

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

Condensed interim consolidated financial statements
for three and nine months ended 30 September 2023
(unaudited)

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2023

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KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2023

Management of Kazakhstan Temir Zholy National Company JSC ("the Company") is responsible for the preparation of the condensed interim consolidated financial statements that present fairly the consolidated financial position of the Company and its subsidiaries (collectively – "the Group") as at 30 September 2023, and the consolidated results of its operations for the three and nine months then ended, consolidated cash flows and consolidated changes in equity for the nine months then ended in compliance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board (hereinafter - "IASB").

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

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

Management is also responsible for:

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

These condensed interim consolidated financial statements for three and nine months ended 30 September 2023 were approved for issue by management on 17 November 2023.

On behalf of the Group's management:



17 November 2023


Yelena Stankova
Chief Accountant

17 November 2023

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2023

(in millions of Tenge)

	Notes	30 September 2023 (unaudited)	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	6	3,551,878	3,241,505
Goodwill		15,520	15,520
Intangible assets		12,656	14,416
Investment in joint ventures	7	155	165
Investment in associates	7	27,577	28,634
Deferred tax assets		94	63
Other non-current assets	8	612,114	200,967
Total non-current assets		4,219,994	3,501,270
Current assets			
Cash and cash equivalents	9	170,484	266,956
Inventories	10	72,133	45,029
VAT recoverable		50,659	37,809
Trade accounts receivable	11	15,736	14,773
Contract assets		2,554	3,065
Prepaid income tax		3,443	2,139
Other current assets	12	93,788	79,056
		408,797	448,827
Assets held for sale		-	45,825
Total current assets		408,797	494,652
Total assets		4,628,791	3,995,922
EQUITY AND LIABILITIES			
Equity			
Share capital		1,086,324	1,086,324
Foreign currency translation reserve		6,903	12,138
Retained earnings		598,595	348,377
Equity attributable to the Shareholder		1,691,822	1,446,839
Non-controlling interests		18,554	15,853
Total equity		1,710,376	1,462,692

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

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

	Notes	30 September 2023 (unaudited)	31 December 2022
Non-current liabilities			
Borrowings	15	1,503,976	1,430,825
Deferred tax liabilities		410,050	357,491
Employee benefit obligations		38,840	37,406
Lease liabilities	16	41,331	38,861
Other non-current liabilities	19	59,033	55,564
Total non-current liabilities		2,053,230	1,920,147
Current liabilities			
Borrowings	15	456,135	256,506
Trade accounts payable	17	173,769	117,207
Contract liabilities	18	95,608	119,393
Lease liabilities	16	16,837	14,221
Other taxes payable		17,756	22,540
Employment benefit obligations		6,213	6,213
Other current liabilities	19	98,867	76,972
		865,185	613,052
Liabilities directly attributable to assets held for sale		-	31
Total current liabilities		865,185	613,083
Total liabilities		2,918,415	2,533,230
Total equity and liabilities		4,628,791	3,995,922

On behalf of the Group's management:


Dair Kusherov
Finance Director

17 November 2023


Yelena Stankova
Chief Accountant

17 November 2023

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

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2023 (UNAUDITED) (in millions of Tenge)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2023	2022*	2023	2022*
Revenue and other income					
Revenue from freight transportation	20	422,501	351,856	1,234,497	933,447
Revenue from passenger transportation	20	28,825	29,542	78,249	64,709
Government grants		7,817	9,289	29,753	23,393
Other revenue	21	27,053	20,142	79,371	49,597
Total revenue and other income		486,196	410,829	1,421,870	1,071,146
Cost of sales	22	(371,427)	(292,457)	(1,077,784)	(850,986)
Gross profit		114,769	118,372	344,086	220,160
General and administrative expenses	23	(26,601)	(24,673)	(74,000)	(67,946)
Finance income	24	4,075	10,743	18,272	33,520
Finance costs	24	(43,255)	(37,283)	(129,070)	(104,380)
Foreign exchange loss		(26,642)	(3,902)	(19,590)	(37,704)
Gain on disposal of subsidiary not qualifying as discontinued operations	13	-	-	6,282	-
Share in profit of associates and joint ventures	7	1,776	2,599	6,663	2,878
(Impairment)/impairment reversal of financial assets and contract assets		(387)	(2,813)	347	(7,793)
(Impairment)/impairment reversal of non- financial assets		(731)	(813)	(1,217)	1,048
Other profit and losses		540	740	1,862	1,831
Profit before income tax		23,544	62,970	153,635	41,614
Corporate income tax expenses		(2,246)	(17,674)	(24,087)	(26,697)
Profit for the period		21,298	45,296	129,548	14,917

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2023 (UNAUDITED) (CONTINUED)
(in millions of Tenge)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2023	2022*	2023	2022*
Other comprehensive (loss)/income for the period, net of income tax:					
Items that may be reclassified subsequently to profit or loss:					
Net fair value loss on cash flow hedging instruments		-	-	-	(2,445)
Reclassification of the loss on cash flow hedging instruments to the loss for the period	14, 20	-	-	-	54,442
Foreign exchange difference on the translation of foreign operations		(281)	(3,888)	(5,235)	8,269
Other comprehensive (loss)/income for the period		(281)	(3,888)	(5,235)	60,266
Total comprehensive income for the period		21,017	41,408	124,313	75,183
Profit for the period attributable to:					
The Shareholder		19,876	44,496	126,847	13,171
Non-controlling interests		1,422	800	2,701	1,746
		21,298	45,296	129,548	14,917
Comprehensive income for the period, attributable to:					
The Shareholder		19,595	40,608	121,612	73,437
Non-controlling interests		1,422	800	2,701	1,746
		21,017	41,408	124,313	75,183
Earnings per share, in tenge	25	40	90	255	27

* Comparative information was reclassified as disclosed in Note 2.

On behalf of the Group's management:


Dair Kusherov
Finance Director
17 November 2023


Yelena Stankova
Chief Accountant
17 November 2023

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

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023 (UNAUDITED) (in millions of Tenge)

	Notes	Nine months ended 30 September	
		2023	2022*
Operating activities:			
Profit for the period		129,548	14,917
Income tax expenses recognised in profit or loss		24,087	26,697
Adjustments for:			
Depreciation and amortisation		115,182	109,240
Finance costs	24	129,070	104,380
Finance income	24	(18,272)	(33,520)
Foreign exchange loss		19,590	37,704
Gain on disposal of subsidiary not qualifying as discontinued operations	13	(6,282)	-
(Impairment reversal)/impairment of financial assets and contract assets		(347)	7,793
Impairment/(impairment reversal) of non-financial assets		1,217	(1,048)
Share of profit of associates and joint ventures	7	(6,663)	(2,878)
Reclassification of the loss on cash flow hedging instruments to the loss for the period	14, 20	-	54,442
Others		6,961	8,768
Operating income before changes in working capital and other balances		394,091	326,495
Change in trade accounts receivable		(10,167)	(18,593)
Change in inventories		(27,219)	(3,794)
Change in other current and non-current assets (including non-current VAT recoverable)		(73,602)	(17,544)
Change in trade accounts payable		62,509	7,850
Change in other taxes payable		(3,148)	3,078
Change in other liabilities		(1,080)	21,722
Change in employee benefit obligations		(4,674)	(4,491)
Cash generated from operations before interest and income tax payments		336,710	314,723
Interest paid		(106,903)	(81,062)
Interest received		12,993	6,478
Corporate income tax paid		(3,974)	(1,402)
Net cash flows from operating activities		238,826	238,737

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR NINE MONTHS ENDED 30 SEPTEMBER 2023 (UNAUDITED) (CONTINUED) (in millions of Tenge)

		Nine months ended 30 September	
	Notes	2023	2023
Investing activities:			
Purchase of property, plant and equipment, including advances paid for property, plant and equipment		(637,403)	(243,246)
Net proceeds from disposal of subsidiary		11,948	-
Proceeds from the sale of other non-current assets		1,024	1,641
Dividends received from associates		1,376	2,670
Investments acquired in joint ventures		(15)	(70)
Others		(53)	(1,548)
Net cash flows used in investing activities		(623,123)	(240,553)
Financing activities:			
Proceeds from borrowings	15	426,559	343,540
Repayment of borrowings	15	(122,566)	(443,890)
Repayment of lease liabilities	15	(10,965)	(11,167)
Others		(4,360)	(1,009)
Net cash flows generated from/(used in) financing activities		288,668	(112,526)
Net decrease in cash and cash equivalents		(95,629)	(114,342)
Cash and cash equivalents at the beginning of the period	9	267,032	178,000
Effect of changes in foreign exchange rates on cash and cash equivalent balances held in foreign currency		(931)	(1,853)
Effect of changes in the allowance for expected credit losses		12	26
Cash and cash equivalents at the end of the period	9	170,484	61,831
Non-cash transactions:			
Purchase of property, plant and equipment from borrowed funds by direct bank transfer to the supplier	15	76,470	5,706
Advances paid for property, plant and equipment and contract liabilities arising from the disposal of subsidiary	13	40,000	-

* Comparative information was reclassified as disclosed in Note 2.

