

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

Condensed interim consolidated financial statements
for three and six months ended 30 June 2024
(unaudited)

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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND SIX MONTHS ENDED 30 JUNE 2024

Management of Kazakhstan Temir Zholy National Company JSC ("the Company") is responsible for the preparation of the condensed interim consolidated financial statements that present fairly the consolidated financial position of the Company and its subsidiaries (collectively – "the Group") as at 30 June 2024, and the consolidated results of its operations for the three and six months then ended, consolidated cash flows and consolidated changes in equity for the six months then ended in compliance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board (hereinafter - "IASB").

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

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

Management is also responsible for:


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

These condensed interim consolidated financial statements for three and six months ended 30 June 2024 were approved for issue by management on 15 August 2024.

On behalf of the Group's management:



Dair Kusherov
Finance Director
15 August 2024



Yelena Stankova
Chief Accountant
15 August 2024

REPORT ON REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of Kazakhstan Temir Zholy National Company JSC and its subsidiaries ("the Group") as of 30 June 2024 and the related condensed interim consolidated statements of profit or loss and other comprehensive income for three and six months then ended, condensed interim consolidated statements of changes in equity and cash flows for the six months then ended, and selected explanatory notes. Management is responsible for the preparation and presentation of these condensed interim consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Deloitte LLP

15 August 2024

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

(in millions of Tenge)

	Notes	30 June 2024 (unaudited)	31 December 2023
ASSETS			
Non-current assets			
Property, plant and equipment	6	4,177,538	3,794,479
Goodwill		15,520	15,520
Intangible assets		12,647	13,824
Investment in joint ventures	7	1,311	1,579
Investment in associates	7	42,580	38,989
Deferred tax assets		594	60
Other non-current assets	8	645,931	650,038
Total non-current assets		4,896,121	4,514,489
Current assets			
Cash and cash equivalents	9	204,951	204,614
Inventories	10	68,955	64,362
VAT recoverable		59,514	49,618
Trade accounts receivable	11	15,851	16,326
Contract assets		385	1,153
Prepaid income tax		4,353	3,535
Other current assets	12	110,667	86,109
Total current assets		464,676	425,717
Total assets		5,360,797	4,940,206
EQUITY AND LIABILITIES			
Equity			
Share capital		1,110,634	1,110,634
Foreign currency translation reserve		9,392	7,220
Retained earnings		707,912	623,698
Equity attributable to the Shareholder		1,827,938	1,741,552
Non-controlling interests		19,063	17,504
Total equity		1,847,001	1,759,056

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED) AS AT 30 JUNE 2024 (in millions of Tenge)

	Notes	30 June 2024 (unaudited)	31 December 2023
Non-current liabilities			
Borrowings	14	1,914,714	1,763,432
Deferred tax liabilities		427,771	411,888
Employee benefit obligations		38,324	37,396
Lease liabilities	15	91,814	54,555
Derivative financial instruments		29,368	35,719
Other non-current liabilities	18	88,223	69,778
Total non-current liabilities		2,590,214	2,372,768
Current liabilities			
Borrowings	14	422,089	354,115
Trade accounts payable	16	224,326	200,969
Contract liabilities	17	88,524	115,868
Lease liabilities	15	25,654	16,951
Other taxes payable		16,475	13,961
Employment benefit obligations		7,608	7,608
Other current liabilities	18	138,906	98,910
Total current liabilities		923,582	808,382
Total liabilities		3,513,796	3,181,150
Total equity and liabilities		5,360,797	4,940,206

On behalf of the Group's management:



