

# **KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC**

Consolidated financial statements  
for the year ended 31 December 2022

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Management of Kazakhstan Temir Zholy National Company JSC ("the Company") is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of the Company and its subsidiaries (collectively – "the Group") as at 31 December 2022, and the consolidated results of its operations, consolidated cash flows and consolidated changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board.

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

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and consolidated financial performance; 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 consolidated financial statements of the Group comply with IFRSs;
- 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.

The consolidated financial statements of the Group for the year ended 31 December 2022 were approved for issue by management on 13 March 2023, pre-approved by the Audit Committee of the Board of Directors of the Company and subject to further approval by the Board of Directors and the Shareholder.

On behalf of management of the Group:



13 March 2023

  
Yelena Stankova  
Chief Accountant

13 March 2023

## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the consolidated financial statements of Kazakhstan Temir Zholy National Company JSC (hereinafter – “the Company”) and its subsidiaries (together – “the Group”), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”).

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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**Why the matter was determined to be a key audit matter?**

**How the matter was addressed in the audit?**

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

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At each reporting date the Group assesses whether there is an indication that assets may be impaired. If any indication exists, or when annual impairment testing of goodwill is required, the Group estimates the asset's recoverable amount.

The Group's property, plant and equipment, which is mainly represented by infrastructure and rolling stock, comprises 81% of the Group's total assets. Management defined that the Group represents a single cash-generating unit, which required significant management judgement.

As at 31 December 2022, the management of the Group performed an analysis of external and internal impairment indicators that required management to apply significant judgement. As a result of the analysis, the management of the Group did not identify any events or circumstances occurred in 2022 that should be considered as impairment indicators of the Group's single cash-generating unit as at 31 December 2022. However, due to the existence of goodwill, the Group has made an estimate of the cash-generating unit's recoverable amount, which was determined by calculating their value in use based on the Group's cash flow forecast.

Value in use reflects management's estimations of the future cash flows derived from the assets use, the expectations about the amount or timing of those future cash flows, and other assumptions, which are subjective in nature.

We performed the following procedures:

- evaluated the appropriateness of the management's identification of a single cash-generating unit,
  - evaluated whether the Group analysis of impairment indicators of property, plant and equipment is accurate and complete and in line with the requirements of IAS 36 *Impairment of Assets*,
  - held meetings with management of the Group, examined internal communication to management and Board of Directors minutes in order to evaluate information consistency with the analysis provided by the management and to identify information that potentially might have effect on the impairment indicators analysis,
  - evaluated whether the methodology applied and the model used to calculate the value in use are in line with the requirements of IAS 36 *Impairment of Assets*,
  - challenged assumptions used in the determining the discount rate and recalculated it with the assistance of our valuation specialists,
  - evaluated contradictory information and evidence obtained in relation to significant assumptions used in the impairment model including the discount rate, projected foreign exchange rates, tariffs growth, freight turnover growth, as well as expected capital expenditures for assets' maintenance and replacement,
  - challenged projected cash flows, including revenue and operating profit growth assumptions, based on historical data, market forecasts, the Group's cash flow forecast. We also analysed the accuracy of the management's preceding forecasts, appropriateness of the assumptions used in the forecasts, and their consistency with the plans approved by the Board of Directors,
  - assessed the completeness and adequacy of disclosures in the consolidated financial statements.
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**Why the matter was determined to be a key audit matter?****How the matter was addressed in the audit?**

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Due to the material total amount of property, plant and equipment and goodwill and the significance of the professional judgements described above and their potential impact on the consolidated financial statements we determined the impairment of property, plant and equipment and goodwill to be a key audit matter. Please refer to Notes 4 and 6.

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**Liquidity and the going concern principle**

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As at 31 December 2022, the Group's current liabilities exceeded its current assets by 118,431 million tenge. Current liabilities include borrowings of 256,506 million tenge payable due within twelve months after the reporting date.

As disclosed in Note 15, the terms of the long-term loans received from EBRD and HSBC Continental Europe (formerly – "HBSC France") with a carrying value of 9,627 million tenge and 69,197 million tenge, respectively, include certain covenants, whereby non-compliance may result in the loans becoming payable on demand.

Due to the above matters, critical judgements are required by management in respect of the sufficiency of the Group's liquid assets and its ability to settle the current obligations in a due course. Management's plans in respect of this matter are disclosed in Notes 2 and 31.

Given the pervasiveness of the effect of the going concern conclusion to the consolidated financial statements, this is considered to be a key audit matter.

Our audit procedures in respect of the going concern principle were mainly focused on a critical evaluation of the key assumptions made and conclusions reached by management and included the following:

- examined the correctness of classification of assets and liabilities as current and non-current,
- analysed management's evaluation of the going concern principle and their plans to settle current liabilities, assessing the Group's committed and available funding and ensuring that the management's plans appropriately reflect the current and anticipated future economic environment,
- assessed any mitigating actions available to management to improve the Group's liquidity and going concern position to the extent necessary, including an assessment of whether such actions are within the control of management,
- analysed current and expected events and conditions, including financial and operating indicators, which could cast doubts on the Group's ability to continue as a going concern,
- analysed the most recent cash flow forecast and the management downside scenarios affecting the Group's liquidity and its ability to settle obligations, including the ability to generate a sufficient level of cash flows from operating activities to serve and timely settle its borrowings, as well as the impact of possible exchange rate fluctuations on liabilities and revenues,

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**Why the matter was determined to be a key audit matter?****How the matter was addressed in the audit?**

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- examined the documents supporting the availability of financing sources, including credit agreements, negotiations with financial institutions, Board of Directors' minutes and Letter of Support from the Shareholder,
  - analysed the terms of the loan agreements and related financial and non-financial covenants,
  - recalculated financial covenants as at the reporting date for mathematical accuracy,
  - evaluated external matters that could be an indicator of adverse events and conditions, which may impact the Group's operations, and
  - assessed the completeness and adequacy of information disclosed in the consolidated financial statements.
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**Other Information**

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and



- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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



Zhangir Zhilybayev  
General Director  
Deloitte LLP

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

Almaty, Republic of Kazakhstan  
13 March 2023

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

(in millions of tenge)

	Notes	31 December 2022	31 December 2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	3,241,505	3,038,289
Goodwill		15,520	15,520
Intangible assets		14,416	16,481
Investments in joint ventures	7	165	895
Investments in associates	7	28,634	26,793
Deferred tax assets	18	63	145
Other non-current assets	8	200,967	164,572
<b>Total non-current assets</b>		<b>3,501,270</b>	<b>3,262,695</b>
<b>Current assets</b>			
Cash and cash equivalents	9	266,956	178,000
Inventories	10	45,029	42,401
VAT recoverable		37,809	34,417
Trade accounts receivable	11	14,773	23,248
Contract asset		3,065	6,644
Prepaid income tax		2,139	3,945
Other current assets	12	79,056	52,784
		<b>448,827</b>	<b>341,439</b>
Assets held for sale	13	45,825	-
<b>Total current assets</b>		<b>494,652</b>	<b>341,439</b>
<b>Total assets</b>		<b>3,995,922</b>	<b>3,604,134</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	14	1,086,324	1,086,085
Hedging reserve	14	-	(51,997)
Foreign currency translation reserve		12,138	9,925
Retained earnings		348,377	214,574
Equity attributable to the Shareholder		1,446,839	1,258,587
Non-controlling interests		15,853	13,855
<b>Total equity</b>		<b>1,462,692</b>	<b>1,272,442</b>

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED) AS AT 31 DECEMBER 2022 (in millions of tenge)

	Notes	31 December 2022	31 December 2021
<b>Non-current liabilities</b>			
Borrowings	15	1,430,825	1,361,403
Deferred tax liabilities	18	357,491	308,300
Employee benefit obligations	17	37,406	37,083
Lease liabilities	16	38,861	34,443
Other non-current liabilities	21	55,564	54,497
<b>Total non-current liabilities</b>		<b>1,920,147</b>	<b>1,795,726</b>
<b>Current liabilities</b>			
Borrowings	15	256,506	215,809
Trade accounts payable	19	117,207	116,531
Contract liabilities	20	119,393	95,310
Lease liabilities	16	14,221	25,355
Other taxes payable		22,540	17,250
Employee benefit obligations	17	6,213	9,100
Other current liabilities	21	76,972	56,611
		<b>613,052</b>	<b>535,966</b>
Liabilities directly attributable to assets held for sale	13	31	-
<b>Total current liabilities</b>		<b>613,083</b>	<b>535,966</b>
<b>Total liabilities</b>		<b>2,533,230</b>	<b>2,331,692</b>
<b>Total equity and liabilities</b>		<b>3,995,922</b>	<b>3,604,134</b>

On behalf of management of the Group:



**A. Dair Kuserov**  
Finance Director

13 March 2023

  
**Yelena Stankova**  
Chief Accountant

13 March 2023

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

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of tenge, unless stated otherwise)

	Notes	2022	2021
<b>Revenue and other income</b>			
Revenue from freight transportation	22	1,283,513	1,184,271
Revenue from passenger transportation	22	88,421	57,256
Government grants	5	38,205	39,235
Other revenue	23	71,326	47,775
<b>Total revenue and other income</b>		<b>1,481,465</b>	<b>1,328,537</b>
Cost of sales	24	(1,204,233)	(980,898)
<b>Gross profit</b>		<b>277,232</b>	<b>347,639</b>
General and administrative expenses	25	(93,063)	(90,777)
Finance income	26	61,099	17,847
Finance costs	26	(144,860)	(126,268)
Foreign exchange loss	31	(34,143)	(11,147)
Share of the profit of associates and joint ventures	7	8,547	10,826
Impairment losses on financial assets and contract asset		(5,702)	(131)
Impairment losses on non-financial assets		(617)	(1,934)
Other profit and losses		(69)	8,688
<b>Profit before tax</b>		<b>68,424</b>	<b>154,743</b>
Corporate income tax expenses	18	(31,541)	(34,132)
<b>Profit for the year</b>		<b>36,883</b>	<b>120,611</b>
<b>Other comprehensive income, net of income tax:</b>			
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Remeasurement of employee benefit obligations	17	4,214	345
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net fair value (loss)/profit on cash flow hedging instruments	14	(2,445)	823
Reclassification of the loss on cash flow hedging instruments	14,22	54,442	-
Foreign exchange difference on translation of foreign operations		2,213	1,137
<b>Other comprehensive income for the year</b>		<b>58,424</b>	<b>2,305</b>
<b>Total comprehensive income for the year</b>		<b>95,307</b>	<b>122,916</b>
<b>Profit for the year attributable to:</b>			
The Shareholder		34,887	119,085
Non-controlling interests		1,996	1,526
		<b>36,883</b>	<b>120,611</b>
<b>Total comprehensive income attributable to:</b>			
The Shareholder		93,309	121,390
Non-controlling interests		1,998	1,526
		<b>95,307</b>	<b>122,916</b>
Earnings per share, in tenge	27	70	240