On behalf of the Group's management:


Dair Kusherov
Finance Director
17 November 2023


Yelena Stankova
Chief Accountant
17 November 2023

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

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023 (in millions of Tenge)

	Share capital	Hedging reserve	Foreign currency translation reserve	Retained earnings	Shareholder equity	Non-controlling interests	Total equity
As at 1 January 2022	1,086,085	(51,997)	9,925	214,574	1,258,587	13,855	1,272,442
Profit for the period	-	-	-	13,171	13,171	1,746	14,917
Other comprehensive income for the period	-	51,997	8,269	-	60,266	-	60,266
Total comprehensive income for the period	-	51,997	8,269	13,171	73,437	1,746	75,183
Share issue (Note 14)	239	-	-	-	239	-	239
As at 30 September 2022 (unaudited)	1,086,324	-	18,194	227,745	1,332,263	15,601	1,347,864
As at 1 January 2023	1,086,324	-	12,138	348,377	1,446,839	15,853	1,462,692
Profit for the period	-	-	-	126,847	126,847	2,701	129,548
Other comprehensive loss for the period	-	-	(5,235)	-	(5,235)	-	(5,235)
Total comprehensive (loss)/income for the period	-	-	(5,235)	126,847	121,612	2,701	124,313
Other contributions (Note 14)	-	-	-	123,371	123,371	-	123,371
As at 30 September 2023 (unaudited)	1,086,324	-	6,903	598,595	1,691,822	18,554	1,710,376

On behalf of the Group's management:



Dair Kuserov
Finance Director

Yelena Shankova
Chief Accountant

17 November 2023

17 November 2023

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

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2023 (CONTINUED) *(in millions of Tenge, unless otherwise stated)*

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 condensed interim consolidated financial statements include the results of the operations of the Company and its wholly controlled subsidiaries (hereinafter - 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 providing freight and passenger transportation services; and operates, maintains and upgrades railway infrastructure in Kazakhstan. To regulate the Kazakhstan rail industry, the government sets the tariffs the Group charges for its railway network services, as well as for railway freight transportation services (according to the Kazakhstan Entrepreneurial Code) and passenger transportation on socially important routes, partially subsidising the cost through government grants. The level of regulated tariffs differs 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 27 April 2023, CRNM agreed to increase tariffs for main railway network service for freight transportation by 28.4% on average. For the nine months ended 30 September 2023 the differentiation led to a 18% freight transportation tariff increase for carriages and containers (2022: 2.7%).

From 1 January 2023, the authorised body, represented by the Ministry of Industry and Infrastructure Development approved a 7% increase in passenger transportation tariffs for socially important interdistrict routes (2022: 7%).

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

Operating environment

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

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2023 (CONTINUED) *(in millions of Tenge, unless otherwise stated)*

infrastructure projects and various socio-economic development programs have a significant impact on the country's economy.

The conflict between the Russian Federation (hereinafter – “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.

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 the nine months ended 30 September 2023, the volume of freight transportation in transit 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 2032 will continue in accordance with the Concept. The Group will continue to work to improve efficiency of railway transportation, develop transit traffic, including alternative routes, optimise the structure of the corporate portfolio in line with the state privatisation program, digitalisation, improving customer satisfaction, guaranteeing train traffic safety, and implementation of ESG principles.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2023 (CONTINUED)**
(in millions of Tenge, unless otherwise stated)

2. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

Statement of compliance

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

Going concern

The Group's condensed interim consolidated financial statements have been prepared on a going concern basis. This assumes the sale of assets and settlement of liabilities in the normal course of business for the foreseeable future. As at 30 September 2023, the Group's current liabilities exceeded its current assets by 456,388 million tenge (31 December 2022: 118,431 million tenge). As at 30 September 2023, current liabilities include borrowings of 456,135 million tenge that are payable within twelve months after the reporting date. At the same time, profit for the nine months ended 30 September 2023 amounted to 129,548 million tenge (2022: 14,917 million tenge), and cash inflows from operating activities amounted to 238,826 million tenge (2022: 238,737 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 the Republic 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. As at 30 September 2023, the Group has credit lines available in Halyk Bank of Kazakhstan JSC and Forte Bank JSC with undrawn balances totalling 68,900 million tenge. Management of the Group has been having discussions with lenders to refinance borrowings due to be repaid within twelve months after the reporting date and the likelihood of a positive decision from the discussions is considered to be high.

In assessing its going concern status, management also considered the Group's financial position, expected future performance and cash flows from operations, tariff growth, its borrowings, available credit facilities, its capital expenditure commitments, exchange rates and other risks that the Group is facing. 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 and that the going concern basis is appropriate in preparing these condensed interim consolidated financial statements.

Basis of preparation

These condensed interim consolidated financial statements are unaudited and do not include all disclosures required for annual financial statements. The Group omitted disclosures, which would substantially duplicate the information contained in its audited annual consolidated financial statements for 2022 prepared in accordance with International Financial Reporting Standards ("IFRSs"), (such as accounting policies and details of accounts, which have not changed significantly in amount or composition).

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2023 (CONTINUED) (in millions of Tenge, unless otherwise stated)

These condensed interim consolidated financial statements should be read in conjunction with the Group's annual consolidated financial statements for 2022.

These condensed interim consolidated financial statements are based on the same accounting principles, accounting judgements, presentation methods and calculation methods as the consolidated financial statements of the Group as at 31 December 2022.

Reclassification of prior period presentation

The Group reclassified financial information of comparative prior period in order to conform to classifications used in the current period. These reclassifications had no impact on the condensed interim consolidated statement of financial position, net profit/(loss) and condensed interim consolidated statement of changes in equity.

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

	Three months ended 30 September 2022		
	As previously reported	Reclassification	After reclassification
General and administrative expenses	(25,541)	868	(24,673)
(Impairment)/impairment reversal of assets	(2,758)	2,758	-
(Impairment)/ impairment reversal of financial assets and contract assets	-	(2,813)	(2,813)
(Impairment)/impairment reversal of non-financial assets	-	(813)	(813)
Profit before tax	62,970	-	62,970
Profit for the period	45,296	-	45,296

	Nine months ended 30 September 2022		
	As previously reported	Reclassification	After reclassification
General and administrative expenses	(73,481)	5,535	(67,946)
(Impairment)/impairment reversal of assets	(1,210)	1,210	-
(Impairment)/ impairment reversal of financial assets and contract assets	-	(7,793)	(7,793)
(Impairment)/impairment reversal of non-financial assets	-	1,048	1,048
Profit before tax	41,614	-	41,614
Profit for the period	14,917	-	14,917

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2023 (CONTINUED) (in millions of Tenge, unless otherwise stated)

Effect on the condensed interim consolidated statement of cash flows

	Nine months ended 30 September 2022		
	As previously reported	Reclassification	After reclassification
Operating activity			
Provision for assets impairment	1,210	(1,210)	-
Accrual of allowance for expected credit losses of accounts receivable and impairment of short-term advances paid	5,535	(5,535)	-
(Impairment reversal)/impairment of financial assets and contract assets	-	7,793	7,793
Impairment/(impairment reversal) of non-financial assets	-	(1,048)	(1,048)
Operating income before changes in working capital and other balances	326,495		326,495
Net cash flows generated from operating activities	238,737		238,737

3. ADOPTION OF NEW AND REVISED STANDARDS

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 2023. Their adoption has not had any significant impact on the disclosures or on the amounts reported in these condensed interim consolidated financial statements.

- IFRS 17 *Insurance Contracts* (including the amendments);
- Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies*;
- Amendments to IAS 8 *Definition of Accounting Estimates*;
- Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*;
- Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules*.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2023 (CONTINUED) (in millions of Tenge, unless otherwise stated)

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these condensed interim 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
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 2024
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
Amendments to IAS 7 and IFRS 7 <i>Supplier Finance Arrangements</i>	1 January 2024

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying accounting policies

In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for 2022 prepared in accordance with IFRSs.

