leased items.

All lease liabilities are primarily denominated in tenge, except for the other equipment for which the lease liabilities are denominated in US Dollars.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED) (in millions of Tenge, unless otherwise stated)

16. TRADE ACCOUNTS PAYABLE

	30 June 2022 (unaudited)	31 December 2021
Accounts payable for services provided	56,549	56,208
Accounts payable for inventories received	32,138	26,287
Accounts payable for the supply of property, plant and equipment	12,886	29,336
Other accounts payable	3,356	4,700
	104,929	116,531

As at 30 June 2022 and 31 December 2021, trade accounts payable were expressed in the following currencies:

	30 June 2022 (unaudited)	31 December 2021
Tenge	86,517	105,782
US Dollars	11,650	4,634
Euro	5,092	3,995
Other currencies	1,670	2,120
	104,929	116,531

17. CONTRACT LIABILITIES

	30 June 2022 (unaudited)	31 December 2021
Advances received on contracts with customers	64,172	82,920
Deferred income	18,527	12,390
	82,699	95,310

The revenue recognised in the reporting period, which was included in the balance of advances received and deferred income at the beginning of the year amounted to 85,672 million tenge (2021: 66,420 million tenge).

Contract liabilities as at 30 June 2022 will be recognised as revenue within 12 months after the reporting date.

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18. OTHER LIABILITIES

	30 June 2022 (unaudited)	31 December 2021
Deferred income (government grants)	46,595	24,453
Provisions for unused vacation and other employee benefits	26,670	23,265
Provisions	2,236	4,291
Advances received	2,149	701
Others	4,612	3,310
Total other non-financial liabilities	82,262	56,020
Liabilities under financial guarantee contracts	29,666	29,953
Salary payable	22,596	7,563
Obligatory pension contributions, social contributions, insurance and obligatory medical insurance contributions	10,104	9,696
Others	9,340	7,876
Total other financial liabilities	71,706	55,088
	153,968	111,108
Current portion of other liabilities	97,972	56,611
Non-current portion of other liabilities	55,996	54,497
	153,968	111,108

As disclosed in Note 25, the Group has provided financial guarantees to banks on loans received by the entities of Nursultan Nazarbayev International Airport JSC and Aktobe Rail and Section Mill Plant LLP and an associate of Transtelecom JSC, and has recognised obligations under financial guarantee agreements. As at 30 June 2022, liabilities under financial guarantee agreements amounted to 15,438 million tenge for Nursultan Nazarbayev International Airport JSC, 13,800 million tenge for Aktobe Rail and Section Mill Plant LLP and 428 million tenge for Transtelecom JSC (31 December 2021: 15,476 million tenge for Nursultan Nazarbayev International Airport JSC, 13,953 million tenge for Aktobe Rail and 524 million tenge for Transtelecom JSC).

Provisions include provisions for agreements under which as at 30 June 2022, there is a high probability that an outflow of resources embodying economic benefits will be required to settle the liabilities. Provisions were recognised through other profit or losses.

As at 30 June 2022 and 31 December 2021, other liabilities were primarily denominated in tenge.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED) (in millions of Tenge, unless otherwise stated)

19. REVENUE

For three and six months ended 30 June 2022 and 2021, revenue from freight transportation included:

	For the three months ended 30 June		For the six months ended 30 June	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Revenue from contracts with customers:				
Domestic route	93,474	87,786	178,758	163,090
International (transit) route	106,526	110,770	170,986	202,833
International (export) route	55,061	49,236	109,547	94,643
International (import) route	35,067	34,821	72,378	65,698
Additional charges related to the transportation process	14,450	11,044	27,086	22,647
Other revenue from freight transportation	9,262	15,042	22,836	25,539
	313,840	308,699	581,591	574,450

During the six months ended 30 June 2022, the Group received international (transit) freight transportation revenue, which is the cash flow hedged item, therefore, the accumulated loss in the amount of 54,442 million attributable to the hedging instrument was reclassified from other comprehensive loss to freight transportation revenue (Note 13).

For the three and six months ended 30 June 2022 and 2021, revenue from passenger transportation included:

	For the three months ended 30 June		For the six months ended 30 June	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Revenue from contracts with customers:				
Passenger transportation	16,823	11,084	30,793	20,144
Other revenue from freight transportation	2,445	1,719	4,374	3,293
	19,268	12,803	35,167	23,437

20. OTHER REVENUE

	For the three months ended 30 June		For the six months ended 30 June	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Revenue from the sale of goods, provision of other services and fines	13,196	7,391	22,945	18,731
Revenue from lease of wagons	3,401	1,221	4,520	2,579
Revenue from the lease of other property, plant and equipment	993	611	1,990	1,353
	17,590	9,223	29,455	22,663

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED) (in millions of Tenge, unless otherwise stated)

Revenue from the sale of goods and the provision of other services mainly consists of income from cargo handling, ship maintenance, and the sale of materials and scrap metal.