On behalf of management of the Group:



**Dair Kusherov**  
Finance Director

13 March 2023

  
**Yelena Stankova**  
Chief Accountant

13 March 2023

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

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of tenge)


	Notes	2022	2021
<b>Cash flows from operating activities:</b>			
Profit for the year		36,883	120,611
Income tax expenses recognised in profit or loss, including discontinued operations		31,541	34,132
Adjustments for:			
Depreciation and amortisation		145,946	140,846
Finance costs	26	144,860	126,268
Impairment losses on financial assets and contract asset		5,702	131
Impairment losses on non-financial assets		617	1,934
Finance income	26	(61,099)	(17,847)
Post-employment benefits and other long-term employee benefit expenses	24,25	9,143	6,113
Share of the profit of associates and joint ventures		(8,547)	(10,826)
Foreign exchange loss	31	34,143	11,147
Reclassification of the loss on cash flow hedging instruments	14,22	54,442	-
Others		13,351	748
<b>Operating income before changes in working capital and other balances</b>		<b>406,982</b>	<b>413,257</b>
Change in trade accounts receivable		(5,032)	(19,372)
Change in inventories		379	(2,647)
Change in other current and non-current assets (including long-term VAT recoverable)		(76,159)	10,916
Change in trade accounts payable		20,219	20,679
Change in other taxes payable		3,706	(12,864)
Change in other liabilities and contract liabilities		32,929	25,902
Change in employee benefit obligations		(7,493)	(3,041)
<b>Cash generated from operations before interest and income tax payments</b>		<b>375,531</b>	<b>432,830</b>
Interest paid		(118,930)	(119,450)
Interest received		8,631	8,893
Income tax paid		(2,889)	(5,706)
<b>Net cash flows from operating activities</b>		<b>262,343</b>	<b>316,567</b>
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment, including advances paid for property, plant and equipment		(340,353)	(256,843)
Proceeds from the sale of property, plant and equipment		122	3,427
Proceeds from the sale of other non-current assets		1,932	2,330
Dividends received from associates and joint ventures		7,675	5,743
Investments acquired in joint ventures		(70)	(4,752)
Others		(1,606)	127
<b>Net cash flows used in investing activities</b>		<b>(332,300)</b>	<b>(249,968)</b>

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

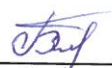
## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (millions of tenge)

	Notes	2022	2021
<b>Cash flows from financing activities:</b>			
Proceeds from borrowings	15	1,137,878	125,839
Repayment of borrowings	15	(956,465)	(156,007)
Repayment of lease liabilities	15	(17,334)	(12,274)
Others		(2,397)	(1,619)
<b>Net cash flows generated from/(used in) financing activities</b>		<b>161,682</b>	<b>(44,061)</b>
<b>Net increase in cash and cash equivalents</b>		<b>91,725</b>	<b>22,538</b>
Cash and cash equivalents at the beginning of the year	9	178,000	155,407
Effect of changes in foreign exchange rates on cash and cash equivalent balances held in foreign currency		(2,691)	64
Effect of changes in the allowance for expected credit losses		(2)	(9)
<b>Cash and cash equivalents at the end of the year</b>	9	<b>267,032</b>	<b>178,000</b>
<b>Non-cash transactions:</b>			
Purchase of property, plant and equipment from borrowed funds by direct bank transfer to the supplier	15	5,706	27,705

On behalf of management of the Group:

  
Dair Kuserov  
Finance Director

13 March 2023

  
Yelena Stankova  
Chief Accountant

13 March 2023

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



# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022 (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 year	-	-	-	119,085	119,085	1,526	120,611
Other comprehensive income for the year	-	823	1,137	345	2,305	-	2,305
Total comprehensive income for the year	-	823	1,137	119,430	121,390	1,526	122,916
Issue of share capital (Note 14)	3,786	-	-	-	3,786	-	3,786
Other contributions (Note 14)	-	-	-	6,286	6,286	-	6,286
Disposal of subsidiary (Note 14)	-	-	-	-	-	849	849
As at 31 December 2021	1,086,085	(51,997)	9,925	214,574	1,258,587	13,855	1,272,442
As at 1 January 2022	1,086,085	(51,997)	9,925	214,574	1,258,587	13,855	1,272,442
Profit for the year	-	-	-	34,887	34,887	1,996	36,883
Other comprehensive income for the year	-	51,997	2,213	4,212	58,422	2	58,424
Total comprehensive income for the year	-	51,997	2,213	39,099	93,309	1,998	95,307
Issue of share capital (Note 14)	239	-	-	-	239	-	239
Other contributions (Note 14)	-	-	-	94,704	94,704	-	94,704
As at 31 December 2022	1,086,324	-	12,138	348,377	1,446,839	15,853	1,462,692



On behalf of management of the Group:

Dair Kuserov  
Finance Director

Yelena Stankova  
Chief Accountant

13 March 2023

13 March 2023

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

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 *(millions of tenge, unless stated otherwise)*

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### 1. GENERAL INFORMATION

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

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

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

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

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

#### **Operating environment**

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

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

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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The conflict between Russia and Ukraine escalated in early 2022. As a result, several countries introduced economic sanctions against Russia and Belarus, including measures to ban new investment and block major financial institutions and many state enterprises.

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

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

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

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

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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**2. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS**

**Statement of compliance**

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the IASB.

**Going concern**

The Group's 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 December 2022, current Group liabilities exceeded its current assets by 118,431 million tenge (31 December 2021: 194,527 million tenge). As at 31 December 2022, current liabilities include borrowings of 256,506 million tenge that are payable within twelve months of the reporting date. In addition, at the start of 2022, Kazakhstan witnessed mass protests, in February 2022 the tenge depreciated significantly against major foreign currencies amid the external geopolitical situation. The impact of these events on the Group's operations is described in Note 1. However, profit for the year ended 31 December 2022 amounted to 36,883 million tenge (2021: 120,611 million tenge), and cash inflows from operating activities amounted to 262,343 million tenge (2021: 316,567 million tenge).

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

In assessing its going concern status, management also considered the Group's financial position, expected future performance and cash flows from operations, its borrowings, available credit facilities, its capital expenditure commitments, expected tariff growth, exchange rates and other risks that Group is facing. Besides that, the Group received Letter of Support from the Shareholder regarding its intent and ability to render the Group continuous ongoing financial and operating support in the foreseeable future. After completing the relevant analysis and the available mitigating actions to management whereby management can carry out certain actions to improve the going concern and liquidity position of the Group, the management concluded that the Group has adequate resources to continue in operational existence and settle its liabilities (Note 31) and that the going concern basis is appropriate in preparing these consolidated financial statements.

**Basis for measurement**

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

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of Tenge, unless stated otherwise)

### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by it and by the subsidiaries listed in Note 29. The Group's investments in which it has significant influence are accounted for using the equity method. All intragroup transactions, balances, and unrealised gains and losses of the Group are eliminated on consolidation.

### Functional and presentation currency

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

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

Monetary assets and liabilities denominated in foreign currencies are translated to the entity's functional currency at the exchange rate effective at the reporting date. All differences arising from a change in exchange rates subsequent to the transaction date recognised in profit or loss. Non-monetary items carried at fair value and denominated in foreign currencies are translated at the rates prevailing at the date when fair value was determined. Non-monetary items measured in terms of historical cost in a foreign currency are not translated. Foreign exchange gains or losses in profit or loss are presented separately in the consolidated statement of profit or loss and other comprehensive income.

The following table presents foreign currency exchange rates to tenge:

	31 December 2022	31 December 2021	Weighted average rate for 2022	Weighted average rate for 2021
US\$	462.65	431.80	460.48	426.03
Euros	492.86	489.10	484.22	503.88
Swiss Francs	501.19	473.15	482.60	466.13
Russian Roubles	6.43	5.76	6.96	5.79

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Adoption of new and revised standards

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

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

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

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

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

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

#### Significant accounting policies

##### Property, plant and equipment

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

##### Subsequent costs

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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Costs are capitalised only if those costs qualify for recognition as assets in accordance with IAS 16 *Property, Plant and Equipment*.

*Construction-in-progress*

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

**Leases**

*The Group as lessee*

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

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

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

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

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

At the commencement date, the Group measures the right-of-use asset at cost that includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs incurred by the lessee. The right-of-use asset is subsequently measured according to the accounting policy that is applied for own assets, including for depreciation and amortisation and impairment measurement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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The recognised right-of-use asset is depreciated over the shorter period of expected useful life of the underlying asset or lease term. If the lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects the Group's intent to purchase, the related right-of-use asset is depreciated over the useful life of the underlying asset.

The Group presents lease liabilities in the consolidated statement of financial position as a separate line (Note 16), while right-of-use assets are presented within the same line item as that within which the corresponding underlying assets would be presented if they were owned, i.e. within property, plant and equipment (Note 6) and intangible assets.

*The Group as lessor*

The Group enters into lease agreements as a lessor with respect to some of its property, plant and equipment items (Notes 6 and 23).

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

**Borrowing costs**

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

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

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

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

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

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**Inventories**

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

**Financial instruments**

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

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

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

Wherein:

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

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

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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**Derivative financial instruments**

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

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

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

**Assets held for sale**

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

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

**Equity**

*Share capital*

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

Consideration received for common shares yet to be legally registered is recognised as additional paid-in capital until they are registered, when any proceeds are transferred to share capital.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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*Other contributions*

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

*Other distributions*

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

**Hedge accounting**

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

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

*Cash flow hedges*

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

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

Hedge accounting is discontinued when:

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

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

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**Government grants**

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

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

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

**Revenue**

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

*Revenue from freight transportation services*

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

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

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

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

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

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

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

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

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

*Revenue from passenger transportation services*

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

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

*Other revenue*

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

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

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

**Sale and lease back transactions**

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

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

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

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

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

**Critical judgements in applying accounting policies**

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

*Control assessment*

Subsidiaries are those entities controlled by the Group. The Group controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. Losses are attributed to non-controlling interests in full, even if this results in a debit balance ("deficit") (Note 29).