Dair Kuserov
Finance Director

15 August 2024

Yelena Stankova
Chief Accountant

15 August 2024

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

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THREE AND SIX MONTHS ENDED 30 JUNE 2024 (UNAUDITED) (in millions of Tenge)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2024	2023	2024	2023
Revenue and other income					
Revenue from freight transportation	19	433,690	420,609	863,868	811,996
Revenue from passenger transportation	19	26,198	25,657	50,766	49,424
Government grants		9,742	13,651	19,045	21,936
Other revenue	20	35,627	29,083	67,696	52,318
Total revenue and other income		505,257	489,000	1,001,375	935,674
Cost of sales	21	(382,392)	(369,438)	(773,448)	(706,357)
Gross profit		122,865	119,562	227,927	229,317
General and administrative expenses	22	(28,401)	(22,923)	(55,437)	(47,399)
Finance income	23	16,955	2,510	32,125	14,197
Finance costs	23	(47,392)	(42,964)	(94,463)	(85,815)
Foreign exchange (loss)/gain		(62,046)	(3,066)	(26,006)	7,052
Gain on disposal of subsidiary not qualifying as discontinued operations		-	-	-	6,282
Share in profit of associates and joint ventures	7	3,181	1,635	4,387	4,887
Impairment reversal of financial assets and contract assets		755	456	1,411	734
(Impairment)/impairment reversal of non-financial assets		(54)	342	(1,222)	(486)
Other profit and losses		5,913	655	6,664	1,322
Profit before income tax		11,776	56,207	95,386	130,091
Corporate income tax benefit/(expenses)		1,401	(7,577)	(17,758)	(21,841)
Profit for the period		13,177	48,630	77,628	108,250

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED) FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2024 (UNAUDITED) (in millions of Tenge)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2024	2023	2024	2023
Other comprehensive income/(loss) for the period, net of income tax:					
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange difference on the translation of foreign operations		3,584	(2,758)	2,172	(4,954)
Other comprehensive income/(loss) for the period		3,584	(2,758)	2,172	(4,954)
Total comprehensive income for the period		16,761	45,872	79,800	103,296
Profit for the period attributable to:					
The Shareholder		12,426	47,929	76,069	106,971
Non-controlling interests		751	701	1,559	1,279
		13,177	48,630	77,628	108,250
Comprehensive income for the period, attributable to:					
The Shareholder		16,010	45,171	78,241	102,017
Non-controlling interests		751	701	1,559	1,279
		16,761	45,872	79,800	103,296
Earnings per share, in tenge	24	25	96	153	215

On behalf of the Group's management:



Dair Kuserov
Finance Director

15 August 2024

Yelena Stankova
Chief Accountant

15 August 2024

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

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2024 (UNAUDITED) (in millions of Tenge)

	Notes	Six months ended 30 June	
		2024	2023
Operating activities:			
Profit for the period		77,628	108,250
Adjustments for:			
Income tax expenses recognised in profit or loss		17,758	21,841
Depreciation and amortisation		81,182	75,139
Finance costs	23	94,463	85,815
Finance income	23	(32,125)	(14,197)
Foreign exchange loss/(gain)		26,006	(7,052)
Gain on disposal of subsidiary not qualifying as discontinued operations		-	(6,282)
Impairment reversal of financial assets and contract assets		(1,411)	(734)
Impairment of non-financial assets		1,222	486
Share of profit of associates and joint ventures	7	(4,387)	(4,887)
Post-employment benefits and other long-term employee benefit expenses	21, 22	4,003	3,828
Other		4,101	6,124
Operating income before changes in working capital and other balances		268,440	268,331
Change in trade accounts receivable		(6,300)	(3,529)
Change in inventories		(5,268)	(23,661)
Change in other current and non-current assets (including non-current VAT recoverable)		(62,192)	(57,774)
Change in trade accounts payable		30,403	46,411
Change in other taxes payable		127	3,910
Change in other liabilities and contract liabilities		17,639	14,072
Change in employee benefit obligations		(3,075)	(2,872)
Cash generated from operations before interest and income tax payments		239,774	244,888
Interest paid		(94,503)	(72,807)
Interest received		9,758	10,048
Corporate income tax paid		(2,431)	(2,411)
Net cash flows from operating activities		152,598	179,718

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR SIX MONTHS ENDED 30 JUNE 2024 (UNAUDITED) (in millions of Tenge)