The Group leases out wagons 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 option to purchase cars and other property, plant and equipment at the end of the lease term.

Revenue from fines is mainly represented by revenue from penalties related to untimely clearing of goods from destination stations and for violation of the terms of business contracts.

21. COST OF SALES

	For the three months ended 30 June		For the six months ended 30 June	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Staff costs, including taxes, contributions and provisions for unused vacations	108,746	76,905	219,962	157,295
Fuel and lubricants	38,411	29,844	83,318	58,042
Repairs and maintenance	40,777	36,257	76,098	67,259
Depreciation and amortisation	34,720	33,014	69,601	66,804
Work and services of a production nature	16,447	14,827	32,650	28,111
Electricity	11,872	13,067	27,029	26,330
Materials and supplies	7,082	9,362	13,626	15,587
Property tax and other taxes than social tax and social contributions	6,849	6,327	13,388	12,594
Other costs	10,650	8,836	22,857	18,774
	275,554	228,439	558,529	450,796

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED) (in millions of Tenge, unless otherwise stated)

22. GENERAL AND ADMINISTRATIVE EXPENSES

	For the three months ended 30 June		For the six months ended 30 June	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Staff costs, including taxes, contributions and provisions for unused vacation	13,823	10,573	27,767	24,423
Accrual of allowances for expected credit losses on accounts receivable and impairment of short-term advances paid	3,894	2,340	4,667	2,132
Property tax and other taxes than social tax and social contributions	2,286	2,050	3,701	5,665
Depreciation and amortisation	1,075	1,253	2,137	2,522
Other third party services	909	476	1,538	931
Consulting, audit and legal services	308	33	689	566
Business trip expenses	410	210	652	394
Operating lease expenses	344	245	543	521
Utilities and building maintenance	121	149	381	409
Telecommunication services	143	165	294	312
Insurance	120	73	294	209
Banking services	136	128	231	235
Other expenses	2,825	2,532	5,046	4,291
	26,394	20,227	47,940	42,610

23. FINANCE INCOME AND COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Finance income				
Income from interest rate subsidies on financial liabilities	15,102	242	15,582	363
Interest income on cash and cash equivalents	2,165	2,089	5,287	4,019
Other financial income	887	873	1,908	1,898
	18,154	3,204	22,777	6,280
	For the three months ended 30 June		For the six months ended 30 June	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Finance costs				
Interest expenses and amortisation of discount on borrowings	30,197	30,076	62,534	59,813
Lease interest expenses	2,058	1,688	4,222	3,249
Other finance costs	207	198	341	271
	32,462	31,962	67,097	63,333

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED) (in millions of Tenge, unless otherwise stated)

24. EARNINGS PER SHARE

Basic earnings per share are calculated using the weighted average number of common shares issued during the period. Basic and diluted per share data are the same, as there are no dilutive instruments outstanding. As at 30 June 2022 and 31 December 2021, the Company had no outstanding antidilutive instruments.

	For the three months ended 30 June		For the six months ended 30 June	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Weighted average of common shares	496,692,665	496,655,638	496,692,665	496,655,224
Profit/(loss) for the period attributable to the Shareholder, (million tenge)	37,762	42,052	(31,325)	67,324
Profit/(loss) per share (tenge)	76	85	(63)	136

The carrying amount of one share as at 30 June 2022 and 31 December 2021 is presented below:

	30 June 2022 (unaudited)	31 December 2021
Net assets, not including intangible assets, goodwill and non-controlling interests, million tenge	1,260,473	1,226,586
Number of common shares in circulation (registered)	496,692,665	496,692,665
Carrying amount of one share (tenge) ³	2,538	2,470

25. FINANCIAL AND CONTINGENT LIABILITIES

Capital commitments

As at 30 June 2022, the Group had commitments, including under lease agreements with Industrial Development Fund JSC, for the purchase of long rails and for the purchase of freight and passenger electric locomotives, freight and passenger diesel locomotives and freight cars for a total amount of 1,561,714 million tenge (31 December 2021: 1,613,814 million tenge).

