

# **KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC**

Forms of consolidated annual financial statements  
for publication by public interest entities  
(other than financial institutions) for the year ended  
31 December 2023, in accordance with the format  
approved by the Order of the Minister of Finance of the  
Republic of Kazakhstan dated 28 June 2017 No. 404  
(with amendments from 2 March 2022 No. 241)

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

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# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Management of Kazakhstan Temir Zholy National Company JSC ("the Company") is responsible for the preparation of the forms of consolidated annual financial statements that present fairly the consolidated financial position of the Company and its subsidiaries ("the Group") as at 31 December 2023, and the consolidated results of its operations, consolidated cash flows and consolidated changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRSs"), as issued by the International Accounting Standards Board, and with the format of annual financial statements for publication by public interest entities in the media (other than financial institutions) approved by the Order of the Minister of Finance of the Republic of Kazakhstan dated 28 June 2017 No. 404 (with amendments from 2 March 2022 No. 241) ("Order No.404").

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

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and consolidated financial performance;
- compliance with the format of annual financial statements approved by Order No.404, as well as compliance with the consolidated financial statements prepared in accordance with IFRSs; 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 ensure that the forms of the consolidated annual financial statements comply with the format of the annual financial statements approved by Order No.404, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRSs;
- 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 forms of consolidated annual financial statements for the year ended 31 December 2023, were authorised for issue by management on 20 March 2024 and subject to further approval by the Board of Directors and the Shareholder.

On behalf of the Group's management:



  
Yelena Stankova  
Chief Accountant

20 March 2024

## INDEPENDENT AUDITOR'S REPORT ON THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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

### Opinion

We have audited the forms of consolidated annual financial statements of Kazakhstan Temir Zholy National Company JSC ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and an explanatory note to the forms of consolidated annual financial statements, including material accounting policy information and other explanatory information.

In our opinion, the Group's accompanying forms of consolidated annual financial statements for the year ended 31 December 2023 presented fairly, in all material respects, in accordance with the Order of the Minister of Finance of the Republic of Kazakhstan dated 28 June 2017 No. 404 (with amendments from 2 March 2022 No. 241) ("Order No.404").

### Basis for Opinion

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

### Emphasis of Matter – basis for the preparation

We draw your attention to Note 2 to the forms of consolidated annual financial statements, which specifies the basis for their preparation. Forms of consolidated annual financial statements have been prepared to ensure that the Group complies with the requirements of Order No.404 regarding the preparation of forms of annual financial statements. As a result, these forms of consolidated annual financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

## **Other Information**

The Group prepared the separate set of the consolidated financial statements for 2023 in accordance with International Financial Reporting Standards, in respect of which we issued a separate audit opinion to the Board of Directors and the Shareholder of the Company on 13 March 2024.

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

Management is responsible for the preparation and fair presentation of the forms of consolidated annual financial statements in accordance with Order No.404, and for such internal control as management determines is necessary to enable the preparation of forms of consolidated annual financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process of the forms of consolidated annual financial statements.

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

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

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

- identify and assess the risks of material misstatement of the forms of consolidated annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the forms of consolidated annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the forms of consolidated annual financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



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



Zhangil Zhilybayev  
General Director  
Deloitte LLP

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

20 March 2024  
Almaty, Republic of Kazakhstan

# **CONSOLIDATED BALANCE SHEET**

reporting period 2023

**Submitted:** to the depository of financial statements in electronic format via software

**The administrative data form is available on the Internet resource:** [www.minfin.gov.kz](http://www.minfin.gov.kz)

**Administrative data form index:** No.1 - B (balance sheet)

**Periodicity:** annual

**Range of persons providing information:** public interest entities based on the results of the financial year

**Deadline for submission of the administrative data form:** annually not later than 31 August of the year following the reporting year

**Name of the entity:** Kazakhstan Temir Zholy National Company JSC

as at 31 December 2023

in thousands of tenge

<b>ASSETS</b>	<b>Line</b>	<b>At the end of the reporting period</b>	<b>At the beginning of the reporting period</b>
<b>I. Current assets</b>			
Cash and cash equivalents	010	204,613,987	266,955,731
Current financial assets at amortised cost	011	3,732,403	1,934
Current financial assets at fair value through other comprehensive income	012	-	-
Current financial assets at fair value through profit or loss	013	-	-
Current derivative financial instruments	014	-	-
Other current financial assets	015	7,734,507	7,165,793
Current trade and other accounts receivable	016	18,802,191	16,876,353
Current lease receivables	017	555,365	536,228
Current contract assets	018	1,153,495	3,064,641
Current income tax	019	3,534,820	2,138,672
Inventories	020	64,362,477	45,029,186
Biological assets	021	-	-
Other current assets	022	121,227,557	107,059,479
<b>Total current assets (sum of lines from 010 to 022)</b>	<b>100</b>	<b>425,716,802</b>	<b>448,828,017</b>
Assets (or disposal groups) held for sale	101	-	45,824,687
<b>II. Non-current assets</b>			
Non-current financial assets at amortised cost	110	1,843,916	4,772,065
Non-current financial assets at fair value through other comprehensive income	111	-	-
Non-current financial assets at fair value through profit or loss	112	73,326	73,326
Non-current derivative financial instruments	113	-	27,154
Investments at cost	114	-	-
Equity method investments	115	40,567,674	28,798,638
Other non-current financial assets	116	15,117,737	14,266,726
Non-current trade and other accounts receivable	117	3,868,171	1,790,708
Non-current lease receivables	118	-	-
Non-current contract assets	119	-	-
Investment property	120	8,378,794	8,496,082
Property, plant and equipment	121	3,483,999,539	3,037,955,735
Right-of-use assets	122	115,112,443	77,243,877
Biological assets	123	-	-
Exploration and evaluation assets	124	-	-
Intangible assets	125	21,799,287	28,021,129
Deferred tax assets	126	59,788	63,445
Other non-current assets	127	823,668,658	299,760,638
<b>Total non-current assets (sum of lines from 110 to 127)</b>	<b>200</b>	<b>4,514,489,333</b>	<b>3,501,269,523</b>
<b>Balance (line 100 + line 101 + line 200)</b>		<b>4,940,206,135</b>	<b>3,995,922,227</b>



# **CONSOLIDATED BALANCE SHEET (CONTINUED)**

reporting period 2023

**Submitted:** to the depository of financial statements in electronic format via software

**The administrative data form is available on the Internet resource:** [www.minfin.gov.kz](http://www.minfin.gov.kz)

**Administrative data form index:** No.1 - B (balance sheet)

**Periodicity:** annual

**Range of persons providing information:** public interest entities based on the results of the financial year

**Deadline for submission of the administrative data form:** annually not later than 31 August of the year following the reporting year

**Name of the entity:** Kazakhstan Temir Zholy National Company JSC

as at 31 December 2023

in thousands of tenge

<b>LIABILITIES AND EQUITY</b>	<b>Line</b>	<b>At the end of the reporting period</b>	<b>At the beginning of the reporting period</b>
<b>III. Current liabilities</b>			
Current financial liabilities at amortised cost	210	354,114,654	256,506,002
Current financial liabilities at fair value through profit or loss	211	-	-
Current derivative financial instruments	212	-	-
Other current financial liabilities	213	267,656	-
Current trade and other accounts payable	214	214,999,563	123,723,659
Current provisions	215	2,611,327	2,459,895
Current income tax liabilities	216	207,185	507,627
Employee benefits	217	59,343,857	44,931,343
Current lease liabilities	218	17,978,930	14,558,634
Current contract liabilities	219	115,868,316	119,393,279
Government subsidies	220	3,294,070	2,800,049
Dividends payable	221	-	-
Other current liabilities	222	39,697,084	48,172,282
<b>Total current liabilities (sum of lines from 210 to 222)</b>	<b>300</b>	<b>808,382,642</b>	<b>613,052,770</b>
Disposal group liabilities held for sale	301	-	30,847
<b>IV. Non-current liabilities</b>			
Non-current financial liabilities at amortised cost	310	1,763,431,856	1,430,825,004
Non-current financial liabilities at fair value through profit or loss	311	-	-
Non-current derivative financial instruments	312	35,718,764	564,449
Other non-current financial liabilities	313	28,268,253	29,996,786
Non-current trade and other accounts payable	314	-	-
Non-current provisions	315	-	-
Deferred tax liabilities	316	411,888,219	357,490,550
Employee benefits	317	37,396,040	37,406,213
Non-current lease liabilities	318	54,554,532	38,860,701
Non-current contract liabilities	319	-	-
Government subsidies	320	41,510,130	25,003,061
Other non-current liabilities	321	-	-
<b>Total non-current liabilities (sum of lines from 310 to 321)</b>	<b>400</b>	<b>2,372,767,794</b>	<b>1,920,146,764</b>



**CONSOLIDATED BALANCE SHEET (CONTINUED)**

reporting period 2023

**Submitted:** to the depository of financial statements in electronic format via software**The administrative data form is available on the Internet resource:** [www.minfin.gov.kz](http://www.minfin.gov.kz)**Administrative data form index:** No.1 - B (balance sheet)**Periodicity:** annual**Range of persons providing information:** public interest entities based on the results of the financial year**Deadline for submission of the administrative data form:** annually not later than 31 August of the year following the reporting year**Name of the entity:** Kazakhstan Temir Zholy National Company JSC

as at 31 December 2023


in thousands of tenge

<b>LIABILITIES AND EQUITY</b>	<b>Line</b>	<b>At the end of the reporting period</b>	<b>At the beginning of the reporting period</b>
<b>V. Equity</b>			
Charter (shareholder's) capital	410	1,110,633,868	1,086,324,360
Share premium	411	-	-
Redeemed equity instruments	412	-	-
Components of other comprehensive income	413	7,219,735	12,138,004
Retained earnings (accumulated deficit)	414	623,698,021	348,376,288
Other capital	415	97	97
<b>Total equity, attributable to the owners (sum of lines from 410 to 415)</b>	<b>420</b>	<b>1,741,551,721</b>	<b>1,446,838,749</b>
Non-controlling interests	421	17,503,978	15,853,097
<b>Total equity (line 420 + line 421)</b>	<b>500</b>	<b>1,759,055,699</b>	<b>1,462,691,846</b>
<b>Balance (line 300 + line 301 + line 400 + line 500)</b>		<b>4,940,206,135</b>	<b>3,995,922,227</b>

On behalf of the Group's management:



Dair Kusherov  
Finance Director  
20 March 2024

  
Yelena Stankova  
Chief Accountant  
20 March 2024

# **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

reporting period 2023

**Submitted:** to the depository of financial statements in electronic format via software

**The administrative data form is available on the Internet resource:** [www.minfin.gov.kz](http://www.minfin.gov.kz)

**Administrative data form index:** No.2 - SPL

**Periodicity:** annual

**Range of persons providing information:** public interest entities based on the results of the financial year

**Deadline for submission of the administrative data form:** annually not later than 31 August of the year following the reporting year

**Name of the entity:** Kazakhstan Temir Zholy National Company JSC

for the year ending 31 December 2023

in thousands of tenge

DESCRIPTION	Line	At the end of the reporting period	At the beginning of the reporting period
Revenue from sale of goods, operations and services	010	1,934,095,382	1,481,465,237
Cost of goods, operations and services sold	011	(1,498,583,313)	(1,204,232,817)
<b>Gross profit (loss) (line 010 – line 011)</b>	<b>012</b>	<b>435,512,069</b>	<b>277,232,420</b>
Selling expenses	013	-	-
Administrative expenses	014	(105,762,273)	(92,598,881)
<b>Total operating profit (loss) (+/- lines from 012 to 014)</b>	<b>020</b>	<b>329,749,796</b>	<b>184,633,539</b>
Finance income	021	32,221,447	61,098,662
Finance costs	022	(208,381,859)	(145,697,642)
Share of the profit (loss) of associates and joint ventures accounted by equity method	023	8,144,723	8,545,564
Other income	024	19,718,588	4,253,228
Other expenses	025	(20,070,032)	(44,408,565)
<b>Profit (loss) before tax (+/- lines from 020 to 025)</b>	<b>100</b>	<b>161,382,663</b>	<b>68,424,786</b>
Corporate income tax expense (-) (income (+))	101	(24,598,550)	(31,540,807)
<b>Profit (loss) after tax from continuing operations (line 100 + line 101)</b>	<b>200</b>	<b>136,784,113</b>	<b>36,883,979</b>
Profit (loss) after tax from continued operations	201	-	-
<b>Profit for the year (line 200 + line 201), attributable to:</b>	<b>300</b>	<b>136,784,113</b>	<b>36,883,979</b>
owners of the parent company		133,507,617	34,887,277
non-controlling interests		3,276,496	1,996,702
<b>Other comprehensive income, total (sum of 420 and 440):</b>	<b>400</b>	<b>(5,457,565)</b>	<b>58,423,314</b>
<b>including:</b>			
revaluation of debt financial instruments designated as at fair value through other comprehensive income	410	-	-
share of other comprehensive income (loss) of associates and joint ventures accounted by equity method	411	-	-
effect of a change in income tax rate on deferred tax	412	-	-
cash flow hedging	413	-	(2,445,158)
foreign exchange difference on investments in foreign entities	414	(4,918,269)	2,213,013
hedging of net investments in foreign operations	415	-	-
other components of other comprehensive income	416	-	-
reclassification adjustment to profit (loss)	417	-	54,441,786
tax effect of components of other comprehensive income	418	-	-
<b>Total other comprehensive income that may be reclassified subsequently to profit or loss (net of income tax) (sum of lines from 410 to 418)</b>	<b>420</b>	<b>(4,918,269)</b>	<b>54,209,641</b>
revaluation of property, plant and equipment and intangible assets	431	-	-
share of other comprehensive income (loss) of associates and joint ventures accounted by equity method	432	-	-
actuarial gain (loss) on pension obligations	433	(539,296)	4,213,673
tax effect of components of other comprehensive income	434	-	-
revaluation of debt financial instruments designated as at fair value through other comprehensive income	435	-	-
<b>Total other comprehensive income that will not be reclassified subsequently to profit or loss (net of income tax) (sum of lines from 431 to 435)</b>	<b>440</b>	<b>(539,296)</b>	<b>4,213,673</b>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)**

reporting period 2023

**Submitted:** to the depository of financial statements in electronic format via software**The administrative data form is available on the Internet resource:** [www.minfin.gov.kz](http://www.minfin.gov.kz)**Administrative data form index:** No.2 - SPL**Periodicity:** annual**Range of persons providing information:** public interest entities based on the results of the financial year**Deadline for submission of the administrative data form:** annually not later than 31 August of the year following the reporting year**Name of the entity:** Kazakhstan Temir Zholy National Company JSC

for the year ending 31 December 2023

in thousands of tenge

DESCRIPTION	Line	At the end of the reporting period	At the beginning of the reporting period
<b>Total comprehensive income (line 300 + line 400)</b>	<b>500</b>	<b>131,326,548</b>	<b>95,307,293</b>
Total comprehensive income, attributable to:			
owners of the parent company		128,058,255	93,308,838
non-controlling interests		3,268,293	1,998,455
<b>Earnings per share:</b>	<b>600</b>	<b>0.269</b>	<b>0.070</b>
including:			
Basic:			
from continuing operations		0.269	0.070
from discontinued operations		-	-
Diluted:			
from continuing operations		-	-
from discontinued operations		-	-

On behalf of the Group's management:

Dair Kuserov  
Finance Director

20 March 2024

Yelena Stankova  
Chief Accountant

20 March 2024

# **CONSOLIDATED STATEMENT OF CASH FLOWS (DIRECT METHOD)**

reporting period 2023

**Submitted:** to the depository of financial statements in electronic format via software

**The administrative data form is available on the Internet resource:** [www.minfin.gov.kz](http://www.minfin.gov.kz)

**Administrative data form index:** No.3 – SCF-P

**Periodicity:** annual

**Range of persons providing information:** public interest entities based on the results of the financial year

**Deadline for submission of the administrative data form:** annually not later than 31 August of the year following the reporting year

**Name of the entity:** Kazakhstan Temir Zholy National Company JSC  
for the year ending 31 December 2023

in thousands of tenge

DESCRIPTION	Line	At the end of the reporting period	At the beginning of the reporting period
<b>I. Cash flows from operating activities:</b>			
<b>1. Total cash inflows (sum of lines from 011 to 016)</b>	<b>010</b>	<b>1,973,170,353</b>	<b>1,646,046,708</b>
including:			
sale of goods and services	011	1,765,284,473	1,454,931,483
other revenue	012	-	-
advances received from customers, clients	013	155,336,772	114,983,018
receipts under insurance contracts	014	-	-
interest received	015	20,968,170	8,631,054
other receipts	016	31,580,938	67,501,153
<b>2. Total cash outflows (sum of lines from 021 to 027)</b>	<b>020</b>	<b>(1,666,776,005)</b>	<b>(1,383,779,928)</b>
including:			
payments to suppliers for goods and services	021	(671,426,956)	(557,776,702)
advances paid to suppliers for goods and services	022	(29,893,846)	(24,820,848)
salaries paid	023	(491,782,202)	(376,448,854)
interest paid	024	(150,226,049)	(118,929,995)
payments under insurance contracts	025	-	-
income tax and other payments to budget	026	(184,168,152)	(146,461,326)
other payments	027	(139,278,800)	(159,342,203)
<b>3. Net cash from operating activities (line 010 – line 020)</b>	<b>030</b>	<b>306,394,348</b>	<b>262,266,780</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS (DIRECT METHOD)**  
**(CONTINUED)**

reporting period 2023

**Submitted:** to the depository of financial statements in electronic format via software

**The administrative data form is available on the Internet resource:** [www.minfin.gov.kz](http://www.minfin.gov.kz)

**Administrative data form index:** No.3 – SCF-P

**Periodicity:** annual

**Range of persons providing information:** public interest entities based on the results of the financial year

**Deadline for submission of the administrative data form:** annually not later than 31 August of the year following the reporting year