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

*Loans at a rate below the market interest rate*

The Group receives loans from the Shareholder/Ultimate Shareholder at a rate below the market rate for similar loans in arm's length transactions. These loans are initially recognised at the fair value of the consideration received less directly attributable transaction costs. The Group calculates the fair value (amortised cost) of these loans using market rates on governmental long-term treasury bonds with comparable maturities, given the Group's status as a monopolist in the Kazakhstan railway industry and 100% state ownership, and recognises an adjustment to the loan value (less the related deferred tax) within equity. When no comparable maturities exist, the Group extrapolates the most comparable market rates to the life of the loan received by the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

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

*Assets classified as held for sale*

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

*Cash-generating unit identification*

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

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

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

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

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

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

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

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

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

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

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

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

Since financing was provided at preferential interest rates and the terms were provided exclusively to finance the upgrade of the Passenger transportation JSC passenger carriage fleet based on a Kazakhstan Government Resolution, the Group considers these transactions as transactions with the ultimate Shareholder and recognises fair value adjustments of the loans received at below market rate through equity within retained earnings as other contributions (Notes 14 and 15).

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**Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period for which there is a significant risk they may cause a material adjustment to the carrying amounts of assets and liabilities during the next financial year.

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

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

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

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

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

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

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

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

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

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

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

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

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

*Recoverability of VAT*

As at each reporting date, the Group assesses the recoverability of VAT on international transportation sales. The Group cannot charge VAT onwards to these customers, and accordingly can only recover the amount in question from the tax authorities. To assess VAT recoverability, the Group considers information from its internal tax department on projected VAT collection, correspondence with the tax authorities and historical recovery experience. Actual VAT amounts recovered could differ materially from Group estimates, which could affect future operating results significantly. As at 31 December 2022, VAT recoverable of 37,809 million tenge was classified as current assets. The Group expects that the given amount will be reimbursed by the tax authorities during 2023.

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

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

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

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



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*Taxation*

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

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

*Significant increase in credit risk*

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

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

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

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

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (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 and gross profit. However, profit for the year is the primary measure used by management of the Group to allocate resources and assess segment performance.

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

	For the year ended 31 December 2022					
	Freight transportation	Passenger transportation	Reportable segments	Others	Consolidation	Total
<b>Key operating indices</b>						
<b>Revenue and other income</b>						
Transportation revenue from third parties	1,283,513	88,421	1,371,934	-	-	1,371,934
Transportation revenue from intersegment transactions	1,756	60,263	62,019	-	(62,019)	-
Government grants	-	38,205	38,205	-	-	38,205
Other income from third parties	50,792	4,519	55,311	16,015	-	71,326
Other income from intersegment transactions	28,160	3,218	31,378	7,638	(39,016)	-
<b>Total revenue and other income</b>	<b>1,364,221</b>	<b>194,626</b>	<b>1,558,847</b>	<b>23,653</b>	<b>(101,035)</b>	<b>1,481,465</b>
Cost of sales	(1,119,582)	(167,634)	(1,287,216)	(16,729)	99,712	(1,204,233)
<b>Gross profit</b>	<b>244,639</b>	<b>26,992</b>	<b>271,631</b>	<b>6,924</b>	<b>(1,323)</b>	<b>277,232</b>
General and administrative expenses	(80,619)	(7,808)	(88,427)	(5,654)	1,018	(93,063)
Finance income	61,339	4,173	65,512	1,166	(5,579)	61,099
Finance costs	(140,242)	(10,871)	(151,113)	(478)	6,731	(144,860)
Foreign exchange (loss)/gain	(33,934)	(565)	(34,499)	113	243	(34,143)
Share of the profit of associates and joint ventures	8,547	-	8,547	-	-	8,547
Impairment losses on financial assets and contract asset	(5,511)	(32)	(5,543)	(153)	(6)	(5,702)
Reversals of impairment losses/(impairment losses) on non-financial assets	824	(1,405)	(581)	(36)	-	(617)
Other profit and losses	228	75	303	(342)	(30)	(69)
<b>Profit before tax</b>	<b>55,271</b>	<b>10,559</b>	<b>65,830</b>	<b>1,540</b>	<b>1,054</b>	<b>68,424</b>
Corporate income tax expense	(29,195)	(2,020)	(31,215)	(400)	74	(31,541)
<b>Profit for the year</b>	<b>26,076</b>	<b>8,539</b>	<b>34,615</b>	<b>1,140</b>	<b>1,128</b>	<b>36,883</b>
<b>Other key segment information</b>						
Capital expenditure	333,076	28,612	361,688	508	1,889	364,085
Depreciation of property, plant and equipment	130,408	14,657	145,065	1,614	(117)	146,562

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of Tenge, unless stated otherwise)

	For the year ended 31 December 2021					
	Freight transportation	Passenger transportation	Reportable segments	Others	Consolidation	Total
<b>Key operating indices</b>						
<b>Revenue and other income</b>						
Transportation revenue from third parties	1,184,271	57,256	1,241,527	-	-	1,241,527
Transportation revenue from intersegment transactions	1,129	58,371	59,500	-	(59,500)	-
Government grants	-	39,235	39,235	-	-	39,235
Other income from third parties	33,334	3,022	36,356	11,419	-	47,775
Other income from intersegment transactions	27,519	629	28,148	6,292	(34,440)	-
<b>Total revenue and other income</b>	<b>1,246,253</b>	<b>158,513</b>	<b>1,404,766</b>	<b>17,711</b>	<b>(93,940)</b>	<b>1,328,537</b>
Cost of sales	(932,063)	(127,798)	(1,059,861)	(13,121)	92,084	(980,898)
<b>Gross profit</b>	<b>314,190</b>	<b>30,715</b>	<b>344,905</b>	<b>4,590</b>	<b>(1,856)</b>	<b>347,639</b>
General and administrative expenses	(78,238)	(10,737)	(88,975)	(3,171)	1,369	(90,777)
Finance income	18,026	1,803	19,829	977	(2,959)	17,847
Finance costs	(120,040)	(4,783)	(124,823)	(3,178)	1,733	(126,268)
Foreign exchange (loss)/gain	(11,776)	577	(11,199)	(24)	76	(11,147)
Share of the profit of associates and joint ventures	10,826	-	10,826	-	-	10,826
Reversals of impairment losses/(impairment losses) on financial assets and contract asset	512	(30)	482	(783)	170	(131)
Impairment losses on non-financial assets	(1,587)	(345)	(1,932)	(2)	-	(1,934)
Other profit and losses	8,323	256	8,579	109	-	8,688
<b>Profit/(loss) before tax</b>	<b>140,236</b>	<b>17,456</b>	<b>157,692</b>	<b>(1,482)</b>	<b>(1,467)</b>	<b>154,743</b>
Corporate income tax expense	(32,660)	(4,284)	(36,944)	(11)	2,823	(34,132)
<b>Profit/(loss) for the year</b>	<b>107,576</b>	<b>13,172</b>	<b>120,748</b>	<b>(1,493)</b>	<b>1,356</b>	<b>120,611</b>
<b>Other key segment information</b>						
Capital expenditure	344,865	183	345,048	238	11,854	357,140
Depreciation of property, plant and equipment	130,643	8,643	139,286	1,694	(5)	140,975

### Geographical information of the Group

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

Customer location	2022	2021
Kazakhstan	1,440,584	1,291,832
Russia	23,595	23,576
Others	17,286	13,129
	<b>1,481,465</b>	<b>1,328,537</b>

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (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
<b>Carrying value as at 1 January</b>								
<b>2021</b>	<b>1,157,450</b>	<b>321,322</b>	<b>281,881</b>	<b>926,519</b>	<b>3,969</b>	<b>14,177</b>	<b>131,099</b>	<b>2,836,417</b>
Additions	55	701	6,430	31,575	-	89	274,437	313,287
Lease additions	-	122	-	42,552	-	-	-	42,674
Disposals	(4,296)	(506)	(2,425)	(4,733)	(8)	(419)	-	(12,387)
Depreciation charge	(37,139)	(7,957)	(36,940)	(56,858)	-	(2,081)	-	(140,975)
Depreciation on disposal	4,076	317	2,323	4,546	-	389	-	11,651
(Impairment)/impairment reversal	(618)	(13)	(131)	(268)	-	4	(834)	(1,860)
Other movements and transfers <sup>1</sup>	86,303	(8,551)	15,764	128,371	(1)	278	(232,682)	(10,518)
<b>Carrying value as at 31 December 2021</b>	<b>1,205,831</b>	<b>305,435</b>	<b>266,902</b>	<b>1,071,704</b>	<b>3,960</b>	<b>12,437</b>	<b>172,020</b>	<b>3,038,289</b>
Cost	1,511,717	371,214	525,167	1,619,960	3,960	29,474	183,870	4,245,362
Accumulated depreciation and impairment	(305,886)	(65,779)	(258,265)	(548,256)	-	(17,037)	(11,850)	(1,207,073)
<b>Carrying value as at 31 December 2021</b>	<b>1,205,831</b>	<b>305,435</b>	<b>266,902</b>	<b>1,071,704</b>	<b>3,960</b>	<b>12,437</b>	<b>172,020</b>	<b>3,038,289</b>
<b>Including:</b>								
Right-of-use assets:								
Cost	-	1,925	37,728	59,990	-	7,614	-	107,257
Accumulated depreciation and impairment	-	(506)	(18,900)	(6,991)	-	(1,857)	-	(28,254)
Carrying value	-	1,419	18,828	52,999	-	5,757	-	79,003
Property, plant and equipment that are subject to operating lease (Group as the lessor)	-	184	5	24,225	-	-	-	24,414

