

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

Condensed interim consolidated financial statements
for three months ended 31 March 2023
(unaudited)

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE MONTHS ENDED 31 MARCH 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 MONTHS ENDED 31 MARCH 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 31 March 2023, and the consolidated results of its operations, consolidated cash flows and consolidated changes in equity for three months then ended in compliance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board.

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

- 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 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 months ended 31 March 2023 were approved for issue by management on 18 May 2023.

On behalf of management of the Group:



18 May 2023


Yelena Stankova
Chief Accountant

18 May 2023

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023

(in millions of tenge)

	Notes	31 March 2023 (unaudited)	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	6	3,279,048	3,241,505
Goodwill		15,520	15,520
Intangible assets		13,735	14,416
Investments in joint ventures	7	157	165
Investments in associates	7	30,057	28,634
Deferred tax assets		110	63
Other non-current assets	8	436,006	200,967
Total non-current assets		3,774,633	3,501,270
Current assets			
Cash and cash equivalents	9	124,256	266,956
Inventories	10	63,659	45,029
VAT recoverable		45,000	37,809
Trade accounts receivable	11	16,682	14,773
Contract asset		2,672	3,065
Prepaid income tax		2,427	2,139
Other current assets	12	72,803	79,056
		327,499	448,827
Assets held for sale		-	45,825
Total current assets		327,499	494,652
Total assets		4,102,132	3,995,922
EQUITY AND LIABILITIES			
Equity			
Share capital	14	1,086,324	1,086,324
Foreign currency translation reserve		9,942	12,138
Retained earnings		407,419	348,377
Equity attributable to the Shareholder		1,503,685	1,446,839
Non-controlling interests		16,431	15,853
Total equity		1,520,116	1,462,692

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 MARCH 2023

(in millions of tenge)

	Notes	31 March 2023 (unaudited)	31 December 2022
Non-current liabilities			
Borrowings	15	1,416,668	1,430,825
Deferred tax liabilities		370,250	357,491
Employee benefit obligations		37,884	37,406
Lease liabilities	16	54,032	38,861
Other non-current liabilities	19	55,459	55,564
Total non-current liabilities		1,934,293	1,920,147
Current liabilities			
Borrowings	15	279,474	256,506
Trade accounts payable	17	104,579	117,207
Contract liabilities	18	96,966	119,393
Lease liabilities	16	18,373	14,221
Other taxes payable		29,698	22,540
Employee benefit obligations		6,213	6,213
Other current liabilities	19	112,420	76,972
		647,723	613,052
Liabilities directly attributable to assets held for sale		-	31
Total current liabilities		647,723	613,083
Total liabilities		2,582,016	2,533,230
Total equity and liabilities		4,102,132	3,995,922

On behalf of management of the Group:



Dair Kusherov
Finance Director

18 May 2023


Yelena Stankova
Chief Accountant

18 May 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 MONTHS ENDED 31 MARCH 2023 (UNAUDITED) (in millions of tenge)


	Notes	Three months ended 31 March	
		2023	2022
Revenue and other income			
Revenue from freight transportation	20	391,387	267,751
Revenue from passenger transportation	20	23,767	15,899
Government grants		8,285	6,281
Other revenue	21	23,235	11,865
Total revenue and other income		446,674	301,796
Cost of sales	22	(336,919)	(282,975)
Gross profit		109,755	18,821
General and administrative expenses	23	(24,476)	(21,546)
Finance income	24	11,687	4,623
Finance costs	24	(42,851)	(34,635)
Gain from the disposal of a subsidiary not qualifying as discontinued operations	13	6,282	-
Foreign exchange gain/(loss)		10,118	(33,160)
Share of the profit of associates and joint ventures	7	3,252	2,488
Reversal of impairment/(impairment) of financial assets and contract asset		278	(77)
(Impairment)/reversal of impairment of non-financial assets		(828)	2,964
Other profit and losses		667	986
Profit/(loss) before tax		73,884	(59,536)
Corporate income tax expenses		(14,264)	(9,057)
Profit/(loss) for the period		59,620	(68,593)
Other comprehensive (loss)/income, net of income tax:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net fair value loss on cash flow hedging instruments	14	-	(2,445)
Reclassification of the loss on cash flow hedging instruments	14, 20	-	54,442
Foreign exchange difference on translation of foreign operations		(2,196)	1,477
Other comprehensive (loss)/income for the period		(2,196)	53,474
Total comprehensive income/(loss) for the period		57,424	(15,119)
Profit/(loss) for the period attributable to:			
The Shareholder		59,042	(69,087)
Non-controlling interests		578	494
		59,620	(68,593)
Total comprehensive income/(loss) attributable to:			
The Shareholder		56,846	(15,613)
Non-controlling interests		578	494
		57,424	(15,119)
Earnings/(loss) per share, in tenge	25	119	(139)

On behalf of management of the Group:



Dair Kusherov
Finance Director

18 May 2023


Yelena Stankova
Chief Accountant

18 May 2023

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KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THREE MONTHS ENDED 31 MARCH 2023 (UNAUDITED) (in millions of tenge)

	Notes	Three months ended 31 March	
		2023	2022
Cash flows from operating activities:			
Profit/(loss) for the year		59,620	(68,593)
Income tax expenses recognised in profit or loss, including discontinued operations		14,264	9,057
Adjustments for:			
Depreciation and amortisation		36,882	35,980
Finance costs	24	42,851	34,635
(Reversal of impairment)/impairment of financial assets and contract asset		(278)	77
Impairment/(reversal of impairment) of non-financial assets		828	(2,964)
Finance income	24	(11,687)	(4,623)
Post-employment benefits and other long-term employee benefit expenses	22,23	1,897	1,904
Share of the profit of associates and joint ventures	7	(3,252)	(2,488)
Foreign exchange (gain)/loss		(10,118)	33,160
Reclassification of the loss on cash flow hedging instruments	14,20	-	54,442
Gain from the disposal of a subsidiary not qualifying as discontinued operations	13	(6,282)	-
Others		7,931	6,237
Operating income before changes in working capital and other balances		132,656	96,824
Change in trade accounts receivable		(5,371)	(8,833)
Change in inventories		(18,636)	(3,878)
Change in other current and non-current assets (including long-term VAT recoverable)		(17,015)	(16,919)
Change in trade accounts payable		4,688	3,761
Change in other taxes payable		7,096	(3,132)
Change in other liabilities and contract liabilities		6,486	6,139
Change in employee benefit obligations		(1,419)	(1,393)
Cash generated from operations before interest and income tax payments		108,485	72,569
Interest paid		(27,451)	(10,028)
Interest received		2,264	2,676
Income tax paid		(1,535)	(252)
Net cash flows from operating activities		81,763	64,965
Cash flows from investing activities:			
Purchase of property, plant and equipment, including advances paid for property, plant and equipment		(210,621)	(58,982)
Proceeds from the sale of other non-current assets		287	719
Net cash inflow on disposal of subsidiaries		11,948	-
Others		55	(1,579)
Net cash flows used in investing activities		(198,331)	(59,842)