**Name of the entity:** Kazakhstan Temir Zholy National Company JSC

for the year ending 31 December 2023

in thousands of tenge

DESCRIPTION	Line	At the end of the reporting period	At the beginning of the reporting period
<b>II. Cash flows from investing activities:</b>			
<b>1. Total cash inflows (sum of lines from 041 to 052)</b>	<b>040</b>	<b>16,178,413</b>	<b>9,786,790</b>
<b>including:</b>			
sale of property, plant and equipment	041	84,532	122,318
sale of intangible assets	042	-	-
sale of other non-current assets	043	1,353,503	1,932,050
sale of equity instruments of other entities (other than subsidiaries) and interest share in joint ventures	044	-	-
sale of debt instruments	045	-	-
compensation for loss of control over subsidiaries	046	11,948,444	-
cash deposits withdrawal	047	100	3,050
sale of other financial assets	048	72,830	29,686
futures and forward contracts, options and swaps	049	-	-
dividends received	050	2,719,004	7,699,686
interest received	051	-	-
other receipts	052	-	-
<b>2. Total cash outflows (sum of lines from 061 to 073)</b>	<b>060</b>	<b>(818,879,915)</b>	<b>(342,086,807)</b>
<b>including:</b>			
acquisition of property, plant and equipment	061	(811,829,551)	(340,352,815)
acquisition of intangible assets	062	(737,893)	(1,604,795)
acquisition of other non-current assets	063	-	-
purchase of equity instruments of other entities (other than subsidiaries) and interest share in joint ventures	064	(4,565)	(70,139)
purchase of debt instruments	065	-	-
acquisition of control over subsidiaries	066	-	-
placement of cash deposits	067	-	(1,100)
interest paid	068	-	-
acquisition of other financial assets	069	-	-
loans issued	070	-	-
futures and forward contracts, options and swaps	071	-	-
investments in associates and subsidiaries	072	(6,307,906)	(57,958)
other payments	073	-	-
<b>3. Net cash from investing activities (line 040 – line 060)</b>	<b>080</b>	<b>(802,701,502)</b>	<b>(332,300,017)</b>



**CONSOLIDATED STATEMENT OF CASH FLOWS (DIRECT METHOD)**  
**(CONTINUED)**

reporting period 2023

**Submitted:** to the depository of financial statements in electronic format via software

**The administrative data form is available on the Internet resource:** [www.minfin.gov.kz](http://www.minfin.gov.kz)

**Administrative data form index:** No.3 – SCF-P

**Periodicity:** annual

**Range of persons providing information:** public interest entities based on the results of the financial year

**Deadline for submission of the administrative data form:** annually not later than 31 August of the year following the reporting year

**Name of the entity:** Kazakhstan Temir Zholy National Company JSC


for the year ending 31 December 2023

in thousands of tenge

DESCRIPTION	Line	At the end of the reporting period	At the beginning of the reporting period
<b>III. Cash flows from financing activities:</b>			
<b>1. Total cash inflows (sum of lines from 091 to 094)</b>	<b>090</b>	<b>833,040,270</b>	<b>1,137,877,848</b>
including:			
issue of shares and other financial instruments	091	198,018,872	692,706,165
proceeds from borrowings	092	635,021,398	445,171,683
interest received	093	-	-
other receipts	094	-	-
<b>2. Total cash outflows (sum of lines from 101 to 105)</b>	<b>100</b>	<b>(398,769,977)</b>	<b>(976,195,705)</b>
including:			
repayment of borrowings	101	(389,010,717)	(973,799,813)
interest paid	102	-	-
dividends paid	103	(1,293,929)	-
payments to owners on the shares of the entity	104	-	-
other payments	105	(8,465,331)	(2,395,892)
<b>3. Net cash from financing activities (line 090 – line 100)</b>	<b>110</b>	<b>434,270,293</b>	<b>161,682,143</b>
4. Effect of foreign currency exchange rates to tenge	120	(322,336)	(2,691,163)
5. Effect of changes in cash and cash equivalents	130	17,453	(2,492)
<b>6. Increase +/- decrease in cash and cash equivalents (line 030 +/- line 080 +/- line 110 +/- line 120 +/- line 130)</b>	<b>140</b>	<b>(62,341,744)</b>	<b>88,955,251</b>
<b>7. Cash and cash equivalents at the beginning of the reporting period</b>	<b>150</b>	<b>266,955,731</b>	<b>178,000,480</b>
<b>8. Cash and cash equivalents at the end of the year</b>	<b>160</b>	<b>204,613,987</b>	<b>266,955,731</b>

On behalf of the Group's management:



  
\_\_\_\_\_  
Yelena Stankova  
Chief Accountant  
20 March 2024

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

reporting period 2023

**Submitted:** to the depository of financial statements in electronic format via software

**The administrative data form is available on the Internet resource:** [www.minfin.gov.kz](http://www.minfin.gov.kz)

**Administrative data form index:** No.5 – CE

**Periodicity:** annual

**Range of persons providing information:** public interest entities based on the results of the financial year

**Deadline for submission of the administrative data form:** annually not later than 31 August of the year following the reporting year

**Name of the entity:** Kazakhstan Temir Zholy National Company JSC

for the year ending 31 December 2023

in thousands of tenge

DESCRIPTION	Line	Equity, attributable to owners					Other capital	Non-controlling interests	Total equity
		Charter (shareholder's) capital	Share premium	Redeemed equity instruments	Components of other comprehensive income	Retained earnings			
Balance as at 1 January of the previous year	010	1,086,085,094	-	-	(42,071,637)	214,573,407	97	13,854,642	1,272,441,603
Change in accounting policy	011	-	-	-	-	-	-	-	-
Restated balance (line 010 +/- line 011)	100	1,086,085,094	-	-	(42,071,637)	214,573,407	97	13,854,642	1,272,441,603
Total comprehensive income (line 210 + line 220):	200	-	-	-	54,209,641	39,099,197	-	1,998,455	95,307,293
Profit (loss) for the year	210	-	-	-	-	34,887,277	-	1,996,702	36,883,979
Total other comprehensive income (sum of lines from 221 to 229):	220	-	-	-	54,209,641	4,211,920	-	1,753	58,423,314
including:									
revaluation of debt financial instruments designated as at fair value through other comprehensive income (net of tax effect)	221	-	-	-	-	-	-	-	-
revaluation of equity financial instruments designated as at fair value through other comprehensive income (net of tax effect)	222	-	-	-	-	-	-	-	-
revaluation of property, plant and equipment and intangible assets (net of tax effect)	223	-	-	-	-	-	-	-	-
share of other comprehensive income (loss) of associates and joint ventures accounted by equity method	224	-	-	-	-	-	-	-	-
actuarial gain (loss) on pension obligations	225	-	-	-	-	4,211,920	-	1,753	4,213,673
effect of a change in income tax rate on deferred tax	226	-	-	-	-	-	-	-	-
cash flow hedging (net of tax effect)	227	-	-	-	51,996,628	-	-	-	51,996,628
hedging of net investments in foreign operations	228	-	-	-	-	-	-	-	-
foreign exchange difference on investments in foreign entities	229	-	-	-	2,213,013	-	-	-	2,213,013



# **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)**

reporting period 2023

**Submitted:** to the depository of financial statements in electronic format via software

**The administrative data form is available on the Internet resource:** [www.minfin.gov.kz](http://www.minfin.gov.kz)

**Administrative data form index:** No.5 – CE

**Periodicity:** annual

**Range of persons providing information:** public interest entities based on the results of the financial year

**Deadline for submission of the administrative data form:** annually not later than 31 August of the year following the reporting year

**Name of the entity:** Kazakhstan Temir Zholy National Company JSC

for the year ending 31 December 2023

in thousands of tenge

DESCRIPTION	Line	Equity, attributable to owners					Non-controlling interests	Total equity
		Charter (shareholder's) capital	Share premium	Redeemed equity instruments	Components of other comprehensive income	Retained earnings	Other capital	
<b>Total operations with owners (sum of lines from 310 to 318):</b>	<b>300</b>	239,266	-	-	-	94,703,684	-	94,942,950
including:		-	-	-	-	-	-	-
Share-based remuneration to employees:	310	-	-	-	-	-	-	-
including:		-	-	-	-	-	-	-
cost of employee services		-	-	-	-	-	-	-
Issuance of shares under an employee share scheme		-	-	-	-	-	-	-
tax benefit in relation to the employee share scheme		-	-	-	-	-	-	-
Owners contributions	311	239,266	-	-	-	-	-	239,266
Issue of own equity instruments (shares)	312	-	-	-	-	-	-	-
Issuance of equity instruments related to a business combination	313	-	-	-	-	-	-	-
Equity component of convertible instruments (net of tax effect)	314	-	-	-	-	-	-	-
Dividends payment	315	-	-	-	-	-	-	-
Other distributions to owners	316	-	-	-	-	-	-	-
Other operations with owners	317	-	-	-	-	94,703,684	-	94,703,684
Changes in interest in subsidiaries that do not result in a loss of control	318	-	-	-	-	-	-	-
<b>Other operations</b>	<b>319</b>	-	-	-	-	-	-	-

# **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)**

reporting period 2023

**Submitted:** to the depository of financial statements in electronic format via software

**The administrative data form is available on the Internet resource:** [www.minfin.gov.kz](http://www.minfin.gov.kz)

**Administrative data form index:** No.5 – CE

**Periodicity:** annual

**Range of persons providing information:** public interest entities based on the results of the financial year

**Deadline for submission of the administrative data form:** annually not later than 31 August of the year following the reporting year

**Name of the entity:** Kazakhstan Temir Zholy National Company JSC

for the year ending 31 December 2023

in thousands of tenge

DESCRIPTION	Line	Equity, attributable to owners					Non-controlling interests	Total equity
		Charter (shareholder's) capital	Share premium	Redeemed equity instruments	Components of other comprehensive income	Retained earnings	Other capital	
Balance as at 1 January of the reporting year (line 100 + line 200 + line 300 + line 319)	400	1,086,324,360	-	-	12,138,004	348,376,288	97	1,462,691,846
Change in accounting policy	401	-	-	-	-	-	-	-
Restated balance (line 400 +/- line 401)	500	1,086,324,360	-	-	12,138,004	348,376,288	97	1,462,691,846
Total comprehensive income (line 610 + line 620):	600	-	-	-	(4,918,269)	132,976,524	-	131,326,548
Profit (loss) for the year	610	-	-	-	-	133,507,617	-	136,784,113
Total other comprehensive income (sum of lines from 621 to 629):	620	-	-	-	(4,918,269)	(531,093)	-	(5,457,565)
including:								
revaluation of debt financial instruments designated as at fair value through other comprehensive income (net of tax effect)	621	-	-	-	-	-	-	-
revaluation of equity financial instruments designated as at fair value through other comprehensive income (net of tax effect)	622	-	-	-	-	-	-	-
revaluation of property, plant and equipment and intangible assets (net of tax effect)	623	-	-	-	-	-	-	-
share of other comprehensive income (loss) of associates and joint ventures accounted by equity method	624	-	-	-	-	-	-	-
actuarial gain (loss) on pension obligations	625	-	-	-	-	-	-	-
effect of a change in income tax rate on deferred tax	626	-	-	-	-	(531,093)	(8,203)	(539,296)
cash flow hedging (net of tax effect)	627	-	-	-	-	-	-	-
hedging of net investments in foreign operations	628	-	-	-	-	-	-	-
foreign exchange difference on investments in foreign entities	629	-	-	-	(4,918,269)	-	-	(4,918,269)

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

reporting period 2023

Submitted: to the depository of financial statements in electronic format via software

The administrative data form is available on the Internet resource: [www.minfin.gov.kz](http://www.minfin.gov.kz)

Administrative data form index: No.5 – CE

Periodicity: annual

Range of persons providing information: public interest entities based on the results of the financial year

Deadline for submission of the administrative data form: annually not later than 31 August of the year following the reporting year

Name of the entity: Kazakhstan Temir Zholy National Company JSC

for the year ending 31 December 2023

in thousands of tenge

DESCRIPTION	Line	Equity, attributable to owners					Non-controlling interests	Total equity
		Charter (shareholder's) capital	Share premium	Redeemed equity instruments	Components of other comprehensive income	Retained earnings	Other capital	
Total operations with owners (sum of lines from 710 to 718):	700	24,309,508	-	-	-	142,345,209	-	165,037,305
including:								
Share-based remuneration to employees:	710	-	-	-	-	-	-	-
including:								
cost of employee services		-	-	-	-	-	-	-
issuance of shares under an employee share scheme		-	-	-	-	-	-	-
tax benefit in relation to the employee share scheme		-	-	-	-	-	-	-
Owners contributions	711	-	-	-	-	-	-	-
Issue of own equity instruments (shares)	712	24,309,508	-	-	-	-	-	24,309,508
Issuance of equity instruments related to a business combination	713	-	-	-	-	-	-	-
Equity component of convertible instruments (net of tax effect)	714	-	-	-	-	-	-	-
Dividends payment	715	-	-	-	-	-	-	-
Other distributions to owners	716	-	-	-	-	-	-	-
Other operations with owners	717	-	-	-	-	-	-	-
Changes in interest in subsidiaries that do not result in a loss of control	718	-	-	-	-	-	-	-
Other operations	719	-	-	-	-	-	-	-
Balance as at 31 December of the reporting year (line 500 + line 600 + line 700 + line 719)	800	1,110,633,868	-	-	7,219,735	623,698,021	97	1,759,055,699

On behalf of the Group's management:



Dair Kuserov  
Finance Director  
20 March 2024

Yelena Stankova  
Chief Accountant  
20 March 2024

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 *(in thousands of tenge, unless stated otherwise)*

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### 1. GENERAL INFORMATION

Kazakhstan Temir Zholy National Company JSC (“the Company”) was created in the Republic of Kazakhstan (“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 forms of consolidated annual 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 Wealth 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 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 (Note 42), 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. CRNM agreed to increase tariffs for services: main railway network for freight transportation by 28.4% on average from 27 April 2023 and locomotive haulage by 11.4% from 6 November 2023. As a result, the average annual increase of freight transportation tariff level for the year ended 31 December 2023 was 23.7% (2022: 6.2%).

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: 7%).

#### **Operating environment**

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

**EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**  
*(in thousands of tenge, unless stated otherwise)*

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The military and political conflict between 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 restrict interaction with major financial institutions and many state enterprises.

In 2023, the average price for Brent crude oil was 83 USD per barrel (2022: 101 USD per barrel). According to preliminary estimates, the Kazakhstan’s gross domestic product (“GDP”) grew by 4.9% per annum in 2023 (2022: 3.2%). In 2023, inflation in the country declined to 9.8% per annum (2022: inflation was 20.3% per annum).

In 2023, the National Bank of the Republic of Kazakhstan reduced the base rate from 16.75% to 15.75% per annum with a corridor of +/- 1.0 percentage points. In February 2024, the base rate further decreased to 14.75% per annum with a corridor of +/- 1.0 percentage points. However, the uncertainty still exists related to future development of the geopolitical risks and their impact on the economy of Kazakhstan.

Management of the Group is monitoring developments in the economic and political situation in Kazakhstan and the world and taking measures it considers necessary to support the sustainability and development of the Group’s business for the foreseeable future. The Group has liabilities denominated in foreign currencies, therefore, if the exchange rate increases, there is an increase in the foreign exchange loss. In general, the Group does not expect a significant negative impact from the current changes on the Group’s business and operations, as freight rail traffic, including international (transit) freight transportation has not been suspended in either Kazakhstan or other countries. During 2023, the volume of freight transportation in transit and export routes increased compared to the previous year.

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

The State controls Group structure and determines the long-term railway operating strategy in Kazakhstan. The railway industry in Kazakhstan 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.

**EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**  
*(in thousands of tenge, unless stated otherwise)*

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**2. BASIS FOR THE PREPARATION OF THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**

**Statement of compliance**

The Group's forms of consolidated annual financial statements have been prepared in accordance with the format of annual financial statements for publication by public interest entities (other than financial institutions) approved by the Order of the Minister of Finance of the Republic of Kazakhstan dated 28 June 2017 No. 404 (with amendments from 2 March 2022 No. 241) (hereinafter - "Order No.404") based on the consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

**Going concern**

The Group's forms of consolidated annual financial statements have been prepared on a going concern basis. This assumes the sale of assets and settlement of liabilities in the normal course of business for the foreseeable future. As at 31 December 2023, current Group liabilities exceeded its current assets by 382,665,840 thousand tenge (31 December 2022: 118,430,913 thousand tenge). As at 31 December 2023, current liabilities include borrowings of 354,114,654 thousand tenge that are payable within twelve months after the reporting date. At the same time, profit for the year ended 31 December 2023 amounted to 136,784,113 thousand tenge (2022: 36,883,979 thousand tenge), and cash inflows from operating activities amounted to 306,394,348 thousand tenge (2022: 262,266,780 thousand tenge).

