

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

Condensed Interim Consolidated
Financial Statements
For three months ended 31 March 2022
(unaudited)

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 MONTHS ENDED 31 MARCH 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 financial position of the Company and its subsidiaries (the "Group") as at 31 March 2022, and the consolidated results of its operations, consolidated cash flows and consolidated changes in equity for three 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:

- ensuring the correct selection and application of 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 of IAS 34 is insufficient to enable 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 accounting records in compliance with local legislation and IFRSs;
- taking such steps as are reasonably available to them to safeguard the Group's assets; and
- detecting and preventing fraud and other irregularities.

These condensed interim consolidated financial statements for three months ended 31 March 2022 were approved for issue by management on 20 May 2022.

On behalf of management of the of the Group:



Dair Kusherov
Finance Director

20 May 2022



Yelena Stankova
Chief Accountant

20 May 2022

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2022 (in millions of tenge)

	Notes	31 March 2022 (unaudited)	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	6	3,059,060	3,038,289
Goodwill		15,520	15,520
Intangible assets		15,758	16,481
Investments in joint ventures	7	945	895
Investments in associates	7	30,594	26,793
Deferred tax assets		59	145
Other non-current assets	8	166,290	164,572
Total non-current assets		3,288,226	3,262,695
Current assets			
Cash and cash equivalents	9	111,906	178,000
Inventories	10	47,123	42,401
VAT recoverable		31,354	34,417
Trade accounts receivable	11	28,588	23,248
Contract assets		6,608	6,644
Prepaid income tax		2,678	3,945
Other current assets	12	65,033	52,680
		293,290	341,335
Distribution to the Shareholder		104	104
Total current assets		293,394	341,439
Total assets		3,581,620	3,604,134
EQUITY AND LIABILITIES			
Equity			
Share capital		1,086,085	1,086,085
Hedging reserve	13	-	(51,997)
Foreign currency translation reserve		11,402	9,925
Retained earnings		145,487	214,574
Equity attributable to the Shareholder		1,242,974	1,258,587
Non-controlling interests		14,349	13,855
Total equity		1,257,323	1,272,442

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2022 (CONTINUED) (in millions of tenge)

	Notes	31 March 2022 (unaudited)	31 December 2021
Non-current liabilities			
Borrowings	14	1,291,612	1,361,403
Deferred tax liabilities		315,451	308,300
Employee benefit obligations		37,594	37,083
Lease liabilities	15	36,770	34,443
Other non-current liabilities	18	57,136	54,497
Total long-term liabilities		1,738,563	1,795,726
Current liabilities			
Borrowings	14	279,785	215,809
Trade accounts payable	16	94,724	116,531
Contract liabilities	17	75,292	95,310
Lease liabilities	15	23,904	25,355
Other taxes payable		14,472	17,250
Employee benefit obligations		9,100	9,100
Other current liabilities	18	88,457	56,611
Total current liabilities		585,734	535,966
Total liabilities		2,324,297	2,331,692
Total equity and liabilities		3,581,620	3,604,134

On behalf of management of the Group:


Dair Kusherov
Finance Director

20 May 2022


Yelena Starkova
Chief Accountant

20 May 2022

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

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFITS AND LOSSES AND OTHER COMPREHENSIVE INCOME FOR THREE MONTHS ENDED 31 MARCH 2022 (UNAUDITED) (in millions of tenge)

	Notes	Three months ended 31 March	
		2022	2021
Continuing operations			
Revenue and other income			
Revenue from freight transportation	19	267,751	265,751
Revenue from passenger transportation	19	15,899	10,634
Government grants		6,281	6,183
Other revenue	20	11,865	13,440
Total revenue and other income		301,796	296,008
Cost of sales	21	(282,975)	(222,357)
Gross profit		18,821	73,651
General and administrative expenses	22	(21,546)	(22,383)
Finance income	23	4,623	3,076
Finance costs	23	(34,635)	(31,371)
Foreign exchange (loss)/gain		(33,160)	4,786
Share of the profit of associates and joint ventures	7	2,488	2,201
Asset impairment reversal		2,887	236
Other profit or losses, net		986	1,316
(Loss)/profit before income tax		(59,536)	31,512
Income tax expenses		(9,057)	(6,026)
(Loss)/profit for the period		(68,593)	25,486
Other comprehensive (loss)/income 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	(2,445)	4,973
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		1,477	189
Other comprehensive income for the period		53,474	5,162
Total comprehensive (loss)/income for the period		(15,119)	30,648
(Loss)/profit for the period attributable to:			
The Shareholder		(69,087)	25,272
Non-controlling interests		494	214
		(68,593)	25,486
Total comprehensive (loss)/income for the period attributable to:			
The Shareholder		(15,613)	30,434
Non-controlling interests		494	214
		(15,119)	30,648
(Loss)/earnings per share, in tenge	24	(139)	51

On behalf of management of the Group:


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Finance Director

20 May 2022


Yelena Stankova
Chief Accountant

20 May 2022

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KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THREE MONTHS ENDED 31 MARCH 2022 (UNAUDITED) (in millions of tenge)