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

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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	Rail track infrastructure	Buildings and constructions	Machinery and equipment	Vehicles	Land	Others	Construction-in- progress	Total
<b>Carrying value as at 1 January 2022</b>	<b>1,205,831</b>	<b>305,435</b>	<b>266,902</b>	<b>1,071,704</b>	<b>3,960</b>	<b>12,437</b>	<b>172,020</b>	<b>3,038,289</b>
Additions	324	663	5,922	1,241	7	2,532	339,433	350,122
Lease additions	-	363	-	13,910	-	686	-	14,959
Disposals	(178)	(629)	(2,661)	(4,550)	(10)	(536)	(2,883)	(11,447)
Depreciation charge	(39,410)	(7,455)	(35,434)	(61,173)	-	(3,090)	-	(146,562)
Depreciation on disposal	166	408	2,525	4,265	-	527	-	7,891
Impairment	(92)	(40)	(112)	(269)	-	(840)	(73)	(1,426)
Transfer to assets classified as held for sale (Note 13)	-	(4,347)	(791)	(3)	-	(556)	(3)	(5,700)
Other movements and transfers <sup>2</sup>	124,838	944	9,269	242,726	2	(223)	(382,177)	(4,621)
<b>Carrying value as at 31 December 2022</b>	<b>1,291,479</b>	<b>295,342</b>	<b>245,620</b>	<b>1,267,851</b>	<b>3,959</b>	<b>10,937</b>	<b>126,317</b>	<b>3,241,505</b>
Cost	1,628,325	364,564	535,430	1,868,356	3,959	30,943	138,141	4,569,718
Accumulated depreciation and impairment	(336,846)	(69,222)	(289,810)	(600,505)	-	(20,006)	(11,824)	(1,328,213)
<b>Carrying value as at 31 December 2022</b>	<b>1,291,479</b>	<b>295,342</b>	<b>245,620</b>	<b>1,267,851</b>	<b>3,959</b>	<b>10,937</b>	<b>126,317</b>	<b>3,241,505</b>
<b>including:</b>								
Right-of-use assets:								
Cost	-	2,115	37,728	73,901	-	9,219	-	122,963
Accumulated depreciation and impairment	-	(598)	(28,762)	(11,836)	-	(4,536)	-	(45,732)
Carrying value	-	1,517	8,966	62,065	-	4,683	-	77,231
Property, plant and equipment that are subject to operating lease (Group as the lessor)	-	234	3	23,005	-	-	-	23,242

<sup>2</sup> Other movements and transfers also include transfers to/from inventories

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

As at 31 December 2022 and 2021, Group property, plant and equipment with a carrying amount of 11,172 million tenge and 19,577 million tenge, respectively, was used as collateral for specific borrowings.

For the year ended 31 December 2022, the Group recognised depreciation expenses on right-of-use assets of 16,811 million tenge (2021: 14,410 million tenge).

For the years ended 31 December 2022 and 2021, capitalised borrowing costs amounted to 5,673 million tenge and 4,794 million tenge, respectively. The Group's average capitalisation rate varies between 3.88% and 8.82% (2021: between 2.08% and 10.78%).

As at 31 December 2022 and 2021, the cost of the Group's fully depreciated property, plant and equipment in use was 359,365 million tenge and 337,592 million tenge, respectively.

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of Tenge, unless stated otherwise)

### 7. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Description	Primary activity	Main country of operation / country of registration	31 December 2022		31 December 2021	
			Carrying amount	Ownership interest	Carrying amount	Ownership interest
<b>Associates</b>						
United Transport and Logistics Company - Eurasian Rail Alliance JSC (UTLC ERA JSC)	Domestic and international rail transportation and freight forwarding	Russia	16,959	33.33%	12,312	33.33%
Transtelecom JSC	Telecommunication services	Kazakhstan	8,502	25%	11,239	25%
Chinese-Kazakhstan International Logistics Company in Lianyungang	International multimodal transportation	China	3,173	49%	3,242	49%
Others			-	40-47%	-	40-47%
<b>Total investment in associates</b>			<b>28,634</b>		<b>26,793</b>	
<b>Joint ventures</b>						
KIF Warehouses LLP	Warehouse operations and supporting transport operations	Kazakhstan	165	50%	895	50%
<b>Total investment in joint ventures</b>			<b>165</b>		<b>895</b>	

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of Tenge, unless stated otherwise)

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

	<b>2022</b>	<b>2021</b>
<b>Associates</b>		
<b>As at 1 January</b>	26,793	21,218
Foreign exchange difference on translation of foreign operations	2,058	1,144
Share of profit	8,509	10,893
Dividends receivable	(8,726)	(6,462)
<b>As at 31 December</b>	<b>28,634</b>	<b>26,793</b>
<b>Joint ventures</b>		
<b>As at 1 January</b>	895	-
Acquisitions	-	962
Share of profit/(loss)	38	(67)
Contributions to share capital	58	-
Impairment	(826)	-
<b>As at 31 December</b>	<b>165</b>	<b>895</b>



# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(in millions of Tenge, unless stated otherwise)

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

	2022				2021			
	Chinese-Kazakhstan International Logistics Company in Lianyungang	Aktau Marine North Terminal LLP	Transtelecom JSC	United Transportation and Logistics Company – Eurasian Railway Alliance JSC	Chinese-Kazakhstan International Logistics Company in Lianyungang	Aktau Marine North Terminal LLP	Transtelecom JSC	United Transportation and Logistics Company – Eurasian Railway Alliance JSC
Current assets	6,176	1,084	61,012	56,344	5,060	873	42,524	47,302
Non-current assets	23,946	36,896	162,120	66,242	25,152	38,399	156,379	48,348
<b>Total assets</b>	<b>30,122</b>	<b>37,980</b>	<b>223,132</b>	<b>122,586</b>	<b>30,212</b>	<b>39,272</b>	<b>198,903</b>	<b>95,650</b>
Current liabilities	1,170	11,046	114,510	30,930	1,058	15,625	52,501	25,338
Non-current liabilities	295	35,321	83,508	40,778	357	43,068	110,340	33,375
<b>Total liabilities</b>	<b>1,465</b>	<b>46,367</b>	<b>198,018</b>	<b>71,708</b>	<b>1,415</b>	<b>58,693</b>	<b>162,841</b>	<b>58,713</b>
<b>Total net assets/(liabilities)</b>	<b>28,657</b>	<b>(8,387)</b>	<b>25,114</b>	<b>50,878</b>	<b>28,797</b>	<b>(19,421)</b>	<b>36,062</b>	<b>36,937</b>
Ownership interest	49%	40%	25%	33.33%	49%	40%	25%	33.33%
Net assets/(liabilities) attributable to the Group	14,042	(3,355)	6,279	16,959	14,111	(7,768)	9,016	12,312
Accumulated impairment	(10,869)	-	-	-	(10,869)	-	-	-
Net assets/(liabilities) attributable to the Group, inclusive of impairment	3,173	(3,355)	6,279	16,959	3,242	(7,768)	9,016	12,312
Accumulated unrecognised loss	-	(3,355)	-	-	-	(7,768)	-	-
Adjustment to the carrying amount of investments in a change to investee net assets (fair value adjustment of the concessional loan from another shareholder)	-	-	2,223	-	-	-	2,223	-
<b>Carrying amount of investment</b>	<b>3,173</b>	<b>-</b>	<b>8,502</b>	<b>16,959</b>	<b>3,242</b>	<b>-</b>	<b>11,239</b>	<b>12,312</b>
Income	5,545	4,298	83,904	385,409	3,705	3,642	83,947	375,449
Profit/(loss) and total comprehensive income/(loss) for the year	407	11,034	(10,950)	33,140	183	(831)	5,176	28,528
<b>Recognised share of the Group in profit/(loss)</b>	<b>200</b>	<b>-</b>	<b>(2,737)</b>	<b>11,046</b>	<b>90</b>	<b>-</b>	<b>1,294</b>	<b>9,509</b>

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of Tenge, unless stated otherwise)

### 8. OTHER NON-CURRENT ASSETS

	31 December 2022	31 December 2021
Advances paid for property, plant and equipment	101,631	104,054
VAT recoverable	81,883	43,797
Investment property	8,496	8,629
Others	907	1,027
Less: allowance for non-recoverable VAT	(11,823)	(10,380)
Less: allowance for advances for property, plant and equipment	(1,056)	(4,362)
<b>Total other non-financial assets</b>	<b>180,038</b>	<b>142,765</b>
Restricted cash	14,010	13,737
Loans issued	6,865	6,146
Loans to employees	1,623	2,178
Bonds of commercial banks and other credit institutions, and other debt securities	1,399	1,262
Long-term trade accounts receivable (Note 11)	39	47
Derivative financial instrument (Note 31)	27	-
Others	571	1,663
Less: allowance for expected credit losses on loans issued	(3,113)	(2,349)
Less: allowance for expected credit losses on other non-current financial assets	(492)	(877)
<b>Total other financial assets</b>	<b>20,929</b>	<b>21,807</b>
	<b>200,967</b>	<b>164,572</b>

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

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

	31 December 2022	31 December 2021
Electro locomotive supplies	72,753	68,036
Rail purchases	9,959	21,356
Diesel locomotive supplies	9,075	4,996
Railroad switch supplies	5,240	-
Construction of a ferry complex at Kuryk port	649	2,244
Freight carriage supplies	-	3,000
Others	3,955	4,422
	<b>101,631</b>	<b>104,054</b>

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of Tenge, unless stated otherwise)

### 9. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Short-term tenge bank deposits	68,187	128,371
Short-term Russian Rouble bank deposits	-	597
Cash in tenge current accounts	186,774	30,653
Cash in US\$ current bank accounts	7,642	13,098
Cash in Russian Rouble current bank accounts	3,309	2,482
Cash in bank accounts in other currencies	599	1,158
Cash in Euro current bank accounts	474	1,667
Petty cash	4	5
Less: allowance for expected credit losses on cash and cash equivalents	(33)	(31)
	<b>266,956</b>	<b>178,000</b>
Cash included in assets classified as held for sale (Note 13)	76	-
	<b>267,032</b>	<b>178,000</b>

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

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

As at 31 December 2022, cash placed by the Group on current accounts in Kazpost JSC, a related party of the Group, amounted to 162,854 million tenge (31 December 2021: nil tenge) (Note 31). In addition, the Group places cash and cash equivalents in banks and other financial institutions rated from A+ to B. Based on this, the Group believes that its cash and cash equivalents credit risk as at 31 December 2022 is low.

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

### 10. INVENTORIES

	31 December 2022	31 December 2021
Track structure materials	14,647	11,050
Materials and supplies	12,481	10,995
Spare parts	8,311	7,129
Fuel and lubricants	6,034	9,401
Construction materials	1,478	1,278
Others	3,562	3,580
	<b>46,513</b>	<b>43,433</b>
Less: allowance for inventories	(1,484)	(1,032)
	<b>45,029</b>	<b>42,401</b>

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of Tenge, unless stated otherwise)

### 11. TRADE ACCOUNTS RECEIVABLE

	31 December 2022	31 December 2021
Trade accounts receivable	22,405	28,541
Less: allowance for expected credit losses	(7,593)	(5,246)
	<b>14,812</b>	<b>23,295</b>
Current portion of trade accounts receivable	14,773	23,248
Long-term portion of trade accounts receivable (Note 8)	39	47
	<b>14,812</b>	<b>23,295</b>

As at 31 December 2022, trade accounts receivable arising from contracts with customers amounted to 21,149 million tenge (31 December 2021: 26,031 million tenge), expected credit losses on trade accounts receivable amounted to 6,873 million tenge (31 December 2021: 3,060 million tenge).