Key sources of estimation uncertainty

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

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

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

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

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As at 30 September 2023, the Group performed the analysis of the above external and internal impairment indicators of property, plant and equipment, intangible assets and goodwill, in particular, changes in interest rates, an analysis of the achievement of actual indicators versus budgeted indicators, as well as an analysis of the transit freight turnover and changes in the exchange rate of tenge to the Swiss franc, as the transit tariff is set in Swiss francs.

The management of the Group did not identify any events that occurred for the nine months ended 30 September 2023 that could be considered as an indicator of the impairment of property, plant and equipment, intangible assets and goodwill as at 30 September 2023.

Corporate income tax

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

5. SEGMENT INFORMATION

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

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

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

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	For the three months, ended 30 September 2023 (unaudited)					
	Freight transportation	Passenger transportation	Reportable segments	Others	Consolidation	Total
Key operating indices						
Revenue and other income						
Transportation revenue from third parties	422,501	28,825	451,326	-	-	451,326
Transportation revenue from intersegment transactions	354	15,113	15,467		(15,467)	
Government grants	-	7,817	7,817			7,817
Other income from third parties	20,722	1,660	22,382	4,671		27,053
Other income from intersegment transactions	9,294	221	9,515	2,758	(12,273)	-
Total revenue and other income	452,871	53,636	506,507	7,429	(27,740)	486,196
Cost of sales	(341,351)	(51,799)	(393,150)	(5,748)	27,471	(371,427)
Gross profit	111,520	1,837	113,357	1,681	(269)	114,769
General and administrative expenses	(23,671)	(2,402)	(26,073)	(893)	365	(26,601)
Finance income	3,947	332	4,279	310	(514)	4,075
Finance costs	(37,706)	(4,986)	(42,692)	(94)	(469)	(43,255)
Foreign exchange (loss)/gain	(25,626)	(1,069)	(26,695)	52	1	(26,642)
Share of the profit of associates and joint ventures	1,776	-	1,776	-	-	1,776
Impairment of financial assets and contract assets	(444)	(404)	(848)	-	461	(387)
(Impairment)/reversal of impairment of non-financial assets	(552)	10	(542)	(189)	-	(731)
Other profit and losses	428	24	452	89	(1)	540
Profit/(loss) before income tax	29,672	(6,658)	23,014	956	(426)	23,544
Corporate income tax (expenses)/benefit	(5,619)	2,524	(3,095)	296	553	(2,246)
Profit/(loss) for the period	24,053	(4,134)	19,919	1,252	127	21,298
Other key segment information						
Capital expenditures on property, plant and equipment	192,614	35,257	227,871	45	-	227,916
Depreciation of property, plant and equipment	36,149	3,998	40,147	405	(2)	40,550

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	For the three months, ended 30 September 2022 * (unaudited)					
	Freight transportation	Passenger transportation	Reportable segments	Others	Consolidation	Total
Key operating indices						
Revenue and other income						
Transportation revenue from third parties	351,856	29,542	381,398	-	-	381,398
Transportation revenue from intersegment transactions	376	15,184	15,560	-	(15,560)	-
Government grants	-	9,289	9,289	-	-	9,289
Other income from third parties	14,488	1,657	16,145	3,997	-	20,142
Other income from intersegment transactions	6,972	869	7,841	1,696	(9,537)	-
Total revenue and other income	373,692	56,541	430,233	5,693	(25,097)	410,829
Cost of sales	(270,622)	(43,020)	(313,642)	(4,030)	25,215	(292,457)
Gross profit	103,070	13,521	116,591	1,663	118	118,372
General and administrative expenses	(20,612)	(2,241)	(22,853)	(2,181)	361	(24,673)
Finance income	10,786	188	10,974	320	(551)	10,743
Finance costs	(34,041)	(2,708)	(36,749)	(115)	(419)	(37,283)
Foreign exchange (loss)/gain	(4,829)	856	(3,973)	25	46	(3,902)
Share of the profit of associates and joint ventures	2,599	-	2,599	-	-	2,599
Impairment of financial assets and contract assets	(2,856)	(250)	(3,106)	(2)	295	(2,813)
(Impairment)/reversal of impairment of non-financial assets	(893)	164	(729)	(84)	-	(813)
Other profit and losses	709	21	730	20	(10)	740
Profit/(loss) before income tax	53,933	9,551	63,484	(354)	(160)	62,970
Corporate income tax expenses	(16,172)	(944)	(17,116)	(239)	(319)	(17,674)
Profit/(loss) for the period	37,761	8,607	46,368	(593)	(479)	45,296
Other key segment information						
Capital expenditures on property, plant and equipment	129,292	65	129,357	49	-	129,406
Depreciation of property, plant and equipment	32,407	4,988	37,395	404	(1)	37,798

* Comparative information was reclassified as disclosed in Note 2.

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	For the nine months, ended 30 September 2023 (unaudited)					
	Freight transportation	Passenger transportation	Reportable segments	Other	Consolidation	Total
Key operating indices						
Revenue and other income						
Transportation revenue from third parties	1,234,497	78,249	1,312,746	-	-	1,312,746
Transportation revenue from intersegment transactions	1,071	49,071	50,142	-	(50,142)	
Government grants	-	29,753	29,753	-	-	29,753
Other income from third parties	61,096	3,841	64,937	14,434	-	79,371
Other income from intersegment transactions	26,493	602	27,095	6,503	(33,598)	-
Total revenue and other income	1,323,157	161,516	1,484,673	20,937	(83,740)	1,421,870
Cost of sales	(997,467)	(148,312)	(1,145,779)	(15,072)	83,067	(1,077,784)
Gross profit	325,690	13,204	338,894	5,865	(673)	344,086
General and administrative expenses	(65,637)	(6,969)	(72,606)	(2,395)	1,001	(74,000)
Finance income	21,098	1,011	22,109	916	(4,753)	18,272
Finance costs	(114,261)	(16,339)	(130,600)	(301)	1,831	(129,070)
Foreign exchange (loss)/gain	(18,650)	(970)	(19,620)	29	1	(19,590)
Gain on disposal of subsidiary not qualifying as discontinued operations	6,282	-	6,282	-	-	6,282
Share of the profit of associates and joint ventures	6,663	-	6,663	-	-	6,663
Impairment reversal/(impairment) of financial assets and contract assets	230	(791)	(561)	24	884	347
Impairment of non-financial assets	(895)	(109)	(1,004)	(213)	-	(1,217)
Other profit and losses	1,719	854	2,573	(86)	(625)	1,862
Profit/(loss) before income tax	162,239	(10,109)	152,130	3,839	(2,334)	153,635
Corporate income tax (expenses)/benefit	(28,641)	3,628	(25,013)	(252)	1,178	(24,087)
Profit/(loss) for the period	133,598	(6,481)	127,117	3,587	(1,156)	129,548
Other key segment information						
Capital expenditures on property, plant and equipment	377,131	45,190	422,321	205	-	422,526
Depreciation of property, plant and equipment (Note 6)	103,220	11,780	115,000	1,228	(4)	116,224

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For the nine months, ended 30 September 2022 *						
(unaudited)						
	Freight transportation	Passenger transportation	Reportable segments	Other	Consolidation	Total
Key operating indices						
Revenue and other income						
Transportation revenue from third parties	933,447	64,709	998,156	-	-	998,156
Transportation revenue from intersegment transactions	1,411	45,187	46,598	-	(46,598)	-
Government grants	-	23,393	23,393	-	-	23,393
Other income from third parties	34,775	3,764	38,539	11,058	-	49,597
Other income from intersegment transactions	20,484	2,594	23,078	4,760	(27,838)	-
Total revenue and other income	990,117	139,647	1,129,764	15,818	(74,436)	1,071,146
Cost of sales	(793,813)	(120,739)	(914,552)	(10,946)	74,512	(850,986)
Gross profit	196,304	18,908	215,212	4,872	76	220,160
General and administrative expenses	(57,946)	(6,381)	(64,327)	(4,142)	523	(67,946)
Finance income	33,708	650	34,358	841	(1,679)	33,520
Finance costs	(97,563)	(5,727)	(103,290)	(361)	(729)	(104,380)
Foreign exchange (loss)/gain	(38,726)	539	(38,187)	149	334	(37,704)
Share of the profit of associates and joint ventures	2,878	-	2,878	-	-	2,878
Impairment of financial assets and contract assets	(7,782)	(406)	(8,188)	(22)	417	(7,793)
Impairment reversal of non-financial assets	870	151	1,021	27	-	1,048
Other profit and losses	1,720	59	1,779	77	(25)	1,831
Profit before income tax	33,463	7,793	41,256	1,441	(1,083)	41,614
Corporate income tax expenses	(22,014)	(3,168)	(25,182)	(723)	(792)	(26,697)
Profit for the period	11,449	4,625	16,074	718	(1,875)	14,917
Other key segment information						
Capital expenditures on property, plant and equipment	216,894	24,361	241,255	378	1,890	243,523
Depreciation of property, plant and equipment (Note 6)	97,561	10,638	108,199	1,208	(3)	109,404

* Comparative information was reclassified as disclosed in Note 2.