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THREE MONTHS ENDED 31 MARCH 2023 (UNAUDITED) (in millions of tenge)

	Notes	Three months ended 31 March	
		2023	2022
Cash flows from financing activities:			
Proceeds from borrowings	15	3,156	40,000
Repayment of borrowings	15	(20,782)	(103,026)
Repayment of lease liabilities	15	(4,017)	(3,222)
Others		(3,976)	-
Net cash flows used in financing activities		(25,619)	(66,248)
Net decrease in cash and cash equivalents		(142,187)	(61,125)
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		(607)	(4,977)
Effect of changes in the allowance for expected credit losses		18	8
Cash and cash equivalents at the end of the period	9	124,256	111,906
Non-cash transactions:			
Purchase of property, plant and equipment from borrowed funds by direct bank transfer to the supplier	15	23,784	2,317

On behalf of management of the Group:



Dair Kuserov
Finance Director

18 May 2023


Yelena Stankova
Chief Accountant

18 May 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 THREE MONTHS ENDED 31 MARCH 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
(Loss)/profit for the period	-	-	-	(69,087)	(69,087)	494	(68,593)
Other comprehensive income for the period	-	51,997	1,477	-	53,474	-	53,474
Total comprehensive income/(loss) for the period	-	51,997	1,477	(69,087)	(15,613)	494	(15,119)
As at 31 March 2022 (unaudited)	1,086,085	-	11,402	145,487	1,242,974	14,349	1,257,323
As at 1 January 2023	1,086,324	-	12,138	348,377	1,446,839	15,853	1,462,692
Profit for the period	-	-	-	59,042	59,042	578	59,620
Other comprehensive income for the period	-	-	(2,196)	-	(2,196)	-	(2,196)
Total comprehensive (loss)/income for the period	-	-	(2,196)	-	-	-	-
As at 31 March 2023 (unaudited)	1,086,324	-	9,942	407,419	1,503,685	16,431	1,520,116

On behalf of management of the Group:



Dair Kusherov
Finance Director

Yelena Stankova
Chief Accountant

18 May 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 MONTHS ENDED 31 MARCH 2023 (millions of tenge, unless stated otherwise)

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 (collectively, "the Group"). The address of the Company's registered office is 6 D. Kunayev Street, Astana, 010000, Republic of Kazakhstan.

Samruk-Kazyna Sovereign Welfare Fund JSC ("the Shareholder") is the Company's sole shareholder.

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

The Kazakhstan Ministry of the National Economy's Committee for the Regulation of Natural Monopolies ("CRNM") approved main railway network service tariffs for 2021-2025, introducing differentiated mainline freight transportation tariffs for diesel locomotives on non-electrified track sections and electric locomotives on electrified track sections. Locomotive traction services were divided into diesel and electric traction. The differentiation led to 2.5% freight transportation tariff increase for carriages and containers for three months ended 31 March 2023 (Note 29).

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THREE MONTHS ENDED 31 MARCH 2023
(millions of tenge, unless stated otherwise)

Operating environment

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

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

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

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 three months ended 31 March 2023, the volume of freight transportation in transit and export routes increased compared to the comparable previous period.

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.

The Group's Development Strategy until 2032 was approved in accordance with the Concept. The Group will continue to work to improve operating efficiency, develop transit traffic, including alternative routes, optimise the structure of the corporate portfolio in line with the state privatisation program, ensuring financial stability for the Group, improving customer satisfaction, guaranteeing train traffic safety, and implementing ESG principles.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THREE MONTHS ENDED 31 MARCH 2023
(millions of tenge, unless stated otherwise)

2. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

Statement of compliance

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

Going concern

The Group's condensed interim consolidated financial statements have been prepared on a going concern basis. This assumes the sale of assets and settlement of liabilities in the normal course of business for the foreseeable future. As at 31 March 2023, the Group's current liabilities exceeded its current assets by 320,224 million tenge (31 December 2022: 118,431 million tenge).

As at 31 March 2023, current liabilities include borrowings of 279,474 million tenge that are payable within 12 months after the reporting date. However, profit for three months ended 31 March 2023 amounted to 59,620 million tenge (2022: loss of 68,593 million tenge), and cash inflows from operating activities amounted to 81,763 million tenge (2022: 64,965 million tenge).

Group management has assessed the Group's needs for cash, as well as its scheduled debt repayments and development plans. Historically, the Group has financed major investment projects using funds from the government of Kazakhstan and through borrowings, in addition to cash from operating activities. To realise Kazakhstan's transit potential, the Group continues to take measures to attract additional transit traffic and expand its influence on the multimodal transportation market. As at 31 March 2023, the Group has available credit lines in credit institutions: Halyk Bank of Kazakhstan JSC and Forte Bank JSC for the total amount of 110,000 million tenge. Also, management of the Group has been having discussions with investors to refinance borrowings due to be repaid within twelve months after the reporting date and a positive decision from the discussions is recognised as high.

In assessing its going concern status, management also considered the Group's financial position, expected future performance and cash flows from operations, expected tariff growth (Note 29), its borrowings, available credit facilities, its capital expenditure commitments, exchange rates and other risks that 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 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 (CONTINUED) FOR THREE MONTHS ENDED 31 MARCH 2023 (millions of tenge, unless stated otherwise)

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Adoption of new and revised standards

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2023. Their adoption has not had any significant impact on the disclosures or on the amounts reported in these consolidated financial statements.