### 12. OTHER CURRENT ASSETS

	31 December 2022	31 December 2021
Other taxes prepaid	43,120	41,874
Advances paid	24,821	6,777
Prepaid expenses	1,795	1,223
Others	5,451	4,702
Less: allowance for the impairment of advances paid and other current non-financial assets	(5,938)	(6,034)
<b>Total other non-financial assets</b>	<b>69,249</b>	<b>48,542</b>
Claims, interest and fines	4,136	1,721
Due from employees	1,751	1,664
Others	8,120	2,973
Less: allowance for expected credit losses on other current financial assets	(4,200)	(2,116)
<b>Total other financial assets</b>	<b>9,807</b>	<b>4,242</b>
	<b>79,056</b>	<b>52,784</b>

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of Tenge, unless stated otherwise)

### 13. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

#### Railway Passenger Coach Construction Plant LLP

During 2022, the Group reorganised its subsidiary Tulpar Wagon Construction Plant LLP by spinning off a new legal entity - Railway Passenger Coach Construction Plant LLP with a part of Tulpar Wagon Construction Plant LLP property and employees. On 13 December 2022, the Group, represented by its subsidiary Kaztemirtrans JSC, entered into a sale agreement with a third party for a 100% interest in the charter capital of Railway Passenger Coach Construction Plant LLP. As at 31 December 2022, the Group classified the assets and liabilities of Railway Passenger Coach Construction Plant LLP in a disposal group held for sale at the lower of their carrying amount and fair value less costs to sell. Since this subsidiary does not represent a separate major line of business for the Group, the Group did not classify the financial performance of the subsidiary as a discontinued operation. The management of the Group expects the transaction will be completed within 12 months after the reporting date (Note 32).

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

	<b>31 December 2022</b>
<b>Assets</b>	
Property, plant and equipment (Note 6)	5,700
Cash and cash equivalents	76
Other current assets	40,049
<b>Total assets held for sale</b>	<b>45,825</b>
<b>Liabilities</b>	
Trade accounts payable	17
Other taxes	4
Other current liabilities	10
<b>Total liabilities directly attributable to assets held for sale</b>	<b>31</b>
<b>Net assets held for sale</b>	<b>45,794</b>

### 14. EQUITY

As at 31 December 2022 and 2021, share capital was presented as follows:

	<b>No. of shares authorised for issue</b>	<b>No. of shares issued and paid for</b>	<b>Share capital, millions of tenge</b>
As at 1 January 2021	502,040,458	496,654,806	1,082,299
Shares issued	-	37,859	3,786
<b>As at 31 December 2021</b>	<b>502,040,458</b>	<b>496,692,665</b>	<b>1,086,085</b>
Shares issued	-	1	239
<b>As at 31 December 2022</b>	<b>502,040,458</b>	<b>496,692,666</b>	<b>1,086,324</b>

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 *(in millions of Tenge, unless stated otherwise)*

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

#### **Contributions**

##### *Share issuance*

During 2022, the Group issued 1 share that was paid by 607 units of wheel sets of 239 million tenge by the Shareholder.

During 2021, the Group issued 37,859 shares that were paid by intangible assets of 3,786 million tenge by the Shareholder.

##### *Other contributions*

In 2022, the Group recognised an adjustment to loans received at rates lower than market to fair value of 118,380 million tenge (2021: 7,857 million tenge) less the deferred tax effect of 23,676 million tenge (2021: 1,571 million tenge) (Notes 15 and 18).

#### **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 December 2022, hedge accounting was discontinued due to the receipt of revenue from freight transportation in international (transit) route, which is the hedged item, accordingly, the cumulative deferred loss attributable to this hedging instrument was reclassified from other comprehensive loss to revenue from freight transportation in the amount of 54,442 million tenge (Note 22).

For the year ended 31 December 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: 823 million tenge as a net profit).

#### **Disposal 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.

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of Tenge, unless stated otherwise)

### 15. BORROWINGS

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

	31 December 2022		31 December 2021	
	Amount	Weighted average effective interest rate (%)	Amount	Weighted average effective interest rate (%)
<i>Fixed interest rate borrowings</i>				
Loans received	300,748		240,890	
- in tenge	231,551	11.34	164,644	7.51
- in Euros	69,197	6.57	76,246	6.57
Debt securities issued	1,052,191		1,158,930	
- in tenge	563,621	10.20	468,570	10.81
- in US\$	363,221	2.00	396,207	6.95
- in Swiss Francs	125,349	3.25	207,321	3.42
- in other currencies	-	-	86,832	8.75
<i>Variable interest rate borrowings</i>				
Loans received	152,426		124,017	
- in tenge	152,426	15.01	13,066	12.39
- in Russian Roubles	-	-	110,951	11.00
Debt securities issued	181,966		53,375	
- in tenge	181,966	16.64	53,375	9.92
	<b>1,687,331</b>		<b>1,577,212</b>	
Current portion of borrowings	256,506		215,809	
Non-current portion of borrowings	1,430,825		1,361,403	
	<b>1,687,331</b>		<b>1,577,212</b>	

The following borrowings presented on discounted basis, excluding debt securities, should be repaid as follows:

	31 December 2022	31 December 2021
During the year	103,431	23,743
1-2 years	64,263	8,269
2-3 years	35,363	148,969
3-4 years	34,863	9,627
4-5 years	28,920	11,390
Over 5 years	186,334	162,909
	<b>453,174</b>	<b>364,907</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
*(in millions of Tenge, unless stated otherwise)*

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**Loans received**

*Halyk Bank of Kazakhstan JSC*

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

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

In 2022, the Group, represented by its subsidiary KTZ-Passenger locomotives LLP, under the credit line Agreement with Halyk Bank of Kazakhstan JSC, concluded on 20 October 2022, received 58,266 million tenge. Interest is repaid quarterly at the interest rate of "base rate of the National Bank of the Republic of Kazakhstan + 2% margin". Principal is repayable in semi-annual installments until full repayment in 2029.

*HSBC Continental Europe*

In 2022, the Group, represented by its subsidiary KTZ-Freight transportation LLP, under the Master Framework Agreement with HSBC Continental Europe, together with HSBC Bank Plc and HSBC Kazakhstan Subsidiary Bank JSC, and with the support of the COFACE export-credit agency, dated 31 May 2012 to finance the acquisition of freight and passenger locomotives for a total of 880,877,000 Euros and its addendums, borrowed 13,329,103 Euros (6,547 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.

*Forte Bank JSC*

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

*Citibank Kazakhstan JSC*

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



## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 *(in millions of Tenge, unless stated otherwise)*

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#### *Citibank Europe plc*

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

#### *The Shareholder*

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

#### **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.

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of Tenge, unless stated otherwise)

### Debt securities issued

As at 31 December, debt securities issued include:

	Repayment date	Exchanges	2022	2021
<b>Debt securities, by price</b>				
2% Eurobonds (100%) <sup>3</sup> in tenge	28 October 2025	KASE	363,221	-
11.5% Bonds (100%) in tenge	3 October 2034	KASE	308,433	308,433
TONIA Compounded 6M + 3% margin				
(19%) Bonds (100%) in tenge	22 July 2024	KASE	128,216	-
7.37% Bonds (100%) in tenge	30 December 2042	KASE	94,097	-
3.25% Eurobonds (100%) in Swiss Francs	5 December 2023	SIX Swiss Exchange	84,925	79,713
9.25% Bonds (100%) in tenge	15 November 2024	KASE	76,831	76,831
Inflation rate + 2.52% (11.02%) Bonds (100%) in tenge	25 April 2026	KASE	53,750	53,376
11.5% Bonds (100%) in tenge	12 September 2034	KASE	41,380	41,380
3.25% Eurobonds (104.238%) in Swiss Francs	5 December 2023	SIX Swiss Exchange	40,424	38,400
11% Bonds (100%) in tenge	23 July 2027	KASE	26,184	26,184
2% Bonds (100%) in tenge	20 August 2034	KASE	16,696	15,741
6.95% Eurobonds (105.521%) in US\$	10 July 2042	LSE/KASE	-	396,207
3.638% Eurobonds (100%) in Swiss Francs	20 June 2022	SIX Swiss Exchange	-	89,208
8.75% Eurobonds (100%) in Russian Roubles	7 June 2022	MOEX	-	86,832
<b>Total debt securities issued</b>			<b>1,234,157</b>	<b>1,212,305</b>
Current portion of debt securities issued			153,075	192,066
Long-term portion of debt securities issued			1,081,082	1,020,239
			<b>1,234,157</b>	<b>1,212,305</b>

### Debt securities issued

On 22 July 2022, the Group, represented by the Company, replenished working capital by issuing bonds on Kazakhstan Stock Exchange in the amount of 118,945 million tenge with coupon rate TONIA Compounded 6M+3% margin and maturity date of 22 July 2024. The coupon is paid twice a year.

In 2022, the Group, represented by the Company, for the purpose of early repayment of 2012 Eurobonds with a total nominal volume of 1,100,000,000 million US Dollars (residual balance of 882,978,000 US Dollars after partial early repayment in 2020), issued Eurobonds on the Kazakhstan Stock Exchange in favour of the Shareholder in the amount of 882,978,000 US Dollars (410,903 million tenge) with a preferential coupon rate of 2% per annum and a maturity date on 28 October 2025 (Note 30). Coupon payment – twice a year. Bonds were issued with a coupon rate below the market rate and the fair value was calculated based on the market rate of 6.6%. The Group recognised an adjustment to the fair value of the bonds as other contributions in the amount of 106,622,574 US Dollars (49,618 million tenge), net of deferred tax in the amount of 21,324,515 US Dollars (9,924 million tenge) through equity in retained earnings as other contributions (Note 14).

<sup>3</sup> Percentages in brackets represent the cost of issuing bonds/Eurobonds from par value (at premium/with discount or at par)

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of Tenge, unless stated otherwise)

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In December 2022, the Group, represented by the Company, to implement the project “Modernisation of the railway transport corridor Dostyk-Aktogay-Moiynty-Zharyk-Zhezkazgan-Saksaulskaya-Kandyagash-Aktobe-Iletsk (construction of second tracks of the Dostyk-Moiynty railway section)”, issued bonds on the Kazakhstan Stock Exchange in favour of the Shareholder in the amount of 162,859 million tenge with a coupon rate of 7.37% per annum and a maturity date on 30 December 2042 (Note 30). Coupon payment - twice a year. The bonds were issued with a coupon rate below the market rate and the fair value was calculated based on the market rate of 13.99%. The Group recognised an adjustment to fair value of the bonds as other contributions in the amount of 68,762 million tenge, net of deferred tax in the amount of 13,752 million tenge through equity in retained earnings as other contributions (Note 14).