Commitments under lease agreements with Industrial Development Fund JSC

In August 2017, the Group, represented by its subsidiary KTZ Express JSC, concluded contracts for the lease of 1,995 platform cars, with a total cost of 33,264 million 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 30 June 2022, platform cars with a total value of 26,862 million tenge had not been delivered. By the end of 2022, the Group plans to sign an addendum to the lease contract to reduce the quantity of wagons to the actually delivered quantity as at 30 June 2022 in the amount of 6,402 million tenge.

³ Carrying amount of shares is calculated in accordance with KASE requirements.

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In November 2020, the Group, represented by its subsidiary KTZ Express JSC, signed a contract for the lease of 2,000 platform cars with a total cost of 51,692 million 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 30 June 2022, the amount of the commitments for undelivered platform cars amounted to 19,798 million tenge.

Other contractual liabilities

As at 30 June 2022, the Group, represented by its subsidiary KTZ Express JSC, had an agreement for the provision of freight handling and freight storage services in the future. The Agreement stipulate that the Group has to acquire a minimum volume of freight storage services for 10 years and make substantial payments in relation for such volumes.

Group management 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 started execution of the obligations under the Agreement. Group management believes that as at 30 June 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 30 June 2022 and 31 December 2021. It is not possible to determine the value of any unasserted claims that may manifest, 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 consolidated financial statements.

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Insurance

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

Guarantees

As at 30 June 2022, guarantees were represented as follows:

Creditor	Purpose of the guarantee	Guarantee issue date	Guarantee period	Guarantee amount, million tenge (unaudited)
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	17,787
Development Bank of Kazakhstan JSC	Execute the obligations of Nursultan Nazarbayev International Airport JSC to finance its modernisation	28 March 2018	until 2033	22,500
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	2,628
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	5,990

Note 18 discloses the carrying value of these guarantees.

As at 30 June 2022 and 31 December 2021 there were no cases of using the financial guarantees listed above.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED) (in millions of Tenge, unless otherwise stated)

26. RELATED PARTY TRANSACTIONS

The nature of related party relationships for those related parties with which the Group entered into significant transactions or had significant balances outstanding as at 30 June 2022 (unaudited) and 31 December 2021 are detailed below.

		Shareholder	Associates	Joint ventures in which the Group is a partner	Companies making up the Shareholder Group	Other related parties ⁴
Amounts due from related parties for goods, services and non-current assets including advances paid	2022	-	2,561	-	628	17
	2021	-	4,748	-	356	5
<i>including allowances for expected credit losses and impairment of advances paid</i>	2022	-	(1,686)	-	(30)	-
	2021	-	(35)	-	(23)	-
Amounts due to related parties for goods, services and non-current assets including advances received	2022	-	11,928	-	3,346	2,551
	2021	-	19,425	-	2,722	2,437
Restricted cash	2022	-	-	-	-	118
	2021	-	-	-	-	117
Borrowings received	2022	159,946	-	-	-	74,513
	2021	128,769	-	-	-	72,720
Lease liabilities	2022	-	22,808	-	-	31,193
	2021	48	27,012	-	-	27,291
Dividends receivable	2022	-	3,110	-	-	-
	2021	-	-	-	-	-

⁴ Other related parties include other entities under the common control of the Ultimate Shareholder.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED) (in millions of Tenge, unless otherwise stated)

Related party transactions for the six months ended 30 June (unaudited) are detailed below:

		Shareholder	Associates	Joint ventures in which the Group is a partner	Companies making up the Shareholder Group	Other related parties ⁵
Sale of goods, services and non- current assets	2022	-	60,297	-	4,850	1,405
	2021	-	63,557	-	5,640	322
(Accrued)/ recovered allowances for expected credit losses and impairment of advances paid	2022	-	(1,651)	-	(17)	-
	2021	-	(64)	-	5	-
Purchase of goods, services and non- current assets	2022	-	13,062	-	9,136	1,433
	2021	-	12,719	-	5,945	788
Receipt of loans	2022	30,000	-	-	-	-
	2021	-	-	-	-	-
Repayment of loans received	2022	1,175	-	-	-	538
	2021	1,175	-	-	-	538
New lease agreements (Group as lessee)	2022	-	95	-	-	2,934
	2021	-	25	-	-	-
Lease liability payments	2022	49	5,694	-	-	1,659
	2021	98	7,921	-	-	447
Finance income	2022	-	96	-	-	38
	2021	-	224	-	-	17
Finance costs	2022	5,278	1,447	-	-	5,356
	2021	4,763	2,339	-	-	3,346
Dividends declared	2022	-	2,695	-	-	-
	2021	-	3,984	-	-	-
Share capital contribution	2022	-	-	-	-	-
	2021	3,786	-	-	-	-

As at 30 June 2022 and 31 December 2021, the Group has borrowings from Industrial Development Fund JSC and Development Bank of Kazakhstan JSC for a total of 74,513 million tenge and 71,720 million tenge, respectively.