- IFRS 17 (including the June 2020 Amendments to IFRS 17) *Insurance Contracts*;
- 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*.

New and revised IFRS 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

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THREE MONTHS ENDED 31 MARCH 2023
(millions of tenge, unless stated otherwise)

4. CRITICAL ACCOUNTING JUDGEMENTS 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.

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

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

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

As at 31 March 2023, the Group performed the analysis of the above external and internal impairment indicators of property, plant and equipment, intangible assets and goodwill. The management of the Group did not identify any events that occurred during the three months ended 31 March 2023 that could be considered as an indicator of the impairment.

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

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THREE MONTHS ENDED 31 MARCH 2023 (millions of tenge, unless stated otherwise)

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

	For three months ended 31 March 2023 (unaudited)					
	Freight transportation	Passenger transportation	Reportable segments	Others	Consolidation	Total
Key operating indices						
Revenue and other income						
Transportation revenue from third parties	391,387	23,767	415,154	-	-	415,154
Transportation revenue from intersegment transactions	382	15,776	16,158	-	(16,158)	-
Government grants	-	8,285	8,285	-	-	8,285
Other income from third parties	17,879	997	18,876	4,359	-	23,235
Other income from intersegment transactions	7,571	207	7,778	1,956	(9,734)	-
Total revenue and other income	417,219	49,032	466,251	6,315	(25,892)	446,674
Cost of sales	(311,713)	(46,018)	(357,731)	(4,739)	25,551	(336,919)
Gross profit	105,506	3,014	108,520	1,576	(341)	109,755
General and administrative expenses	(21,711)	(2,303)	(24,014)	(810)	348	(24,476)
Finance income	11,470	408	11,878	320	(511)	11,687
Finance costs	(36,865)	(5,428)	(42,293)	(106)	(452)	(42,851)
Gain from the disposal of a subsidiary not qualifying as discontinued operations	6,282	-	6,282	-	-	6,282
Foreign exchange gain/(loss)	10,096	48	10,144	(25)	(1)	10,118
Share of the profit of associates and joint ventures	3,252	-	3,252	-	-	3,252
Reversal of impairment/(impairment) of financial assets and contract asset	320	(75)	245	(21)	54	278
Impairment of non-financial assets	(700)	(104)	(804)	(24)	-	(828)
Other profit and losses	546	122	668	1	(2)	667
Profit/(loss) before tax	78,196	(4,318)	73,878	911	(905)	73,884
Corporate income tax (expenses)/benefit	(14,620)	427	(14,193)	(262)	191	(14,264)
Profit/(loss) for the period	63,576	(3,891)	59,685	649	(714)	59,620
Other key segment information						
Capital expenditure	73,968	1,123	75,091	381	-	75,472
Depreciation of property, plant and equipment	32,447	3,890	36,337	402	(2)	36,737

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THREE MONTHS ENDED 31 MARCH 2023 (millions of tenge, unless stated otherwise)

	For three months ended 31 March 2022 (unaudited)					
	Freight transportation	Passenger transportation	Reportable segments	Others	Consolidation	Total
Key operating indices						
Revenue and other income						
Transportation revenue from third parties	267,751	15,899	283,650	-	-	283,650
Transportation revenue from intersegment transactions	691	14,968	15,659	-	(15,659)	-
Government grants	-	6,281	6,281	-	-	6,281
Other income from third parties	7,950	917	8,867	2,998	-	11,865
Other income from intersegment transactions	6,706	794	7,500	1,845	(9,345)	-
Total revenue and other income	283,098	38,859	321,957	4,843	(25,004)	301,796
Cost of sales	(265,621)	(38,216)	(303,837)	(3,664)	24,526	(282,975)
Gross profit	17,477	643	18,120	1,179	(478)	18,821
General and administrative expenses	(18,921)	(2,065)	(20,986)	(989)	429	(21,546)
Finance income	4,596	300	4,896	238	(511)	4,623
Finance costs	(32,632)	(1,514)	(34,146)	(636)	147	(34,635)
Foreign exchange (loss)/gain	(31,818)	(1,752)	(33,570)	143	267	(33,160)
Share of the profit of associates and joint ventures	2,488	-	2,488	-	-	2,488
(Impairment)/reversal of impairment of financial assets and contract asset	(121)	-	(121)	44	-	(77)
Reversal of impairment/ (impairment) of non-financial assets	3,072	(108)	2,964	-	-	2,964
Other profit and losses	951	12	963	28	(5)	986
(Loss)/profit before tax	(54,908)	(4,484)	(59,392)	7	(151)	(59,536)
Corporate income tax expense	(8,571)	(827)	(9,398)	(131)	472	(9,057)
Loss for the period	(63,479)	(5,311)	(68,790)	(124)	321	(68,593)
Other key segment information						
Capital expenditure	31,415	24,214	55,629	302	529	56,460
Depreciation of property, plant and equipment	32,769	2,788	35,557	398	(2)	35,953

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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:

Customer location	For three months ended 31 March	
	2023 (unaudited)	2022 (unaudited)
Kazakhstan	432,801	293,354
Russia	8,524	5,518
Others	5,349	2,924
	446,674	301,796

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

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

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FOR THREE MONTHS ENDED 31 MARCH 2023

(millions of tenge, unless stated otherwise)