	Notes	Six months ended 30 June	
		2024	2023
Investing activities:			
Purchase of property, plant and equipment, including advances paid for property, plant and equipment		(296,446)	(453,946)
Repayment of loans issued		1,761	-
Proceeds from the sale of other non-current assets		623	674
Net proceeds from disposal of subsidiary		-	11,948
Other		32	(67)
Net cash flows used in investing activities		(294,030)	(441,391)
Financing activities:			
Proceeds from borrowings	14	318,628	308,997
Repayment of borrowings	14	(168,356)	(109,092)
Repayment of lease liabilities	14	(4,677)	(6,989)
Others		(3,861)	(4,027)
Net cash flows generated from financing activities		141,734	188,889
Net increase/(decrease) in cash and cash equivalents		302	(72,784)
Cash and cash equivalents at the beginning of the period	9	204,614	267,032
Effect of changes in foreign exchange rates on cash and cash equivalent balances held in foreign currency		34	(1,085)
Effect of changes in the allowance for expected credit losses		1	16
Cash and cash equivalents at the end of the period	9	204,951	193,179
Non-cash transactions:			
Purchase of property, plant and equipment from borrowed funds by direct bank transfer to the supplier	14	41,664	45,631
Advances paid for property, plant and equipment and contract liabilities arising from the disposal of subsidiary		-	40,000

On behalf of the Group's management:

Dair Kusherov
Finance Director

15 August 2024

Yelena Stankova
Chief Accountant

15 August 2024

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

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2024 (in millions of Tenge)

	Share capital	Foreign currency translation reserve	Retained earnings	Shareholder equity	Non-controlling interests	Total equity
As at 1 January 2023	1,086,324	12,138	348,377	1,446,839	15,853	1,462,692
Profit for the period	-	-	106,971	106,971	1,279	108,250
Other comprehensive loss for the period	-	(4,954)	-	(4,954)	-	(4,954)
Total comprehensive (loss)/income for the period	-	(4,954)	106,971	102,017	1,279	103,296
Other contributions (Note 13)	-	-	123,371	123,371	-	123,371
As at 30 June 2023 (unaudited)	1,086,324	7,184	578,719	1,672,227	17,132	1,689,359
As at 1 January 2024	1,110,634	7,220	623,698	1,741,552	17,504	1,759,056
Profit for the period	-	-	76,069	76,069	1,559	77,628
Other comprehensive income for the period	-	2,172	-	2,172	-	2,172
Total comprehensive income for the period	-	2,172	76,069	78,241	1,559	79,800
Other contributions (Note 13)	-	-	8,145	8,145	-	8,145
As at 30 June 2024 (unaudited)	1,110,634	9,392	707,912	1,827,938	19,063	1,847,001

On behalf of the Group's management:

 **Dair Kusherov**
Finance Director
15 August 2024

 **Yelena Stankova**
Chief Accountant
15 August 2024

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

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND SIX MONTHS ENDED 30 JUNE 2024 (in millions of Tenge, unless otherwise stated)

1. GENERAL INFORMATION

Kazakhstan Temir Zholy National Company JSC (“the Company”) was created in the Republic of Kazakhstan (hereinafter – “Kazakhstan”) in accordance with Resolutions of the Kazakhstan Government (hereinafter – “the Ultimate Shareholder”) to establish a holding company for state railway industry assets management. The Company was registered on 15 May 2002. The condensed interim consolidated financial statements include the results of the operations of the Company and its wholly controlled subsidiaries (hereinafter - collectively, “the Group”). The address of the Company’s registered office is 6, D. Kunayev Street, Astana, 010000, Republic of Kazakhstan.

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

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

The Kazakhstan Ministry of the National Economy’s Committee for the Regulation of Natural Monopolies (“CRNM”) approved main railway network service tariffs for 2021-2025. From 1 January and 4 June 2024 increase in tariffs for mainline railway network services was 4% and 8.8%, respectively. Tariffs for locomotive traction services were not increased. As a result, the average increase in freight transportation regulated tariffs for the six months ended 30 June 2024 was 7% (2023: 18%).

From 1 January 2024, the authorised body, represented by the Ministry of Transport of Kazakhstan agreed a 7% increase in passenger transportation tariffs for socially important interdistrict routes (2023: 7%).

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

Operating environment

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THREE AND SIX MONTHS ENDED 30 JUNE 2024
(in millions of Tenge, unless otherwise stated)

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

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 2024, the National Bank of the Republic of Kazakhstan reduced the base rate from 15.75% to 14.5% per annum with a corridor of +/- 1.0 percentage points. In July 2024, the base rate further decreased to 14.25% 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 the six months ended 30 June 2024, the volume of freight transportation in transit route increased compared to the previous period.