	Notes	Three months ended 31 March	
		2022	2021
Cash flows from operating activities:			
(Loss)/profit for the period		(68,593)	25,486
Income tax expenses recognised in profit or loss, including discontinued operations		9,057	6,026
Adjustments for:			
Depreciation and amortisation		35,980	35,096
Finance costs		34,635	31,371
Asset impairment reversal		(2,887)	(236)
Finance income		(4,623)	(3,076)
Post-employment benefits and other long-term employee benefit expenses		1,904	559
Share of the profit of associates and joint ventures	7	(2,488)	(2,201)
Reclassification of the loss on cash flow hedging instruments to the loss for the period	13,19	54,442	-
Foreign exchange (loss)/gain		33,160	(4,786)
Others		6,237	540
Operating income before changes in working capital and other balances		96,824	88,779
Change in trade accounts receivable		(8,833)	(7,224)
Change in inventories		(3,878)	(166)
Change in other current and non-current assets (including long-term VAT recoverable)		(16,919)	(1,959)
Change in trade accounts payable		3,761	(11,268)
Change in other taxes payable		(3,132)	(12,747)
Change in other liabilities		6,139	11,731
Change in employee benefit obligations		(1,393)	(170)
Cash generated from operations		72,569	66,976
Interest paid		(10,028)	(9,322)
Interest received		2,676	1,656
Income tax paid		(252)	(530)
Net cash flows from operating activities		64,965	58,780
Cash flows from investing activities:			
Purchase of property, plant and equipment, including advances paid for property, plant and equipment		(58,982)	(56,535)
Proceeds from the sale of other non-current assets		719	561
Others		(1,579)	225
Net cash flows from investing activities		(59,842)	(55,749)

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THREE MONTHS ENDED 31 MARCH 2022 (UNAUDITED) (CONTINUED) (in millions of tenge)

	Notes	Three months ended 31 March	
		2022	2021
Cash flows from financing activities:			
Proceeds from borrowings		40,000	-
Repayment of borrowings		(103,026)	(28,266)
Repayment of lease liabilities		(3,222)	(2,544)
Others		-	(60)
Net cash flows from financing activities		(66,248)	(30,870)
Net decrease in cash and cash equivalents		(61,125)	(27,839)
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		(4,977)	(63)
Effect of changes in the allowance for expected credit losses		8	(5)
Cash and cash equivalents at the end of the year	9	111,906	127,500
Non-cash transactions:			
Purchase of property, plant and equipment from borrowed funds by direct bank transfer to the supplier	14	2,317	4,155

On behalf of management of the Group:


Dair Kuserov
Finance Director

20 May 2022


Yelena Stankova
Chief Accountant

20 May 2022

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KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THREE MONTHS ENDED 31 MARCH 2022
(in millions of tenge)**

	Share 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	-	-	-	25,272	25,272	214	25,486
Other comprehensive income for the period	-	4,973	189	-	5,162	-	5,162
Total comprehensive income for the period	-	4,973	189	25,272	30,434	214	30,648
Disposal of subsidiary (Note 13)	-	-	-	-	-	849	849
As at 31 March 2021 (unaudited)	1,082,299	(47,847)	8,977	114,130	1,157,559	12,543	1,170,102
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	-	-	-	(69,087)	(69,087)	494	(68,593)
Other comprehensive income for the period	-	51,997	1,477	-	53,474	-	53,474
Total comprehensive income/(loss) for the period	-	51,997	1,477	(69,087)	(15,613)	494	(15,119)
As at 31 March 2022 (unaudited)	1,086,085	-	11,402	145,487	1,242,974	14,349	1,257,323

On behalf of management of the Group:


Dair Kuserov
Finance Director


Yelena Stankova
Chief Accountant

20 May 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 MONTHS ENDED 31 MARCH 2022 *(in millions of tenge, unless stated otherwise)*

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 services to freight and passenger transportation; 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 regulated tariffs differ based on the type of freight transported. The government does not regulate international transit and container freight transportation tariffs.

In November 2020, the Kazakhstan Ministry of the National Economy’s Committee for the Regulation of Natural Monopolies (“CRNM”) approved 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 from 1 January 2021. Locomotive haulage services were divided into diesel and electric traction. The differentiation led to a 2.7% freight transportation tariff increase for carriages and containers for three months ended 31 March 2022.

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.

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

Changes in the economic situation may have a significant impact on the Group’s future operating results and financial position.

Management of the Group continues to follow the development of COVID-19 and does not expect the pandemic to have a significant impact on the Group’s operations going forward.

At the start of January 2022, Kazakhstan witnessed mass protests, which turned into mass unrest. From 5 to 19 January 2022, a state of emergency was declared across the country. During the protests internet access was restricted across Kazakhstan, bank operations and transactions were

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE MONTHS ENDED 31 MARCH 2022 (CONTINUED) *(in millions of tenge, unless stated otherwise)*

suspended, the stock and commodity exchanges were closed and flights were cancelled. From 5 January 2022 due to closure of railway lines, the movement of trains at some stations had been suspended. From 11 January 2022, the Group has fully ensured the stability of freight and passenger traffic. The situation in Kazakhstan stabilised and was 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 trading and operations and its internal controls.

On 24 January 2022, the Shareholder approved an action plan (the "Plan"), which was developed in pursuance of the assignment by the President of Kazakhstan on the subject of reforming all areas of activity of the Shareholder and its portfolio companies, including the Group. The Plan reflects the implementation of systematic measures to change the personnel policy, the procurement system, initiatives to increase the corporate social responsibility by the Shareholder and its portfolio companies, support business, improve the processes of the compliance service, new approaches to dividend and investment policy, privatization of assets and development of human capital. The Group has started to implement the Plan.

In February 2022, the tenge depreciated significantly against major foreign currencies amid the external geopolitical situation driven by escalating tensions in the region. 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 13.5% 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 April 2022, the base rate was raised to 14%. 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. Thus far, 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 investment to the sector.