	Rail track infrastructure	Buildings and constructions	Machinery and equipment	Vehicles	Land	Others	Construction-in- progress	Total
Carrying value 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	-	-	1,293	-	-	222	49,177	50,692
Lease additions	-	9	19,529	5,151	-	-	-	24,689
Disposals	(77)	(220)	(20,088)	(7,675)	-	(643)	(25)	(28,728)
Depreciation charge	(10,561)	(1,673)	(8,542)	(15,482)	-	(479)	-	(36,737)
Depreciation on disposal	65	54	20,087	7,670	-	643	-	28,519
Other movements and transfers ²	27,577	467	3,152	30,667	-	(74)	(62,681)	(892)
Carrying value as at 31 March 2023 (unaudited)	1,308,483	293,979	261,051	1,288,182	3,959	10,606	112,788	3,279,048
Cost	1,651,942	364,812	539,298	1,896,348	3,959	30,367	124,977	4,611,703
Accumulated depreciation and impairment	(343,459)	(70,833)	(278,247)	(608,166)	-	(19,761)	(12,189)	(1,332,655)
Carrying value as at 31 March 2023 (unaudited)	1,308,483	293,979	261,051	1,288,182	3,959	10,606	112,788	3,279,048
Including:								
Right-of-use assets:								
Cost	-	1,926	37,404	71,492	-	9,077	-	119,899
Accumulated depreciation and impairment	-	(639)	(10,893)	(4,883)	-	(4,632)	-	(21,047)
Carrying value	-	1,287	26,511	66,609	-	4,445	-	98,852
Property, plant and equipment that are subject to operating lease (Group as the lessor)	-	137	-	26,040	-	-	-	26,177

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

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THREE MONTHS ENDED 31 MARCH 2023 (millions of tenge, unless stated otherwise)

7. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

	2023	2022
Associates		
As at 1 January	28,634	26,793
Foreign exchange difference on translation of foreign operations	(1,837)	1,305
Share of profit	3,260	2,496
As at 31 March (unaudited)	30,057	30,594
Joint ventures		
As at 1 January	165	895
Share of loss	(8)	(8)
Contributions to share capital	-	58
As at 31 March (unaudited)	157	945

As at 31 March 2023, the Group's unrecognised share of the losses of its significant associate, Aktau Marine North Terminal LLP amounted to 2,158 million tenge (31 December 2022: 3,355 million tenge).

8. OTHER NON-CURRENT ASSETS

	31 March 2023 (unaudited)	31 December 2022
Advances paid for property, plant and equipment	314,458	101,631
VAT recoverable	98,848	81,883
Investment property	8,459	8,496
Others	711	907
Less: allowance for non-recoverable VAT	(11,823)	(11,823)
Less: allowance for advances for property, plant and equipment	(1,232)	(1,056)
Total other non-financial assets	409,421	180,038
Restricted cash	13,969	14,010
Derivative financial instrument	6,592	27
Loans issued	6,278	6,865
Loans to employees	1,512	1,623
Bonds of commercial banks and other credit institutions, and other debt securities	1,399	1,399
Long-term trade accounts receivable (Note 11)	44	39
Others	416	571
Less: allowance for expected credit losses on loans issued	(3,199)	(3,113)
Less: allowance for expected credit losses on other non-current financial assets	(426)	(492)
Total other financial assets	26,585	20,929
	436,006	200,967

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.

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As at 31 March 2023 and 31 December 2022, advances paid for property, plant and equipment included:

	31 March 2023 (unaudited)	31 December 2022
Construction of railway lines	146,439	-
Electro locomotive supplies	85,392	72,753
Passenger carriage supplies	40,000	-
Diesel locomotive supplies	20,761	9,075
Capital repairs of the railway	8,765	-
Rail purchases	7,131	9,959
Railroad switch supplies	1,614	5,240
Others	4,356	4,604
	314,458	101,631

9. CASH AND CASH EQUIVALENTS

	31 March 2023 (unaudited)	31 December 2022
Short-term tenge bank deposits	83,191	68,187
Cash in tenge current accounts	28,064	186,774
Cash in US\$ current bank accounts	9,637	7,642
Cash in Russian Rouble current bank accounts	1,355	3,309
Cash in bank accounts in other currencies	2,014	1,073
Petty cash	11	4
Less: allowance for expected credit losses on cash and cash equivalents	(16)	(33)
	124,256	266,956
Cash included in assets classified as held for sale	-	76
	124,256	267,032

As at 31 March 2023, the weighted average interest rate on cash in current accounts was 0.66% in tenge and 1.61% in other currencies (31 December 2022: 0.22% in tenge and 1.64% in other currencies).

Short-term tenge and foreign currency bank deposits are placed for three months and less, depending on the Group's cash needs. As at 31 March 2023, the weighted average interest rate on short-term bank deposits was 16.19% (31 December 2022: 16.18%).

As at 31 March 2023, cash placed by the Group on current accounts in Kazpost JSC, a related party of the Group, amounted to 12,365 million tenge (31 December 2022: 162,854 million tenge). In addition, the Group places cash and cash equivalents in banks and other financial institutions rated from A+ to B. Based on this, the Group believes that its cash and cash equivalents credit risk as at 31 March 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.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THREE MONTHS ENDED 31 MARCH 2023 (millions of tenge, unless stated otherwise)

10. INVENTORIES

	31 March 2023 (unaudited)	31 December 2022
Track structure materials	22,311	14,647
Fuel and lubricants	16,995	6,034
Materials and supplies	13,618	12,481
Spare parts	8,040	8,311
Construction materials	1,436	1,478
Others	3,265	3,562
	65,665	46,513
Less: allowance for inventories	(2,006)	(1,484)
	63,659	45,029

11. TRADE ACCOUNTS RECEIVABLE

	31 March 2023 (unaudited)	31 December 2022
Trade accounts receivable	22,954	22,405
Less: allowance for expected credit losses	(6,228)	(7,593)
	16,726	14,812
Current portion of trade accounts receivable	16,682	14,773
Long-term portion of trade accounts receivable (Note 8)	44	39
	16,726	14,812

As at 31 March 2023, trade accounts receivable arising from contracts with customers amounted to 21,540 million tenge (31 December 2022: 21,149 million tenge), expected credit losses on trade accounts receivable amounted to 5,620 million tenge (31 December 2022: 6,873 million tenge).

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12. OTHER CURRENT ASSETS

	31 March 2023 (unaudited)	31 December 2022
Other taxes prepaid	43,179	43,120
Advances paid	15,042	24,821
Prepaid expenses	1,368	1,795
Others	5,524	5,451
Less: allowance for the impairment of advances paid and other current non-financial assets	(6,464)	(5,938)
Total other non-financial assets	58,649	69,249
Claims, interest and fines	3,596	4,136
Government grants	3,315	1
Due from employees	2,024	1,751
Others	8,889	8,119
Less: allowance for expected credit losses on other current financial assets	(3,670)	(4,200)
Total other financial assets	14,154	9,807
	72,803	79,056

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

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. On 27 January 2023, the Group completed the sale of a 100% interest in Railway Passenger Coach Construction Plant LLP and as a result lost control over this subsidiary.