Group management has assessed the Group's needs for cash, as well as its scheduled debt repayments and development plans. Historically, the Group has financed major investment projects using funds from the government of Kazakhstan and through borrowings, in addition to cash from operating activities. To realise Kazakhstan's transit potential, the Group continues to take measures to attract additional transit traffic and expand its influence on the multimodal transportation market. Management of the Group has been having discussions with investors to refinance borrowings due to be repaid within twelve months after the reporting date the possibility of and 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. Besides that, the Group received a Letter of Support from the Shareholder regarding its intent and ability to render the Group continuous ongoing financial and operating support in the foreseeable future. After completing the relevant analysis and the available mitigating actions to management whereby management can carry out certain actions to improve the going concern and liquidity position of the Group, the management concluded that the Group has adequate resources to continue in operational existence and settle its liabilities (Note 41) and that the going concern basis is appropriate in preparing these forms of consolidated annual financial statements.

**EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**  
*(in thousands of tenge, unless stated otherwise)*

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**Basis for measurement**

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

**Basis of consolidation**

The forms of consolidated annual financial statements comprise the financial statements of the Company and entities controlled by it and by the subsidiaries listed in Note 39. The Group's investments in which it has significant influence are accounted for using the equity method. All intragroup transactions, balances, and unrealised gains and losses of the Group are eliminated on consolidation.

**Functional and presentation currency**

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

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

Monetary assets and liabilities that are denominated in foreign currencies are translated to an entity's functional currency at the exchange rate effective at the reporting date. All differences arising from a change in exchange rates subsequent to the transaction are recognised in profit or loss, except for exchange differences from translation recognised in other comprehensive income and exchange differences on loans that are directly attributable to the acquisition, construction or production of an asset, meeting certain requirements included in the cost of this asset. Non-monetary assets and liabilities denominated in foreign currencies that are carried at fair value are remeasured at the rates prevailing at the date when fair value was determined. Non-monetary assets and liabilities denominated in foreign currencies that are carried at historical cost are not remeasured.



# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

The table below presents tenge exchange rates as at the following dates:

	31 December 2023	31 December 2022	Average rate for 2023	Average rate for 2022
US Dollar	454.56	462.65	456.31	460.48
Euro	502.24	492.86	493.33	484.22
Swiss Franc	541.08	501.19	508.16	482.60
Russian Rouble	5.06	6.43	5.40	6.96
UAE Dirham	123.78	125.99	124.25	125.38

### 3. MATERIAL ACCOUNTING POLICIES

#### Adoption of new and revised standards

In the current year, the Group has applied the below amendments to IFRS 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 forms of consolidated annual 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*.

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

At the date of authorisation of these forms of consolidated annual 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>	
Amendments to IFRS 16 <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to IAS 7 and IFRS 7 <i>Supplier Finance Arrangements</i>	1 January 2024
Amendments to IAS 1 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to IAS 1 <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to IAS 21 <i>Lack of Exchangeability</i>	1 January 2025

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

**EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**  
*(in thousands of tenge, unless stated otherwise)*

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**Material accounting policy information**

**Property, plant and equipment**

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

*Subsequent costs*

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

Costs are capitalised only if those costs qualify for recognition as assets in accordance with IAS 16 *Property, Plant and Equipment*.

**Construction-in-progress**

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

**Lease contracts**

*The Group as lessee*

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

In accordance with IFRS 16 *Leases*, the Group applies practical expedient for not recognising the lease for the lease contracts with a lease term of less than 12 months at lease inception and without purchase option, for the leases with variable lease rates that do not depend on an index or rate and for the leases of low value assets (less than 2,000 thousand tenge). The Group recognises short-term leases and leases of low value assets as expense on a straight-line basis over the term of the lease.

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

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

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

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

The recognised right-of-use asset is depreciated over the shorter period of expected useful life of the underlying asset or lease term. If the lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects the Group's intent to purchase, the related right-of-use asset is depreciated over the useful life of the underlying asset.

The Group presents right-of-use assets and lease liabilities in the consolidated balance sheet as separate lines (Notes 16 and 24).

*The Group as lessor*

The Group enters into lease agreements as a lessor with respect to some of its property, plant and equipment items (Notes 15 and 29).

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

**Inventories**

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

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**Financial instruments**

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

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

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

Wherein:

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

For the years ended 31 December 2023 and 2022, the Group did not designate any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

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

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

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

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

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**Derivative financial instruments**

The Group uses the currency swap derivative financial instrument to manage its currency risk on borrowings. These derivative financial instruments are not designated into hedging relationships.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately. The net gain or loss incorporates interest income on derivative financial instruments and is included in the finance income. The change in fair value of derivative financial instruments is reflected in finance income or finance costs (Notes 32 and 33).

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

**Equity**

*Charter (shareholder's) capital*

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

Consideration received for common shares yet to be legally registered is recognised as other capital until they are registered, when any proceeds are transferred to charter (shareholder's) capital.

*Other operations with owner*

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

**Government grants**

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

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

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

**Revenue**

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

*Revenue from freight transportation services*

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

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

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

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

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

As at 31 December 2023 and 2022, the Group has no obligations to counterparties associated with provision of discounts.

The Group discloses handling service revenue in freight transportation service revenue and recognises it by the extent of completion of the services at the reporting date, as the performance obligation is satisfied over time and customers receive and use the benefits of the Group's performance simultaneously. The extent of service completion is calculated as the ratio of transportation volume, provided as at the reporting date to the total volume of transportation services.

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

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

#### *Revenue from passenger transportation services*

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

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

#### *Other revenue*

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

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

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

#### **Sale and lease back transactions**

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

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

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

#### **Comparatives**

Where necessary, comparative figures are adjusted to conform to changes in presentation in the current year.



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

In applying the Group's accounting policies, which are described in Note 3, management of the Group is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised in the forms of consolidated annual financial statements and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical judgements in applying accounting policies**

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

*Control assessment*

Subsidiaries are those entities controlled by the Group. The Group controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. Losses are attributed to non-controlling interests in full, even if this results in a debit balance ("deficit") (Note 39).

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

*Loans at a rate below the market interest rate*

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

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

*Cash-generating unit identification*

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

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

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

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

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

As at 31 December 2023, the Group performed the analysis of the above external and internal impairment indicators of property, plant and equipment, in particular changes in interest rates, an analysis of the achievement of actual indicators versus budgeted indicators, as well as an analysis of the transit freight turnover and changes in the exchange rate of tenge to the Swiss Franc, as the transit tariff is set in Swiss Franc.

The measurement of whether each external and internal factor is an indication of impairment requires significant management judgement. Management's key judgement is based on the fact that amid the current geopolitical situation and disruption of traditional transportation and logistics chains, the country's transit potential is a key factor in the promotion of transcontinental trade. In 2023, transit freight transportation traffic and revenue exceeded targets, while the Concept stipulating further development of the rail sector in Kazakhstan was also approved in December 2022.

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The management of the Group did not identify any events that occurred in 2023 that could be considered as an indicator of the impairment of the single CGU as at 31 December 2023.

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

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

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

Industrial Development Fund JSC finances the construction of the carriages but is limited in its ability to direct the subsequent use of and obtain all of the remaining benefits from the asset. Accordingly, the Group recognises the obligation that arose to Industrial Development Fund JSC before the loss of control over the Railway Passenger Coach Construction Plant LLP, separated from the Tulpar Wagon Construction Plant LLP (Note 13), as a financial liability (borrowing) according to IFRS 9 *Financial Instruments* and recognises passenger carriages and work-in-progress as property, plant and equipment items and construction in progress in accordance with IFRS 16.103 *Leases* (Note 3).

**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*

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

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

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### EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

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#### *Recoverability of VAT*

At each reporting date, the Group estimates its provision for non-recoverable VAT incurred from the provision of international transportation services. The Group cannot charge VAT to customers and, accordingly, can only realise it from the tax authorities.

In accordance with the Tax legislation of Kazakhstan, up to 70% of the accrued VAT receivable is subject to refund from the budget on a quarterly basis, after the submission of the tax declaration. The remaining part of the accrued VAT is subject to refund based on the results of the tax audit, within 5 years. During 2023, no VAT tax audits were carried out, accordingly, the VAT subject to refund based on the results of the tax audit was not refunded.

To assess VAT recoverability, the Group considers information from its internal tax department on projected VAT collection, correspondence with the tax authorities and historical recovery experience. Actual VAT amounts recovered could differ materially from Group estimates, which could affect future operating results significantly.

As at 31 December 2023, total VAT recoverable amounted to 204,656,204 thousand tenge (31 December 2022: 107,868,488 thousand tenge), of which 49,618,081 thousand tenge were classified as current assets (31 December 2022: 37,808,974 thousand tenge). The Group expects that the current portion of VAT will be refunded by tax authorities or offset against future VAT payable during 2024 and believes that the total VAT receivable is fully recoverable.

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

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

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

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

#### *Taxation*

Kazakhstan legislative acts and regulations are not always clearly written. Instances of inconsistent opinions between local, regional and national tax authorities are possible. Where additional taxes are imposed by the tax authorities, fines and interest applied are significant; fines are generally assessed at 80% of additional taxes accrued, and interest is assessed at 19.69% of additional accruals or overdue taxes. As a result, fines and interest can exceed the amount of additional accrued taxes.

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Because of the uncertainties disclosed above, the ultimate amount of taxes, fine and interest, if any, imposed may be in excess of the amount expensed to date and accrued as at 31 December 2023. Any differences between the estimated amount and the actual amount paid, if any, could have a significant impact on future operating results.

*Fair value of derivative financial instruments*

In 2022, the Group entered into agreements with Societe Generale SA (France), Citibank London and J.P. Morgan Securities plc. (UK) cross-currency swap transactions to partially manage the exposure to foreign exchange risk of borrowings denominated in US Dollars. The Group pays a fixed amount of Swiss Francs in exchange for a fixed amount of US Dollars. Fair value of the derivative financial instruments was measured on expected discounted future cash flows based on forward exchange rates (observed at the reporting date) and contract forward rates, discounted at rates that reflect the credit risk of the Group and counterparties.

In estimating the fair value of derivative financial instruments, the Group uses market-observable data to the extent it is available. The valuation is particularly sensitive to the change in forward exchange rates observable at the end of the reporting period. Forward exchange rates are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the Group's forms of consolidated annual financial statements within the next year. As at 31 December 2023, the liability reflected as a fair value of derivative financial instruments was estimated of 35,718,764 thousand tenge using the market-observable forward exchange rates, which management believes are the most relevant.

As at 31 December 2023 and 2022, the management of the Group performed analysis and applied the most relevant forward exchange rates, however, uncertainty exists related to geopolitical and market risks (including currency risk) and their impact on the world economy and the economy of Kazakhstan, which is likely to result in significant adjustments to the fair value of derivative financial instruments in future periods (Note 41).

## **5. SEGMENT INFORMATION**

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

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

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

	For the year ended 31 December 2023					
	Freight transportation	Passenger transportation	Reportable segments	Others	Consolidation	Total
<b>Key operating indices</b>						
Revenue from sale of goods, operations and services						
Transportation revenue from third parties	1,682,550,477	101,682,302	1,784,232,779	-	-	1,784,232,779
Transportation revenue from intersegment transactions	1,443,012	67,151,222	68,594,234	-	(68,594,234)	-
Government grants	-	38,912,103	38,912,103	-	-	38,912,103
Other income from third parties	86,988,084	5,353,460	92,341,544	18,608,956	-	110,950,500
Other income from intersegment transaction	35,982,280	797,992	36,780,272	9,678,543	(46,458,815)	-
<b>Total revenue from sale of goods, operations and services</b>	<b>1,806,963,853</b>	<b>213,897,079</b>	<b>2,020,860,932</b>	<b>28,287,499</b>	<b>(115,053,049)</b>	<b>1,934,095,382</b>
Cost of goods, operations and services sold	(1,389,101,282)	(201,563,001)	(1,590,664,283)	(21,441,064)	113,522,034	(1,498,583,313)
<b>Gross profit (loss)</b>	<b>417,862,571</b>	<b>12,334,078</b>	<b>430,196,649</b>	<b>6,846,435</b>	<b>(1,531,015)</b>	<b>435,512,069</b>
Administrative expenses	(94,118,712)	(9,463,291)	(103,582,003)	(3,584,998)	1,404,728	(105,762,273)
<b>Total operating income (loss)</b>	<b>323,743,859</b>	<b>2,870,787</b>	<b>326,614,646</b>	<b>3,261,437</b>	<b>(126,287)</b>	<b>329,749,796</b>
Finance income	36,847,094	1,439,798	38,286,892	1,121,534	(7,186,979)	32,221,447
Finance costs	(188,971,287)	(22,378,233)	(211,349,520)	(430,100)	3,397,761	(208,381,859)
Share of the profit (loss) of associates and joint ventures accounted by equity method	8,144,723	-	8,144,723	-	-	8,144,723
Other income	19,012,065	1,392,595	20,404,660	106,588	(792,660)	19,718,588
Other expenses	(17,379,836)	(2,540,463)	(19,920,299)	(308,928)	159,195	(20,070,032)
<b>Profit (loss) before tax</b>	<b>181,396,618</b>	<b>(19,215,516)</b>	<b>162,181,102</b>	<b>3,750,531</b>	<b>(4,548,970)</b>	<b>161,382,663</b>
Corporate income tax expense (-) (income (+))	(34,229,423)	5,361,569	(28,867,854)	(508,692)	4,777,996	(24,598,550)
<b>Profit (loss) after tax from continuing operations</b>	<b>147,167,195</b>	<b>(13,853,947)</b>	<b>133,313,248</b>	<b>3,241,839</b>	<b>229,026</b>	<b>136,784,113</b>
<b>Other key segment information</b>						
Capital expenditures on property, plant and equipment and construction in progress	628,237,407	76,151,187	704,388,594	540,000	-	704,928,594
Depreciation of property, plant and equipment	139,365,403	16,171,664	155,537,067	1,647,267	(6,395)	157,177,939

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	For the year ended 31 December 2022					
	Freight transportation	Passenger transportation	Reportable segments	Others	Consolidation	Total
<b>Key operating indices</b>						
Revenue from sale of goods, operations and services						
Transportation revenue from third parties	1,283,513,235	88,421,030	1,371,934,265	-	-	1,371,934,265
Transportation revenue from intersegment transactions	1,755,526	60,262,715	62,018,241	-	(62,018,241)	-
Government grants	-	38,205,254	38,205,254	-	-	38,205,254
Other income from third parties	50,791,798	4,519,407	55,311,205	16,014,513	-	71,325,718
Other income from intersegment transactions	28,160,422	3,218,014	31,378,436	7,637,690	(39,016,126)	-
<b>Total revenue from sale of goods, operations and services</b>	<b>1,364,220,981</b>	<b>194,626,420</b>	<b>1,558,847,401</b>	<b>23,652,203</b>	<b>(101,034,367)</b>	<b>1,481,465,237</b>
Cost of goods, operations and services sold	(1,119,582,296)	(167,634,217)	(1,287,216,513)	(16,728,573)	99,712,269	(1,204,232,817)
<b>Gross profit (loss)</b>	<b>244,638,685</b>	<b>26,992,203</b>	<b>271,630,888</b>	<b>6,923,630</b>	<b>(1,322,098)</b>	<b>277,232,420</b>
Administrative expenses	(80,179,405)	(7,782,152)	(87,961,557)	(5,655,592)	1,018,268	(92,598,881)
<b>Total operating income (loss)</b>	<b>164,459,280</b>	<b>19,210,051</b>	<b>183,669,331</b>	<b>1,268,038</b>	<b>(303,830)</b>	<b>184,633,539</b>
Finance income	61,339,495	4,173,028	65,512,523	1,166,165	(5,580,026)	61,098,662
Finance costs	(141,019,215)	(10,872,614)	(151,891,829)	(532,262)	6,726,449	(145,697,642)
Share of the profit (loss) of associates and joint ventures accounted by equity method	8,545,564	-	8,545,564	-	-	8,545,564
Other income	3,996,421	113,855	4,110,276	170,654	(27,702)	4,253,228
Other expenses	(42,050,910)	(2,066,236)	(44,117,146)	(533,143)	241,724	(44,408,565)
<b>Profit (loss) before tax</b>	<b>55,270,635</b>	<b>10,558,084</b>	<b>65,828,719</b>	<b>1,539,452</b>	<b>1,056,615</b>	<b>68,424,786</b>
Corporate income tax expense (-) (income (+))	(29,195,273)	(2,020,137)	(31,215,410)	(400,350)	74,953	(31,540,807)
<b>Profit (loss) after tax from continuing operations</b>	<b>26,075,362</b>	<b>8,537,947</b>	<b>34,613,309</b>	<b>1,139,102</b>	<b>1,131,568</b>	<b>36,883,979</b>
<b>Other key segment information</b>						
Capital expenditures on property, plant and equipment and construction in progress	333,074,832	28,611,888	361,686,720	508,791	1,890,516	364,086,027
Depreciation of property, plant and equipment	130,407,513	14,656,810	145,064,323	1,613,805	(115,228)	146,562,900



# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

### Geographical information of the Group

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

Customer location	2023	2022
Kazakhstan	1,875,851,404	1,440,584,081
Russia	28,412,425	23,595,150
Germany	16,707,872	3,478,219
China	9,329,301	4,974,492
Other	3,794,380	8,833,295
<b>Total</b>	<b>1,934,095,382</b>	<b>1,481,465,237</b>

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

### 6. CASH AND CASH EQUIVALENTS (line 010 of Consolidated balance sheet and line 160 of Consolidated statement of cash flows)

	31 December 2023	31 December 2022
Short-term bank deposits in tenge	60,761,482	68,186,977
Short-term bank deposits in US\$	6,365,048	-
Short-term bank deposits in other currencies	164,556	-
Cash in tenge current accounts	120,498,281	186,774,257
Cash in US\$ current bank accounts	13,074,545	7,641,602
Cash in Russian Rouble current bank accounts	1,244,671	3,308,593
Cash in Euro current bank accounts	781,931	474,415
Cash in bank accounts in other currencies	1,730,998	599,304
Petty cash	8,760	4,321
	<b>204,630,272</b>	<b>266,989,469</b>
Less: allowance for expected credit losses on cash and cash equivalents	(16,285)	(33,738)
<b>Total</b>	<b>204,613,987</b>	<b>266,955,731</b>

As at 31 December 2023, the weighted average interest rate on cash in current accounts was 0.68% in tenge and 1.5% 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 December 2023, the weighted average interest rate on short-term bank deposits was 15.26% in tenge, 3% in US\$ and 12% in other currencies (31 December 2022: 16.18% in tenge).