According to the Group's strategy until 2029, work was continued in 2021 to improve performance, develop transit traffic 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.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE MONTHS ENDED 31 MARCH 2022 (CONTINUED) *(in millions of tenge, unless stated otherwise)*

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 31 March 2022, current Group liabilities exceeded its current assets by 292,340 million tenge (31 December 2021: 194,527 million tenge). As at 31 March 2022, current liabilities include borrowings of 279,785 million tenge that are payable within 12 months of the reporting date. In addition, in early 2022, Kazakhstan witnessed mass protests, in February 2022, the tenge depreciated significantly against major foreign currencies amid the external geopolitical situation driven by escalating tensions in the region. The impact of these events on the Group's operations is described in Note 1. However, loss for three months ended 31 March 2022 amounted to 68,593 million tenge (2021: profit of 25,486 million tenge), and cash inflows from operating activities amounted 64,965 million tenge (2021: 58,780 million tenge).

Group management has assessed the Group's needs for cash, as well as its scheduled debts 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. As at 31 March 2022, the Group has credit lines available Halyk Bank JSC (20,000 million tenge) and Citibank of Kazakhstan JSC (30,000,000 US\$) with undrawn balances totalling 33,989 million tenge. Management of the Group has been having discussions with investors to refinance borrowings due to be repaid within 12 months of the reporting date. 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, foreign currency exchange rates and other risks that Group is facing. After completing the relevant analysis, taking into account 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 in operational existence and settle its liabilities and that the going concern basis is appropriate in preparing these consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE MONTHS ENDED 31 MARCH 2022 (CONTINUED)
(in millions of tenge, unless stated otherwise)

Basis of preparation of the financial statements

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).

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

These condensed interim consolidated financial statements are 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*).

These amendments have not impacted the condensed interim consolidated financial statements of the Group.

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);

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE MONTHS ENDED 31 MARCH 2022 (CONTINUED) (in millions of tenge, unless stated otherwise)

- 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Significant judgments used 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.

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

The Group performs impairment indicators analysis 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 at 31 March 2022, the Group performed the analysis of impairment indicators of property, plant and equipment, intangible assets and goodwill. Based on the results of the analysis, no impairment indicators have been identified for the three months ended 31 March 2022.

Income tax

For the purposes of the condensed interim consolidated financial statements, the Group calculates income tax expense based on its best estimate of weighted average annual income tax rate expected for the full financial year. The amounts accrued for 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 income tax rate.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE MONTHS ENDED 31 MARCH 2022 (CONTINUED) *(in millions of tenge, unless stated otherwise)*

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

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE MONTHS ENDED 31 MARCH 2022 (CONTINUED) (in millions of tenge, unless stated otherwise)

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

	For the three months ended 31 March 2022 (unaudited)					
	Freight transportation	Passenger transportation	Reportable segments	Others	Consolidation	Total
Key operating indices						
Revenue and other income						
Transportation revenue from third parties	267,751	15,899	283,650	-	-	283,650
Transportation revenue from intersegment transactions	691	14,968	15,659	-	(15,659)	-
Government grants	-	6,281	6,281	-	-	6,281
Other income from third parties	7,950	917	8,867	2,998	-	11,865
Other income from intersegment transactions	6,706	794	7,500	1,845	(9,345)	-
Total revenue and other income	283,098	38,859	321,957	4,843	(25,004)	301,796
Cost of sales	(265,621)	(38,216)	(303,837)	(3,664)	24,526	(282,975)
Gross profit	17,477	643	18,120	1,179	(478)	18,821
General and administrative expenses	(18,921)	(2,065)	(20,986)	(989)	429	(21,546)
Finance income	4,596	300	4,896	238	(511)	4,623
Finance costs	(32,632)	(1,514)	(34,146)	(636)	147	(34,635)
Foreign exchange (loss)/gain	(31,818)	(1,752)	(33,570)	143	267	(33,160)
Share of the profit of associates and joint ventures	2,488	-	2,488	-	-	2,488
Asset impairment reversal/ (impairment)	2,951	(108)	2,843	44	-	2,887
Other profit and losses, net	951	12	963	28	(5)	986
(Loss)/profit before income tax	(54,908)	(4,484)	(59,392)	7	(151)	(59,536)
Income tax expense	(8,571)	(827)	(9,398)	(131)	472	(9,057)
Loss for the period	(63,479)	(5,311)	(68,790)	(124)	321	(68,593)
Other key segment information						
Capital expenditure	31,415	24,214	55,629	302	529	56,460
Depreciation of property, plant and equipment	32,769	2,788	35,557	398	(2)	35,953

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE MONTHS ENDED 31 MARCH 2022 (CONTINUED) (in millions of tenge, unless stated otherwise)

For the three months ended 31 March 2021 (unaudited)						
	Freight transportation	Passenger transportation	Reportable segments	Others	Consolidation	Total
Key operating indices						
Revenue and other income						
Transportation revenue from third parties	265,751	10,634	276,385	-	-	276,385
Transportation revenue from intersegment transactions	108	13,324	13,432	-	(13,432)	-
Government grants	-	6,183	6,183	-	-	6,183
Other income from third parties	9,986	743	10,729	2,711	-	13,440
Other income from intersegment transactions	7,238	99	7,337	1,642	(8,979)	-
Total revenue and other income	283,083	30,983	314,066	4,353	(22,411)	296,008
Cost of sales	(213,169)	(28,121)	(241,290)	(3,125)	22,058	(222,357)
Gross profit	69,914	2,862	72,776	1,228	(353)	73,651
General and administrative expenses	(19,975)	(2,050)	(22,025)	(504)	146	(22,383)
Finance income	3,486	267	3,753	229	(906)	3,076
Finance costs	(30,160)	(964)	(31,124)	(950)	703	(31,371)
Foreign exchange gain/(loss)	4,836	(73)	4,763	10	13	4,786
Share of the profit of associates	2,201	-	2,201	-	-	2,201
Asset impairment reversal/ (impairment)	4,651	(11)	4,640	29	(4,433)	236
Other profit and losses, net	1,271	21	1,292	24	-	1,316
Profit before income tax	36,224	52	36,276	66	(4,830)	31,512
Income tax (expense)/benefit	(2,231)	856	(1,375)	(96)	(4,555)	(6,026)
Profit/(loss) for the period	33,993	908	34,901	(30)	(9,385)	25,486
Other key segment information						
Capital expenditure	48,954	115	49,069	110	173	49,352
Depreciation of property, plant and equipment	32,237	1,965	34,202	581	(1)	34,782