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The assets and liabilities of Railway Passenger Coach Construction Plant LLP at the date of disposal are 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 held for sale	45,767
Liabilities	
Contract liabilities	40,000
Trade accounts payable	20
Other taxes	3
Other current liabilities	26
Total liabilities directly attributable to assets held for sale	40,049
Net assets disposed of	5,718

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

	2023 (unaudited)
Cash consideration	12,000
Net assets disposed of	(5,718)
The result of the disposal of Railway Passenger Coach Construction Plant LLP	6,282

14. EQUITY

Hedging reserve

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

As at 31 March 2022, hedge accounting was discontinued due to the receipt of revenue from freight transportation in international (transit) route, which is the hedged item, accordingly, the cumulative deferred loss attributable to this hedging instrument was reclassified from other comprehensive loss to revenue from freight transportation in the amount of 54,442 million tenge (Note 20).

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THREE MONTHS ENDED 31 MARCH 2023 (millions of tenge, unless stated otherwise)

15. BORROWINGS

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

	31 March 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	287,682		300,748	
- in tenge	217,703	9.49	231,551	11.34
- in Euros	69,979	6.57	69,197	6.57
Debt securities issued	1,059,909		1,052,191	
- in tenge	575,330	10.20	563,621	10.20
- in US\$	360,344	2.00	363,221	2.00
- in Swiss Francs	124,235	3.25	125,349	3.25
<i>Variable interest rate borrowings</i>				
Loans received	170,113		152,426	
- in tenge	150,729	18.32	152,426	15.01
- in Euros	19,384	4.44	-	-
Debt securities issued	178,438		181,966	
- in tenge	178,438	17.23	181,966	16.64
	1,696,142		1,687,331	
Current portion of borrowings	279,474		256,506	
Non-current portion of borrowings	1,416,668		1,430,825	
	1,696,142		1,687,331	

Loans received

HSBC Continental Europe

During the three months ended 31 March 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 3,314,175 Euros (1,626 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/Natixis

During the three months ended 31 March 2023, the Group, represented by its subsidiaries KTZ-Freight transportation LLP and KTZ-Passenger Locomotives LLP under the Credit Agreement with Societe Generale and Natixis, together with BPIfrance export-credit agency, dated 23 February 2023 to finance the acquisition of freight and passenger locomotives for a total of 627,000,000 Euros, borrowed 64,955,730 Euros (31,606 million tenge) and 33,481,214 Euros (16,291 million tenge), respectively (including the BPIfrance premium). Loan interest is paid semi-annually at

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Euribor 6m + 1.15% margin, which is fixed at each tranche date. Principal is repaid semi-annually until full repayment in 2034.

Halyk Bank of Kazakhstan JSC

During the three months ended 31 March 2023, the Group, represented by its subsidiary KTZ-Freight transportation LLP, under the credit line Agreement with Halyk Bank of Kazakhstan JSC, concluded on 22 October 2022, received 3,156 million tenge. Interest is repaid quarterly at the interest rate of "base rate of the National Bank of the Republic of Kazakhstan + 2% margin". Principal is repayable in semi-annual installments until full repayment in 2032.

European Bank of Reconstruction and Development (EBRD)

In March 2023, the Group, represented by its subsidiary KTZ Express JSC, under the credit Agreement concluded on 18 September 2014, made a partial early repayment of loans received in the total amount of 2,970 million tenge.

The fair value of borrowings is presented in Note 28.

Credit agreements and breaches of credit agreements

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

According to finance lease agreements with Industrial Development Fund JSC, which the Group accounts for as borrowings, the Group is obliged to comply with certain non-financial covenants.

EBRD loan agreements include certain financial coefficients (covenants), such as Adjusted Debt to Adjusted EBITDA, Adjusted Debt to Equity and Interest Coverage Ratios (based on Adjusted EBITDA) calculated based on semi-annual consolidated Group data. As at 31 December 2022, these covenants were met.

In accordance with arrangements with HSBC Continental Europe regarding financial and non-financial covenants, the Group should comply with the covenant that the Company has any two of three corporate ratings (S&P, Fitch, Moody's) of at least BB. As at 31 March 2023, this covenant was met.

Societe Generale/Natixis loans include certain financial coefficient (covenant), such as Debt to Equity (the Shareholder's preferential loans must not exceed 50% of the total Debt), calculated based on annual consolidated Group data.

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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						
Loan principal payments	(20,782)	-	(20,782)	(103,026)	-	(103,026)
Proceeds from borrowings	3,156	-	3,156	40,000	-	40,000
Lease liability payments	-	(4,017)	(4,017)	-	(3,222)	(3,222)
Total changes due to cash flows from financing activities	(17,626)	(4,017)	(21,643)	(63,026)	(3,222)	(66,248)
Other changes						
Effect of changes in foreign currency exchange rates	(10,725)	(32)	(10,757)	28,422	(18)	28,404
Cash flow hedging	-	-	-	2,445	-	2,445
Acquisition of property, plant and equipment through borrowings directly transferred to the supplier	23,784	-	23,784	2,317	-	2,317
New lease agreements	-	22,639	22,639	-	2,689	2,689
Interest costs and discount amortisation, including capitalised	43,414	2,854	46,268	33,464	2,164	35,628
Interest paid	(26,452)	(1,169)	(27,621)	(9,344)	(1,179)	(10,523)
Other changes	(3,584)	(952)	(4,536)	(93)	442	349
Total other changes attributable to liabilities	26,437	23,340	49,777	57,211	4,098	61,309
As at 31 March (unaudited)	1,696,142	72,405	1,768,547	1,571,397	60,674	1,632,071

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THREE MONTHS ENDED 31 MARCH 2023 (millions of tenge, unless stated otherwise)

16. LEASE LIABILITIES

	31 March 2023 (unaudited)		2022	
	Lease payments	Present value of lease payments	Lease payments	Present value of lease payments
Up to one year	19,795	18,373	14,966	14,221
2-5 years inclusive	58,286	35,931	39,458	23,717
Over 5 years	66,061	18,101	62,242	15,144
Total	144,142	72,405	116,666	53,082
Less future finance costs	(71,737)	-	(63,584)	-
Present cost of lease liabilities	72,405	72,405	53,082	53,082
Less amounts due within 12 months		(18,373)		(14,221)
Amount due after 12 months		54,032		38,861

Lease agreements with Industrial Development Fund JSC

Flat carriages

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

During the three months ended 31 March 2023, within the framework of the agreement, the Group received 48 flat carriages and recognised right-of-use assets of 1,108 million tenge for 32 years and a lease liability of 519 million tenge for 15 years.