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.

2. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

Statement of compliance

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

Going concern

The Group's condensed interim consolidated financial statements have been prepared on a going concern basis. This assumes the sale of assets and settlement of liabilities in the normal course of business for the foreseeable future. As at 30 June 2024, the Group's current liabilities exceeded its current assets by 458,906 million tenge (31 December 2023: 382,665 million tenge). As at 30 June 2024, current liabilities include borrowings of 422,089 million tenge that are payable within twelve months after the reporting date. At the same time, profit for the six months ended 30 June 2024 amounted to 77,628 million tenge (2023: 108,250 million tenge), and cash inflows from operating activities amounted to 152,598 million tenge (2023: 179,718 million tenge).

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THREE AND SIX MONTHS ENDED 30 JUNE 2024 *(in millions of Tenge, unless otherwise stated)*

Group management has assessed the Group's needs for cash, as well as its scheduled debt repayments and development plans. Historically, the Group has financed major investment projects using funds from the government of the Republic of Kazakhstan and through borrowings, in addition to cash from operating activities. To realise Kazakhstan's transit potential, the Group continues to take measures to attract additional transit traffic and expand its influence on the multimodal transportation market. As at 30 June 2024, the Group has credit lines available in Halyk Bank of Kazakhstan JSC, Forte Bank JSC, Citibank Kazakhstan JSC and Citibank N.A. with undrawn balances totalling 202,843 million tenge. Management of the Group has been having discussions with lenders to refinance borrowings due to be repaid within twelve months after the reporting date and the likelihood of a positive decision from the discussions is considered to be high.

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

Basis of preparation

These condensed interim consolidated financial statements are unaudited and do not include all disclosures required for annual financial statements. The Group omitted disclosures, which would substantially duplicate the information contained in its audited annual consolidated financial statements for 2023 prepared in accordance with International Financial Reporting Standards ("IFRSs"), (for example significant judgments used in applying accounting policy and details of accounts, which have not changed significantly in amount or composition).

These condensed interim consolidated financial statements should be read in conjunction with the Group's annual consolidated financial statements for 2023.

These condensed interim consolidated financial statements are based on the same accounting principles, accounting judgements, presentation methods and calculation methods as the consolidated financial statements of the Group as at 31 December 2023.

Comparatives

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THREE AND SIX MONTHS ENDED 30 JUNE 2024
(in millions of Tenge, unless otherwise stated)

3. ADOPTION OF NEW AND REVISED STANDARDS

Adoption of new and revised standards

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (hereinafter – “IASB”) that are effective for an annual period that begins on or after 1 January 2024. Their adoption has not had any significant impact on the disclosures or on the amounts reported in these condensed interim consolidated financial statements.

- Amendments to IFRS 16 *Lease Liability in a Sale and Leaseback*;
- Amendments to IAS 7 and IFRS 7 *Supplier Finance Arrangements*;
- Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*;
- Amendments to IAS 1 *Non-current Liabilities with Covenants*.

New and revised IFRS Standards in issue but not yet effective

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

Description of the standard and interpretation	Applicable to annual periods beginning on or after
Amendments to IFRS 10 and IAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined by the IASB
Amendments to IAS 21 <i>Lack of Exchangeability</i>	1 January 2025
Amendments to IFRS 7 and IFRS 9 <i>Classification and Measurement of Financial Instruments</i>	1 January 2026
IFRS 18 <i>Presentation and Disclosures in Financial Statements</i>	1 January 2027
IFRS 19 <i>Subsidiaries without Public Accountability: Disclosures</i>	1 January 2027

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying accounting policies

In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group’s annual consolidated financial statements for 2023 prepared in accordance with IFRSs.

Key sources of estimation uncertainty

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THREE AND SIX MONTHS ENDED 30 JUNE 2024
(in millions of Tenge, unless otherwise stated)

Assessment of impairment indicators of property, plant and equipment

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

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

As at 30 June 2024, 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 in comparison with budgeted indicators, as well as an analysis of the transit freight turnover and changes in the exchange rate of tenge to the Swiss Franc, as the transit tariff is set in Swiss Francs.