As at 31 December 2023, cash placed by the Group on current accounts in Kazpost JSC, a related party of the Group, amounted to 112,141,348 thousand tenge (31 December 2022: 162,853,622 thousand tenge) (Note 41). In addition, the Group places cash and cash equivalents in banks and other financial institutions rated from A+ to B-. Based on this, the Group believes that its cash and cash equivalents credit risk as at 31 December 2023 is low.

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

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

### 7. FINANCIAL ASSETS AT AMORTISED COST (lines 011 and 110 of Consolidated balance sheet)

	31 December 2023	31 December 2022
Loans issued	8,095,315	7,292,058
Bonds of commercial banks and other credit institutions, and other debt securities	1,434,269	1,401,851
Less: allowance for expected credit losses on loans issued	(3,518,562)	(3,539,833)
Less: allowance for expected credit losses on bonds of commercial banks and other credit institutions, and other debt securities	(434,703)	(380,077)
<b>Total</b>	<b>5,576,319</b>	<b>4,773,999</b>
Current portion of financial assets at amortised cost	3,732,403	1,934
Non-current portion of financial assets at amortised cost	1,843,916	4,772,065
<b>Total</b>	<b>5,576,319</b>	<b>4,773,999</b>

As at 31 December 2023 and 2022, financial assets at amortised cost were denominated in tenge.

### 8. OTHER FINANCIAL ASSETS (lines 015 and 116 of Consolidated balance sheet)

	31 December 2023	31 December 2022
Restricted cash	20,963,604	20,105,984
Other financial assets	3,068,171	3,406,527
Less: allowance for expected credit losses on restricted cash	(850)	(260)
Less: allowance for expected credit losses on other financial assets	(1,178,681)	(2,079,732)
<b>Total</b>	<b>22,852,244</b>	<b>21,432,519</b>
Current portion of other financial assets	7,734,507	7,165,793
Non-current portion of other financial assets	15,117,737	14,266,726
<b>Total</b>	<b>22,852,244</b>	<b>21,432,519</b>

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.

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

### 9. TRADE AND OTHER ACCOUNTS RECEIVABLE (lines 016 and 117 of Consolidated balance sheet)

	31 December 2023	31 December 2022
Trade receivables arising from contracts with customers	19,370,480	21,148,417
Other receivables	8,492,077	6,195,704
Less: allowance for expected credit losses on trade receivables from contracts with customers	(3,573,543)	(6,872,782)
Less: allowance for expected credit losses on other receivables	(1,618,652)	(1,804,278)
<b>Total</b>	<b>22,670,362</b>	<b>18,667,061</b>
Current portion of trade and other receivables	18,802,191	16,876,353
Non-current portion of trade and other receivables	3,868,171	1,790,708
<b>Total</b>	<b>22,670,362</b>	<b>18,667,061</b>

### 10. CURRENT LEASE RECEIVABLES (line 017 of Consolidated balance sheet)

	31 December 2023	31 December 2022
Lease receivables	945,595	1,256,278
Less: allowance for expected credit losses on lease receivables	(390,230)	(720,050)
<b>Total</b>	<b>555,365</b>	<b>536,228</b>

### 11. INVENTORIES (line 020 of Consolidated balance sheet)

	31 December 2023	31 December 2022
Fuel and lubricants	20,028,312	6,033,537
Railway materials	18,786,347	14,647,464
Materials and supplies	13,452,131	12,481,235
Spare parts	8,421,320	8,310,765
Construction materials	1,559,276	1,477,589
Others	4,134,103	3,562,490
	<b>66,381,489</b>	<b>46,513,080</b>
Less: allowance for impairment of inventories	(2,019,012)	(1,483,894)
<b>Total</b>	<b>64,362,477</b>	<b>45,029,186</b>

### 12. OTHER CURRENT ASSETS (line 022 of Consolidated balance sheet)

	31 December 2023	31 December 2022
VAT recoverable	49,618,081	37,808,974
Other taxes prepaid	44,328,188	43,120,335
Short-term advances paid	25,735,750	24,820,753
Prepaid expenses	2,447,998	1,794,650
Others	5,493,238	5,453,185
	<b>127,623,255</b>	<b>112,997,897</b>
Less: allowance for impairment of other current assets	(6,395,698)	(5,938,418)
<b>Total</b>	<b>121,227,557</b>	<b>107,059,479</b>

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

### 13. ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE (line 101 of Consolidated balance sheet) and DISPOSAL GROUP LIABILITIES HELD FOR SALE (line 301 of Consolidated balance sheet)

#### 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. As at 31 December 2022, assets and liabilities with intragroup elimination amounted to 45,824,687 thousand tenge and 30,847 thousand tenge, respectively. 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.

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

	27 January 2023
<b>Assets</b>	
Cash and cash equivalents	51,967
Other current financial assets	40,000,000
Inventories	40,020
Other current assets	9,149
Property, plant and equipment	5,665,592
<b>Total assets</b>	<b>45,766,728</b>
<b>Liabilities</b>	
Current trade and other payables	20,058
Employee benefits	21,854
Contract liabilities <sup>1</sup>	40,000,000
Other current liabilities	7,314
<b>Total liabilities</b>	<b>40,049,226</b>
<b>Net assets disposed</b>	<b>5,717,502</b>

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

	2023
Proceeds from disposal of subsidiary	12,000,000
Net assets disposed	(5,717,502)
<b>Result of disposal of Railway Passenger Coach Construction Plant LLP</b>	<b>6,282,498</b>

<sup>1</sup> Prior to disposal intra-group obligations under an agreement with a subsidiary Passenger Transportation JSC for the supply of passenger carriages.

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

### 14. EQUITY METHOD INVESTMENTS (line 115 of Consolidated balance sheet and line 023 of Consolidated statement of profit or loss)

Description	Primary activity	Main country of operation / country of registration	31 December 2023		31 December 2022	
			Carrying amount	Ownership interest	Carrying amount	Ownership interest
<b>Associates</b>						
United Transport and Logistics Company - Eurasian Rail Alliance JSC (UTLC ERA JSC)	Domestic and international rail transportation and freight forwarding	Russia	15,890,331	33.33%	16,959,315	33.33%
Transtelecom JSC	Telecommunication services	Kazakhstan	10,767,726	25%	8,501,919	25%
Chinese-Kazakhstan International Logistics Company in Lianyungang	International multimodal transportation	China	7,194,449	49%	3,172,529	49%
China-Kazakhstan International Trade and Logistics Company LLC (Xi'an)	International multimodal transportation, terminal services, etc.	China	5,136,468	49%	-	-
Others			-	40-47%	-	40-47%
<b>Total investment in associates</b>			<b>38,988,974</b>		<b>28,633,763</b>	
<b>Joint ventures</b>						
Private Company KPMC Ltd.	Organisation of container block trains and freight forwarding activities for land-sea freight routes	China/Kazakhstan	1,077,581	49%	-	-
KIF Warehouses LLP	Warehouse operations and supporting transport operations	Kazakhstan	496,863	50%	164,875	50%
Private Company Middle Corridor Multimodal Ltd.	Organisation of domestic and international freight transportation, multimodal, transport and logistics services on the Trans-Caspian International Transport route	Kazakhstan	4,256	33.33%	-	-
<b>Total investment in joint ventures</b>			<b>1,578,700</b>		<b>164,875</b>	
<b>Total equity method investments</b>			<b>40,567,674</b>		<b>28,798,638</b>	

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

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

	2023		
	Associates	Joint ventures	Total equity method investments
<b>As at 1 January</b>	<b>28,633,763</b>	<b>164,875</b>	<b>28,798,638</b>
Acquisition	5,196,488	4,565	5,201,053
Fair value of the remaining interest upon loss of control over the subsidiary Private company KPMC Ltd.	-	459	459
Foreign exchange difference on translation of foreign operations	(4,588,086)	-	(4,588,086)
Share of profit/(loss)	8,190,347	(45,624)	8,144,723
Contributions to charter capital	-	1,111,418	1,111,418
Impairment reversal	4,697,383	343,007	5,040,390
Dividends receivable	(3,140,921)	-	(3,140,921)
<b>As at 31 December</b>	<b>38,988,974</b>	<b>1,578,700</b>	<b>40,567,674</b>

	2022		
	Associates	Joint ventures	Total equity method investments
<b>As at 1 January</b>	<b>26,793,356</b>	<b>895,143</b>	<b>27,688,499</b>
Foreign exchange difference on translation of foreign operations	2,058,065	-	2,058,065
Share of profit	8,508,563	37,001	8,545,564
Contributions to charter capital	-	57,958	57,958
Impairment	-	(825,227)	(825,227)
Dividends receivable	(8,726,221)	-	(8,726,221)
<b>As at 31 December</b>	<b>28,633,763</b>	<b>164,875</b>	<b>28,798,638</b>

During 2023, the Group, represented by its subsidiary Kedentransservice JSC, made a cash contribution in the amount of 80,740,632 yuan (5,196,488 thousand tenge) to the charter capital of China-Kazakhstan Trade and Logistics Company LLC (Xi'an), the Group's share of ownership in the associate is 49%.

In October 2023, the Group, represented by its subsidiary KTZ Express JSC, sold to a third party a 51% interest in its subsidiary, Private Company KPMC Ltd., for 1,000 US Dollars (477 thousand tenge). The gain from the disposal of the subsidiary amounted to 1,025 thousand tenge. As a result, the Group lost control over this subsidiary and recognised the remaining 49% interest at fair value as an investment in joint venture. In December 2023, the Group made a cash contribution, without changing the share of ownership, in the amount of 1,111,418 thousand tenge to the charter capital of this entity.

In December 2023, the Group, represented by the Company, made a cash contribution in the amount of 4,565 thousand tenge to the charter capital of the Private Company Middle Corridor Multimodal Ltd., which was equally distributed between the Company, Azerbaijan Railways CJSC and Georgian Railway JSC. The Group's share in the joint venture is 33.33%.

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

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

	2023					2022			
	China-Kazakhstan Trade and Logistics Company LLC (Xi'an)	Chinese-Kazakhstan International Logistics Company in Lianyungang	Aktau Marine North Terminal LLP	Transtelecom JSC	United Transportation and Logistics Company – Eurasian Railway Alliance JSC	Chinese-Kazakhstan International Logistics Company in Lianyungang	Aktau Marine North Terminal LLP	Transtelecom JSC	United Transportation and Logistics Company – Eurasian Railway Alliance JSC
Current assets	11,635,388	6,975,154	733,768	43,439,660	51,594,988	6,175,236	1,084,120	61,011,558	56,343,525
Non-current assets	-	21,998,101	35,215,073	146,464,355	54,397,617	23,946,119	36,895,727	162,119,735	66,242,413
<b>Total assets</b>	<b>11,635,388</b>	<b>28,973,255</b>	<b>35,948,841</b>	<b>189,904,015</b>	<b>105,992,605</b>	<b>30,121,355</b>	<b>37,979,847</b>	<b>223,131,293</b>	<b>122,585,938</b>
Current liabilities	33,850	1,447,881	5,346,866	114,014,756	20,564,002	1,169,707	11,046,450	114,510,843	30,930,044
Non-current liabilities	1,118,950	247,688	32,102,391	41,713,347	37,757,609	295,467	35,320,518	83,507,765	40,777,947
<b>Total liabilities</b>	<b>1,152,800</b>	<b>1,695,569</b>	<b>37,449,257</b>	<b>155,728,103</b>	<b>58,321,611</b>	<b>1,465,174</b>	<b>46,366,968</b>	<b>198,018,608</b>	<b>71,707,991</b>
<b>Total net assets/(liabilities)</b>	<b>10,482,588</b>	<b>27,277,686</b>	<b>(1,500,416)</b>	<b>34,175,912</b>	<b>47,670,994</b>	<b>28,656,181</b>	<b>(8,387,121)</b>	<b>25,112,685</b>	<b>50,877,947</b>
Ownership interest	49%	49%	40%	25%	33.33%	49%	40%	25%	33.33%
Net assets/(liabilities) attributable to the Group	5,136,468	13,366,066	(600,166)	8,543,978	15,890,331	14,041,529	(3,354,848)	6,278,171	16,959,315
Accumulated impairment	-	(6,171,617)	-	-	-	(10,869,000)	-	-	-
Net assets/(liabilities) attributable to the Group, inclusive of impairment	5,136,468	7,194,449	(600,166)	8,543,978	15,890,331	3,172,529	(3,354,848)	6,278,171	16,959,315
Accumulated unrecognised loss	-	-	(600,166)	-	-	-	(3,354,848)	-	-
Adjustment to the carrying amount of investments in a change to investee net assets (fair value adjustment of the concessional loan from another shareholder)	-	-	-	2,223,748	-	-	-	2,223,748	-
<b>Carrying amount of investment</b>	<b>5,136,468</b>	<b>7,194,449</b>	<b>-</b>	<b>10,767,726</b>	<b>15,890,331</b>	<b>3,172,529</b>	<b>-</b>	<b>8,501,919</b>	<b>16,959,315</b>
Revenue	152,532	10,588,410	3,911,625	84,185,754	298,970,347	5,544,619	4,298,295	83,903,859	385,408,831
(Loss)/profit and total comprehensive (loss)/income for the year	(53,648)	333,692	6,886,704	9,063,229	17,361,958	406,930	11,034,052	(10,949,702)	33,139,780
<b>Recognised share of the Group in (loss)/profit</b>	<b>(26,288)</b>	<b>163,509</b>	<b>-</b>	<b>2,265,807</b>	<b>5,787,319</b>	<b>199,396</b>	<b>-</b>	<b>(2,737,426)</b>	<b>11,046,593</b>

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

### 15. PROPERTY, PLANT AND EQUIPMENT (LINE 121 of Consolidated balance sheet)

Movements in property, plant and equipment for the years ended 31 December 2023 and 2022 are as follows:

	Rail track infrastructure	Buildings and constructions	Machinery and equipment	Vehicles	Land	Others	Total
<b>Carrying value as at 1 January 2022</b>	<b>1,205,831,959</b>	<b>304,015,660</b>	<b>248,075,918</b>	<b>1,018,704,422</b>	<b>3,960,226</b>	<b>6,677,149</b>	<b>2,787,265,334</b>
Additions	323,657	582,908	5,921,760	1,241,207	7,133	1,369,962	9,446,627
Disposals	(178,209)	(376,245)	(2,661,075)	(4,549,744)	(10,524)	(535,646)	(8,311,443)
Depreciation charge	(39,409,576)	(7,191,262)	(25,572,823)	(56,328,338)	-	(1,250,090)	(129,752,089)
Depreciation on disposal	166,014	236,743	2,525,041	4,265,254	-	527,256	7,720,308
Impairment	(92,369)	(40,158)	(112,356)	(269,708)	-	(3,907)	(518,498)
Transfer to assets classified as held for sale	-	(4,347,008)	(791,442)	(2,961)	-	(556,382)	(5,697,793)
Other movements and transfers <sup>2</sup>	124,837,537	943,169	9,269,477	242,725,526	2,368	25,212	377,803,289
<b>Carrying value as at 31 December 2022</b>	<b>1,291,479,013</b>	<b>293,823,807</b>	<b>236,654,500</b>	<b>1,205,785,658</b>	<b>3,959,203</b>	<b>6,253,554</b>	<b>3,037,955,735</b>
Cost	1,628,324,710	362,448,592	497,702,566	1,794,455,490	3,959,203	21,723,684	4,308,614,245
Accumulated depreciation and impairment	(336,845,697)	(68,624,785)	(261,048,066)	(588,669,832)	-	(15,470,130)	(1,270,658,510)
<b>Carrying value as at 31 December 2022</b>	<b>1,291,479,013</b>	<b>293,823,807</b>	<b>236,654,500</b>	<b>1,205,785,658</b>	<b>3,959,203</b>	<b>6,253,554</b>	<b>3,037,955,735</b>
Property, plant and equipment that are subject to operating lease (Group as the lessor) <sup>3</sup>	-	233,503	2,978	90,395,479	-	-	90,631,960
<b>Carrying value as at 1 January 2023</b>	<b>1,291,479,013</b>	<b>293,823,807</b>	<b>236,654,500</b>	<b>1,205,785,658</b>	<b>3,959,203</b>	<b>6,253,554</b>	<b>3,037,955,735</b>
Additions	590,888	653,376	11,407,810	39,775,659	2,412	1,397,810	53,827,955
Disposals	(72,520)	(775,222)	(1,657,893)	(1,748,222)	(59,467)	(1,090,962)	(5,404,286)
Depreciation charge	(41,979,733)	(7,388,091)	(25,654,230)	(66,743,357)	-	(1,231,047)	(142,996,458)
Depreciation on disposal	56,969	427,430	1,425,065	1,693,815	-	1,088,680	4,691,959
Impairment reversal/(impairment)	28,241	(22,869)	(80,374)	253,507	-	(106,947)	71,558
Other movements and transfers <sup>2</sup>	165,641,363	25,749,360	19,967,605	323,757,625	(31,399)	768,522	535,853,076
<b>Carrying value as at 31 December 2023</b>	<b>1,415,744,221</b>	<b>312,467,791</b>	<b>242,062,483</b>	<b>1,502,774,685</b>	<b>3,870,749</b>	<b>7,079,610</b>	<b>3,483,999,539</b>
Cost	1,779,867,412	388,045,727	525,947,891	2,143,113,801	3,870,749	23,994,604	4,864,840,184
Accumulated depreciation and impairment	(364,123,191)	(75,577,936)	(283,885,408)	(640,339,116)	-	(16,914,994)	(1,380,840,645)
<b>Carrying value as at 31 December 2023</b>	<b>1,415,744,221</b>	<b>312,467,791</b>	<b>242,062,483</b>	<b>1,502,774,685</b>	<b>3,870,749</b>	<b>7,079,610</b>	<b>3,483,999,539</b>
Property, plant and equipment that are subject to operating lease (Group as the lessor) <sup>3</sup>	-	238,963	90	88,773,759	-	14	89,012,826

<sup>2</sup> Other movements and transfers also include transfers to/from inventories, transfers of completed assets under construction from other non-current assets.