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 periods:

	For the three months ended 30 September		For the nine months ended 30 September	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Kazakhstan	468,552	399,079	1,377,173	1,042,161
Russia	7,563	6,103	21,908	16,004
Others	10,081	5,647	22,789	12,981
	486,196	410,829	1,421,870	1,071,146

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

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6. PROPERTY, PLANT AND EQUIPMENT

	Rail track infrastructure	Buildings and constructions	Machinery and equipment	Vehicles	Land	Other	Construction-in- progress	Total
Carrying value as at								
1 January 2022	1,205,831	305,435	266,902	1,071,704	3,960	12,437	172,020	3,038,289
Additions	284	167	1,673	17,830	4	471	215,804	236,233
Lease additions	-	98	-	6,392	-	686	-	7,176
Lease modifications	-	81	-	-	-	1,162	-	1,243
Disposals	(74)	(239)	(1,555)	(3,241)	(10)	(173)	(3)	(5,295)
Depreciation charge (Note 5)	(29,423)	(5,757)	(26,496)	(45,124)	-	(2,604)	-	(109,404)
Depreciation on disposal	68	166	1,543	3,205	-	168	-	5,150
Other movements and transfers ¹	31,191	(73)	2,429	153,534	-	(1,049)	(188,200)	(2,168)
Carrying value as at 30 September 2022 (unaudited)	1,207,877	299,878	244,496	1,204,300	3,954	11,098	199,621	3,171,224
Cost	1,542,056	371,178	528,133	1,794,708	3,954	31,491	211,410	4,482,930
Accumulated depreciation and impairment	(334,179)	(71,300)	(283,637)	(590,408)	-	(20,393)	(11,789)	(1,311,706)
Carrying value as at 30 September 2022 (unaudited)	1,207,877	299,878	244,496	1,204,300	3,954	11,098	199,621	3,171,224
Including:								
Rights-of-use assets:								
Cost	-	1,988	37,728	66,383	-	9,280	-	115,379
Accumulated depreciation and impairment	-	(653)	(26,296)	(10,572)	-	(4,364)	-	(41,885)
Carrying value	-	1,335	11,432	55,811	-	4,916	-	73,494
Property, plant and equipment that are subject to operating lease (the Group as the lessor)	-	233	4	23,231	-	-	-	23,468

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

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	Rail track infrastructure	Buildings and constructions	Machinery and equipment	Vehicles	Land	Other	Construction-in- progress	Total
Carrying amount as at								
1 January 2023	1,291,479	295,342	245,620	1,267,851	3,959	10,937	126,317	3,241,505
Additions	139	60	3,484	24,991	2	526	381,992	411,194
Lease additions	-	48	1,074	9,780	-	-	-	10,902
Lease modifications	-	(81)	5,251	1,912	-	-	-	7,082
Disposals	(71)	(760)	(1,980)	(3,986)	(59)	(828)	(150)	(7,834)
Depreciation charge (Note 5)	(31,727)	(5,447)	(26,331)	(51,279)	-	(1,440)	-	(116,224)
Depreciation on disposal	57	349	1,749	3,982	-	822	-	6,959
Other movements and transfers ²	47,986	1,210	9,605	217,408	(31)	-	(277,884)	(1,706)
Carrying value as at 30 September 2023								
(unaudited)	1,307,863	290,721	238,472	1,470,659	3,871	10,017	230,275	3,551,878
Cost	1,670,690	365,016	558,288	2,108,952	3,871	30,551	242,474	4,979,842
Accumulated depreciation and impairment	(362,827)	(74,295)	(319,816)	(638,293)	-	(20,534)	(12,199)	(1,427,964)
Carrying value as at 30 September 2023								
(unaudited)	1,307,863	290,721	238,472	1,470,659	3,871	10,017	230,275	3,551,878
Including:								
Rights-of-use assets:								
Cost	-	1,862	49,577	86,063	-	9,131	-	146,633
Accumulated depreciation and impairment	-	(777)	(41,323)	(15,626)	-	(4,969)	-	(62,695)
Carrying value	-	1,085	8,254	70,437	-	4,162	-	83,938
Property, plant and equipment that are subject to operating lease (the Group as the lessor)	-	205	28	22,447	-	-	-	22,680

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

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7. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

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

	2023	2022
Associates		
As at 1 January	28,634	26,793
Acquisitions	15	-
Foreign exchange difference on translation of foreign operations	(4,854)	7,586
Share in profit	6,673	2,835
Dividends receivable	(2,891)	(8,726)
As at 30 September (unaudited)	27,577	28,488
Joint ventures		
As at 1 January	165	895
Share in (loss)/profit	(10)	43
Charter capital contributions	-	58
Impairment	-	(826)
As at 30 September (unaudited)	155	170

As at 30 September 2023, the Group's unrecognised share of the losses of its significant associate, Aktau Marine North Terminal LLP amounted to 23 million tenge (31 December 2022: 3,355 million tenge).

8. OTHER NON-CURRENT ASSETS

	30 September 2023 (unaudited)	31 December 2022
Advances paid for property, plant and equipment	466,343	101,631
VAT recoverable	132,602	81,883
Investment property	8,416	8,496
Others	382	907
Less: allowance for non-recoverable VAT	(11,978)	(11,823)
Less: allowance for advances for property, plant and equipment	(1,510)	(1,056)
Total other non-financial assets	594,255	180,038
Restricted cash	13,611	14,010
Loans issued	4,712	6,865
Bonds of commercial banks and other credit institutions, and other debt securities	1,419	1,399
Loans to employees	1,351	1,623
Long-term trade accounts receivable (Note 11)	26	39
Others	666	598
Less: allowance for expected credit losses on loans issued	(3,382)	(3,113)
Less: allowance for expected credit losses on other non-current financial assets	(544)	(492)
Total other financial assets	17,859	20,929
	612,114	200,967

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

As at 30 September 2023 and 31 December 2022, advances paid for property, plant and equipment included the following:

	30 September 2023 (unaudited)	31 December 2022
Passenger carriages supply	166,949	-
Construction of the railway	135,471	-
Electro locomotive supplies	91,905	72,753
Diesel locomotive supplies	62,881	9,075
Capital repairs of the railway	2,850	-
Rail purchases	471	9,959
Railroad switch supplies	439	5,240
Others	5,377	4,604
	466,343	101,631

9. CASH AND CASH EQUIVALENTS

	30 September 2023 (unaudited)	31 December 2022
Short-term bank deposits in tenge	71,848	68,187
Cash in bank current accounts, in tenge	87,946	186,774
Cash in bank current accounts, in US Dollars	6,946	7,642
Cash in bank current accounts, in Russian roubles	498	3,309
Cash in bank current accounts, in other currencies	2,781	1,073
Reverse repurchase agreements and other treasury securities with contractual maturity of three months or less	484	-
Petty cash	2	4
Less: allowance for expected credit losses on cash and cash equivalents	(21)	(33)
	170,484	266,956
Cash included in assets classified as held for sale	-	76
	170,484	267,032

Aa at 30 September 2023, the weighted average interest rate for cash in current accounts in tenge and other currencies was 0.6% and 1.21%, respectively (31 December 2022: 0.22% in tenge and 1.64% in other currencies).

Short-term bank deposits in tenge and in other currencies are placed for various periods of up to three months, depending on the Group's cash needs. As at 30 September 2023, the weighted average interest rate on short-term bank deposits was 16.21% (31 December 2022: 16.18%).