Geographical information of the Group

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

Customer location	For the three months ended 31 March	
	2022 (unaudited)	2021 (unaudited)
Kazakhstan	293,354	285,095
Russia	5,518	8,493
Others	2,924	2,420
	301,796	296,008

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

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FOR THREE MONTHS ENDED 31 MARCH 2022 (CONTINUED)
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6. PROPERTY, PLANT AND EQUIPMENT

	Rail track infrastructure	Buildings and constructions	Machinery and equipment	Vehicles	Land	Others	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	20	2,365	968	39,731	12	16	3,832	46,944
Lease additions	-	332	-	2,007	-	-	-	2,339
Depreciation charge	(8,990)	(2,089)	(9,498)	(13,668)	-	(537)	-	(34,782)
Transfer to assets held for sale	-	-	-	(1,354)	-	-	-	(1,354)
Other movements and transfers ¹	(376)	(2,346)	4,017	7,255	(17)	108	(9,229)	(588)
Carrying value as at 31 March 2021 (unaudited)	1,148,104	319,584	277,368	960,490	3,964	13,764	125,702	2,848,976
Cost	1,441,331	379,636	510,047	1,470,621	3,964	29,396	137,448	3,972,443
Accumulated depreciation and impairment	(293,227)	(60,052)	(232,679)	(510,131)	-	(15,632)	(11,746)	(1,123,467)
Carrying value as at 31 March 2021 (unaudited)	1,148,104	319,584	277,368	960,490	3,964	13,764	125,702	2,848,976
Including:								
Right-of-use assets:								
Cost	-	2,102	47,699	20,350	-	7,295	-	77,446
Accumulated depreciation and impairment	-	(350)	(21,475)	(4,932)	-	(1,230)	-	(27,987)
Carrying value	-	1,752	26,224	15,418	-	6,065	-	49,459
Property, plant and equipment that are subject to operating lease (Group as the lessor)	-	142	10	10,868	-	-	-	11,020

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

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	Rail track infrastructure	Buildings and constructions	Machinery and equipment	Vehicles	Land	Others	Construction-in- progress	Total
Carrying value as at 31 January 2022	1,205,831	305,435	266,902	1,071,704	3,960	12,437	172,020	3,038,289
Additions	175	40	812	11	4	231	49,613	50,886
Lease additions	-	105	-	5,631	-	4	-	5,740
Disposals	(18)	(196)	(331)	(1,426)	(6)	(19)	(1)	(1,997)
Depreciation charge	(9,842)	(1,854)	(9,042)	(14,703)	-	(512)	-	(35,953)
Depreciation on disposal	13	120	331	1,422	-	18	-	1,904
Other movements and transfers ²	25,136	282	1,947	45,502	-	467	(73,143)	191
Carrying amount as at 31 March 2022 (unaudited)	1,221,295	303,932	260,619	1,108,141	3,958	12,626	148,489	3,059,060
Cost	1,535,412	371,436	527,527	1,669,683	3,958	30,326	160,294	4,298,636
Accumulated depreciation and impairment	(314,117)	(67,504)	(266,908)	(561,542)	-	(17,700)	(11,805)	(1,239,576)
Carrying value as at 31 March 2022 (unaudited)	1,221,295	303,932	260,619	1,108,141	3,958	12,626	148,489	3,059,060
Including:								
Right-of-use assets:								
Cost	-	1,907	37,728	65,621	-	8,448	-	113,704
Accumulated depreciation and impairment	-	(525)	(21,366)	(8,165)	-	(2,176)	-	(32,232)
Carrying value	-	1,382	16,362	57,456	-	6,272	-	81,472
Property, plant and equipment that are subject to operating lease (Group as the lessor)	-	210	4	22,362	-	-	-	22,576

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

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7. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

For the three months ended 31 March the movements in investments in associates and joint ventures are as follows:

	2022	2021
Associates		
As at 1 January	26,793	21,218
Foreign exchange difference on translation of foreign operations	1,305	167
Share of profit	2,496	2,201
As at 31 March (unaudited)	30,594	23,586
Joint ventures		
As at 1 January	895	-
Share of loss	(8)	-
Charter capital contributions	58	-
As at 31 March (unaudited)	945	-

As at 31 March 2022, the Group's unrecognized share of the losses of its significant associate, Aktau Marine North Terminal LLP amounted to 9,565 million tenge (31 December 2021: 7,659 million tenge).