<sup>3</sup> Comparative figures have been restated to be consistent with the current year.



# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

As at 31 December 2023 and 2022, the Group's property, plant and equipment with a carrying amount of 10,880,993 thousand tenge and 11,171,840 thousand tenge, respectively, was used as collateral for specific borrowings.

As at 31 December 2023 and 2022, the cost of the Group's fully depreciated property, plant and equipment in use was 372,173,813 thousand tenge and 359,364,568 thousand tenge, respectively.

### 16. RIGHT-OF-USE ASSETS (line 122 of Consolidated balance sheet)

	Buildings and constructions	Machinery and equipment	Vehicles	Others	Intangible assets (software)	Total
<b>Carrying value as at 1 January 2022</b>	<b>1,419,839</b>	<b>18,827,277</b>	<b>52,999,770</b>	<b>5,757,308</b>	<b>15,893</b>	<b>79,020,087</b>
Lease additions	363,175	-	13,910,287	686,467	-	14,959,929
Lease modifications	80,247	-	-	1,162,335	-	1,242,582
Disposals	(253,140)	-	-	-	(244,861)	(498,001)
Depreciation charge	(264,009)	(9,861,095)	(4,845,057)	(1,840,650)	(4,239)	(16,815,050)
Depreciation on disposal	171,171	-	-	-	244,861	416,032
Impairment	-	-	-	(834,304)	-	(834,304)
Other movements and transfers	-	-	-	(247,398)	-	(247,398)
<b>Carrying value as at 31 December 2022</b>	<b>1,517,283</b>	<b>8,966,182</b>	<b>62,065,000</b>	<b>4,683,758</b>	<b>11,654</b>	<b>77,243,877</b>
Cost	2,115,393	37,727,707	73,900,640	9,219,303	24,018	122,987,061
Accumulated depreciation and impairment	(598,110)	(28,761,525)	(11,835,640)	(4,535,545)	(12,364)	(45,743,184)
<b>Carrying value as at 1 January 2023</b>	<b>1,517,283</b>	<b>8,966,182</b>	<b>62,065,000</b>	<b>4,683,758</b>	<b>11,654</b>	<b>77,243,877</b>
Lease additions	48,328	1,073,094	45,236,973	655	-	46,359,050
Lease modifications	(76,443)	5,250,598	8,092,729	-	-	13,266,884
Disposals	(243,681)	(1,317,010)	(8,834,197)	-	-	(10,394,888)
Depreciation charge	(313,010)	(9,378,122)	(3,821,440)	(668,909)	(4,240)	(14,185,721)
Depreciation on disposal	65,088	1,317,010	8,834,197	-	-	10,216,295
Other movements and transfers	-	-	(6,797,496)	(595,558)	-	(7,393,054)
<b>Carrying value as at 31 December 2023</b>	<b>997,565</b>	<b>5,911,752</b>	<b>104,775,766</b>	<b>3,419,946</b>	<b>7,414</b>	<b>115,112,443</b>
Cost	1,843,597	42,734,389	111,578,358	7,319,751	24,018	163,500,113
Accumulated depreciation and impairment	(846,032)	(36,822,637)	(6,802,592)	(3,899,805)	(16,604)	(48,387,670)

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

### 17. INTANGIBLE ASSETS (line 125 of Consolidated balance sheet)

	Licenses	Software	Goodwill	Others	Total
<b>Carrying value as at 1 January 2022</b>	<b>4,254,172</b>	<b>7,550,827</b>	<b>15,519,895</b>	<b>2,627,330</b>	<b>29,952,224</b>
Additions	10,451	108	-	27,213	37,772
Disposals	(31,078)	(61,850)	-	(4,600)	(97,528)
Depreciation charge	(158,035)	(2,216,011)	-	(820,806)	(3,194,852)
Depreciation on disposals	31,078	61,360	-	4,600	97,038
Other transfers and movements	-	1,226,475	-	-	1,226,475
<b>Carrying value as at 31 December 2022</b>	<b>4,106,588</b>	<b>6,560,909</b>	<b>15,519,895</b>	<b>1,833,737</b>	<b>28,021,129</b>
Cost	5,839,286	33,926,558	15,519,895	4,510,599	59,796,338
Accumulated depreciation and impairment	(1,732,698)	(27,365,649)	-	(2,676,862)	(31,775,209)
<b>Carrying value as at 1 January 2023</b>	<b>4,106,588</b>	<b>6,560,909</b>	<b>15,519,895</b>	<b>1,833,737</b>	<b>28,021,129</b>
Additions	-	136,994	-	45,379	182,373
Disposals	(18,166)	(86,116)	-	-	(104,282)
Depreciation charge	(150,608)	(1,751,741)	-	(843,968)	(2,746,317)
Depreciation on disposals	18,166	86,116	-	-	104,282
Other transfers and movements	(3,785,997)	128,099	-	-	(3,657,898)
<b>Carrying value as at 31 December 2023</b>	<b>169,983</b>	<b>5,074,261</b>	<b>15,519,895</b>	<b>1,035,148</b>	<b>21,799,287</b>
Cost	2,035,123	34,104,170	15,519,895	4,555,978	56,215,166
Accumulated depreciation and impairment	(1,865,140)	(29,029,909)	-	(3,520,830)	(34,415,879)

### 18. OTHER NON-CURRENT ASSETS (line 127 of Consolidated balance sheet)

	31 December 2023	31 December 2022
Advances paid for property, plant and equipment	463,043,831	101,630,880
Construction in-progress	216,385,459	140,742,801
VAT recoverable	167,275,071	81,882,720
Advances paid for inventories	4,157,742	-
Prepaid expenses	93,295	882,893
Others	39,753	23,941
<b>Total</b>	<b>850,995,151</b>	<b>325,163,235</b>
Less: allowance for impairment of construction in-progress	(13,473,124)	(12,522,969)
Less: allowance for VAT recoverable	(12,236,948)	(11,823,206)
Less: allowance for advances paid for property, plant and equipment	(1,616,421)	(1,056,422)
<b>Total</b>	<b>823,668,658</b>	<b>299,760,638</b>

As at 31 December 2023, construction-in-progress mainly consists of project costs for the modernisation of the Dostyk-Moiynty railway transport corridor, to build the Zhezkazgan-Beineu, a ferry complex at the Kuryk port and other railway reconstruction infrastructure.

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

For the years ended 31 December 2023 and 2022, capitalised borrowing costs amounted to 26,591,021 thousand tenge and 5,672,979 thousand tenge, respectively. The Group's average capitalisation rate varies between 3.25% and 19.35% (2022: between 3.88% and 8.82%).

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

	31 December 2023	31 December 2022
Passenger carriages supply	163,034,166	-
Construction of the railway	133,922,810	-
Electric locomotive supplies	90,446,725	72,752,701
Diesel locomotive supplies	61,261,996	9,074,540
Railroad switch supplies	9,981,468	5,239,551
Rail purchases	-	9,958,688
Others	4,396,666	4,605,400
<b>Total</b>	<b>463,043,831</b>	<b>101,630,880</b>

### 19. FINANCIAL LIABILITIES AT AMORTISED COST (lines 210 and 310 of Consolidated balance sheet)

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

	31 December 2023		31 December 2022	
	Amount	Weighted average effective interest rate (%)	Amount	Weighted average effective interest rate (%)
Fixed interest rate loans	333,852,322		300,747,911	
- in tenge	223,034,819	8.69	231,550,897	11.34
- in Euro	59,610,554	5.31	69,197,014	6.57
- in Russian Roubles	51,206,949	5.94	-	-
Floating interest rate loans	518,137,526		152,426,747	
- in tenge	122,925,345	18.83	152,426,747	15.01
- in Euro	139,142,911	5.32	-	-
- in Swiss Francs	256,069,270	3.55	-	-
Fixed interest rate debt securities issued	1,079,763,788		1,052,190,760	
- in tenge	707,589,454	11.41	563,621,237	10.20
- in US\$	372,174,334	6.43	363,220,904	6.30
- in Swiss Francs	-	-	125,348,619	3.25
Floating interest rate debt securities issued	185,792,874		181,965,588	
- in tenge	185,792,874	19.02	181,965,588	16.64
<b>Total</b>	<b>2,117,546,510</b>		<b>1,687,331,006</b>	
Current portion of loans and debt securities issued	354,114,654		256,506,002	
Non-current portion of loans and debt securities issued	1,763,431,856		1,430,825,004	
<b>Total</b>	<b>2,117,546,510</b>		<b>1,687,331,006</b>	

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

The following borrowings, presented at discounted base, excluding debt securities, should be repaid as follows:

	31 December 2023	31 December 2022
During the year	122,037,341	103,430,944
1-2 years	78,270,434	64,263,436
2-3 years	79,636,710	35,363,492
3-4 years	75,027,008	34,862,649
4-5 years	73,444,778	28,919,608
Over 5 years	423,573,577	186,334,529
<b>Total</b>	<b>851,989,848</b>	<b>453,174,658</b>

#### Loans 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 162,600,000 thousand 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 139,497,393 thousand tenge, net of deferred tax in the amount of 27,899,479 thousand tenge through equity in retained earnings as other operations with owners (Note 28).

##### *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 13,000,000 thousand tenge with an interest rate of 17.7%. The principal is repayable in full in June 2024.

##### *ForteBank JSC*

In 2023, the Group, represented by the Company, under the credit line agreement with ForteBank JSC concluded on 13 June 2022, received 36,100,000 thousand tenge with an interest rate of 17.5% to 18% and maturity up to six months. The Group made full early repayment of loans received.

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

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#### *HSBC Continental Europe*

In 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 (2,137,069 thousand 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*

In 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 amount of 627,110,893 Euros, borrowed 329,415,953 Euros (162,472,841 thousand 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.

#### *Halyk Bank of Kazakhstan JSC*

In 2023, the Group, represented by the Company and its subsidiary KTZ-Freight transportation LLP, under the credit line agreement with Halyk Bank of Kazakhstan JSC, concluded on 26 February 2015, borrowed 89,000,000 thousand tenge with an interest rate of 18.5% to 18.75% and a maturity of up to one year. The Group has made full/partial early repayment of loans received in the total amount of 70,000,000 thousand tenge.

In 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 3,155,597 thousand tenge to finance the acquisition of freight diesel and electric locomotives. Interest is repaid quarterly at the interest rate of "base rate of the National Bank of the Republic of Kazakhstan + 2% margin". Principal is repayable in semi-annual installments until full repayment in 2032.

In 2023, the Group, represented by its subsidiary KTZ-Passenger locomotives LLP, under the credit line agreement with Halyk Bank of Kazakhstan JSC, concluded on 20 October 2022, received 10,034,024 thousand tenge to finance the acquisition of passenger diesel and electric locomotives. Interest is repaid quarterly at the interest rate of "base rate of the National Bank of the Republic of Kazakhstan + 2% margin". Principal is repayable in semi-annual installments until full repayment in 2029.

#### *Eurasian Development Bank ("EDB")*

In 2023, the Group, represented by its subsidiary KTZ-Freight transportation, under the loan agreement with EDB dated 11 May 2023 to finance the acquisition of freight diesel locomotives for a total amount of 17,685,350,000 Russian Roubles borrowed 10,045,278,800 Russian Roubles (50,345,241 thousand tenge). Loan interest is paid semi-annually at 7.8%. Principal is repaid semi-annually until full repayment in 2034.

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) *(in thousands of tenge, unless stated otherwise)*

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#### *Citibank and Santander*

In November 2023, the Group, represented by the Company, under the credit agreement with Citibank and Santander and the guarantee of MIGA, dated 19 September 2023 to finance the acquisition of electric locomotives, passenger carriages, capital and current repairs of railway tracks, borrowed 513,491,580 Swiss Francs (264,632,710 thousand tenge) (including the MIGA premium). 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 repayment of principal debt is 1 year.

#### **Early repayment of non-current borrowings**

In 2023, the Group, represented by its subsidiaries KTZ Express JSC and KTZ-Passenger locomotives LLP, 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 8,095,070 thousand tenge.

In 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 an early partial repayment of borrowings received of 18,262,000 thousand tenge.

In 2023, the Group, represented by its subsidiary KTZ-Passenger locomotives LLP, under the credit line agreement with Halyk Bank of Kazakhstan JSC, concluded on 20 October 2022, made an early partial repayment of borrowings received of 6,483,159 thousand tenge.

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

### Debt securities issued

As at 31 December, debt securities issued included:

	Repayment date	Exchanges	2023	2022
<b>Bonds issued, by price<sup>4</sup></b>				
2% Eurobonds (100%) in US\$	28 October 2025	KASE	372,174,334	363,220,904
11.5% Bonds (100%) in tenge	3 October 2034	KASE	308,433,333	308,433,333
8.74% Bonds (100%) in tenge	12 June 2043	KASE	136,146,200	-
TONIA Compounded 6M + 3% margin (19.96%) Bonds (100%) in tenge	22 July 2024	KASE	129,490,931	128,215,725
7.37% Bonds (100%) in tenge	30 December 2042	KASE	100,854,652	94,097,080
9.25% Bonds (100%) in tenge	15 November 2024	KASE	76,830,729	76,830,729
Inflation rate + 2.52% (18.52%) Bonds (100%) in tenge	25 April 2026	KASE	56,301,943	53,749,863
11.5% Bonds (100%) in tenge	12 September 2034	KASE	41,379,996	41,379,997
11% Bonds (100%) in tenge	23 July 2027	KASE	26,184,032	26,184,030
2% Bonds (100%) in tenge	20 August 2034	KASE	17,760,512	16,696,068
3.25% Eurobonds (100%) in Swiss Francs	5 December 2023	SIX Swiss Exchange	-	84,924,565
3.25% Eurobonds (104.238%) in Swiss Francs	5 December 2023	SIX Swiss Exchange	-	40,424,054
<b>Total debt securities issued</b>			<b>1,265,556,662</b>	<b>1,234,156,348</b>
Current portion of debt securities issued			232,077,313	153,075,058
Long-term portion of debt securities issued			1,033,479,349	1,081,081,290
			<b>1,265,556,662</b>	<b>1,234,156,348</b>

In June and December 2023, the Group, represented by the Company, to implement the project “Modernisation of the railway transport corridor Dostyk-Aktogay-Moiynty-Zharyk-Zhezkazgan-Saksaulskaya-Kandyagash-Aktobe-Iletsk (construction of second tracks of the Dostyk-Moiynty railway section)”, issued bonds on the Kazakhstan Stock Exchange in favour of the Shareholder in the amount of 73,709,364 thousand tenge and 100,000,000 thousand tenge, respectively, with a coupon rate of 8.74% per annum and a maturity date in 2043. Coupon payment - twice a year. The bonds were issued with a coupon rate below the market rate and the fair value was calculated based on the market rate of 11.59% and 12.25%, respectively. The Group recognised an adjustment to fair value of the bonds in the amount of 38,434,118 thousand tenge, net of deferred tax in the amount of 7,686,823 thousand tenge through equity in retained earnings as other operations with owners (Note 28).