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As at 30 September 2023, cash placed by the Group on current accounts in Kazpost JSC, a related party of the Group, amounted to 69,097 million tenge (31 December 2022: 162,854 million tenge) (Note 27). 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 30 September 2023 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

	30 September 2023 (unaudited)	31 December 2022
Track structure materials	24,186	14,647
Fuel and lubricants	20,017	6,034
Materials and supplies	14,260	12,481
Spare parts	8,944	8,311
Construction materials	2,144	1,478
Others	4,627	3,562
	74,178	46,513
Less: allowance for inventories	(2,045)	(1,484)
	72,133	45,029

11. TRADE ACCOUNTS RECEIVABLE

	30 September 2023 (unaudited)	31 December 2022
Trade accounts receivable	19,949	22,405
Less: allowance for expected credit losses	(4,187)	(7,593)
	15,762	14,812
Current portion of trade accounts receivable	15,736	14,773
Non-current portion of trade accounts receivable (Note 8)	26	39
	15,762	14,812

As at 30 September 2023, trade accounts receivable from contracts with customers amounted to 18,647 million tenge (31 December 2022: 21,149 million tenge), expected credit losses on these trade accounts receivable amounted to 3,407 million tenge (31 December 2022: 6,873 million tenge).

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12. OTHER CURRENT ASSETS

	30 September 2023 (unaudited)	31 December 2022
Other taxes prepaid	44,929	43,120
Advances paid	32,249	24,821
Deferred expenses	1,706	1,795
Others	5,405	5,451
Less: allowance for impairment of advances given and other current non-financial assets	(6,442)	(5,938)
Total other non-financial assets	77,847	69,249
Claims, interest and fines	4,617	4,136
Amounts due from employees	2,083	1,751
Subsidies	1,895	1
Dividends receivable	1,269	-
Others	10,342	8,119
Less: allowance for expected credit losses on other current financial assets	(4,265)	(4,200)
Total other financial assets	15,941	9,807
	93,788	79,056

13. ASSETS AND LIABILITIES OF DISPOSAL GROUP

Railway Passenger Coach Construction Plant LLP

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 did not represent a significant line of business for the Group, the Group did not classify the financial result of the subsidiary as a discontinued operation. On 27 January 2023, the Group completed the sale of its interest and lost control over the subsidiary.

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The assets and liabilities of Railway Passenger Coach Construction Plant LLP as at the date of disposal are presented as follows:

	27 January 2023 (unaudited)
Assets	
Property, plant and equipment	5,666
Cash and cash equivalents	52
Other current assets	40,049
Total assets	45,767
Liabilities	
Contract liabilities ³	40,000
Trade accounts payable	20
Other taxes	3
Other current liabilities	26
Total liabilities	40,049
Net assets disposed	5,718

The result of the disposal of a subsidiary is presented as follows:

	2023 (unaudited)
Proceeds from disposal of subsidiary	12,000
Net assets disposed	(5,718)
Result of disposal of Railway Passenger Coach Construction Plant LLP	6,282

14. EQUITY

Contributions

Share issue

During the nine months ended 30 September 2022, the Group issued 1 share, in payment for 607 units of wheel sets in the amount of 239 million tenge that were received from the Shareholder.

Other contributions

During the nine months ended 30 September 2023, the Group recognised an adjustment to loans received from the Shareholder at below market rates to fair value of 154,213 million tenge, net of deferred tax effect of 30,842 million tenge (Notes 15).

³ Prior to disposal intra-group obligations under an agreement with a subsidiary Passenger Transportation JSC for the supply of passenger carriages.

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Hedging reserve

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

As at 30 September 2022, hedge accounting was discontinued due to the receipt of revenue from freight transportation in international (transit) route, which is the hedge item, accordingly, the cumulative deferred loss attributable to this hedging instrument was reclassified from other comprehensive loss to revenue from freight transportation in the amount of 54,442 million tenge (Note 20).

15. BORROWINGS

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

	30 September 2023 (unaudited)		31 December 2022	
	Amount	Weighted average effective interest rate (%)	Amount	Weighted average effective interest rate (%)
<i>Fixed interest rate borrowings</i>				
Loans received	398,766		300,748	
- in tenge	285,368	11.28	231,551	11.34
- in Euros	65,783	6.57	69,197	6.57
- in Russian Roubles	47,615	4.70	-	-
Debt securities issued	1,153,851		1,052,191	
- in tenge	633,738	10.05	563,621	10.20
- in US Dollars	386,487	2.00	363,221	2.00
- in Swiss Francs	133,626	3.25	125,349	3.25
<i>Variable interest rate borrowings</i>				
Loans received	230,000		152,426	
- in tenge	130,352	18.55	152,426	15.01
- in Euros	99,648	6.89	-	-
Debt securities issued	177,494		181,966	
- in tenge	177,494	19.55	181,966	16.64
	1,960,111		1,687,331	
Current portion of borrowings	456,135		256,506	
Non-current portion of borrowings	1,503,976		1,430,825	
	1,960,111		1,687,331	

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Borrowings received

The Shareholder

In May 2023, the Group, represented by the Company, under a loan agreement with the Shareholder concluded on 19 May 2023, received borrowings in the total amount of 162,600 million tenge to finance the acquisition of passenger carriages. Interest is paid annually at 0.05%. Principal is paid annually until full repayment in 2053. The loan was received at a below market interest rate and the fair value of the loan received was calculated based on the market rate of 11.59%. The Group recognised an adjustment to fair value of borrowings in the amount of 139,497 million tenge, net of deferred tax in the amount of 27,899 million tenge through equity in retained earnings as other contributions (Note 14).

Citibank Kazakhstan JSC

In June 2023, the Group, represented by a subsidiary KTZ-Freight Transportation LLP, within the framework of a Master agreement with Citibank Kazakhstan on short-term loans concluded on 30 November 2009, received borrowings in the total amount of 13,000 million tenge with an interest rate of 17.7%. The principal is repayable at full in June 2024.

ForteBank JSC

In September 2023, the Group, represented by the Company, within the framework of a credit line agreement with ForteBank JSC concluded on 13 June 2022, received borrowings in the total amount of 26,100 million tenge with an interest rate of 18% and maturity date of up to six months.

HSBC Continental Europe

During the nine months ended 30 September 2023, the Group, represented by its subsidiaries KTZ-Freight transportation LLP and KTZ-Passenger locomotives 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 4,350,789 Euros (2,137 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.

Societe Generale and Natixis

During the nine months ended 30 September 2023, the Group, represented by its subsidiaries KTZ-Freight transportation LLP and KTZ-Passenger locomotives LLP, under the Master Framework Agreement with Societe Generale and Natixis under the guarantee of export credit agency BPIfrance, dated 23 February 2023 to finance the acquisition of freight and passenger locomotives for a total of 627,110,893 Euros borrowed 203,737,330 Euros (100,138 million tenge) (including the BPIfrance premium). Loan interest is paid semi-annually at Euribor 6m + 1.15% margin. Principal is repaid semi-annually until full repayment in 2034.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2023 (CONTINUED)

(in millions of Tenge, unless otherwise stated)

Halyk Bank of Kazakhstan JSC

During the nine months ended 30 September 2023, the Group, represented by the Company and its subsidiary KTZ-Freight transportation LLP, within the framework of a credit line agreement with Halyk Bank of Kazakhstan JSC concluded on 26 February 2015, received borrowings in the total amount of 65,000 million tenge with an interest rate from 18.5% to 18.75% and maturity date of up to 1 year. In July 2023, the Group made an early repayment of received borrowings in the amount of 10,000 million tenge.

During the nine months ended 30 September 2023, the Group, represented by its subsidiary KTZ-Freight transportation LLP, within the framework of a credit line agreement with Halyk Bank of Kazakhstan JSC concluded on 22 October 2022, received borrowings in the total amount of 3,156 million tenge to finance the acquisition of freight diesel and electric locomotives. Loan interest is paid quarterly at base rate of the National Bank of the Republic of Kazakhstan + 2% margin Principal is paid semi-annually until full repayment in 2032.

During the nine months ended 30 September 2023, the Group, represented by its subsidiary KTZ-Passenger locomotives LLP, within the framework of a credit line agreement with Halyk Bank of Kazakhstan JSC concluded on 20 October 2022, received borrowings in the total amount of 10,034 million tenge to finance the acquisition of passenger diesel and electric locomotives. Loan interest is paid quarterly at base rate of the National Bank of the Republic of Kazakhstan + 2% margin. Principal is paid semi-annually until full repayment in 2029.

Eurasian Development Bank ("EDB")

During the nine months ended 30 September 2023, the Group, represented by its subsidiary KTZ-Freight transportation LLP, under the loan agreement with EDB dated 11 May 2023 to finance the acquisition of freight diesel locomotives for a total of 17,685,350,000 Russian Roubles borrowed 9,620,830,400 Russian Roubles (48,261 million tenge). Loan interest is paid semi-annually at 7.8 Principal is repaid semi-annually until full repayment in 2034.