8. OTHER NON-CURRENT ASSETS

	31 March 2022 (unaudited)	31 December 2022
Advances paid for property, plant and equipment	95,151	104,054
VAT recoverable	51,449	43,797
Investment property	8,592	8,629
Others	713	1,027
Less: allowance for non-recoverable VAT	(10,487)	(10,380)
Less: allowance for advances for property, plant and equipment	(1,362)	(4,362)
Total other non-financial assets	144,056	142,765
Restricted cash	14,486	13,737
Loans issued	6,316	6,146
Loans to employees	2,062	2,178
Bank loans of commercial banks and other credit institutions, and other debt securities	1,296	1,262
Long-term trade accounts receivable (Note 11)	54	47
Others	1,078	1,663
Less: allowance for expected credit losses on loans paid	(2,414)	(2,349)
Less: allowance for expected credit losses on other non-current financial assets	(644)	(877)
Total other financial assets	22,234	21,807
	166,290	164,572

Restricted cash is mostly amounts in Euros used as security on loans from HSBC France. The cash will be released once the loans have been repaid.

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As at 31 March 2022 and 31 December 2021, advances paid for property, plant and equipment included:

	31 March 2022 (unaudited)	31 December 2022
Locomotives supplies	69,277	68,036
Rail purchases	8,557	21,356
Diesel locomotive supplies	8,347	4,996
Construction of a ferry complex at Kuryk port	2,182	2,244
Others	6,788	7,422
	95,151	104,054

9. CASH AND CASH EQUIVALENTS

	31 March 2022 (unaudited)	31 December 2022
Short-term tenge bank deposits	63,336	128,371
Short-term Russian Rouble bank deposits	576	597
Cash in tenge current bank accounts	31,587	30,653
Cash in US\$ current bank accounts	11,143	13,098
Cash in Russian Rouble current bank accounts	2,625	2,482
Cash in bank accounts in other currencies	2,340	1,667
Petty cash	304	1,158
Less: allowance for expected credit losses on cash and cash equivalents	18	5
Cash in bank accounts in other currencies	(23)	(31)
	111,906	178,000

As at 31 March 2022, the weighted average interest rate on cash in current accounts was 1.13% in tenge and 1.98% in other currencies (31 December 2021: 1.75% in tenge and 1.92% in other currencies).

Short-term tenge and foreign currency deposits are opened for three months and less, depending on the Group's cash needs. As at 31 March 2022, the weighted average interest rate on short-term bank deposits was 12.88% 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+ to B. Based on this, the Group believes that its cash and cash equivalents credit risk as at 31 March 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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10. INVENTORIES

	31 March 2022 (unaudited)	31 December 2022
Track structure materials	13,019	11,050
Fuel and lubricants	12,430	9,401
Materials and supplies	11,013	10,995
Spare parts	6,875	7,129
Construction materials	1,149	1,278
Production in progress	117	117
Others	3,489	3,463
	48,092	43,433
Less: allowance for inventories	(969)	(1,032)
	47,123	42,401

11. TRADE ACCOUNTS RECEIVABLE

	31 March 2022 (unaudited)	31 December 2022
Trade accounts receivable	35,760	28,541
Less: allowance for expected credit losses	(7,118)	(5,246)
	28,642	23,295
Current portion of trade accounts receivable	28,588	23,248
Non-current portion of trade accounts receivable (Note 8)	54	47
	28,642	23,295

As at 31 March 2022, trade accounts receivable that arose as a consequence of contracts with customers amounted to 33,010 million tenge (31 December 2021: 26,031 million tenge), expected credit losses on trade accounts receivable amounted to 4,913 million tenge (31 December 2021: 3,060 million tenge).

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12. OTHER CURRENT ASSETS

	31 March 2022 (unaudited)	31 December 2022
Other taxes prepaid	42,202	41,874
Advances paid	7,013	6,777
Prepaid expenses	870	1,223
Others	4,282	4,598
Less: allowance for the impairment of advances paid and other current non-financial assets	(5,928)	(6,034)
Total other non-financial assets	48,439	48,438
Restricted cash	7,451	236
Government grants	4,093	-
Claims, interest and fines	2,799	1,721
Amounts due from employees	1,684	1,664
Others	2,600	2,737
Less: allowance for expected credit losses on other current financial assets	(2,033)	(2,116)
Total other financial assets	16,594	4,242
	65,033	52,680

13. EQUITY

Hedging reserve

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 March 2022, the hedge accounting was discontinued due to receipt revenue from freight transportation in international (transit) routes, which was the cash flow hedging item, and accordingly, the cumulative loss attributable to this hedging instrument has been reclassified from other comprehensive loss to freight transportation revenue in the amount of 54,442 million tenge (Note 19).

For the three months ended 31 March 2022, the effective portion of 2,445 million tenge was recorded in the hedging reserve in other comprehensive income as net hedging instrument loss (2021: 4,973 million tenge as net profit).

Disposals of subsidiaries

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 million tenge.

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14. BORROWINGS

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

	31 March 2022 (unaudited)		31 December 2021	
	Amount	Weighted average effective interest rate (%)	Amount	Weighted average effective interest rate (%)
<i>Fixed interest rate borrowings</i>				
Loans received	281,594		240,890	
- in tenge	200,007	16.81	164,644	7.51
- in Euros	81,587	6.57	76,246	6.57
Debt securities issued	1,222,981		1,158,930	
- in tenge	477,121	10.81	468,570	10.81
- in US\$	434,913	6.95	396,207	6.95
- in Swiss Francs	223,139	3.42	207,321	3.42
- in other currencies	87,808	8.75	86,832	8.75
<i>Variable interest rate borrowings</i>				
Loans received	12,206		124,017	
- in tenge	12,206	13.16	13,066	12.39
- in Russian Roubles	-	-	110,951	11.00
Debt securities issued	54,616		53,375	
- in tenge	54,616	9.92	53,375	9.92
	1,571,397		1,577,212	
Current portion of borrowings	279,785		215,809	
Non-current portion of borrowings	1,291,612		1,361,403	
	1,571,397		1,577,212	

Loans received

Halyk Bank Kazakhstan JSC

In March 2022, the Group, represented by the Company and its subsidiary KTZ-Freight Transportation LLP, within the framework of the credit line agreement with Halyk Bank Kazakhstan JSC from 26 February 2015, borrowed 40,000 million tenge at 14.5% interest per annum for up to 6 months.