The fair value of borrowings and debt securities is presented in Note 41.

<sup>4</sup> The percentage in brackets represents the cost of placing bonds/Eurobonds from par value (with a premium/discount or at par value).

**EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**  
*(in thousands of tenge, unless stated otherwise)*

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**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 31 December 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 the annual consolidated financial statements of the Group. As at 31 December 2023, this covenant was met.

Loan agreement with EDB includes certain financial covenants such as Debt to EBITDA and Interest coverage ratio calculated semi-annually based on the 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 31 December 2023, these covenants were met.

Loan agreement with Citibank and Santander under the MIGA guarantee includes compliance certain financial covenants such as EBITDA to interest expense and Total debt to EBITDA (with the share of subsidiaries' debt to third parties not exceeding 35% of total debt) calculated based on the consolidated results of the Group. As at 31 December 2023, these covenants were met.



# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

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

	2023			2022		
	Borrowings and debt securities issued	Lease liabilities (Note 24)	Total	Borrowings and debt securities issued	Lease liabilities (Note 24)	Total
<b>As at 1 January</b>	<b>1,687,331,006</b>	<b>53,081,812</b>	<b>1,740,412,818</b>	<b>1,577,212,169</b>	<b>59,797,556</b>	<b>1,637,009,725</b>
<b>Changes due to cash flows from financing activities</b>						
Repayment of borrowings	(367,321,124)	-	(367,321,124)	(956,465,459)	-	(956,465,459)
Proceeds from borrowings	808,730,762	-	808,730,762	1,137,877,848	-	1,137,877,848
Repayment of lease liabilities	-	(21,689,593)	(21,689,593)	-	(17,334,354)	(17,334,354)
<b>Total changes due to cash flows from financing activities</b>	<b>441,409,638</b>	<b>(21,689,593)</b>	<b>419,720,045</b>	<b>181,412,389</b>	<b>(17,334,354)</b>	<b>164,078,035</b>
<b>Other changes</b>						
Effect of changes in foreign exchange rates	13,861,720	43,258	13,904,978	30,788,984	382,586	31,171,570
Cash flow hedging	-	-	-	2,445,158	-	2,445,158
Acquisition of property, plant and equipment through borrowings directly transferred to the supplier	114,106,065	-	114,106,065	5,705,825	-	5,705,825
New lease agreements	-	24,334,360	24,334,360	-	7,301,171	7,301,171
Adjustment to the fair value of loans received from the Shareholder at rates lower than market (Note 28)	(177,931,511)	-	(177,931,511)	(118,379,605)	-	(118,379,605)
Interest costs and discount amortisation, including capitalised	188,582,882	8,994,678	197,577,560	139,365,705	8,320,909	147,686,614
Interest paid	(144,301,467)	(6,251,960)	(150,553,427)	(113,137,207)	(6,438,405)	(119,575,612)
Other changes	(5,511,823)	12,993,167	7,481,344	(18,082,412)	1,052,349	(17,030,063)
<b>Total other changes attributable to liabilities</b>	<b>(11,194,134)</b>	<b>40,113,503</b>	<b>28,919,369</b>	<b>(71,293,552)</b>	<b>10,618,610</b>	<b>(60,674,942)</b>
<b>As at 31 December</b>	<b>2,117,546,510</b>	<b>71,505,722</b>	<b>2,189,052,232</b>	<b>1,687,331,006</b>	<b>53,081,812</b>	<b>1,740,412,818</b>

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

#### 20. OTHER CURRENT AND NON-CURRENT FINANCIAL LIABILITIES (lines 213 and 313 of Consolidated balance sheet)

As at 31 December 2023 and 2022, liabilities under financial guarantee contracts include other current financial liabilities in the amount of 267,656 thousand tenge and other non-current financial liabilities in the amount of 28,268,253 thousand tenge (31 December 2022: non-current financial liabilities in the amount of 29,996,786 thousand tenge).

As disclosed in Note 38, the Group has provided financial guarantees to banks on loans received by Nursultan Nazarbayev International Airport JSC, Aktobe Rail and Section Mill Plant LLP and an associate Transtelecom JSC, and recognised obligations under financial guarantee agreements. As at 31 December 2023, liabilities under financial guarantee agreements amounted to 15,314,459 thousand tenge for Nursultan Nazarbayev International Airport JSC, 13,202,435 thousand tenge for Aktobe Rail and Section Mill Plant LLP and 19,015 thousand tenge for Transtelecom JSC (31 December 2022: 15,548,800 thousand tenge for Nursultan Nazarbayev International Airport JSC, 14,066,973 thousand tenge for Aktobe Rail and Section Mill Plant LLP and 381,013 thousand tenge for Transtelecom JSC).

As at 31 December, other financial liabilities were represented in the following currencies:

	31 December 2023	31 December 2022
Tenge	26,783,994	28,082,268
US Dollars	1,751,915	1,914,518
<b>Total</b>	<b>28,535,909</b>	<b>29,996,786</b>

#### 21. CURRENT TRADE AND OTHER ACCOUNTS PAYABLE (line 214 of Consolidated balance sheet)

	31 December 2023	31 December 2022
Trade accounts payable	199,941,295	116,869,949
Other accounts payable	15,058,268	6,853,710
<b>Total</b>	<b>214,999,563</b>	<b>123,723,659</b>

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

	31 December 2023	31 December 2022
Tenge	173,490,450	99,279,138
US Dollars	10,018,129	11,494,232
Euros	9,541,615	4,462,831
UAE Dirham	5,898,808	-
In other currencies	992,293	1,633,748
<b>Total</b>	<b>199,941,295</b>	<b>116,869,949</b>

Other accounts payable were mainly denominated in tenge.

The average turnover period for trade accounts payable is 38 days (2022: 35 days).

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

#### 22. CURRENT PROVISIONS (lines 215 of Consolidated balance sheet)

	31 December 2023	31 December 2022
Contractual obligations	2,159,141	2,181,678
Other current provisions	452,186	278,217
<b>Total</b>	<b>2,611,327</b>	<b>2,459,895</b>

Current provisions include provisions for agreements for which, as at 31 December 2023 and 2022, there is a high probability that their settlement will require an outflow of resources embodying economic benefits. Expenses on provisions are included in other expenses.

#### 23. EMPLOYEE BENEFITS (lines 217 and 317 of Consolidated balance sheet)

As at 31 December employee benefits included the following:

	31 December 2023	31 December 2022
Post-employment defined employee benefits and other long-term employee benefits	45,003,572	43,619,132
Allowances for unused vacation and other employee remunerations	36,224,971	28,712,176
Salary payable	15,511,354	10,006,248
<b>Total</b>	<b>96,739,897</b>	<b>82,337,556</b>
Current portion of employee benefits	59,343,857	44,931,343
Non-current portion of employee benefits	37,396,040	37,406,213
<b>Total</b>	<b>96,739,897</b>	<b>82,337,556</b>

As at 31 December 2023 and 2022 provisions for unused vacation and other employee benefits are reclassified as financial liabilities as they represent liabilities arising from the performance of contracts.

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

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

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

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

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

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

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

*Post-employment defined employee benefits:*

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

*Other long-term employee benefits:*

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

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

	31 December 2023	31 December 2022
Non-current portion of employee benefit obligations	37,396,040	37,406,213
Current portion of employee benefit obligations	7,607,532	6,212,919
<b>Total liabilities as at the end of the year</b>	<b>45,003,572</b>	<b>43,619,132</b>

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

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

	2023	2022
Total liabilities at the beginning of the year	43,619,132	46,183,384
Current service cost	1,888,009	1,347,127
Past service cost	-	218,168
Interest costs	4,623,627	4,803,427
Actuarial loss on other long-term employee benefits	426,907	2,773,974
Total expenses recognised in profit or loss	6,938,543	9,142,696
Actuarial revaluation recognised in other comprehensive income:	539,296	(4,213,673)
- change in financial assumptions	(329,805)	(25,252)
- experience-based adjustments	(923,302)	(4,218,493)
- change in demographic assumptions	1,792,403	30,072
Payments made for the year	(6,093,399)	(7,493,275)
<b>Total liabilities as at the end of the year</b>	<b>45,003,572</b>	<b>43,619,132</b>

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

	2023	2022
Cost of goods, operations and services sold (Note 30)	6,610,763	8,744,402
Administrative expenses (Note 31)	327,780	398,294
<b>Total recognised in profit or loss for the year</b>	<b>6,938,543</b>	<b>9,142,696</b>

The Group's obligations were estimated based on published statistical data regarding mortality and actual Group data concerning employee and pensioner headcount, age, gender and years of service, and turnover, as well as expectations that all employees granted with early retirement option under the Rules No. 1, will exercise when reach minimum age, i.e. 5 years before the official retirement age. Average longevity after the retirement age for acting and former retired employees is 14.6 years for men and 18.7 years for women.

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

	2023	2022
Discount rate	11.9%	10.6%
Expected annual growth in material aid in the future	5.2% (average)	4.1% (average)
Expected annual minimum salary growth in the future	6.6% (average)	4.9% (average)
Expected annual future growth in rail ticket cost	5.9% (average)	5.5% (average)

According to an actuarial sensitivity analysis, the maximum increase in employee benefit obligations is 8.9% caused by an inflation rate increase of 1%, and 8.3% caused by a discount rate decrease of 1%.

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

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

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

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

### 24. LEASE LIABILITIES (lines 218 and 318 of Consolidated balance sheet)

	31 December 2023	31 December 2022
Short-term leases	1,027,740	337,523
Lease liabilities	71,505,722	53,081,812
<b>Total</b>	<b>72,533,462</b>	<b>53,419,335</b>
Current lease liabilities	17,978,930	14,558,634
Non-current lease liabilities	54,554,532	38,860,701
<b>Total</b>	<b>72,533,462</b>	<b>53,419,335</b>

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

	2023		2022	
	Lease payments	Present value of lease payments	Lease payments	Present value of lease payments
Up to one year	18,461,203	16,951,190	14,965,682	14,221,111
2-5 years inclusive	47,065,929	26,930,003	39,457,853	23,717,342
Over 5 years	100,304,047	27,624,529	62,242,410	15,143,359
<b>Total</b>	<b>165,831,179</b>	<b>71,505,722</b>	<b>116,665,945</b>	<b>53,081,812</b>
Less unearned interest	(94,325,457)	-	(63,584,133)	-
<b>Present cost of lease liabilities</b>	<b>71,505,722</b>	<b>71,505,722</b>	<b>53,081,812</b>	<b>53,081,812</b>
Less amounts due within 12 months	-	(16,951,190)	-	(14,221,111)
<b>Amount due after 12 months</b>	<b>-</b>	<b>54,554,532</b>	<b>-</b>	<b>38,860,701</b>

As at 31 December 2023, interest calculations are based on effective interest rates of between 2.5% and 21.69% (31 December 2022: 1.69%-21.69%).

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

**EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**  
*(in thousands of tenge, unless stated otherwise)*

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**Finance lease agreements (“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 47,391,389 thousand tenge (taking into account the additional agreement dated 29 September 2023) and at interest of 15% per annum, of which 10% per annum is subsidised by the State. The grace period for the principal is 2 years. The Group acts as the lessee.

In 2023, within the framework of the agreement, the Group received 393 flat carriages and recognised right-of-use assets of 9,683,109 thousand tenge for 32 years and a lease liability of 4,759,151 thousand 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 7,426,964 thousand tenge and an interest rate of 1.5% per annum. The grace period for the principal is 6 years. The Group acts as a lessee.

In 2023, under this agreement, the Group received 6 passenger carriages and recognised right-of-use assets of 4,043,386 thousand tenge for 28 years and a lease liability of 2,581,169 thousand tenge for 20 years.

In September 2023, the Group, represented by its subsidiary Passenger Transportation JSC, entered into an agreement for the lease of 100 passenger carriages with a total value of 65,795,625 thousand tenge and an interest rate of 13.15% per annum, of which 10% per annum is subsidised by the State. The grace period for the principal is 5 years. The Group acts as a lessee.

In 2023, under this agreement, the Group received 38 passenger carriages and recognised right-of-use assets of 24,401,728 thousand tenge for 40 years and a lease liability of 10,832,243 thousand tenge for 15 years.

*Freight open wagons*

In July 2023, the Group, represented by its subsidiary Kaztemirtrans JSC, entered into an agreement for the lease of 3,000 open wagons with a total value of 88,125,000 thousand tenge and an interest rate of 13.15% per annum, of which 6% per annum is subsidised by the State. The grace period for the principal is 2 years. The Group acts as a lessee.

In 2023, under this agreement, the Group received 242 open wagons and recognised right-of-use assets of 7,108,750 thousand tenge for 22 years and a lease liability of 5,040,375 thousand tenge for 14 years.

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

#### Lease agreements and their violation

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.

#### 25. CURRENT CONTRACT LIABILITIES (line 219 of Consolidated balance sheet)

	31 December 2023	31 December 2022
Advances received on contracts with customers	105,102,708	102,034,617
Deferred income	10,765,608	17,358,662
<b>Total</b>	<b>115,868,316</b>	<b>119,393,279</b>

Revenue recognised in the reporting period, which was included in the balance of advances received and deferred income at the beginning of the year amounted to 100,493,605 thousand tenge (2022: 90,289,597 thousand tenge).

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

#### 26. OTHER LIABILITIES (lines 222 of Consolidated balance sheet)

	31 December 2023	31 December 2022
Taxes and other obligatory payments to the budget, including:		
Personal income tax	5,254,539	4,901,193
VAT	4,680,575	14,016,040
Social tax	2,891,169	2,253,358
Property tax	174,843	95,194
Others	753,249	766,654
Obligatory pension contributions, social insurance and obligatory medical insurance contributions	12,530,282	11,325,380
Advances received	10,015,278	12,738,069
Others	3,397,149	2,076,394
<b>Total</b>	<b>39,697,084</b>	<b>48,172,282</b>



# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

### 27. DEFERRED TAX ASSETS AND LIABILITIES (lines 126 and 316 of Consolidated balance sheet)

Deferred tax balances calculated by applying the statutory tax rate in effect at the dates of the respective consolidated balance sheets to temporary differences between the tax basis for assets and liabilities and amounts reported in the forms of consolidated annual financial statements as at 31 December are as follows:

	31 December 2023	31 December 2022
<b>Deferred tax assets:</b>		
Tax losses carried forward	125,892,753	111,009,028
Accrued employee liabilities	7,134,876	5,711,698
Derivative financial instruments	7,036,294	-
Liabilities under financial guarantee contracts	5,707,182	5,999,357
Accounts receivable	3,959,084	5,998,845
Discount on loan accounts receivable	580,148	1,448,584
Other	4,693,180	5,865,531
	<b>155,003,517</b>	<b>136,033,043</b>
Less: deferred tax assets offset against deferred tax liabilities	(154,943,729)	(135,969,598)
<b>Deferred tax assets</b>	<b>59,788</b>	<b>63,445</b>
<b>Deferred tax liabilities:</b>		
Property, plant and equipment and other non-current assets	(457,336,541)	(414,171,152)
Fair value adjustment to borrowings received from the Shareholder at rates below market	(109,487,750)	(79,277,090)
Other	(7,657)	(11,906)
	<b>(566,831,948)</b>	<b>(493,460,148)</b>
Less: deferred tax liabilities offset against deferred tax assets	154,943,729	135,969,598
<b>Deferred tax liabilities</b>	<b>(411,888,219)</b>	<b>(357,490,550)</b>
<b>Total net deferred tax liabilities</b>	<b>(411,828,431)</b>	<b>(357,427,105)</b>

Movement in deferred tax liabilities for the years ended 31 December is presented as follows:

	2023	2022
Net deferred tax liabilities as at the beginning of the year	(357,427,105)	(308,155,276)
Recognised in profit or loss (Note 36)	(18,815,024)	(25,595,908)
Recognised in equity (Note 28)	(35,586,302)	(23,675,921)
<b>Net deferred tax liabilities as at the end of the year</b>	<b>(411,828,431)</b>	<b>(357,427,105)</b>

The Group has not recognised deferred tax assets relating to the portion of tax losses carried forward. Management believes it is improbable that there will be sufficient taxable income available in the future against which any such deferred tax assets can be utilised. As at 31 December 2023, the total tax effect of unrecognised tax losses carried forward amounted to 420,068 thousand tenge (31 December 2022: 20,743,817 thousand tenge). These tax losses carried forward expire in 10 years from the date they were incurred.

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

### 28. CHARTER (SHAREHOLDER'S) CAPITAL (line 410 of Consolidated balance sheet), COMPONENTS OF OTHER COMPREHENSIVE INCOME (line 413 of Consolidated balance sheet), RETAINED EARNINGS (ACCUMULATED DEFICIT) (line 414 of Consolidated balance sheet) AND OTHER CAPITAL (line 415 of Consolidated balance sheet)

Owners contributions (lines 311 and 711 of Consolidated statement of changes in equity), reflected in the charter (shareholder's) capital:

	No. of shares authorised for issue	No. of shares issued	Charter capital, thousand tenge	Other capital, thousand tenge
As at 1 January 2022	502,040,458	496,692,665	1,086,085,094	97
Shares issued	-	1	239,266	-
As at 31 December 2022	502,040,458	496,692,666	1,086,324,360	97
Shares issued	-	1,000	24,309,508	-
As at 31 December 2023	502,040,458	496,693,666	1,110,633,868	97

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

During 2023, the Group issued 1,000 shares that were paid in cash of 24,309,508 thousand tenge by the Shareholder.