Early repayment of non-current borrowings

During the nine months ended 30 September 2023, the Group, represented by its subsidiary KTZ Express JSC, under loan agreement with Eurasian Bank for Reconstruction and Development dated 18 September 2014 made an early repayment of borrowings received in the amount of 5,713 million tenge.

During the nine months ended 30 September 2023, the Group, represented by its subsidiary KTZ-Freight transportation LLP, within the framework of a credit line agreement with Halyk Bank of Kazakhstan JSC concluded on 22 October 2022, made a partial early repayment of received borrowings in the amount of 18,262 million tenge.

During the nine months ended 30 September 2023, the Group, represented by its subsidiary KTZ-Passenger locomotives LLP, within the framework of a credit line agreement with Halyk Bank of Kazakhstan JSC concluded on 20 October 2022, made a partial early repayment of received borrowings in the amount of 6,483 million tenge.

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Debt securities issued

In June 2023, the Group, represented by the Company, for the implementation of Modernisation of the Dostyk-Aktogay-Moiynty-Zharyk-Zhezkazgan-Saksaulskaya-Kandyagash-Aktobe-Iletska railway transport corridor project (Construction of second tracks of the Dostyk-Moiynty railway section), issued debt securities at Kazakhstan Stock Exchange in favor of the Shareholder in the amount of 73,709 million tenge with a coupon rate of 8.74% per annum and a maturity date of 2043. The coupon is paid twice a year. Debt securities were issued with a coupon rate below the market rate and the fair value was calculated based on the market rate of 11.59%. The Group recognised an adjustment to the fair value of debt securities issued in the amount of 14,716 million tenge, net of deferred tax in the amount of 2,943 million tenge through equity in retained earnings as other contributions (Note 14).

The fair value of borrowings is presented in Note 28.

Credit agreements and breaches of credit agreements

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 30 September 2023, this covenant was met.

Loan agreements with Societe Generale and Natixis include financial covenant Net Debt to Equity (at the same time, concessional loans from the Shareholder should not exceed 50% of the total debt) calculated based on annual consolidated financial statements of the Group.

Loan agreement with EDB includes certain financial covenants such as Debt to EBITDA and Interest coverage ratio calculated semi-annually based on consolidated results of the Group. In addition, 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 30 September 2023, this covenant was met.

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(in millions of Tenge, unless otherwise stated)

Reconciliation of changes in liabilities and cash flows from financing activity

	2023			2022		
	Borrowings and debt securities issued	Lease liabilities (Note 16)	Total	Borrowings and debt securities issued	Lease liabilities (Note 16)	Total
As at 1 January	1,687,331	53,082	1,740,413	1,577,212	59,798	1,637,010
Changes due to cash flows from financing activities						
Repayment of principal on borrowings	(122,566)	-	(122,566)	(443,890)	-	(443,890)
Proceeds from borrowings	426,559	-	426,559	343,540	-	343,540
Repayment of lease liabilities	-	(10,965)	(10,965)	-	(11,167)	(11,167)
Total changes due to cash flows from financing activities	303,993	(10,965)	293,028	(100,350)	(11,167)	(111,517)
Other changes						
Effect of changes in foreign currency exchange rates	17,335	142	17,477	35,857	481	36,338
Cash flow hedging	-	-	-	2,445	-	2,445
Acquisition of property, plant and equipment through borrowings directly transferred to the supplier	76,470	-	76,470	5,706	-	5,706
New lease agreements	-	6,428	6,428	-	3,042	3,042
Fair value adjustments of borrowings received from the Shareholder at below market interest rate (Note 14)	(154,213)	-	(154,213)	-	-	-
Interest expenses and amortisation of discount, including those capitalised	135,616	6,597	142,213	101,466	6,366	107,832
Interest paid	(103,237)	(3,986)	(107,223)	(77,241)	(4,466)	(81,707)
Other changes	(3,184)	6,870	3,686	(791)	1,097	306
Total other changes attributable to liabilities	(31,213)	16,051	(15,162)	67,442	6,520	73,962
As at 30 September (unaudited)	1,960,111	58,168	2,018,279	1,544,304	55,151	1,599,455

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16. LEASE LIABILITIES

	30 September 2023 (unaudited)		31 December 2022	
	Lease payments	Present value of lease payments	Lease payments	Present value of lease payments
Up to one year	17,862	16,837	14,966	14,221
From two to five years inclusive	37,129	22,292	39,458	23,717
Over five years	67,532	19,039	62,242	15,144
Total	122,523	58,168	116,666	53,082
Less future finance costs	(64,355)	-	(63,584)	-
Present cost of lease liabilities	58,168	58,168	53,082	53,082
Less amount due within 12 months		(16,837)		(14,221)
Amount due after 12 months		41,331		38,861

Finance lease agreements (hereinafter – “lease agreements”) with Industrial Development Fund JSC

Flat carriages

In November 2020, the Group, represented by its subsidiary KTZ Express JSC, entered into lease agreements with Industrial Development Fund JSC to lease 2,000 flat carriages for 51,692 million tenge (with the addendum dated 29 September 2023) with interest rate of 15% per annum, 10% of which is subsidised by the State. The grace period for the principal is 2 years. The Group acts as a lessee.

During the nine months ended 30 September 2023, the Group received 243 flat carriages under this agreement and recognised right-of-use assets in the amount of 5,737 million tenge for 32 years as well as lease liability in the amount of 2,726 million tenge with a maturity of 15 years.

Passenger carriages

In December 2022, the Group, represented by subsidiary Passenger Transportation JSC within the framework of *Purchase of passenger carriages* investment project entered into an agreement for the lease of 11 units of passenger carriages in the amount of 8,318 million tenge and interest rate of 1.5% per annum. The grace period for paying the principal debt is 6 years. The Group acts as a lessee.

During the nine months ended 30 September 2023, the Group received 6 passenger carriages under this agreement and recognised right-of-use assets in the amount of 4,043 million tenge for 28 years as well as lease liability in the amount of 2,581 million tenge with a maturity of 20 years.

As at 30 September 2023, the calculation of interest amount is based on effective interest rates ranging between 1.69% and 21.69% (31 December 2022: from 1.69% to 21.69%).

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Requirements related to financial leasing agreements of the Group, represented by subsidiaries KTZ Express JSC and Kaztemirtrans JSC, with Industrial Development Fund JSC, include, but are not limited to conditions related to restrictions on: change of legal status through voluntary liquidation; conclusion of an agreement or several agreements, the amount of which exceeds 10-25% of the carrying value of assets; transfer of leased items or part of leased items to sublease. In the event of events of default, determined by the terms of financial leasing agreements, the lessor has the right to demand uncontested reclamation of the leased items.

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

17. TRADE ACCOUNTS PAYABLE

	30 September 2023 (unaudited)	31 December 2022
Accounts payable for inventories received	80,650	27,108
Accounts payable for services provided	64,584	65,252
Accounts payable for the supply of property, plant and equipment	24,313	21,100
Other accounts payable	4,222	3,747
	173,769	117,207

As at 30 September 2023 and 31 December 2022, trade accounts payable were denominated in the following currencies:

	30 September 2023 (unaudited)	31 December 2022
Tenge	157,504	99,615
US Dollars	8,695	11,494
Euros	5,659	4,463
Other currencies	1,911	1,635
	173,769	117,207

18. CONTRACT LIABILITIES

	30 September 2023 (unaudited)	31 December 2022
Advances received on contracts with customers	82,078	102,035
Deferred income	13,530	17,358
	95,608	119,393

The revenue recognised in the reporting period, which was included in the balance of advances received and deferred income at the beginning of the year amounted to 98,975 million tenge (2022: 88,376 million tenge).

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Contract liabilities as 30 September 2023 will be recognised as revenue within 12 months after the reporting date.