#### *Repayment of debt securities*

In October-November 2022, the Group, represented by the Company, made an early repayment of 2012 Eurobonds with a total nominal volume of 1,100,000,000 million US Dollars (residual balance of 882,978,000 US Dollars after partial early repayment in 2020). The total repayment amount was 901,899,483 US Dollars (419,998 million tenge), including interest accrued of 18,921,483 US Dollars (8,839 million tenge). As a result of the repayment of the Eurobonds, the Group recognised the non-amortised portion of the transaction costs in the amount of 440 million tenge and the premium in the amount of 16,890 million tenge in finance costs and finance income, respectively.

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

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

During 2022, the Group recognised income from government subsidies under the Program in the amount of 29,183 million tenge as a part of finance income (Note 26).

The fair value of borrowings is presented in Note 31.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
*(in millions of Tenge, unless stated otherwise)*

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**Credit agreements and breaches of credit agreements**

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

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

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

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

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(in millions of Tenge, unless stated otherwise)

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

	2022			2021		
	Borrowings and debt securities issued	Lease liabilities (Note 16)	Total	Borrowings and debt securities issued	Lease liabilities (Note 16)	Total
As at 1 January	1,577,212	59,798	1,637,010	1,570,179	50,186	1,620,365
<b>Changes due to cash flows from financing activities</b>						
Loan principal payments	(956,465)	-	(956,465)	(156,007)	-	(156,007)
Proceeds from borrowings	1,137,878	-	1,137,878	125,839	-	125,839
Lease liability payments	-	(17,334)	(17,334)	-	(12,274)	(12,274)
<b>Total changes due to cash flows from financing activities</b>	<b>181,413</b>	<b>(17,334)</b>	<b>164,079</b>	<b>(30,168)</b>	<b>(12,274)</b>	<b>(42,442)</b>
<b>Other changes</b>						
Effect of changes in foreign currency exchange rates	30,789	383	31,172	10,528	(103)	10,425
Cash flow hedging	2,445	-	2,445	(823)	-	(823)
Acquisition of property, plant and equipment through borrowings directly transferred to the supplier	5,706	-	5,706	27,705	-	27,705
New lease agreements	-	7,301	7,301	-	21,411	21,411
Adjustment to the fair value of loans received from the Shareholder/Ultimate Shareholder at rates lower than market (Note 14)	(118,380)	-	(118,380)	(7,857)	-	(7,857)
Interest costs and discount amortisation, including capitalised	139,366	8,321	147,687	123,093	7,414	130,507
Interest paid	(113,137)	(6,438)	(119,575)	(113,757)	(7,056)	(120,813)
Other changes	(18,083)	1,051	(17,032)	(1,688)	220	(1,468)
<b>Total other changes attributable to liabilities</b>	<b>(71,294)</b>	<b>10,618</b>	<b>(60,676)</b>	<b>37,201</b>	<b>21,886</b>	<b>59,087</b>
<b>As at 31 December</b>	<b>1,687,331</b>	<b>53,082</b>	<b>1,740,413</b>	<b>1,577,212</b>	<b>59,798</b>	<b>1,637,010</b>

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of tenge, unless stated otherwise)

### 16. LEASE LIABILITIES

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

	2022		2021	
	Lease payments	Present value of lease payments	Lease payments	Present value of lease payments
Up to one year	14,966	14,221	27,269	25,355
2-5 years inclusive	39,458	23,717	36,592	22,857
Over 5 years	62,242	15,144	55,996	11,586
<b>Total</b>	<b>116,666</b>	<b>53,082</b>	<b>119,857</b>	<b>59,798</b>
Less future finance costs	(63,584)	-	(60,059)	-
<b>Present cost of lease liabilities</b>	<b>53,082</b>	<b>53,082</b>	<b>59,798</b>	<b>59,798</b>
Less amounts due within 12 months		(14,221)		(25,355)
<b>Amount due after 12 months</b>		<b>38,861</b>		<b>34,443</b>

### Lease agreements with Industrial Development Fund JSC

#### Flat carriages

In November 2020, the Group, represented by its subsidiary KTZ Express JSC, entered into an agreement to lease 2,000 flat carriages with a total value of 51,692 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 2022, within the framework of the agreement, the Group received 457 flat carriages and recognised right-of-use assets of 10,546 million tenge for 32 years and a lease liability of 4,777 million tenge for 15 years.

#### Passenger carriages

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

In December 2022, under this agreement, the Group received 5 passenger carriages and recognised right-of-use assets of 3,364 million tenge for 28 years and a lease liability of 2,151 million tenge for 20 years.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
*(in millions of tenge, unless stated otherwise)*

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

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

**17. EMPLOYEE BENEFIT OBLIGATIONS**

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

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

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

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

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

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of tenge, unless stated otherwise)

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

*Post-employment defined employee benefits:*

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

*Other long-term employee benefits:*

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

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

	31 December 2022	31 December 2021
Non-current portion of employee benefit obligations	37,406	37,083
Current portion of employee benefit obligations	6,213	9,100
<b>Total liabilities as at the end of the year</b>	<b>43,619</b>	<b>46,183</b>



# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of tenge, unless stated otherwise)

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

	2022	2021
Total liabilities at the beginning of the year	46,183	43,456
Current service cost	1,347	1,335
Past service cost	218	619
Interest costs	4,804	4,474
Actuarial loss/(gain) on other long-term employee benefits	2,774	(315)
Total expenses recognised in profit or loss	9,143	6,113
Actuarial revaluation recognised in other comprehensive income:	(4,214)	(345)
- change in financial assumptions	(25)	326
- experience-based adjustments	(4,219)	(353)
- change in demographic assumptions	30	(318)
Payments made for the year	(7,493)	(3,041)
<b>Total liabilities as at the end of the year</b>	<b>43,619</b>	<b>46,183</b>

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

	2022	2021
Cost of sales (Note 24)	8,745	5,558
General and administrative expenses (Note 25)	398	555
<b>Total recognised in profit or loss for the year</b>	<b>9,143</b>	<b>6,113</b>

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

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

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

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

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

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of tenge, unless stated otherwise)

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

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

### 18. CORPORATE INCOME TAX

Corporate income tax expenses for the years ended 31 December included:

	<b>2022</b>	<b>2021</b>
Current income tax expenses	4,249	6,678
Adjustment of income tax for prior years	1,224	62
Income tax paid withheld	471	681
Deferred income tax expense	13,105	28,947
Change in unrecognised deferred tax assets, including for tax losses carried forward	12,492	(2,236)
	<b>31,541</b>	<b>34,132</b>

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

	<b>2022</b>	<b>2021</b>
<b>Profit before tax</b>	68,424	154,743
Official tax rate	20%	20%
Calculated tax expense at the official rate	13,685	30,949
Tax effect of non-deductible expenses for tax calculation purposes, and other effect:		
Adjustment of income tax for prior years	1,224	62
Non-deductible expenses	4,140	5,357
Change in unrecognised deferred tax assets, including for tax losses carried forward	12,492	(2,236)
<b>Income tax expense recognised in profit or loss</b>	<b>31,541</b>	<b>34,132</b>

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of tenge, unless stated otherwise)

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

	31 December 2022	31 December 2021
<b>Deferred tax assets:</b>		
Tax losses carried forward	111,009	105,420
Financial guarantee contract liabilities	5,999	5,991
Accounts receivable	5,999	5,307
Accrued employee liabilities	5,712	4,624
Discount on loan accounts receivable	1,449	1,650
Others	5,865	8,536
	<b>136,033</b>	<b>131,528</b>
Less: deferred tax assets offset against deferred tax liabilities	(135,970)	(131,383)
<b>Deferred tax assets</b>	<b>63</b>	<b>145</b>
<b>Deferred tax liabilities:</b>		
Property, plant and equipment and other non-current assets	(414,171)	(381,908)
Fair value adjustment to borrowings received from the Shareholder/Ultimate Shareholder at rates below market	(79,277)	(57,766)
Others	(13)	(9)
	<b>(493,461)</b>	<b>(439,683)</b>
Less: deferred tax liabilities offset against deferred tax assets	135,970	131,383
<b>Deferred tax liabilities</b>	<b>(357,491)</b>	<b>(308,300)</b>
<b>Total net deferred tax liabilities</b>	<b>(357,428)</b>	<b>(308,155)</b>
	<b>2022</b>	<b>2021</b>
Net deferred tax liabilities as at the beginning of the year	(308,155)	(279,873)
Recognised in profit or loss	(25,597)	(26,711)
Recognised in equity (Note 14)	(23,676)	(1,571)
<b>Net deferred tax liabilities as at the end of the year</b>	<b>(357,428)</b>	<b>(308,155)</b>

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

## 19. TRADE ACCOUNTS PAYABLE

	31 December 2022	31 December 2021
Accounts payable for services provided	65,252	56,208
Accounts payable for inventories received	27,108	26,287
Accounts payable for the supply of property, plant and equipment	21,100	29,336
Other accounts payable	3,747	4,700
	<b>117,207</b>	<b>116,531</b>

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of tenge, unless stated otherwise)

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

	2022	2021
Tenge	99,615	105,782
US\$	11,494	4,634
Euros	4,463	3,995
In other currencies	1,635	2,120
	<b>117,207</b>	<b>116,531</b>

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

### 20. CONTRACT LIABILITIES

	31 December 2022	31 December 2021
Advances received on contracts with customers	102,035	82,920
Deferred income	17,358	12,390
	<b>119,393</b>	<b>95,310</b>

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 90,290 million tenge (2021: 67,411 million tenge).

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

### 21. OTHER LIABILITIES

	31 December 2022	31 December 2021
Provisions for unused vacation and other employee benefits	28,712	23,265
Deferred income (government grants)	27,803	24,453
Advances received	12,738	701
Obligatory pension contributions, social insurance contributions and obligatory medical insurance contributions	11,325	9,696
Provisions	2,460	4,291
Others	2,077	3,310
<b>Total other non-financial liabilities</b>	<b>85,115</b>	<b>65,716</b>
Financial guarantee contract liabilities	29,997	29,953
Salary payable	10,006	7,563
Derivative financial instrument (Note 31)	564	-
Others	6,854	7,876
<b>Total other financial liabilities</b>	<b>47,421</b>	<b>45,392</b>
	<b>132,536</b>	<b>111,108</b>
Current portion of other liabilities	76,972	56,611
Non-current portion of other liabilities	55,564	54,497
	<b>132,536</b>	<b>111,108</b>

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of tenge, unless stated otherwise)

As disclosed in Note 28, 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 December 2022, liabilities under financial guarantee agreements amounted to 15,549 million tenge for Nursultan Nazarbayev International Airport JSC, 14,067 million tenge for Aktobe Rail and Section Mill Plant LLP and 381 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 December 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 December 2022 and 2021, other financial liabilities were primarily denominated in tenge.