### Other operations with owners (lines 317 and 717 of Consolidated statement of changes in equity)

In 2023, the Group recognised an adjustment to loans received from Shareholder at rates lower than market to fair value of 177,931,511 thousand tenge (2022: 118,379,605 thousand tenge) less the deferred tax effect of 35,586,302 thousand tenge (2022: 23,675,921 thousand tenge) (Notes 19 and 27).

### Components of other comprehensive income (line 413 of Consolidated balance sheet)

*Cash flow hedging (net of tax effect) (lines 227 and 627 of Consolidated statement of changes in equity)*

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.

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

As at 31 December 2022, hedge accounting was discontinued due to the receipt of revenue from freight transportation in international (transit) route, which was the hedged item, accordingly, the cumulative deferred loss attributable to this hedging instrument was reclassified from other comprehensive income to revenue from freight transportation in the amount of 54,441,786 thousand tenge (Note 29).

*Foreign exchange difference on investments in foreign entities (lines 229 and 629 of Consolidated statement of changes in equity)*

The foreign currency translation reserve is used to account for exchange rate differences resulting from the translation of the financial statements of the Company's business units, subsidiaries, joint ventures and associates whose functional currency is not tenge and whose financial statements are included in the Group's forms of consolidated annual financial statements.

#### 29. REVENUE FROM SALE OF GOODS, OPERATIONS AND SERVICES (line 010 of Consolidated statement of profit or loss)

Revenue for the years ended 31 December included the following:

	2023	2022
Revenue from freight transportation	1,682,550,477	1,283,513,235
Revenue from passenger transportation	101,682,302	88,421,030
Government grants	38,912,103	38,205,254
Other revenue	110,950,500	71,325,718
<b>Total</b>	<b>1,934,095,382</b>	<b>1,481,465,237</b>

In 2023 and 2022, revenue from freight transportation included:

	2023	2022
Revenue from contracts with customers:		
International (transit) routes	655,888,380	447,506,507
Domestic routes	439,856,825	361,722,893
International (export) routes	274,068,506	220,322,223
International (import) routes	185,757,620	149,848,087
Additional charges related to the transportation process	60,675,444	54,683,589
Other revenue from freight transportation	66,303,702	49,429,936
<b>Total</b>	<b>1,682,550,477</b>	<b>1,283,513,235</b>

In 2022, the Group received international (transit) freight transportation revenue, which is the cash flow hedged item, therefore, the accumulated loss in the amount of 54,441,786 thousand tenge attributable to the hedging instrument was reclassified from other comprehensive income to freight transportation revenue (Note 28).

Revenue from freight transportation is recognised over time.

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) *(in thousands of tenge, unless stated otherwise)*

In 2023 and 2022, revenue from passenger transportation included:

	2023	2022
Revenue from contracts with customers:		
Passenger transportation	89,866,658	78,732,011
Other revenue from passenger transportation	11,815,644	9,689,019
<b>Total</b>	<b>101,682,302</b>	<b>88,421,030</b>

Revenue from passenger transportation of 1,449,006 thousand tenge, attributable to portion of other revenue from passenger transportation, was recognised at a point in time (2022: 1,228,882 thousand tenge), and 100,233,296 thousand tenge was recognised over time (2022: 87,192,148 thousand tenge).

In 2023 and 2022 other revenue included:

	2023	2022
Revenue from the sale of goods and provision of other services	49,615,238	40,527,400
Revenue from the lease of carriages	45,952,508	17,491,564
Revenue from fines	10,474,563	8,656,439
Revenue from the lease of other property, plant and equipment	4,908,191	4,650,315
<b>Total</b>	<b>110,950,500</b>	<b>71,325,718</b>

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

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

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

Revenue of 21,479,208 thousand tenge is recognised at a point in time (2022: 17,391,434 thousand tenge), and of 38,610,593 thousand tenge – over time (2022: 31,792,405 thousand tenge).

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

### 30. COST OF GOODS, OPERATIONS AND SERVICES SOLD (line 011 of Consolidated statement of profit or loss)

	2023	2022
Staff costs, including taxes, contributions and provisions for unused vacations	616,248,030	466,219,956
Repairs and maintenance	230,485,928	189,531,666
Fuel and lubricants	219,738,829	162,722,573
Depreciation and amortisation	151,593,499	141,425,224
Work and services of a production nature	76,025,424	70,134,072
Electricity	64,980,471	52,396,508
Materials and supplies	58,189,577	49,292,195
Property tax and other taxes, excluding social tax and social contributions	27,655,334	26,200,328
Employee benefit expenses and other long-term employee benefits (Note 23)	6,610,763	8,744,402
Utilities and building maintenance	5,890,693	3,997,823
Telecommunication services	2,630,606	3,243,945
Other costs	38,534,159	30,324,125
<b>Total</b>	<b>1,498,583,313</b>	<b>1,204,232,817</b>

### 31. ADMINISTRATIVE EXPENSES (line 014 of Consolidated statement of profit or loss)

	2023	2022
Staff costs, including taxes, contributions and provisions for unused vacation	67,433,387	57,032,535
Property tax and other taxes, excluding social tax and social contributions	7,852,789	9,583,054
Depreciation and amortisation	4,698,423	4,375,808
Various third party services	4,299,222	3,842,680
Expenses to hold celebrations and cultural and mass events	2,716,811	2,351,636
Business trip expenses	1,945,353	1,606,698
Consulting, audit and legal services	1,561,321	310,225
Repairs and maintenance	1,310,083	364,963
Lease expenses	935,578	1,222,288
Membership fees	855,015	839,153
Utilities and building maintenance	751,547	1,012,262
Telecommunication services	658,833	610,034
Insurance	582,543	569,971
Banking services	431,391	439,194
Expenses to maintain social sphere facilities	405,355	492,107
Materials	328,549	313,181
Employee benefit expenses and other long-term employee benefits (Note 23)	327,780	398,294
Other expenses	8,668,293	7,234,798
<b>Total</b>	<b>105,762,273</b>	<b>92,598,881</b>

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

### 32. FINANCE INCOME (line 021 of Consolidated statement of profit or loss)

	2023	2022
Interest on cash and cash equivalents	12,209,262	10,058,990
Interest income on derivative financial instruments recognised at fair value through profit or loss (Note 41)	10,490,517	-
Interest rate state subsidies on financial liabilities	2,220,128	31,397,965
Guarantees issued	1,427,441	647,076
Income from written-off non-amortised portion of the premium on early repayment of bonds	-	16,889,980
Other finance income	5,874,099	2,104,651
<b>Total</b>	<b>32,221,447</b>	<b>61,098,662</b>

### 33. FINANCE COSTS (line 022 of Consolidated statement of profit or loss)

	2023	2022
Interest expense and discount amortisation on loans	161,944,970	133,659,898
Change in fair value of derivative financial instruments recognised at fair value through profit or loss (Note 41)	35,181,469	564,449
Interest expenses on lease	8,994,678	8,320,909
Expenses on accrual of allowance for expected credit losses on financial instruments	16,492	837,912
Other finance costs	2,244,250	2,314,474
<b>Total</b>	<b>208,381,859</b>	<b>145,697,642</b>

### 34. OTHER INCOME (line 024 of Consolidated statement of profit or loss)

	2023	2022
Gain on disposal of subsidiary not qualifying as discontinued operations	6,283,523	-
Income from reversal of allowance on impairment of investments in associates and joint ventures	5,040,390	-
Income from accrual of allowance for expected credit losses on receivables and allowance for impairment of other current assets	2,678,813	-
Income from investment property	1,720,900	1,386,682
Income from disposal of property, plant and equipment, intangible assets and other non-current assets	65,356	524,920
Other	3,929,606	2,341,626
<b>Total</b>	<b>19,718,588</b>	<b>4,253,228</b>

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

### 35. OTHER EXPENSES (line 025 of Consolidated statement of profit or loss)

	2023	2022
Foreign exchange loss, net	14,123,563	34,142,851
Expenses on accrual of allowance for impairment of non-financial assets	3,891,732	616,584
Expenses on disposal of property, plant and equipment, intangible assets and other non-current assets	711,907	3,394,437
Accrual of expenses on recognition of provisions	173,969	424,230
Expenses on accrual of allowance for expected credit losses on receivables and allowance for impairment of other current assets	-	4,864,252
Other	1,168,861	966,211
<b>Total</b>	<b>20,070,032</b>	<b>44,408,565</b>

### 36. CORPORATE INCOME TAX EXPENSE (line 101 of Consolidated statement of profit or loss)

Corporate income tax expense for the years ended 31 December included the following:

	2023	2022
Current income tax expenses	6,010,712	4,248,713
Adjustment of income tax for prior years	(227,186)	1,225,472
Income tax paid withheld	-	470,714
Deferred income tax expense	17,450,556	13,103,600
Change in unrecognised deferred tax assets, including for tax losses carried forward	1,364,468	12,492,308
<b>Total</b>	<b>24,598,550</b>	<b>31,540,807</b>

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

	2023	2022
<b>Profit before tax from continuing operations</b>	<b>161,382,663</b>	<b>68,424,786</b>
Official tax rate	20%	20%
<b>Calculated corporate income tax expense at the official rate</b>	<b>32,276,533</b>	<b>13,684,957</b>
Tax effect of non-deductible expenses/(non-taxable income) for tax calculation purposes, and other effect:		
Adjustment of income tax for prior years	(227,186)	1,225,472
(Non-taxable income)/non-deductible expenses	(8,815,265)	4,138,070
Change in unrecognised deferred tax assets, including for tax losses carried forward	1,364,468	12,492,308
<b>Corporate income tax expenses (-) (income (+) reflected in profit or loss from continuing operations</b>	<b>24,598,550</b>	<b>31,540,807</b>

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

#### 37. EARNINGS PER SHARE (line 600 of Consolidated statement of profit or loss)

Basic earnings per share are calculated using the weighted average number of common shares issued during the year. Basic and diluted per share data are the same, as there are no dilutive instruments outstanding. During 2023 and 2022, there were no antidilutive instruments outstanding.

	2023	2022
Weighted average of common shares	496,692,677	496,692,666
Profit for the year attributable to the Shareholder (thousand tenge)	133,507,617	34,887,277
Earnings per common share (tenge)	269	70

In accordance with the requirements of the Kazakhstan Stock Exchange (KASE), the Company has calculated the carrying amount of one share.

	31 December 2023	31 December 2022
Net assets excluding intangible assets, goodwill and non-controlling interests	1,712,207,585	1,416,902,996
Quantity of common shares in circulation (registered)	496,693,666	496,692,666
Carrying amount of one share (tenge) <sup>5</sup>	3,447	2,853

#### 38. FINANCIAL AND CONTINGENT LIABILITIES

##### Investment liabilities

As at 31 December 2023, the Group had investment liabilities, including the modernisation of the Dostyk-Moiynty railway transport corridor, liabilities under lease agreements with Industrial Development Fund JSC, overhaul of railway tracks and carriages, acquisition of freight and passenger electric locomotives, freight and passenger diesel locomotives, passenger carriages for a total amount of 1,867,649,313 thousand tenge (31 December 2022: 1,881,358,243 thousand 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 29,699,985 thousand tenge for 15 years and interest rate of 15% per annum, 10% of which is subsidised by the State. The grace period for the principal is 5 years. The Group acts as a lessee. As at 31 December 2023, platform carriages with a total value of 23,984,057 thousand tenge had not been delivered. The Group is working on the addendum to the lease agreement to reduce the volume of supply to the actually delivered quantity as at 31 December 2023 in the amount of 5,715,928 thousand tenge.

<sup>5</sup> Carrying amount of shares is calculated in accordance with KASE requirements.



## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) *(in thousands of tenge, unless stated otherwise)*

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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 47,391,389 thousand tenge, for 15 years and an interest rate of 15% per annum, 10% of which is subsidised by the State. The grace period for the principal is 2 years. The Group acts as a lessee. As at 31 December 2023, the commitment for the undelivered platform carriages was 5,077,402 thousand tenge.

In September 2023, the Group, represented by its subsidiary Passenger transportation JSC, entered into an agreement for the lease of 100 passenger carriages with a total value of 65,795,625 thousand tenge. The lease term is 15 years, with an interest rate of 13.15% per annum, of which 10% per annum is subsidised by the State. The grace period for the principal is 5 years. The Group acts as a lessee. As at 31 December 2023, the commitment for the undelivered passenger carriages was 40,946,727 thousand tenge.

In August 2023, the Group, represented by its subsidiary Kaztemirtrans JSC, entered into an agreement for the lease of 3,000 open wagons with a total value of 88,125,000 thousand tenge. The lease term is 14 years, with an interest rate of 13.15% per annum, of which 6% per annum is subsidised by the State. The grace period for the principal is 2 years. The Group acts as a lessee. As at 31 December 2023, the commitment for the undelivered open wagons was 81,016,250 thousand tenge.

#### **Other contractual liabilities**

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

Management of the Group believes that the service period under the Agreement with Aktau Marine North Terminal LLP has not yet commenced, because the Group has not been notified about the commencement date of commercial operations and service period, and the parties have not begun executing the obligations under the Agreement. Management of the Group believes that as at 31 December 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 balance sheet, results of operations or cash flows.

##### *Contingent liabilities related to the Kazakhstan tax system*

Due to the uncertainties inherent in the Kazakhstan tax system, the ultimate amount of taxes, fines and late payment interest may exceed the amount expensed as at 31 December 2023 and 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.

**EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**  
*(in thousands of tenge, unless stated otherwise)*

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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 forms of consolidated annual financial statements.

*Insurance*

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

*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") have become effective. This Code includes a 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 belong 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 forms of consolidated annual financial statements as the Group's management assesses that there are no potential asset retirement and land reclamation obligations that could have a material effect on the consolidated balance sheet, results of operations or cash flows of the Group.

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) *(in thousands of tenge, unless stated otherwise)*

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#### Guarantees

As at 31 December 2023 guarantees included the following:

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	17,124,628
Development Bank of Kazakhstan JSC	Execute the obligations of Nursultan Nazarbayev International Airport JSC in Astana to finance its modernisation	28 March 2018	Until 2033	22,407,750
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	1,497,415

Note 20 discloses the carrying value of these guarantees.

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

Financial guarantee agreements with Industrial Development Bank of Kazakhstan JSC provide for the Company's compliance with certain financial covenants, such as debt to EBITDA and interest coverage ratio on an annual basis. As at 31 December 2023, these terms have been met.

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

#### 39. SUBSIDIARIES

Information on the composition of the Group is provided below:

№	Subsidiary <sup>6</sup>	Activities	Country	Ownership interest, %	
				31 December 2023	31 December 2022
1	Kaztemirtrans JSC	Freight carriage operation	Kazakhstan	100	100
2	Passenger Transportation JSC	Passenger transportation	Kazakhstan	100	100
3	KTZ-Freight Transportation LLP	Freight transportation and locomotive haulage	Kazakhstan	100	100
4	KTZ Express JSC	Multimodal transportation	Kazakhstan	100	100
5	Kedentransservice JSC	Freight forwarding services, handling rolling stock, terminal services	Kazakhstan	100	100
6	Temirzholsu JSC	Utilities	Kazakhstan	100	100
7	Militarised Railway Security LLP	Security	Kazakhstan	100	100
8	Aktau Sea Commercial Port National Company JSC <sup>7</sup>	Vessel loading and unloading work, vessel servicing	Kazakhstan	100	100
9	Port Kuryk LLP	Freight transshipment and vessel servicing	Kazakhstan	100	100
10	KTZ-Passenger Locomotives LLP	Locomotive rolling stock services	Kazakhstan	100	100
11	KTZ Finance LLC	Bond issues to finance KTZ Group projects and operations	Russia	-	100

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

#### 40. RELATED PARTY TRANSACTIONS

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

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

<sup>6</sup> First level subsidiaries, some of which include subsidiaries that have non-controlling interests.

<sup>7</sup> In November 2013, the Shareholder transferred a 100% ownership interest in National Company Aktau Sea Commercial Port JSC to the Group's trust management. National Company Aktau Sea Commercial Port JSC is recognised as a Group subsidiary although the Group does not legally hold shares in it.

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

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

		Shareholder	Associates	Companies making up the Shareholder Group	Other related parties <sup>8</sup>
Amounts due from related parties for goods, services and non-current assets, including advances paid	2023	-	3,374,399	146,344	3,213,702
	2022	-	2,178,034	1,191,962	30,821
<i>including allowances for expected credit losses and impairment of advances paid</i>	2023.	-	(424,630)	(99,751)	(59,501)
	2022	-	(1,657,492)	(95,356)	(1,367)
Amounts due to related parties for goods, services and non-current assets, including advances received	2023	-	14,216,705	38,902,751	13,399,021
	2022	-	21,926,930	4,845,209	14,436,753
Cash on current accounts	2023	-	-	112,141,348	-
	2022	-	-	162,853,622	-
Restricted cash	2023	-	-	-	201,752
	2022	-	-	-	207,981
Loans received	2023	768,615,242	-	-	125,449,285
	2022	588,984,375	-	-	74,948,770
Lease liabilities	2023	-	9,830,679	-	58,444,797
	2022	-	13,865,461	-	32,677,071
Financial guarantee contract liabilities	2023	-	19,015	-	15,314,459
	2022	-	381,013	-	15,548,800

<sup>8</sup> Other related parties include other commercial entities under common control of the ultimate Shareholder.