19. OTHER LIABILITIES

	30 September 2023 (unaudited)	31 December 2022
Deferred income (government grants)	33,013	27,803
Provisions for unused vacation and other employee benefits	25,273	28,712
Obligatory pension contributions, social contributions, insurance and obligatory medical insurance contributions	10,931	11,325
Advances received	8,503	12,738
Provisions	2,508	2,460
Others	2,822	2,077
Total other non-financial liabilities	83,050	85,115
Salary payable	30,629	10,006
Financial guarantee contract liabilities	29,217	29,997
Derivative financial instrument	3,452	564
Others	11,552	6,854
Total other financial liabilities	74,850	47,421
	157,900	132,536
Current portion of other liabilities	98,867	76,972
Non-current portion of other liabilities	59,033	55,564
	157,900	132,536

As disclosed in Note 26, the Group provided financial guarantees to banks on loans received by the entities of Nursultan Nazarbayev International Airport JSC and Aktobe Rail and Section Mill Plant LLP and an associate of Transtelecom JSC, and recognised obligations under financial guarantee agreements. As at 30 September 2023, liabilities under financial guarantee agreements amounted to 15,441 million tenge for Nursultan Nazarbayev International Airport JSC, 13,598 million tenge for Aktobe Rail and Section Mill Plant LLP and 178 million tenge for Transtelecom JSC (31 December 2022: 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).

As at 30 September 2023 and 31 December 2022, other liabilities were primarily denominated in tenge.

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20. REVENUE

For the three and nine months ended 30 September 2023 and 2022, revenue from freight transportation included:

	For the three months ended 30 September		For the nine months ended 30 September	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Revenue from contracts with customers:				
International (transit) route	150,627	140,592	479,773	311,578
Domestic route	120,603	98,141	322,991	276,899
International (export) route	69,068	50,818	196,960	160,365
International (import) route	46,090	36,394	137,154	108,772
Additional charges related to the transportation process	14,772	11,814	45,326	38,900
Other revenue from freight transportation	21,341	14,097	52,293	36,933
	422,501	351,856	1,234,497	933,447

During the nine months ended 30 September 2022, the Group received international (transit) freight transportation revenue, which is the cash flow hedged item, therefore, the accumulated loss in the amount of 54,442 million attributable to the hedging instrument was reclassified from other comprehensive loss to freight transportation revenue (Note 14).

For the three and nine months ended 30 September 2023 and 2022, revenue from passenger transportation included:

	For the three months ended 30 September		For the nine months ended 30 September	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Revenue from contracts with customers:				
Passenger transportation	25,563	26,684	69,549	57,477
Other revenue from freight transportation	3,262	2,858	8,700	7,232
	28,825	29,542	78,249	64,709

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21. OTHER REVENUE

	For the three months ended 30 September		For the nine months ended 30 September	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Revenue from the sale of goods, provision of other services	11,695	11,296	36,148	31,231
Revenue from lease of wagons	12,022	5,097	33,315	9,617
Revenue from fines	2,081	2,387	6,619	5,397
Revenue from the lease of other property, plant and equipment	1,255	1,362	3,289	3,352
	27,053	20,142	79,371	49,597

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

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

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

22. COST OF SALES

	For the three months ended 30 September		For the nine months ended 30 September	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Staff costs, including taxes, contributions and provisions for unused vacations	153,083	116,032	447,545	335,994
Repairs and maintenance	58,898	45,269	164,381	121,366
Fuel and lubricants	52,119	38,051	152,573	121,369
Depreciation and amortisation	39,031	36,391	111,828	105,992
Work and services of a production nature	18,595	18,170	59,457	50,820
Electricity	17,755	11,796	45,154	38,825
Materials and supplies	12,894	9,373	33,651	22,999
Property tax and other taxes than social tax and social contributions	6,895	6,513	20,891	19,901
Other costs	12,157	10,862	42,304	33,720
	371,427	292,457	1,077,784	850,986

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23. GENERAL AND ADMINISTRATIVE EXPENSES

	For the three months ended 30 September		For the nine months ended 30 September	
	2023 (unaudited)	2022* (unaudited)	2023 (unaudited)	2022* (unaudited)
Staff costs, including taxes, contributions and provisions for unused vacation	17,073	15,036	47,621	42,803
Property tax and other taxes, excluding social tax and social contributions	2,020	2,640	5,591	6,341
Depreciation and amortisation	974	1,002	3,242	3,139
Other third party services	1,363	568	3,133	2,106
Business trip expenses	502	473	1,410	1,125
Consulting, audit and legal services	196	273	697	962
Lease expenses	220	355	694	898
Telecommunication services	165	135	505	429
Utilities and building maintenance	90	320	457	701
Insurance	154	141	457	435
Banking services	100	103	326	334
Expenses to maintain social sphere facilities	65	198	265	363
Other expenses	3,679	3,429	9,602	8,310
	26,601	24,673	74,000	67,946

* Comparative information was reclassified as disclosed in Note 2.

24. FINANCE INCOME AND COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Finance income				
Interest income on cash and cash equivalents	3,376	2,252	9,225	7,539
Interest income on derivative financial instruments at recognised fair value through profit or loss	-	-	5,079	-
Income from interest rate subsidies on financial liabilities	536	7,813	1,452	23,395
Other finance income	163	678	2,516	2,586
	4,075	10,743	18,272	33,520

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2023 (CONTINUED)

(in millions of Tenge, unless otherwise stated)

	For the three months ended 30 September		For the nine months ended 30 September	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Finance costs				
Interest expenses and amortisation of discount on borrowings	39,394	34,702	118,497	97,236
Lease interest expenses	2,352	2,144	6,597	6,366
Change in fair value of derivative financial instruments recognised at fair value through profit or loss	825	-	2,914	-
Other finance costs	684	437	1,062	778
	43,255	37,283	129,070	104,380

25. EARNINGS PER SHARE

Basic earnings per share are calculated using the weighted average number of common shares issued during the period. Basic and diluted per share data are the same, as there are no dilutive instruments outstanding. As at 30 September 2023 and 31 December 2022, the Company had no outstanding antidilutive instruments.

	For the three months ended 30 September		For the nine months ended 30 September	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Weighted average of common shares	496,692,666	496,692,666	496,692,666	496,692,665
Profit for the period attributable to the Shareholder, (million tenge)	19,876	44,496	126,847	13,171
Earnings per share (tenge)	40	90	255	27

The carrying amount of one share as at 30 September 2023 and 31 December 2022 is presented below:

	30 September 2023 (unaudited)	31 December 2022
Net assets, excluding intangible assets, goodwill and non-controlling interests, million tenge	1,663,646	1,416,903
Quantity of common shares in circulation (registered)	496,692,666	496,692,666
Carrying amount of one share (tenge)⁴	3,349	2,853

⁴ Carrying amount of shares is calculated in accordance with KASE requirements.

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26. FINANCIAL AND CONTINGENT LIABILITIES

Capital commitments

As at 30 September 2023, the Group had commitments, including for modernisation of railway transport corridor Dostyk-Moiynty, under lease agreements with Industrial Development Fund JSC, for the capital repairs of railways, for the purchase of long rails and for the purchase of freight and passenger electric locomotives and freight and passenger diesel locomotives for a total amount of 2,037,969 million tenge (31 December 2022: 1,881,358 million tenge).

Commitments 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 30 September 2023, 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 30 September 2023 in the amount of 6,402 million tenge.

In November 2020, the Group, represented by its subsidiary KTZ Express JSC, signed a contract for the lease of 2,000 platform cars with a total cost of 53,078 million tenge (with the addendum dated 29 September 2023) for 15 years and interest rate of 15% per annum, 10% of which is subsidised by the State. The grace period for the principal is 2 years. The Group acts as a lessee. As at 30 September 2023, the amount of the contingent liability for undelivered platform cars amounted to 10,106 million tenge.

Other contractual liabilities

As at 30 September 2023, 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 30 September 2023 the outflow of resources embodying economic benefits under this Agreement is not highly probable.

Contingent liabilities

Litigations

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.

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Contingent liabilities related to the Kazakhstan tax system

Due to the uncertainties inherent in the Kazakhstan tax system, the ultimate amount of taxes, fines and late payment interest may exceed the amount expensed as at 30 September 2023 and 31 December 2022. It is not possible to determine the value of any unasserted claims that may manifest, if any, or the likelihood of any unfavourable outcome.

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

Insurance

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

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 in Aktau city 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 condensed interim 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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Guarantees

As at 30 September 2023, guarantees were represented as follows:

Creditor	Purpose of the guarantee	Guarantee issue date	Guarantee period	Guarantee amount, million tenge (unaudited)
Development Bank of Kazakhstan JSC	Execute the obligations of the associate Aktobe Rail and Section Mill Plant LLP to finance the construction of a rail and section mill plant in Aktobe	4 July 2013	until 2033	17,235
Development Bank of Kazakhstan JSC	Execute the obligations of Nursultan Nazarbayev International Airport JSC to finance its modernisation in Astana	28 March 2018	until 2033	22,408
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	1,752
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	2,995

Note 19 discloses the carrying value of these guarantees.