## 22. REVENUE

In 2022 and 2021, revenue from freight transportation included:

	2022	2021
Revenue from contracts with customers:		
International (transit) routes	447,507	425,755
Domestic routes	361,723	342,125
International (export) routes	220,322	191,782
International (import) routes	149,848	134,718
Additional charges related to the transportation process	54,684	44,495
Other revenue from freight transportation	49,429	45,396
	<b>1,283,513</b>	<b>1,184,271</b>

In 2022, the Group received international (transit) freight transportation revenue, which is the cash flow hedged item, therefore, the accumulated loss in the amount of 54,442 million tenge attributable to the hedging instrument was reclassified from other comprehensive loss to freight transportation revenue (Note 14).

Revenue from freight transportation is recognised over time.

In 2022 and 2021, revenue from passenger transportation included:

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

Revenue from passenger transportation of 1,229 million tenge, attributable to portion of other revenue from passenger transportation, was recognised at a point in time (2021: 1,001 million tenge), and 87,192 million tenge was recognised over time (2021: 56,255 million tenge).

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of tenge, unless stated otherwise)

### 23. OTHER REVENUE

	2022	2021
Revenue from the sale of goods and provision of other services	40,527	33,679
Revenue from the lease of carriages	17,492	4,742
Revenue from fines	8,656	5,754
Revenue from the lease of other property, plant and equipment	4,651	3,600
	<b>71,326</b>	<b>47,775</b>

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

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

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

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

### 24. COST OF SALES

	2022	2021
Staff costs, including taxes, contributions and provisions for unused vacations	463,548	337,482
Repairs and maintenance	189,532	152,310
Fuel and lubricants	162,723	133,907
Depreciation and amortisation	141,425	135,666
Work and services of a production nature	70,134	59,596
Electricity	52,397	51,200
Materials and supplies	49,292	44,400
Property tax and other taxes, excluding social tax and social contributions	26,200	25,217
Employee benefit expenses and other long-term employee benefits (Note 17)	8,745	5,558
Utilities and building maintenance	3,998	4,269
Telecommunication services	3,244	2,931
Other costs	32,995	28,362
	<b>1,204,233</b>	<b>980,898</b>

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of tenge, unless stated otherwise)

### 25. GENERAL AND ADMINISTRATIVE EXPENSES

	2022	2021
Staff costs, including taxes, contributions and provisions for unused vacation	57,033	53,202
Property tax and other taxes, excluding social tax and social contributions	9,583	9,168
Depreciation and amortisation	4,376	5,030
Various third party services	3,843	2,564
Expenses to hold celebrations and cultural and mass events	2,352	1,532
Business trip expenses	1,607	947
Lease expenses	1,222	1,157
Utilities and building maintenance	1,012	857
Telecommunication services	610	645
Insurance	570	407
Expenses to maintain social sphere facilities	492	432
Banking services	439	464
Employee benefit expenses and other long-term employee benefits (Note 17)	398	555
Repairs and maintenance	365	192
Materials	313	313
Consulting, audit and legal services	310	1,973
Other expenses	8,538	11,339
	<b>93,063</b>	<b>90,777</b>

### 26. FINANCE INCOME AND COSTS

Finance income	2022	2021
Interest rate state subsidies on financial liabilities	31,398	2,176
Income from written-off non-amortised portion of the premium on early repayment of bonds (Note 15)	16,890	-
Interest on cash and cash equivalents	10,059	10,379
Guarantees issued	647	2,218
Change in fair value of derivative financial instruments recognised at fair value through profit or loss (Note 31)	27	-
Other finance income	2,078	3,074
	<b>61,099</b>	<b>17,847</b>
Finance costs	2022	2021
Interest costs and loan discount amortisation	133,660	118,260
Lease interest expenses	8,321	7,414
Change in fair value of derivative financial instruments recognised at fair value through profit or loss (Note 31)	564	-
Other finance costs	2,315	594
	<b>144,860</b>	<b>126,268</b>

Income from interest rate state subsidies on financial liabilities mainly represent income from partial coupon rate subsidies on bonds for the amount of 29,183 million tenge (Note 15).

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of tenge, unless stated otherwise)

### 27. EARNINGS PER SHARE

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

	2022	2021
Weighted average of common shares	496,692,666	496,674,099
Profit for the year attributable to the Shareholder (million tenge)	34,887	119,085
<b>Earnings per common share (tenge)</b>	<b>70</b>	<b>240</b>
Net assets excluding intangible assets, goodwill and non-controlling interests	1,416,903	1,226,586
Quantity of common shares in circulation (registered)	496,692,666	496,692,665
<b>Carrying amount of one share (tenge)<sup>4</sup></b>	<b>2,853</b>	<b>2,470</b>

### 28. FINANCIAL AND CONTINGENT LIABILITIES

#### Investment liabilities

As at 31 December 2022, the Group had liabilities, including the modernisation of the Dostyk-Moiynty railway transport corridor, liabilities under lease agreements with Industrial Development Fund JSC to purchase long rails and freight and passenger electric locomotives, freight and passenger diesel locomotives for a total amount of 1,881,358 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 carriages 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 December 2022, platform carriages with a total value of 26,862 million tenge had not been delivered. The Group is working on the addendum to the lease agreement to reduce the volume of supply to the actually delivered quantity as at 31 December 2022 in the amount of 6,402 million tenge.

In November 2020, the Group, represented by its subsidiary KTZ Express JSC, entered into an agreement to lease 2,000 platform carriages for 51,692 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 December 2022, the commitment for the undelivered platform carriages was 15,146 million tenge.

<sup>4</sup> Carrying amount of shares is calculated in accordance with KASE requirements.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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In December 2022, the Group, represented by its subsidiary Passenger transportation JSC, under the implementation of the investment project "Purchase of passenger carriages", entered into an agreement for the lease of 11 passenger carriages with a total value of 8,318 million tenge. The lease term is 20 years, with an interest rate of 1.5% per annum. The grace period for the principal is 6 years. The Group acts as a lessee. As at 31 December 2022, the commitment for the undelivered passenger carriages was 2,891 million tenge.

**Other contractual liabilities**

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

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

**Contingent liabilities**

*Litigation*

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

*Contingent liabilities related to the Kazakhstan tax system*

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

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

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*Insurance*

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

*Environmental protection*

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

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of tenge, unless stated otherwise)

### Guarantees

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

Creditor	Purpose of the guarantee	Guarantee issue date	Guarantee period	Guarantee amount
Development Bank of Kazakhstan JSC	Execute the obligations of the associate Aktobe Rail and Section Mill Plant LLP to finance the construction of a rail and section mill plant in Aktobe	4 July 2013	until 2033	17,566
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	2,190
Development Bank of Kazakhstan JSC	Execute the obligations of an associate Transtelecom JSC for the implementation of the project ACS of Energy Dispatching Traction	30 June 2014	until 2024	4,492

Note 21 discloses the carrying value of these guarantees.

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

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of tenge, unless stated otherwise)

### 29. SUBSIDIARIES

Information on the composition of the Group is provided below:

Subsidiary <sup>5</sup>	Activities	Country	Ownership interest, %	
			31 December 2022	31 December 2021
1. Kaztemirtrans JSC	Freight carriage operation	Kazakhstan	100	100
2. Passenger Transportation JSC	Passenger transportation	Kazakhstan	100	100
3. KTZ-Freight Transportation LLP	Freight transportation and locomotive haulage	Kazakhstan	100	100
4. KTZ Express JSC	Multimodal transportation	Kazakhstan	100	100
	Freight forwarding services, handling rolling stock, terminal services	Kazakhstan		
5. Kedentransservice JSC			100	100
6. Temirzholsu JSC	Utilities	Kazakhstan	100	100
7. Militarised Railway Security LLP	Security	Kazakhstan	100	100
8. Aktau Sea Commercial Port National Company JSC <sup>6</sup>	Vessel loading and unloading work, vessel servicing	Kazakhstan	100	100
9. Port Kuryk LLP	Freight transshipment and vessel servicing	Kazakhstan	100	100
	Bond issues to finance KTZ			
10. KTZ Finance LLC	Group projects and operations	Russia	100	100
11. KTZ-Passenger Locomotives LLP	Locomotive rolling stock services	Kazakhstan	100	100

### 30. RELATED PARTY TRANSACTIONS

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

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

<sup>5</sup> First level subsidiaries, some of which include subsidiaries that have non-controlling interests.

<sup>6</sup> In November 2013, the Shareholder transferred a 100% ownership interest in National Company Aktau Sea Commercial Port JSC to the Group's trust management. National Company Aktau Sea Commercial Port JSC is recognised as a Group subsidiary although the Group does not legally hold shares in it.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of tenge, unless stated otherwise)

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

		Shareholder	Associates	Companies making up the Shareholder group	Other related parties <sup>7</sup>
Amounts due from related parties for goods, services and non-current assets, including advances paid	2022	-	2,178	1,192	9
	2021	-	4,748	356	5
<i>including allowances for expected credit losses and impairment of advances paid</i>	2022	-	(1,657)	(95)	-
	2021	-	(35)	(23)	-
Amounts due to related parties for goods, services and non-current assets, including advances received	2022	-	21,927	4,845	363
	2021	-	19,425	2,722	2,437
Cash on current accounts	2022	-	-	162,854	-
	2021	-	-	-	-
Restricted cash	2022	-	-	-	208
	2021	-	-	-	117
Loans received	2022	588,984	-	-	74,949
	2021	128,769	-	-	72,720
Lease liabilities	2022	-	13,865	-	32,677
	2021	48	27,012	-	27,291

<sup>7</sup> Other related parties include other commercial entities under common control of the ultimate Shareholder.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of tenge, unless stated otherwise)

Related party transactions for the years ended 31 December are presented as follows:

		Shareholder	Associates	Companies making up the Shareholder group	Other related parties <sup>7</sup>
Sale of goods, services and non-current assets	2022	-	118,984	12,795	928
	2021	-	133,393	7,822	689
(Accrued)/recovered allowances for expected credit losses and impairment of advances paid	2022	-	(1,623)	(82)	-
	2021	-	55	(3)	-
Purchase of goods, services and non-current assets	2022	-	26,978	50,571	4,215
	2021	-	28,983	7,623	1,487
Receipt of loans	2022	603,762	-	-	-
	2021	-	-	-	13,125
Repayment of loans received	2022	31,175	-	-	1,077
	2021	1,175	-	-	1,077
New lease agreements (Group as lessee)	2022	-	95	-	6,928
	2021	-	25	-	21,289
Lease payments	2022	49	15,827	-	6,926
	2021	197	15,319	-	2,298
Finance income	2022	-	143	-	59
	2021	-	1,144	-	158
Finance expenses	2022	14,561	2,632	-	11,387
	2021	9,576	4,311	-	8,331
Dividends due	2022	-	8,726	-	-
	2021	-	6,462	-	-
Share capital contribution	2022	239	-	-	-
	2021	3,786	-	-	-

In 2022, the Group received a loan from the Shareholder in the amount of 30,000 million tenge (Note 15).