⁵ Other related parties include other entities under the common control of the Ultimate Shareholder.

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As at 30 June 2022 and 31 December 2021, the Group issued guarantee on certain borrowings of the associate and other related and third parties to ensure the execution of obligations to the banks (Notes 18 and 25).

As at 30 June 2022, Group's borrowings from the Shareholder were mainly received at rates below market varying from 0.075% to 2% and maturity varying from 13 to 50 years and at initial recognition were reflected at fair value at rates from 5.4% to 11.5%.

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), 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 15 persons for the six months ended 30 June 2022 (2021: 14 persons). Total compensation to key management personnel included in personnel costs in the consolidated statement of profit or loss and other comprehensive income comprised 193 million tenge for the six months ended 30 June 2022 (2021: 380 million tenge). Compensation to key management personnel mainly consists of contractual salary costs and bonuses based on operational results.

27. FINANCIAL INSTRUMENTS. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

In preparation of these statements, the same methodologies and assumptions for calculating the fair value of financial instruments were used as in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2021.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED) (in millions of Tenge, unless otherwise stated)

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

As at 30 June 2022 and 31 December 2021, the fair value of financial assets and financial liabilities, except for loans issued, borrowings and debt securities issued, was not significantly different from their carrying amount. The carrying amount and fair value of loans issued and received, debt securities issued (bonds) and other financial assets as at 30 June 2022 and 31 December 2021 are presented as follows:

	30 June 2022 (unaudited)		31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans issued	4,011	3,543	3,797	5,299
Other financial assets	22,436	22,731	15,031	15,031
Loans received	437,943	420,772	364,907	359,599
Debt securities	1,093,880	961,095	1,212,305	1,330,260

Fair value hierarchy

The table below provides an analysis of financial instruments as at 30 June 2022 (unaudited) broken down into the fair value hierarchy levels.

	Level 1	Level 2	Level 3	Total
Financial assets at amortised cost:				
- loans issued	-	3,543	-	3,543
- other financial assets	-	22,658	-	22,658
Other financial assets at fair value through profit or loss	-	-	73	73
Total	-	26,201	73	26,274
Financial liabilities at amortised cost:				
- debt securities	920,058	-	-	920,058
- debt securities from related parties	41,037	-	-	41,037
- bank loans	-	328,594	-	328,594
- loans from related parties	-	92,178	-	92,178
Total	961,095	420,772	-	1,381,867

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED) (in millions of Tenge, unless otherwise stated)

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
Financial assets at amortised cost:				
- loans issued	-	5,299	-	5,299
- other financial assets	-	14,930	-	14,930
Other financial assets at fair value through profit of loss	-	-	101	101
Total	-	20,229	101	20,330
Financial liabilities at amortised cost:				
- debt securities	1,288,064	-	-	1,288,064
- debt securities from related parties	42,196	-	-	42,196
- bank loans	-	298,145	-	298,145
- loans from related parties	-	61,454	-	61,454
Total	1,330,260	359,599	-	1,689,859

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.

For the six months ended 30 June 2022, there were no transfers between the hierarchy levels.

28. EVENTS AFTER THE REPORTING DATE

Dividends received

On 5 July 2022, the Group received dividends for 2021 in the amount of 2,670 million tenge (317,142,638 Russian Roubles) from an associate of United Transport and Logistics Company - Eurasian Rail Alliance JSC.

Borrowings received

On 12 July 2022, under the credit line Agreement with Citibank Europe Plc concluded on 16 June 2022, the Group received 29,999,995 US Dollars (13,945 million tenge) with an interest rate of 4.61% and a maturity of up to 3 months.

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Early repayment of loans

In July 2022, within the credit line Agreement with Forte Bank JSC concluded on 13 June 2022, the Group made and early partial repayment of loans received in the total amount of 30,000 million tenge.

In July 2022, within the credit line Agreement with Halyk Bank JSC concluded on 26 February 2015, the Group made early partial repayment of loans received in the total amount of 20,000 million tenge.

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 118,945 million tenge with coupon rate TONIA Compounded 6M+3% margin and maturity date of 22 July 2022. The coupon is paid twice a year.