Passenger carriages

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

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During the three months ended 31 March 2023, under this agreement, the Group received 6 passenger carriages and recognised right-of-use assets of 4,043 million tenge for 28 years and a lease liability of 2,581 million tenge for 20 years.

As at 31 March 2023, interest calculations are based on effective interest rates of between 1.69% and 21.69% (31 December 2022: от 1.69%-21.69%).

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

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

17. TRADE ACCOUNTS PAYABLE

	31 March 2023 (unaudited)	31 December 2022
Accounts payable for services provided	52,289	65,252
Accounts payable for inventories received	42,817	27,108
Accounts payable for the supply of property, plant and equipment	5,773	21,100
Other accounts payable	3,700	3,747
	104,579	117,207

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

	31 March 2023 (unaudited)	31 December 2022
Tenge	85,714	99,615
US\$	10,281	11,494
Euros	6,530	4,463
In other currencies	2,054	1,635
	104,579	117,207

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THREE MONTHS ENDED 31 MARCH 2023 (millions of tenge, unless stated otherwise)

18. CONTRACT LIABILITIES

	31 March 2023 (unaudited)	31 December 2022
Advances received on contracts with customers	79,778	102,035
Deferred income	17,188	17,358
	96,966	119,393

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 107,083 million tenge (2022: 78,360 million tenge).

Contract liabilities as at 31 March 2023 will be recognised as revenue within 12 months after the reporting date.

19. OTHER LIABILITIES

	31 March 2023 (unaudited)	31 December 2022
Deferred income (government grants)	34,860	27,803
Provisions for unused vacation and other employee benefits	34,752	28,712
Obligatory pension contributions, social insurance contributions and obligatory medical insurance contributions	12,574	11,325
Advances received	8,542	12,738
Provisions	2,426	2,460
Others	3,092	2,077
Total other non-financial liabilities	96,246	85,115
Salary payable	33,714	10,006
Financial guarantee contract liabilities	29,781	29,997
Derivative financial instrument	-	564
Others	8,138	6,854
Total other financial liabilities	71,633	47,421
	167,879	132,536
Current portion of other liabilities	112,420	76,972
Non-current portion of other liabilities	55,459	55,564
	167,879	132,536

As disclosed in Note 26, the Group has provided financial guarantees to banks on loans received by Nursultan Nazarbayev International Airport JSC and Aktobe Rail and Section Mill Plant LLP and an associate Transtelecom JSC, and has recognised obligations under financial guarantee agreements. As at 31 March 2023, liabilities under financial guarantee agreements amounted to 15,503 million tenge for Nursultan Nazarbayev International Airport JSC, 13,915 million tenge for Aktobe Rail and Section Mill Plant LLP and 363 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).

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Provisions include provisions for agreements under which as at 31 March 2023, there is a high probability that an outflow of resources embodying economic benefits will be required to settle the liabilities. Provisions were recognised through other profit or losses.

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

20. REVENUE

For three months ended 31 March 2023 and 2022, revenue from freight transportation included:

	For three months ended 31 March	
	2023 (unaudited)	2022 (unaudited)
Revenue from contracts with customers:		
International (transit) routes	169,004	64,460
Domestic routes	90,841	85,284
International (export) routes	60,135	54,486
International (import) routes	42,517	37,311
Additional charges related to the transportation process	12,587	12,636
Other revenue from freight transportation	16,303	13,574
	391,387	267,751

During the three months ended 31 March 2022, the Group received international (transit) freight transportation revenue, which is the cash flow hedged item, therefore, the accumulated loss in the amount of 54,442 million tenge attributable to the hedging instrument was reclassified from other comprehensive loss to freight transportation revenue (Note 14).

For three months ended 31 March 2023 and 2022, revenue from passenger transportation included:

	For three months ended 31 March	
	2023 (unaudited)	2022 (unaudited)
Revenue from contracts with customers:		
Passenger transportation	21,321	13,970
Other revenue from passenger transportation	2,446	1,929
	23,767	15,899

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21. OTHER REVENUE

	For three months ended 31 March	
	2023 (unaudited)	2022 (unaudited)
Revenue from the sale of goods and provision of other services	10,818	8,525
Revenue from the lease of carriages	9,408	1,119
Revenue from fines	1,880	1,224
Revenue from the lease of other property, plant and equipment	1,129	997
	23,235	11,865

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

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

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

22. COST OF SALES

	For three months ended 31 March	
	2023 (unaudited)	2022 (unaudited)
Staff costs, including taxes, contributions and provisions for unused vacations	148,213	111,216
Fuel and lubricants	44,833	44,907
Repairs and maintenance	42,284	35,320
Depreciation and amortisation	35,609	34,881
Work and services of a production nature	20,523	16,203
Electricity	15,136	15,157
Materials and supplies	8,934	6,544
Property tax and other taxes, excluding social tax and social contributions	6,766	6,539
Insurance	3,591	2,748
Employee benefit expenses and other long-term employee benefits	1,769	1,737
Other costs	9,261	7,723
	336,919	282,975

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23. GENERAL AND ADMINISTRATIVE EXPENSES

	For three months ended 31 March	
	2023 (unaudited)	2022 (unaudited)
Staff costs, including taxes, contributions and provisions for unused vacation	15,712	13,944
Property tax and other taxes, excluding social tax and social contributions	2,112	1,415
Depreciation and amortisation	1,236	1,062
Various third party services	638	629
Consulting, audit and legal services	370	381
Business trip expenses	360	242
Lease expenses	233	199
Expenses to hold celebrations and cultural and mass events	209	190
Utilities and building maintenance	205	260
Telecommunication services	169	151
Insurance	136	174
Employee benefit expenses and other long-term employee benefits	128	167
Expenses to maintain social sphere facilities	123	106
Banking services	100	95
Other expenses	2,745	2,531
	24,476	21,546