The management of the Group did not identify any events that occurred for the six months ended 30 June 2024 that could be considered as an indicator of the impairment of the single cash generating unit as at 30 June 2024.

Corporate income tax

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

5. SEGMENT INFORMATION

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

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

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

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

	For the three months, ended 30 June 2024 (unaudited)					
	Freight transportation	Passenger transportation	Reportable segments	Others	Consolidation	Total
Key operating indicators						
Revenue and other income						
Transportation revenue from third parties	433,690	26,198	459,888	-	-	459,888
Transportation revenue from intersegment transactions	391	18,051	18,442	-	(18,442)	-
Government grants	-	9,742	9,742	-	-	9,742
Other income from third parties	30,046	1,370	31,416	4,211	-	35,627
Other income from intersegment transactions	9,731	199	9,930	1,666	(11,596)	-
Total revenue and other income	473,858	55,560	529,418	5,877	(30,038)	505,257
Cost of sales	(353,042)	(54,965)	(408,007)	(4,849)	30,464	(382,392)
Gross profit	120,816	595	121,411	1,028	426	122,865
General and administrative expenses	(25,030)	(2,597)	(27,627)	(963)	189	(28,401)
Finance income	17,321	520	17,841	848	(1,734)	16,955
Finance costs	(36,285)	(11,748)	(48,033)	(87)	728	(47,392)
Foreign exchange (loss)/gain	(56,000)	(6,234)	(62,234)	188	-	(62,046)
Share of the profit of associates and joint ventures	3,181	-	3,181	-	-	3,181
Impairment reversal of financial assets and contract assets	677	-	677	70	8	755
(Impairment)/impairment reversal of non-financial assets	(152)	111	(41)	(13)	-	(54)
Other profit and losses	4,447	2,415	6,862	(15)	(934)	5,913
Profit/(loss) before tax	28,975	(16,938)	12,037	1,056	(1,317)	11,776
Corporate income tax (expenses)/benefit	(1,828)	4,068	2,240	8	(847)	1,401
Profit/(loss) for the period	27,147	(12,870)	14,277	1,064	(2,164)	13,177
Other key segment information						
Capital expenditures on property, plant and equipment	191,686	38,872	230,558	70	-	230,628
Depreciation of property, plant and equipment	34,015	5,104	39,119	413	-	39,532

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For the three months, ended 30 June 2023 (unaudited)						
	Freight transportation	Passenger transportation	Reportable segments	Others	Consolidation	Total
Key operating indices						
Revenue and other income						
Transportation revenue from third parties	420,609	25,657	446,266	-	-	446,266
Transportation revenue from intersegment transactions	335	18,182	18,517	-	(18,517)	-
Government grants	-	13,651	13,651	-	-	13,651
Other income from third parties	22,495	1,184	23,679	5,404	-	29,083
Other income from intersegment transactions	9,628	174	9,802	1,789	(11,591)	-
Total revenue and other income	453,067	58,848	511,915	7,193	(30,108)	489,000
Cost of sales	(344,403)	(50,495)	(394,898)	(4,585)	30,045	(369,438)
Gross profit	108,664	8,353	117,017	2,608	(63)	119,562
General and administrative expenses	(20,255)	(2,264)	(22,519)	(692)	288	(22,923)
Finance income	5,681	271	5,952	286	(3,728)	2,510
Finance costs	(39,690)	(5,925)	(45,615)	(101)	2,752	(42,964)
Foreign exchange (loss)/gain	(3,120)	51	(3,069)	2	1	(3,066)
Share of the loss of associates and joint ventures	1,635	-	1,635	-	-	1,635
Impairment reversal/(impairment) of financial assets and contract assets	354	(312)	42	45	369	456
Impairment reversal/(impairment) of non-financial assets	357	(15)	342	-	-	342
Other profit and losses	745	708	1,453	(176)	(622)	655
Profit before income tax	54,371	867	55,238	1,972	(1,003)	56,207
Corporate income tax (expenses)/benefit	(8,402)	677	(7,725)	(286)	434	(7,577)
Profit for the period	45,969	1,544	47,513	1,686	(569)	48,630
Other key segment information						
Capital expenditures on property, plant and equipment	116,124	2,980	119,104	34	-	119,138
Depreciation of property, plant and equipment	34,624	3,892	38,516	421	-	38,937