HSBC France

In January-March 2022, the Group, represented by its subsidiary KTZ-Freight Transportation LLP, under the Master Framework Agreement with HSBC France, together with HSBC Bank PLC and HSBC Kazakhstan, and with the support of the COFACE export-credit agency, dated 31 May 2012 to finance the purchase of freight and passenger locomotives for a total of 880,877,000 Euros and its addendums, borrowed 5,053,479 Euros (2,659 million tenge) (including the COFACE premium). Loan interest is paid semi-annually at EUR CIR + 0.4% margin, which is fixed at each tranche date. Principal is paid semi-annually until full repayment in 2031.

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Early repayment of long-term loans

During the three months ended 31 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 and 5,064 million tenge, respectively. In March 2022, the Group made an early repayment of principal and accrued interest on these loans.

The fair value of borrowings is presented 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 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.

EBRD loan agreements include certain financial 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. These terms have been met as at 31 December 2021.

In accordance with arrangements with HSBC France 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 March 2022, this covenant was met.

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Reconciliation of changes in liabilities and cash flows from financing activities

	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						
Loan principal payments	(103,026)	-	(103,026)	(28,266)	-	(28,266)
Proceeds from borrowings	40,000	-	40,000	-	-	-
Lease liability payments	-	(3,222)	(3,222)	-	(2,544)	(2,544)
Total changes due to cash flows from financing activities	(63,026)	(3,222)	(66,248)	(28,266)	(2,544)	(30,810)
Other changes						
Effect of changes in foreign currency exchange rates	28,422	(18)	28,404	(5,353)	24	(5,329)
Cash flow hedging	2,445	-	2,445	(4,973)	-	(4,973)
Acquisition of property, plant and equipment through loans	2,317	-	2,317	4,155	-	4,155
New lease agreements	-	2,689	2,689	-	1,240	1,240
Interest costs and discount amortisation, including capitalised	33,464	2,164	35,628	29,931	1,561	31,492
Interest paid	(9,344)	(1,179)	(10,523)	(8,386)	(1,296)	(9,682)
Other changes	(93)	442	349	(145)	166	21
Total other changes attributable to liabilities	57,211	4,098	61,309	15,229	1,695	16,924
As at 31 March (unaudited)	1,571,397	60,674	1,632,071	1,557,142	49,337	1,606,479

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE MONTHS ENDED 31 MARCH 2022 (CONTINUED) (in millions of tenge, unless stated otherwise)

15. LEASE LIABILITIES

	31 March 2022 (unaudited)		31 December 2021	
	Lease payments	Present value of lease payments	Lease payments	Present value of lease payments
Up to one year	25,302	23,904	27,269	25,355
2-5 years inclusive	36,482	23,207	36,592	22,857
Over 5 years	62,710	13,563	55,996	11,586
Total	124,494	60,674	119,857	59,798
Less future finance costs	(63,820)	-	(60,059)	-
Present cost of lease liabilities	60,674	60,674	59,798	59,798
Less amount due within 12 months		(23,904)		(25,355)
Amount due after 12 months		36,770		34,443

Lease agreements with Industrial Development Fund JSC

Flat wagons

In November 2020, the Group, represented by its subsidiary KTZ Express JSC, entered into an agreement to lease 2,000 flat wagons with a total value of 51,692 million 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 January-March 2022, within the framework of the agreement, the Group received 244 flat wagons and recognised right-of-use assets of 5,631 million tenge for 32 years and a lease liability of 2,583 million tenge for 15 years.

As at 31 March 2022, interest calculations are based on effective interest rates of between 2.5% to 21.69% (31 December 2021: from 2.5% to 21.69%).

The requirements of the Group's lease agreements, represented by the subsidiaries KTZ Express 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 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 predominantly denominated in tenge, except for lease liabilities for other equipment, which are denominated in US\$.

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16. TRADE ACCOUNTS PAYABLE

	31 March 2022 (unaudited)	31 December 2021
Accounts payable for services provided	57,788	56,208
Accounts payable for inventories received	27,777	26,287
Accounts payable for the supply of property, plant and equipment	5,326	29,336
Other accounts payable	3,833	4,700
	94,724	116,531

As at 31 March 2022 and 31 December 2021, trade accounts payable were denominated in the following currencies:

	31 March 2022 (unaudited)	31 December 2021
Tenge	79,514	105,782
US\$	8,574	4,634
Euros	5,321	3,995
In other currencies	1,315	2,120
	94,724	116,531

17. CONTRACT LIABILITIES

	31 March 2022 (unaudited)	31 December 2021
Advances received on contracts with customers	64,201	82,920
Deferred income	11,091	12,390
	75,292	95,310

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 78,360 million tenge (2021: 64,959 million tenge).

Contract liabilities as at 31 March 2022 will be recognised as revenue within 12 months after the reporting date.