24. FINANCE INCOME AND COSTS

	For three months ended 31 March	
	2023 (unaudited)	2022 (unaudited)
Finance income		
Change in fair value of derivative financial instruments recognised at fair value through profit or loss (Note 28)	7,130	-
Interest on cash and cash equivalents	2,667	3,122
Other finance income	1,890	1,501
	11,687	4,623

	For three months ended 31 March	
	2023 (unaudited)	2022 (unaudited)
Finance costs		
Interest costs and loan discount amortisation	39,756	32,337
Lease interest expenses	2,854	2,164
Other finance costs	241	134
	42,851	34,635

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THREE MONTHS ENDED 31 MARCH 2023 (millions of tenge, unless stated otherwise)

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 31 March 2023 and 31 December 2022, the Company had no outstanding antidilutive instruments.

	For three months ended 31 March	
	2023 (unaudited)	2022 (unaudited)
Weighted average of common shares	496,692,666	496,692,665
Profit/(loss) for the period attributable to the Shareholder (million tenge)	59,042	(69,087)
Earnings/(loss) per common share (tenge)	119	(139)

	31 March 2023 (unaudited)	31 December 2022
Net assets excluding intangible assets, goodwill and non-controlling interests	1,474,430	1,416,903
Quantity of common shares in circulation (registered)	496,692,666	496,692,666
Carrying amount of one share (tenge)³	2,968	2,853

26. FINANCIAL AND CONTINGENT LIABILITIES

Investment liabilities

As at 31 March 2023, the Group had liabilities, including the modernisation of the Dostyk-Moiynty railway transport corridor, liabilities under lease agreements with Industrial Development Fund JSC, for the railway capital repairs, to purchase long rails and freight and passenger electric locomotives, freight and passenger diesel locomotives for a total amount of 2,149,536 million tenge (31 December 2022: 1,881,358 million tenge).

Liabilities under lease agreements with Industrial Development Fund JSC

In August 2017, the Group, represented by its subsidiary KTZ Express JSC, entered into lease agreements with Industrial Development Fund JSC to lease 1,995 platform carriages for 33,264 million tenge for 15 years and interest rate of 15% per annum, 10% of which is subsidised by the State. The grace period for the principal is 5 years. The Group acts as a lessee. As at 31 March 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 31 March 2023 in the amount of 6,402 million tenge.

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

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In November 2020, the Group, represented by its subsidiary KTZ Express JSC, entered into an agreement to lease 2,000 platform carriages for 51,692 million tenge, for 15 years and interest rate of 15% per annum, 10% of which is subsidised by the State. The grace period for the principal is 2 years. The Group acts as a lessee. As at 31 March 2023, the commitment for the undelivered platform carriages was 13,905 million tenge.

Other contractual liabilities

As at 31 March 2023, the Group, represented by its subsidiary KTZ Express JSC, had an agreement to provide freight handling and freight storage services in the future. The agreement stipulates that the Group has to acquire a minimum volume of freight storage services for 10 years and make substantial payments for those services.

Management of the Group believes that the service period under the Agreement with Aktau Marine North Terminal LLP has not yet commenced, because the Group has not been notified about the commencement date of commercial operations and service period, and the parties have not begun executing the obligations under the Agreement. Management of the Group believes that as at 31 March 2023, the outflow of resources embodying economic benefits under this Agreement is not highly probable.

Contingent liabilities

Litigation

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

Contingent liabilities related to the Kazakhstan tax system

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

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

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Insurance

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

Environmental protection

Legislation on environmental protection in Kazakhstan is in the process of development and therefore is subject to constant changes. From 1 July 2021, amendments to the Environmental Code of Kazakhstan ("the Code") has become effective. This Code includes set of principles aimed at minimising the consequences of environmental damage to the activities of entities and/or the full restoration of the environment to its original state. Depending on the level and risk of negative impact on the environment, assets are classified into four categories, where the asset that have a significant negative impact on the environment are classified to the first category. In accordance with the Code, management has analysed and classified the Group's assets that belongs to rail track infrastructure into the second category. The sea port assets were also classified to the second category. The remaining assets of the Group were classified into the third and fourth categories. The Group's management believes that its interpretation of the relevant legislation of 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 31 March 2023, guarantees were presented as follows:

Creditor	Purpose of the guarantee	Guarantee issue date	Guarantee period	Guarantee amount
Development Bank of Kazakhstan JSC	Execute the obligations of the associate Aktobe Rail and Section Mill Plant LLP to finance the construction of a rail and section mill plant in Aktobe	4 July 2013	until 2033	17,456
Development Bank of Kazakhstan JSC	Execute the obligations of Nursultan Nazarbayev International Airport JSC to finance its modernisation	28 March 2018	until 2033	22,454
Eurasian Development Bank	Execute the obligations of an associate Transtelecom JSC for the implementation of the project Construction of a Fiber-Optic communication line (FOCL)	21 October 2014	until 2024	2,190
Development Bank of Kazakhstan JSC	Execute the obligations of an associate Transtelecom JSC for the implementation of the project ACS of Energy Dispatching Traction	30 June 2014	until 2024	4,492

Note 19 discloses the carrying value of these guarantees.

As at 31 March 2023 и 31 December 2022, there were no cases of using the financial guarantees listed above.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THREE MONTHS ENDED 31 MARCH 2023 (millions of tenge, unless stated otherwise)

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 31 March 2023 (unaudited) and 31 December 2022 are detailed below.