As at 30 September 2023 and 31 December 2022, there were no cases of using the financial guarantees listed above.

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27. RELATED PARTY TRANSACTIONS

The nature of related party relationships for those related parties with which the Group entered into significant transactions or had significant balances outstanding as at 30 September 2023 (unaudited) and 31 December 2022 are detailed below.

		Shareholder	Associates	Companies making up the Shareholder group	Other related parties ⁵
Amounts due from related parties for goods, services and non-current assets, including advances paid	2023	-	965	208	1,792
	2022	-	2,178	1,192	9
<i>including allowances for expected credit losses and impairment of advances paid</i>	2023	-	(404)	(100)	(1)
	2022	-	(1,657)	(95)	-
Amounts due to related parties for goods, services and non-current assets, including advances received	2023	-	7,380	58,738	2,351
	2022	-	21,927	4,845	363
Cash on current accounts	2023	-	69,097	-	-
	2022	-	162,854	-	-
Restricted cash	2023	-	-	-	3
	2022	-	-	-	208
Loans received	2023	701,358	-	-	76,302
	2022	588,984	-	-	74,949
Lease liabilities	2023	-	13,163	-	40,419
	2022	-	13,865	-	32,677
Dividends receivable	2023	-	1,269	-	-
	2022	-	-	-	-

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

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Related party transactions for the nine months ended 30 September (unaudited) are detailed below:

		Shareholder	Associates	Companies making up the Shareholder Group	Other related parties ⁶
Sale of goods, services and non-current assets	2023	-	55,306	18,109	743
	2022	-	90,758	8,276	33
Recovered/(accrued) allowances for expected credit losses and impairment of advances paid	2023	-	1,254	(5)	(1)
	2022	-	(1,813)	(51)	-
Purchase of goods, services and non-current assets	2023	-	17,574	113,533	16,732
	2022	-	19,382	22,415	9,279
Receipt of loans	2023	236,309	-	-	-
	2022	30,000	-	-	-
Repayment of loans received	2023	1,175	-	-	1,835
	2022	31,175	-	-	548
New lease agreements (Group as lessee)	2023	-	1,121	-	5,307
	2022	-	95	-	2,934
Lease liability payments	2023	-	10,948	-	1,962
	2022	49	11,841	-	2,890
Finance income	2023	-	203	-	108
	2022	-	96	-	59
Finance costs	2023	26,022	2,040	-	9,219
	2022	8,031	2,133	-	8,260
Dividends declared	2023	-	2,891	-	-
	2022	-	8,726	-	-
Share capital contribution	2023	-	-	-	-
	2022	239	-	-	-

As at 30 September 2023 and 31 December 2022, the Group has borrowings from Industrial Development Fund JSC and Development Bank of Kazakhstan JSC for a total of 76,302 million tenge and 74,949 million tenge, respectively.

⁶ Other related parties include other entities under the common control of the Ultimate Shareholder.

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As at 30 September 2023 and 31 December 2022, the Group issued guarantee on certain borrowings of the associate and other related and third parties to ensure the execution of obligations to the banks (Notes 19 and 26).

As at 30 September 2023, Group's borrowings from the Shareholder were mainly received at rates below market varying from 0.075% to 8.74% 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 and associates.

Compensation to key management personnel of the Group

As at 30 September 2023, key management personnel comprise members of the Group's Management Board and Board of Directors, totalling 15 persons (31 December 2022: 16 persons). Total compensation to key management personnel included in personnel costs in the consolidated statement of profit or loss and other comprehensive income comprised 711 million tenge for the nine months ended 30 September 2023 (2022: 273 million tenge). Compensation to key management personnel mainly consists of contractual salary costs, social tax, provisions for unused vacation, bonuses based on operational results, and others.

28. FINANCIAL INSTRUMENTS. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value of the derivative financial instrument is 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 and counterparties.

In preparation of these statements, the same methodologies and assumptions for calculating the fair value of financial instruments were used as in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2022.

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

As at 30 September 2023 and 31 December 2022, the fair value of financial assets and financial liabilities, except for loans issued, borrowings and debt securities issued, was not significantly different from their carrying amount. The carrying amount and fair value of financial instruments as at 30 September 2023 and 31 December 2022 are presented as follows:

	30 September 2023 (unaudited)		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans issued	4,076	3,561	3,752	2,895
Other financial assets	20,380	20,229	21,229	21,277
Loans received	628,766	593,009	453,174	411,124
Debt securities	1,331,345	1,198,143	1,234,157	1,107,731
Other financial liabilities	3,452	3,452	564	564

Fair value hierarchy

The table below provides an analysis of financial instruments as at 30 September 2023 (unaudited) broken down into the fair value hierarchy levels.

	Level 1	Level 2	Level 3	Total
Financial assets at amortised cost:				
- loans issued	-	3,561	-	3,561
- other financial assets	-	20,156	-	20,156
Financial assets at fair value through profit or loss:				
- other financial assets	-	-	73	73
Total	-	23,717	73	23,790
Financial liabilities at amortised cost:				
- debt securities	599,304	-	-	599,304
- debt securities from related parties	-	598,839	-	598,839
- bank loans	-	505,760	-	505,760
- loans from related parties	-	87,249	-	87,249
Financial liabilities at fair value through profit or loss:				
- financial derivative instrument	-	3,452	-	3,452
Total	599,304	1,195,300	-	1,794,604

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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
Financial assets at fair value through profit or loss:				
- financial derivative instrument	-	27	-	27
- other financial assets	-	-	73	73
Total	-	24,099	73	24,172
Financial liabilities 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
Financial liabilities at fair value through profit or loss:				
- financial derivative instrument	-	564	-	564
Total	588,642	930,777	-	1,519,419

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

For the nine months ended 30 September 2023, there were no transfers between the fair value hierarchy levels.

29. EVENTS AFTER THE REPORTING DATE

Borrowings received

On 6 October 2023, the Group, represented by its subsidiary KTZ-Freight transportation, within the framework of a credit line agreement with Halyk Bank of Kazakhstan JSC concluded on 26 February 2015, received borrowings in the total amount of 5,000 million tenge with an interest rate of 18.5% and maturity date of up to 1 year.

On 9 October 2023, the Group, represented by the Company, within the framework of a credit line agreement with ForteBank JSC concluded on 13 June 2022, received borrowings in the total amount of 10,000 million tenge with an interest rate of 17.5% and maturity date of up to six months.

On 13 October 2023, the Group, represented by its subsidiary KTZ-Freight transportation, under the loan agreement with Eurasian Development Bank dated 11 May 2023 to finance the acquisition of freight diesel locomotives for a total of 17,685,350,000 Russian Roubles, borrowed 424,448,400 Russian Roubles (2,084 million tenge). Loan interest is paid semi-annually at 7.8%. Principal is repaid semi-annually until full repayment in 2034.

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On 7 November 2023, the Group, represented by the Company, under a loan agreement with the Citibank and Santander under the guarantee of MIGA, concluded on 19 September 2023 to finance the overhaul of railway tracks, borrowed 477,691,793 Swiss Francs (246,088 million tenge). Loan interest is paid semi-annually at SARON 6m + 0.95%. Principal is repaid semi-annually until full repayment in 2033. The grace period for the principal is 1 year.

Dividends received

On 12 October 2023, the Group received dividends for the 1st half of 2023 in the amount of 234,087,644 Russian Roubles (1,119 million tenge) from an associate United Transport and Logistics Company - Eurasian Rail Alliance JSC.

Share capital contribution

On 26 October 2023, the Group, represented by its subsidiary Kedentransservice JSC, made a contribution to the share capital of the associate China-Kazakhstan Trade and Logistics Company LLC (Xi'an) in cash in the amount of 32,051,253 Chinese yuan (2,086 million tenge).

Derivative financial instruments

In October 2023, the Group, under cross-currency swap agreements, concluded in October and November 2022, received cash from J.P. Morgan Securities plc. (UK), Societe Generale SA (France) and Citibank London in the total amount of 8,829,056 US Dollars (4,203 million tenge) and of 2,268,034 Swiss Francs (1,208 million tenge).

Disposal of a subsidiary

In October 2023, the Group, represented by its subsidiary KTZ Express JSC, sold to a third party 51% share of a subsidiary, the Private Company «KPMC Ltd.», for 1,000 US Dollars (0.5 million tenge). As a result, the Group lost control over the subsidiary and recognised residual interest of 49% as investment in associate.