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18. OTHER LIABILITIES

	31 March 2022 (unaudited)	31 December 2021
Deferred income (government grants)	26,700	24,427
Provisions for unused vacation and other employee benefits	27,761	23,265
Government grants liabilities	6,637	26
Provisions	2,227	4,291
Advances received	2,448	701
Others	5,948	3,310
Total other non-financial liabilities	71,721	56,020
Financial guarantee contract liabilities	29,915	29,953
Salary payable	25,548	7,563
Obligatory pension contributions, social insurance contributions and obligatory medical insurance contributions	8,791	9,696
Others	9,618	7,876
Total other financial liabilities	73,872	55,088
	145,593	111,108
Current portion of other liabilities	88,457	56,611
Non-current portion of other liabilities	57,136	54,497
	145,593	111,108

As disclosed in Note 25, the Group has provided financial guarantees to banks on loans received by Nursultan Nazarbayev International Airport JSC and Aktobe Rail and Section Mill Plant LLP and an associate Transtelecom JSC, and has recognised obligations under financial guarantee agreements. As at 31 March 2022, liabilities under financial guarantee agreements amounted to 15,458 million tenge for Nursultan Nazarbayev International Airport JSC, 13,933 million tenge for Aktobe Rail and Section Mill Plant LLP and 524 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 Section Mill Plant LLP and 524 million tenge for Transtelecom JSC).

Provisions include provisions for agreements under which as at 31 March 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 31 March 2022 and 31 December 2021, other financial liabilities were primarily denominated in tenge.

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19. REVENUE

For the three months ended 31 March 2022 and 2021, revenue from freight transportation included:

	For the three months ended 31 March	
	2022 (unaudited)	2021 (unaudited)
Revenue from contracts with customers:		
Domestic routes	85,284	75,304
International (transit) routes	64,460	92,063
International (export) routes	54,486	45,407
International (import) routes	37,311	30,877
Additional charges related to the transportation process	12,636	11,603
Other revenue from freight transportation	13,574	10,497
	267,751	265,751

During the three months ended 31 March 2022, the revenue from freight transportation in international (transit) routes, which was the cash flow hedging item, was received and, accordingly, the cumulative loss of 54,442 million tenge attributable to the hedging instrument had been reclassified from other comprehensive loss to revenue from freight transportation (Note 13).

For the three months ended 31 March 2022 and 2021, revenue from passenger transportation included:

	For the three months ended 31 March	
	2022 (unaudited)	2021 (unaudited)
Revenue from contracts with customers:		
Passenger transportation	13,970	9,060
Other revenue from passenger transportation	1,929	1,574
	15,899	10,634

20. OTHER REVENUE

	For the three months ended 31 March	
	2022 (unaudited)	2021 (unaudited)
Revenue from the sale of goods and provision of other services	8,525	7,240
Revenue from fines	1,224	4,100
Revenue from the lease of wagons	1,119	1,358
Revenue from the lease of other property, plant and equipment	997	742
	11,865	13,440

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 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

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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 wagons 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.

21. COST OF SALE

	For the three months ended 31 March	
	2022 (unaudited)	2021 (unaudited)
Staff costs, including taxes, contributions and provisions for unused vacations	111,216	80,390
Fuel and lubricants	44,907	28,198
Repairs and maintenance	35,320	31,002
Depreciation and amortisation	34,881	33,790
Work and services of a production nature	16,203	13,284
Electricity	15,157	13,263
Materials and supplies	6,544	6,225
Property tax and other taxes than social tax and social contributions	6,539	6,267
Insurance	2,748	2,455
Other costs	9,460	7,483
	282,975	222,357

22. GENERAL AND ADMINISTRATIVE COSTS

	For the three months ended 31 March	
	2022 (unaudited)	2021 (unaudited)
Staff costs, including taxes, contributions and provisions for unused vacation	13,944	13,850
Property tax and other taxes other than social tax and social contributions	1,415	3,615
Depreciation and amortisation	1,062	1,269
Accrual/(recovery) of allowances for expected credit losses of accounts receivable and impairment of short-term advances paid	773	(208)
Various third party services	629	455
Consulting, audit and legal services	381	533
Utilities and building maintenance	260	260
Business trip expenses	242	184
Lease expenses	199	276
Expenses to hold celebrations and cultural and mass events	190	124
Insurance	174	136
Employee benefit expenses and other long-term employee benefits	167	92
Telecommunication services	151	147
Expenses to maintain social sphere facilities	106	87
Other expenses	1,853	1,563
	21,546	22,383

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23. FINANCE INCOME AND COSTS

	For the three months ended 31 March	
	2022 (unaudited)	2021 (unaudited)
Finance income		
Interest on cash and cash equivalents	3,122	1,930
Other financial income	1,501	1,146
	4,623	3,076

	For the three months ended 31 March	
	2022 (unaudited)	2021 (unaudited)
Finance costs		
Interest costs and loan discount amortisation	32,337	29,737
Lease interest expenses	2,164	1,561
Other finance costs	134	73
	34,635	31,371

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 31 March 2022 and 2021, the Company had no outstanding antidilutive instruments.

	For the three months ended 31 March	
	2022 (unaudited)	2021 (unaudited)
Weighted average of common shares	496,692,665	496,654,806
(Loss)/profit for the period attributable to the Shareholder (million tenge)	(69,087)	25,272
(Loss)/profit per common share (tenge)	(139)	51

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

	31 March 2022 (unaudited)	31 December 2021
Net assets excluding intangible assets, goodwill and non-controlling interests	1,211,696	1,226,586
Quantity of common shares in circulation (registered)	496,692,665	496,692,665
Carrying amount of one share (tenge)³	2,440	2,470

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

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25. FINANCIAL AND CONTINGENT LIABILITIES

Investment commitments

As at 31 December 2021, the Group had liabilities, including 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 of 1,598,52 million tenge (31 December 2021: 1,613,814 million 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 cars for 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 31 March 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 waggons to the actually delivered quantity as at 31 March 2022 in the amount of 6,402 million tenge.