		Shareholder	Associates	Companies making up the Shareholder group	Other related parties ⁴
Amounts due from related parties for goods, services and non-current assets, including advances paid	2023	-	1,699	1,686	30
	2022	-	2,178	1,192	9
<i>including allowances for expected credit losses and impairment of advances paid</i>	2023	-	(1,062)	(102)	-
	2022	-	(1,657)	(95)	-
Amounts due to related parties for goods, services and non-current assets, including advances received	2023	-	10,980	30,647	423
	2022	-	21,927	4,845	363
Cash on current accounts	2023	-	-	12,365	-
	2022	-	-	162,854	-
Restricted cash	2023	-	-	-	3
	2022	-	-	-	208
Loans received	2023	587,635	-	-	76,327
	2022	588,984	-	-	74,949
Lease liabilities	2023	-	30,198	-	36,975
	2022	-	13,865	-	32,677

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

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

		Shareholder	Associates	Companies making up the Shareholder group	Other related parties ⁴
Sale of goods, services and non- current assets	2023	-	21,662	6,412	201
	2022	-	33,741	1,365	695
Recovered/(accrued) allowances for expected credit losses and impairment of advances paid	2023	-	596	(7)	-
	2022	-	(100)	(1)	-
Purchase of goods, services and non- current assets	2023	-	6,093	40,337	1,328
	2022	-	6,649	503	383
Repayment of loans received	2023	1,175	-	-	100
	2022	1,175	-	-	10
New lease agreements (Group as lessee)	2023	-	19,538	-	3,101
	2022	-	104	-	-
	2023	-	3,797	-	255
Lease payments	2022	49	3,775	-	278
	2023	-	18	-	46
Finance income	2022	-	-	-	19
	2023	9,301	1,390	-	3,010
Finance expenses	2022	2,424	821	-	2,840

As at 31 March 2023 and 31 December 2022, the Group has borrowings from Industrial Development Fund JSC and Development Bank of Kazakhstan JSC for a total of 76,327 million tenge and 74,949 million tenge, respectively.

As at 31 March 2023 and 31 December 2022, the Group issued guarantees on certain borrowings of an associate, other related and third parties to ensure the execution of bank obligations (Notes 19 and 26).

As at 31 March 2023, Group borrowings from the Shareholder were mainly received at rates below market varying from 0.075% to 7.37% and maturity varying from 13 to 50 years and at initial recognition were reflected at fair value at rates from 5.4% to 13.99%.

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

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Compensation to key management personnel of the Group

Key management personnel comprise members of the Group's Management Board and Board of Directors, totalling 13 persons for three months ended 31 March 2023 (2022: 13 persons). Total compensation to key management personnel included in personnel costs in the consolidated statement of profit or loss and other comprehensive income comprised 114 million tenge for three months ended 31 March 2023 (2022: 99 million tenge). Compensation paid to key management personnel primarily consists of contractual salary, social tax, unused vacation allowance and other payments.

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.

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.

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

As at 31 March 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 31 March 2023 and 31 December 2022 are presented as follows:

	31 March 2023 (unaudited)		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans issued	3,856	3,027	3,752	2,895
Other financial assets	27,210	27,812	21,229	21,277
Loans received	457,795	414,306	453,174	411,124
Debt securities	1,238,347	1,121,849	1,234,157	1,107,731
Other financial liabilities	-	-	564	564

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The table below provides an analysis of financial instruments as at 31 March 2023 broken down into the fair value hierarchy levels.

	Level 1	Level 2	Level 3	Total
Financial assets recognised at amortised cost:				
- loans issued	-	3,027	-	3,027
- other financial assets	-	21,147	-	21,147
Financial assets recognised at fair value through profit of loss:				
- derivative financial instrument	-	6,592	-	6,592
- other financial assets	-	-	73	73
Total	-	30,766	73	30,839
Financial liabilities recognised at amortised cost:				
- debt securities	589,998	-	-	589,998
- debt securities from related parties	-	531,851	-	531,851
- bank loans	-	353,901	-	353,901
- loans from related parties	-	60,405	-	60,405
Total	589,998	946,157	-	1,536,155

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 recognised at amortised cost:				
- loans issued	-	2,895	-	2,895
- other financial assets	-	21,177	-	21,177
Financial assets recognised at fair value through profit of loss:				
- derivative financial instrument	-	27	-	27
- other financial assets	-	-	73	73
Total	-	24,099	73	24,172
Financial liabilities recognised at amortised cost:				
- debt securities	588,642	-	-	588,642
- debt securities from related parties	-	519,089	-	519,089
- bank loans	-	349,888	-	349,888
- loans from related parties	-	61,236	-	61,236
Financial liabilities recognised at fair value through profit of loss:				
- derivative financial instrument	-	564	-	564
Total	588,642	930,777	-	1,519,419

Changes in fair value of derivative financial instruments under agreements with Societe Generale (France), Citibank London и J.P. Morgan Securities plc (UK) were recognised in the amount of 7,130 million tenge as a part of finance income (Note 24).

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

29. EVENTS AFTER THE REPORTING DATE

Borrowings received

In April-May 2023, the Group, represented by its subsidiaries KTZ-Freight transportation LLP and KTZ-Passenger Locomotives LLP under the Credit Agreement with Societe Generale and Natixis, together with BPIfrance export-credit agency, dated 23 February 2023 to finance the acquisition of freight and passenger locomotives for a total of 627,000,000 Euros, borrowed 37,376,089 Euros (18,131 million tenge) and 18,095,017 Euros (8,857 million tenge), respectively (including the BPIfrance premium). Loan interest is paid semi-annually at Euribor 6m + 1.15% margin, which is fixed at each tranche date. Principal is repaid semi-annually until full repayment in 2034.

Early repayment of borrowings

In May 2023, the Group, represented by its subsidiary KTZ-Freight transportation LLP, under the credit line Agreement with Halyk Bank of Kazakhstan JSC, concluded on 22 October 2022, made a partial early repayment of loans received in the total amount of 18,262 million tenge.

Derivative financial instruments

In April 2023, the Group, under cross-currency swap agreements, concluded in October and November 2022, received cash in the total amount of 8,649,500 US Dollars (3,943 million tenge) from Societe Generale SA (France), Citibank London и J.P. Morgan Securities plc. (UK) and of 1,482,252 Swiss Francs (761 million tenge) from Societe Generale SA (France) and J.P. Morgan Securities plc. (UK).

Tariffs

On 27 April 2023, CRNM agreed to increase the main railway network service tariffs for freight transportation services in average by 28.4%. As a result, it led in average to a 15% freight transportation tariff increase.