In 2022, the Group issued Eurobonds and bonds in favour to the Shareholder in the amount of 882,978,000 US Dollars (410,903 million tenge) and 162,859 million tenge, respectively (Note 15).

As at 31 December 2022, the Group has borrowings from Industrial Development Fund JSC and Development Bank of Kazakhstan JSC for a total of 74,949 million tenge (31 December 2021: 72,720 million tenge).

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As at 31 December 2022 and 2021, the Group issued guarantees on certain borrowings of an associate, other related and third parties to ensure the execution of bank obligations (Notes 21 and 28).

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

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

*Compensation to key management personnel of the Group*

Key management personnel comprise members of the Group's Management Board and Board of Directors, totalling 16 persons for the year ended 31 December 2022 (31 December 2021: 15 persons). Total compensation to key management personnel included in personnel costs in the consolidated statement of profit or loss and other comprehensive income comprised 577 million tenge for the year ended 31 December 2022 (2021: 807 million tenge). Compensation paid to key management personnel primarily consists of contractual salary, social tax, unused vacation allowance and other performance-based payments.

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

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

*Capital risk management*

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

There are no mandatory minimum capital requirements for the Group.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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*Financial risk management objectives*

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

*Market risk*

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

*Interest rate risk*

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

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

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

	<b>31 December 2022</b>		<b>31 December 2021</b>	
	<b>Interest rate increase / (decrease) in basis points<sup>8</sup></b>	<b>Effect on pre-tax profit/equity</b>	<b>Interest rate increase / (decrease) in basis points<sup>9</sup></b>	<b>Effect on pre-tax profit/equity</b>
Tenge borrowings	245/(245)	(7,786)/7,786	125/(25)	(788)/158
Russian Rouble borrowings	-	-	125/(25)	(1,380)/276

*Currency risk*

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



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of tenge, unless stated otherwise)

A significant portion of the Group's short-term and long-term foreign currency debt is denominated in US\$. A change in the tenge value against the US\$, or any other foreign currency in which debt is denominated will result in a foreign exchange gain or loss. During 2022, the Group incurred a foreign exchange loss of 34,143 million tenge, of which a major portion is attributable to borrowing as disclosed in Note 15 (2021: 11,147 million tenge).

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

	31 December 2022			31 December 2021		
	Exchange rate increase / (decrease)	Effect on pre-tax profit	Direct effect on equity	Exchange rate increase / (decrease)	Effect on pre-tax profit	Direct effect on equity
US\$	21% / (21%)	(76,838) / 76,838	-	13% / (10%)	(49,117) / 37,782	-
Euros	18% / (18%)	(10,616) / 10,616	-	13% / (10%)	(8,393) / 6,456	-
Russian Roubles	22% / (22%)	624 / (624)	-	13% / (13%)	(25,393) / 25,393	-
Swiss Francs	25% / (25%)	(31,511) / 31,511	-	13% / (10%)	(26,952) / (102) / 79	(26,952) / 20,732
In other currencies	25% / (25%)	207 / (207)	-	13% / (10%)	200 / (154)	-

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

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

Hedged borrowings represent interest and principal payments on USD denominated Eurobonds in the amount of 882,978,000 US Dollars with a coupon rate of 2% per annum and maturity in October 2025 (Note 15).

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

As at 31 December 2022, the fair value of derivative financial instruments was recognised under an agreement with J.P. Morgan Securities plc. (UK) within other long-term assets and finance income in the amount of 58,693 US Dollars (27 million tenge) and under agreements with Societe Generale SA (France) and Citibank London within other liabilities and finance costs in the amount of 1,220,034 US Dollars (564 million tenge) (Notes 8, 21 and 26).

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*Credit risk*

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

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

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

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

In addition, the Group is exposed to credit risk on financial guarantees provided to banks. The maximum risk of the Group in this regard is equal to the maximum amount that the Group will be obliged to pay in the event of claims for guarantees disclosed in Note 28.

*Liquidity risk*

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

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

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

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

	Up to 1 month	1-3 months	3 months– 1 year	1-5 years	Over 5 years	Total
<b>2022</b>						
<i><u>Interest-free</u></i>						
Accounts payable	106,170	745	10,292	-	-	117,207
Other liabilities	10,006	-	6,854	-	-	16,860
<i><u>Interest-bearing</u></i>						
Borrowings	28,341	14,723	319,327	1,241,732	1,512,975	3,117,098
Lease	3,556	4,523	6,887	39,458	62,242	116,666
Derivative	-	-	(6,626)	8,280	-	1,654
Financial guarantees	-	2,088	3,839	33,353	45,938	85,218
	<b>148,073</b>	<b>22,079</b>	<b>340,573</b>	<b>1,322,823</b>	<b>1,621,155</b>	<b>3,454,703</b>
<b>2021</b>						
<i><u>Interest-free</u></i>						
Accounts payable	114,487	2,043	1	-	-	116,531
Other liabilities	7,563	-	5,883	1,993	-	15,439
<i><u>Interest-bearing</u></i>						
Borrowings	15,847	9,461	280,869	838,401	1,974,796	3,119,374
Lease	2,401	6,479	18,389	36,592	55,996	119,857
Financial guarantees	-	479	2,326	30,152	54,875	87,832
	<b>140,298</b>	<b>18,462</b>	<b>307,468</b>	<b>907,138</b>	<b>2,085,667</b>	<b>3,459,033</b>

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of tenge, unless stated otherwise)

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

	Up to 1 month	1-3 months	3 months – 1 year	Over 1 year	Unspecified maturity <sup>9</sup>	Total
<b>2022</b>						
<i>Interest-bearing:</i>						
Short-term deposits	68,123	-	-	-	24	68,147
Interest on short-term deposits	330	-	-	-	-	330
Cash and cash equivalents	6,327	-	-	-	10	6,337
Loans issued	-	-	-	5,562	3,113	8,675
<i>Interest-free:</i>						
Cash and cash equivalents	192,466	-	-	-	-	192,466
Restricted cash	-	-	6,096	14,010	-	20,106
Trade accounts receivable	14,212	509	52	39	7,593	22,405
	<b>281,458</b>	<b>509</b>	<b>6,148</b>	<b>19,611</b>	<b>10,740</b>	<b>318,466</b>

	Up to 1 month	1-3 months	3 months – 1 year	Over 1 year	Unspecified maturity <sup>9</sup>	Total
<b>2021</b>						
<i>Interest-bearing:</i>						
Short-term deposits	128,941	-	-	-	27	128,968
Interest on short-term deposits	453	-	-	-	-	453
Other assets	2	-	-	-	-	2
Cash and cash equivalents	17,577	-	-	-	4	17,581
Loans issued	-	-	-	6,326	2,349	8,675
<i>Interest-free:</i>						
Cash and cash equivalents	31,482	-	-	-	-	31,482
Restricted cash	-	-	235	13,737	-	13,972
Trade accounts receivable	22,147	1,074	27	47	5,246	28,541
	<b>200,602</b>	<b>1,074</b>	<b>262</b>	<b>20,110</b>	<b>7,626</b>	<b>229,674</b>

### Fair value of financial instruments

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

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

#### Cash and cash equivalents

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

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of tenge, unless stated otherwise)

### *Financial assets and liabilities*

For assets and liabilities maturing within 12 months, the carrying value approximates fair value due to the relatively short-term maturity of these financial instruments.

For financial assets and liabilities maturing in over 12 months, the fair value represents the present value of estimated future cash flows discounted at year-end market rates.

### *Derivative financial instrument*

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

### *Borrowings*

The fair value for bank loans was estimated by discounting the scheduled future cash flows of individual loans through estimated maturity using prevailing market rates as at the respective year-end for debt with a similar maturity and credit-rating profile. The Group's bank loans are mostly provided by international financial institutions and foreign banks. Although interest rates on these borrowings are lower than interest rates of private commercial credit institutions in Kazakhstan, they are treated as the market interest rate for this lender category. The fair value of debt securities issued (bonds) has been determined based on market prices at the reporting date.

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

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

	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans issued	3,752	2,895	3,797	5,299
Other financial assets	21,202	21,250	15,031	15,031
Borrowings	453,174	411,124	364,907	359,599
Debt securities	1,234,157	1,107,731	1,212,305	1,330,260

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of tenge, unless stated otherwise)

### Fair value hierarchy

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

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

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

	Level 1	Level 2	Level 3	Total
Financial assets at amortised cost:				
- loans issued	-	2,895	-	2,895
- other financial assets	-	21,177	-	21,177
Other financial assets recognised at fair value through profit or loss	-	-	73	73
<b>Total</b>	<b>-</b>	<b>24,072</b>	<b>73</b>	<b>24,145</b>
Financial liabilities recognised at amortised cost:				
- debt securities	588,642	-	-	588,642
- debt securities from related parties	-	519,089	-	519,089
- bank loans	-	349,888	-	349,888
- loans from related parties	-	61,236	-	61,236
<b>Total</b>	<b>588,642</b>	<b>930,213</b>	<b>-</b>	<b>1,518,855</b>

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of tenge, unless stated otherwise)

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

	Level 1	Level 2	Level 3	Total
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
<b>Total</b>	<b>-</b>	<b>20,229</b>	<b>101</b>	<b>20,330</b>
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
<b>Total</b>	<b>1,330,260</b>	<b>359,599</b>	<b>-</b>	<b>1,689,859</b>

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

## 32. EVENTS AFTER THE REPORTING DATE

### *Disposal of a subsidiary*

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

### *Liquidation of a subsidiary*

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