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

Transactions with related parties for the years ended 31 December are presented as follows:

		Shareholder	Associates	Joined ventures	Companies making up the Shareholder Group	Other related parties <sup>8</sup>
Sale of goods, services and non-current assets	2023	-	72,316,461	-	22,635,024	83,861,976
	2022	-	118,983,917	-	12,795,066	58,680,295
<i>Recovered/(accrued) allowances for expected credit losses and impairment of advances paid</i>	2023	-	1,232,862	-	(4,395)	(12,485)
	2022	-	(1,622,773)	-	(82,225)	(350)
Purchase of goods, services and non-current assets	2023	-	33,214,612	-	124,841,853	33,999,087
	2022	-	26,977,952	-	50,571,367	9,842,219
Receipt of loans	2023	336,309,364	-	-	-	-
	2022	603,761,446	-	-	-	-
Repayment of loans received	2023	1,174,923	-	-	-	4,629,411
	2022	31,174,923	-	-	-	1,076,684
New lease agreements (Group as lessee)	2023	-	1,121,422	-	-	23,212,938
	2022	-	95,409	-	-	6,927,715
Lease payments	2023	-	20,944,146	-	-	3,675,150
	2022	49,231	15,827,314	-	-	6,925,794
Finance income	2023	-	361,998	-	-	234,341
	2022	-	142,821	-	-	59,476
Finance costs	2023	34,563,887	2,522,563	-	-	14,482,293
	2022	14,560,986	2,631,785	-	-	11,386,628
Dividends due	2023	-	2,891,491	-	-	-
	2022	-	8,726,221	-	-	-
Charter (shareholder's) capital contribution	2023	24,309,508	5,196,488	1,115,983	-	-
	2022	239,266	-	57,958	-	-

In 2023, the Group received a loan from the Shareholder in the amount of 162,600,000 thousand tenge (Note 19) (2022: 30,000,000 thousand tenge).

In 2023, the Group issued bonds in favour of the Shareholder in the amount of 173,709,364 thousand tenge (Note 19) (2022: 882,978,000 US Dollars (410,902,642 thousand tenge) and 162,858,804 thousand tenge).

As at 31 December 2023, the Group has borrowings from Industrial Development Fund JSC, Development Bank of Kazakhstan JSC and EDB for a total of 125,449,285 thousand tenge (31 December 2022: 74,948,770 thousand tenge).

As at 31 December 2023 and 2022, the Group issued guarantees on certain borrowings of an associate, other related and third parties to ensure the execution of bank obligations (Notes 20 and 38).

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) *(in thousands of tenge, unless stated otherwise)*

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As at 31 December 2023, Group 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 (diesel fuel and gasoline), 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 and lease of rolling stock to Shareholder group companies, associates and joint ventures, as well as other related parties.

#### *Compensation to key management personnel of the Group*

As at 31 December 2023, key management personnel comprise members of the Group's Management Board and Board of Directors, totalling 16 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 789,603 thousand tenge for the year ended 31 December 2023 (2022: 576,509 thousand tenge). Compensation to key management personnel mainly consists of contractual salary costs, including related taxes and contributions, unused vacation allowance and other performance-based payments.

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

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

#### *Capital risk management*

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to the Shareholder by optimising debt and equity balance. The Group's overall strategy remains unchanged from 2022.

There are no mandatory minimum capital requirements for the Group.

The Group's equity structure includes net debt (loans, debt securities and lease liabilities less cash and cash equivalents) and Group's equity (which comprises charter (shareholder's) capital, components of other comprehensive income, retained earnings (accumulated deficit), other capital and non-controlling interests).

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

#### *Financial risk management objectives*

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

#### *Market risk*

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

#### *Interest rate risk*

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

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

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

	31 December 2023		31 December 2022	
	Interest rate increase/ (decrease) in basis points <sup>9</sup>	Effect on pre-tax profit /equity	Interest rate increase/ (decrease) in basis points <sup>9</sup>	Effect on pre-tax profit /equity
Tenge borrowings	397/(397)	(11,482,822)/ 11,482,822	245/(245)	(7,785,877)/ 7,785,877
Euros borrowings	397/(397)	(5,461,074)/ 5,461,074	-	-
Swiss Francs borrowings	397/(397)	(10,124,130)/ 10,124,130	-	-

<sup>9</sup> 1 basis point 0.01%



# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

### Currency risk

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

A significant portion of the Group's short-term and long-term foreign currency debt is denominated in US\$. A change in the tenge value against the US\$, or any other foreign currency in which debt is denominated will result in a foreign exchange gain or loss. During 2023, the Group incurred a foreign exchange loss of 14,123,563 thousand tenge, of which a major portion is attributable to borrowing as disclosed in Note 19 (2022: 34,142,851 thousand tenge).

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

	31 December 2023		31 December 2022	
	Exchange rate increase/ (decrease)	Effect on pre-tax profit	Exchange rate increase/ (decrease)	Effect on pre-tax profit
US\$	14%/(14%)	(50,417,163)/ 50,417,163	21%/(21%)	(76,837,984)/ 76,837,984
Euros	13%/(13%)	(25,099,715)/ 25,099,715	18%/(18%)	(10,615,574)/ 10,615,574
Russian Roubles	29%/(29%)	(14,311,477)/ 14,311,477	22%/(22%)	623,833/ (623,833)
Swiss francs	17%/(17%)	(43,048,289)/ 43,048,289	25%/(25%)	(31,510,618)/ 31,510,618
In other currencies	17%/(17%)	(568,988)/ 568,988	25%/(25%)	206,624/ (206,624)

In October-November 2022, the Group entered into agreements with Societe Generale SA (France), Citibank London and J.P. Morgan Securities plc. (UK) cross-currency swap transactions to manage the exposure to foreign exchange risk of borrowings denominated in US Dollars. Borrowings represent interest and principal payments on USD denominated Eurobonds in the amount of 882,978,000 US Dollars with a coupon rate of 2% per annum and maturity in October 2025 and the holder is the Shareholder.

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

During 2023, as part of the cross-currency swap transactions, the Group received cash from J.P. Morgan Securities plc. (UK), Societe Generale SA (France) and Citibank London in the amount of 17,478,556 US Dollars (8,145,440 thousand tenge) and 4,485,525 Swiss Francs (2,345,077 thousand tenge) (Note 32).

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

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As at 31 December 2023, the fair value of derivative financial instruments, accounted at fair value through profit or loss, under agreements with Societe Generale SA (France), Citibank London and J.P. Morgan Securities plc. (UK) in the amount of 78,578,766 US Dollars (35,718,764 thousand tenge) was recognised within liabilities *line 312 Non-current derivative financial instruments* (31 December 2022: within other assets *line 113 Non-current derivative financial instruments* of 58,693 US Dollars (27,154 thousand tenge) and within liabilities *line 312 Non-current derivative financial instruments* of 1,220,034 US Dollars (564,449 thousand tenge)). The change in fair value of derivative financial instruments for the year ended 31 December 2023 was recognised in finance costs of 35,181,469 thousand tenge.

#### *Credit risk*

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

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

As at 31 December 2023, cash held by the Group on current accounts in Kazpost JSC, a related party of the Group (54.8% of cash and cash equivalents). In addition, cash and cash equivalents are mainly held in Halyk Bank of Kazakhstan JSC with a credit rating of BB+ 'stable' (26.2% of cash and cash equivalents).

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

In addition, the Group is exposed to credit risk on financial guarantees provided to banks. The maximum risk of the Group in this regard is equal to the maximum amount that the Group will be obliged to pay in the event of claims for guarantees disclosed in Note 38.

#### *Liquidity risk*

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

As at 31 December 2023, the Group has credit lines available in Halyk Bank of Kazakhstan JSC and ForteBank JSC with undrawn balances totalling 131,000,000 thousand tenge (31 December 2022: in Halyk Bank of Kazakhstan JSC and ForteBank JSC for the total amount of 95,500,000 thousand tenge).

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

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

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

	Up to 1 month	1-3 months	3 months – 1 year	1-5 years	Over 5 years	Total
<b>2023</b>						
<i>Interest-free:</i>						
Trade and other accounts payable	204,874,716	36,418,335	25,442,837	-	-	266,735,888
<i>Interest-bearing:</i>						
Loans and debt securities issued	44,503,872	14,033,813	412,196,871	1,258,816,618	2,257,050,330	3,986,601,504
Lease liabilities	4,276,255	1,311,349	13,901,339	47,065,929	100,304,047	166,858,919
Derivative financial instruments	-	-	(10,364,292)	49,442,022	-	39,077,730
Financial guarantees	-	3,064,187	3,782,973	35,314,456	36,727,590	78,889,206
	<b>253,654,843</b>	<b>54,827,684</b>	<b>444,959,728</b>	<b>1,390,639,025</b>	<b>2,394,081,967</b>	<b>4,538,163,247</b>
<b>2022</b>						
<i>Interest-free:</i>						
Trade and other accounts payable	115,841,762	29,456,649	17,143,672	-	-	162,442,083
<i>Interest-bearing:</i>						
Loans and debt securities issued	28,340,052	14,723,249	319,327,081	1,241,732,356	1,512,974,819	3,117,097,557
Lease liabilities	3,890,784	4,523,121	6,889,300	39,457,853	62,242,410	117,003,468
Derivative financial instruments	-	-	(6,625,673)	8,280,473	-	1,654,800
Financial guarantees	-	2,086,431	3,839,417	33,353,252	45,938,459	85,217,559
	<b>148,072,598</b>	<b>50,789,450</b>	<b>340,573,797</b>	<b>1,322,823,934</b>	<b>1,621,155,688</b>	<b>3,483,415,467</b>

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

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

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

	Up to 1 month	1-3 months	3 months – 1 year	Over 1 year	Unspecified maturity <sup>10</sup>	Total
<b>2023</b>						
<i>Interest-bearing:</i>						
Short-term deposits	67,232,979	-	-	-	7,208	67,240,187
Interest on short-term deposits	105,920	-	-	-	-	105,920
Cash and cash equivalents	1,110,459	-	-	-	9,077	1,119,536
Loans issued	776,908	-	3,615,258	1,190,618	3,091,953	8,674,737
<i>Interest-free:</i>						
Cash and cash equivalents	136,219,650	-	-	-	-	136,219,650
Restricted cash	-	-	6,788,143	14,174,611	850	20,963,604
Trade accounts receivable	14,563,198	1,171,885	35,836	26,018	3,573,543	19,370,480
Lease receivables	543,564	11,801	-	-	390,230	945,595
	<b>220,552,678</b>	<b>1,183,686</b>	<b>10,439,237</b>	<b>15,391,247</b>	<b>7,072,861</b>	<b>254,639,709</b>

	Up to 1 month	1-3 months	3 months – 1 year	Over 1 year	Unspecified maturity <sup>10</sup>	Total
<b>2022</b>						
<i>Interest-bearing:</i>						
Short-term deposits	68,123,765	-	-	-	23,464	68,147,229
Interest on short-term deposits	330,467	-	-	-	-	330,467
Other financial assets	-	-	100	-	-	100
Interest on other financial assets	-	-	6	-	-	6
Cash and cash equivalents	6,326,524	-	-	-	10,274	6,336,798
Loans issued	-	-	-	5,561,514	3,113,224	8,674,738
<i>Interest-free:</i>						
Cash and cash equivalents	192,465,694	-	-	-	-	192,465,694
Restricted cash	-	-	6,095,426	14,010,298	260	20,105,984
Trade accounts receivable	13,679,830	504,450	52,271	39,084	6,872,782	21,148,417
Lease receivables	531,787	4,441	-	-	720,050	1,256,278
	<b>281,458,067</b>	<b>508,891</b>	<b>6,147,803</b>	<b>19,610,896</b>	<b>10,740,054</b>	<b>318,465,711</b>

<sup>10</sup> Amounts with unspecified maturity represent amounts for which expected credit losses have accrued.

**EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**  
*(in thousands of tenge, unless stated otherwise)*

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*Fair value of financial instruments*

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

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

*Cash and cash equivalents*

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

*Financial assets and liabilities*

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

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

*Derivative financial instruments*

Fair value of the derivative financial instrument was measured on expected discounted future cash flows based on forward exchange rates (observed at the reporting date) and contract forward rates, discounted at rates that reflect the credit risk of the Group and counterparties.

*Borrowings*

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

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) *(in thousands of tenge, unless stated otherwise)*

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

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

	2023		2022	
	Carrying value	Fair value	Carrying value	Fair value
Loans issued	4,576,753	4,256,723	3,752,225	2,895,148
Other financial assets	22,035,646	20,319,850	21,200,924	21,249,845
Borrowings	851,989,848	821,325,864	453,174,658	411,124,079
Debt securities	1,265,556,662	1,182,596,044	1,234,156,348	1,214,806,667

#### *Fair value hierarchy*

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

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

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED) (in thousands of tenge, unless stated otherwise)

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

	Level 1	Level 2	Level 3	Total
<i>Financial assets recognised at amortised cost:</i>				
- loans issued	-	4,256,723	-	4,256,723
- other financial assets	-	20,246,524	-	20,246,524
<i>Financial assets recognised at fair value through profit of loss:</i>				
- other financial assets	-	-	73,326	73,326
<b>Total</b>	-	<b>24,503,247</b>	<b>73,326</b>	<b>24,576,573</b>
<i>Financial liabilities recognised at amortised cost:</i>				
- debt securities	-	564,074,861	-	564,074,861
- debt securities from the Shareholder	-	618,521,183	-	618,521,183
- bank loans	-	752,077,338	-	752,077,338
- loans from the Shareholder	-	69,248,526	-	69,248,526
<i>Financial liabilities recognised at fair value through profit of loss:</i>				
- derivative financial instruments	-	35,718,764	-	35,718,764
<b>Total</b>	-	<b>2,039,640,672</b>	-	<b>2,039,640,672</b>

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
<i>Financial assets recognised at amortised cost:</i>				
- loans issued	-	2,895,148	-	2,895,148
- other financial assets	-	21,176,519	-	21,176,519
<i>Financial assets recognised at fair value through profit of loss:</i>				
- other financial assets	-	27,154	73,326	100,480
<b>Total</b>	-	<b>24,098,821</b>	<b>73,326</b>	<b>24,172,147</b>
<i>Financial liabilities recognised at amortised cost:</i>				
- debt securities	-	695,717,996	-	695,717,996
- debt securities from the Shareholder	-	519,088,671	-	519,088,671
- bank loans	-	349,887,636	-	349,887,636
- loans from the Shareholder	-	61,236,443	-	61,236,443
<i>Financial liabilities recognised at fair value through profit of loss:</i>				
- derivative financial instruments	-	564,449	-	564,449
<b>Total</b>	-	<b>1,626,495,195</b>	-	<b>1,626,495,195</b>

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

**EXPLANATORY NOTE TO THE FORMS OF CONSOLIDATED ANNUAL  
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*(in thousands of tenge, unless stated otherwise)*

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During 2023, the Group has reconsidered market-observable inputs for the fair value of debt securities issued and determined that debt securities should be classified in level 2, as there were no observable transactions on the market in which these financial instruments were traded and, as a result, comparative information on fair value and hierarchy level has been restated.

The correction of the fair value and hierarchy levels did not result in any changes to the Group's consolidated balance sheet, consolidated statement of profit or loss, consolidated statement of cash flows and consolidated statement of changes in equity.

**42. EVENTS AFTER THE REPORTING DATE**

*Tariff for the mainline railway network services*

In February 2024, the Committee for the Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan approved the maximum level of tariff for 2024-2025 in the form of an index to tariffs for mainline railway network services of 3.0 for the transportation of goods from stations of Kazakhstan in all export directions, as well as for the transportation of goods in directions between EAEU member states, passing through connecting stations of Kazakhstan.

*Borrowings received*

In January 2024, the Group, represented by the Company, under a loan agreement with the Shareholder concluded on 21 October 2010, to finance the construction of railways "Khorgos-Zhetygen" and "Uzen-Turkmenistan Border" for a total amount of 30,000,000 thousand tenge, signed an additional agreement to extend the repayment period until 2044 and change the interest rate from 2% to 9.25%. Interest on the loan is repaid in semi-annual payments. Due to a significant change in the terms of the loan, the Group recorded the transaction as a derecognition of the original financial liability and recognition of a new financial liability.

In February-March 2024, the Group, represented by the subsidiary KTZ-Freight transportation LLP, under a loan agreement with EDB concluded on 11 May 2023, to finance the purchase freight diesel locomotives for a total amount of 17,685,350,000 Russian Roubles, borrowed 2,334,466,200 Russian Roubles (11,547,119 thousand tenge). Loan interest is paid semi-annually at 7.8%. Principal is repaid semi-annually until full repayment in 2034.

In February 2024, 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 amount of 627,110,893 Euros, borrowed 35,650,241 Euros (17,385,553 thousand 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.