In November 2020, the Group, represented by its subsidiary KTZ Express JSC, entered into an agreement to lease 2,000 platform cars for 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 31 March 2022, the commitment for the undelivered platform cars was 20,651 million tenge.

Other contractual liabilities

As at 31 March 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 with its associate Aktau Marine North Terminal LLP, Sberbank SB JSC and Inter Port Development PTE LTD. 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 March 2022, the outflow of resources embodying economic benefits under this Agreement is not highly probable.

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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 March 2022 and 31 December 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 consolidated financial statements.

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.

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Guarantees

As at 31 March 2022, guarantees were presented as follows:

Creditor	Purpose of the guarantee	Guarantee issue date	Guarantee period	Guarantee amount, million tenge
Development Bank of Kazakhstan JSC	Execute the obligations of 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	17,897
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	3,066
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	7,487

Note 18 discloses the carrying value of these guarantees.

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

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26. RELATED PARTIES 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 31 March 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	-	1,725	-	424	6
	2021	-	4,748	-	356	5
<i>including allowances for expected credit losses and impairment of advances paid</i>	2022	-	(134)	-	(25)	-
	2021	-	(35)	-	(23)	-
Amounts due to related parties for goods, services and non-current assets, including advances received	2022	-	12,616	-	717	2,494
	2021	-	19,425	-	2,722	2,437
Restricted cash	2022	-	-	-	-	2
	2021	-	-	-	-	117
Loans received	2022	127,100	-	-	-	74,134
	2021	128,769	-	-	-	72,720
Lease liabilities	2022	-	24,110	-	-	30,863
	2021	48	27,012	-	-	27,291

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

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Related party transactions for the three months ended 31 March (unaudited) are presented as follows:

		Shareholder	Associates	Joint ventures in which the Group is a partner	Companies making up the Shareholder group	Other related parties ⁴
Sale of goods, services and non- current assets	2022	-	33,741	-	1,365	695
	2021	-	28,760	-	1,356	158
Recovered/(accrued) allowances for expected credit losses and impairment of advances paid	2022	-	(100)	-	(1)	-
	2021	-	(59)	-	8	-
Purchase of goods, services and non- current assets	2022	-	6,649	-	503	383
	2021	-	6,247	-	869	348
Repayment of loans received	2022	1,175	-	-	-	10
	2021	1,175	-	-	-	10
New lease agreements (Group as lessee)	2022	-	104	-	-	-
	2021	-	25	-	-	-
	2022	49	3,775	-	-	278
Lease payments	2021	49	3,245	-	-	278
	2022	-	-	-	-	19
Finance income	2021	-	-	-	-	8
	2022	2,424	821	-	-	2,840
Finance costs	2021	2,379	1,219	-	-	1,457

As at 31 March 2022 and 31 December 2021, the Group has borrowings from Industrial Development Fund JSC and Development Bank of Kazakhstan JSC for a total of 74,134 million tenge and 72,720 million tenge, respectively.

As at 31 March 2022 and 31 December 2021, the Group issued guarantees on certain borrowings of an associate, other related and third parties to ensure the execution of bank obligations (Notes 18 and 25).

As at 31 March 2022, Group 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),

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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 13 persons for the three months ended 31 March 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 99 million tenge for the three months ended 31 March 2022 (2021: 155 million tenge). Compensation to key management personnel mainly consists of contractual salary costs.

27. FINANCIAL INSTRUMENTS. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which an instrument could be exchanged in a current transaction between knowledgeable willing parties according to arm's length conditions, other than in a forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgement is needed to arrive at a fair value, based on current economic conditions and the 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 as at 31 December 2021.

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 31 March 2022 and 31 December 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 March 2022 and 31 December 2021 are presented as follows:

	31 March 2022 (unaudited)		31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans issued	3,902	3,834	3,797	5,299
Other financial assets	23,012	24,690	15,031	15,031
Borrowings	293,800	288,561	364,907	359,599
Debt securities	1,277,597	1,205,574	1,212,305	1,330,260

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

	Level 1	Level 2	Level 3	Total
Financial assets at amortised cost:				
- loans issued	-	3,834	-	3,834
- other financial assets	-	24,589	-	24,589
Other financial assets at fair value through profit or loss	-	-	101	101
Total		28,423	101	28,524
Financial liabilities recognised at amortised cost:				
- debt securities	1,164,938	-	-	1,164,938
- debt securities from related parties	40,636	-	-	40,636
- bank loans	-	228,114	-	228,114
- loans from related parties	-	60,447	-	60,447
Total	1,205,574	288,561	-	1,494,135

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 or loss	-	-	101	101
Total	-	20,229	101	20,330
Financial liabilities recognised 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.

During the three months ended 31 March 2022, there were no transfers between the hierarchy levels.

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28. EVENTS AFTER THE REPORTING DATE

Borrowings received

On 28 April 2022, the Company, within the framework of the credit line agreement with Halyk Bank Kazakhstan JSC from 26 February 2015, borrowed 20,000 million tenge at 15% interest rate per annum for up to 3 months.

On 28 April 2022, the Group, represented by its subsidiary KTZ-Freight Transportation LLP, under the Master Framework Agreement with HSBC France, together with HSBC Bank PLC and HSBC Kazakhstan, and with the support of the COFACE export-credit agency, dated 31 May 2012 to finance the purchase of freight and passenger locomotives for a total of 880,877,000 Euros and its addendums, borrowed 4,276,020 Euros (2,040 million 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.