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For the six months, ended 30 June 2024 (unaudited)						
	Freight transportation	Passenger transportation	Reportable segments	Other	Consolidation	Total
Key operating indices						
Revenue and other income						
Transportation revenue from third parties	863,868	50,766	914,634	-	-	914,634
Transportation revenue from intersegment transactions	805	36,054	36,859	-	(36,859)	-
Government grants	-	19,045	19,045	-	-	19,045
Other income from third parties	56,220	3,182	59,402	8,294	-	67,696
Other income from intersegment transactions	19,483	389	19,872	3,801	(23,673)	-
Total revenue and other income	940,376	109,436	1,049,812	12,095	(60,532)	1,001,375
Cost of sales	(715,315)	(109,498)	(824,813)	(9,873)	61,238	(773,448)
Gross profit	225,061	(62)	224,999	2,222	706	227,927
General and administrative expenses	(49,002)	(5,145)	(54,147)	(1,801)	511	(55,437)
Finance income	33,855	958	34,813	939	(3,627)	32,125
Finance costs	(77,297)	(18,639)	(95,936)	(147)	1,620	(94,463)
Foreign exchange (loss)/gain	(25,121)	(1,064)	(26,185)	179	-	(26,006)
Share of the profit of associates and joint ventures	4,387	-	4,387	-	-	4,387
Impairment reversal/(impairment) of financial assets and contract assets	1,493	(137)	1,356	52	3	1,411
Impairment of non-financial assets	(519)	(687)	(1,206)	(16)	-	(1,222)
Other profit and losses	5,026	2,553	7,579	19	(934)	6,664
Profit/(loss) before income tax	117,883	(22,223)	95,660	1,447	(1,721)	95,386
Corporate income tax (expenses)/benefit	(22,418)	5,233	(17,185)	(38)	(535)	(17,758)
Profit/(loss) for the period	95,465	(16,990)	78,475	1,409	(2,256)	77,628
Other key segment information						
Capital expenditures on property, plant and equipment	381,341	84,952	466,293	161	-	466,454
Depreciation of property, plant and equipment (Note 6)	71,198	9,659	80,857	825	(1)	81,681

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For the six months, ended 30 June 2023 (unaudited)						
	Freight transportation	Passenger transportation	Reportable segments	Other	Consolidation	Total
Key operating indices						
Revenue and other income						
Transportation revenue from third parties	811,996	49,424	861,420	-	-	861,420
Transportation revenue from intersegment transactions	717	33,958	34,675	-	(34,675)	-
Government grants	-	21,936	21,936	-	-	21,936
Other income from third parties	40,374	2,181	42,555	9,763	-	52,318
Other income from intersegment transactions	17,199	381	17,580	3,745	(21,325)	-
Total revenue and other income	870,286	107,880	978,166	13,508	(56,000)	935,674
Cost of sales	(656,116)	(96,513)	(752,629)	(9,324)	55,596	(706,357)
Gross profit	214,170	11,367	225,537	4,184	(404)	229,317
General and administrative expenses	(41,966)	(4,567)	(46,533)	(1,502)	636	(47,399)
Finance income	17,151	679	17,830	606	(4,239)	14,197
Finance costs	(76,555)	(11,353)	(87,908)	(207)	2,300	(85,815)
Foreign exchange gain/(loss)	6,976	99	7,075	(23)	-	7,052
Gain on disposal of subsidiary not qualifying as discontinued operations	6,282	-	6,282	-	-	6,282
Share of the profit of associates and joint ventures	4,887	-	4,887	-	-	4,887
Impairment reversal/(impairment) of financial assets and contract assets	674	(387)	287	24	423	734
Impairment of non-financial assets	(343)	(119)	(462)	(24)	-	(486)
Other profit and losses	1,291	830	2,121	(175)	(624)	1,322
Profit/(loss) before income tax	132,567	(3,451)	129,116	2,883	(1,908)	130,091
Corporate income tax (expenses)/benefit	(23,022)	1,104	(21,918)	(548)	625	(21,841)
Profit/(loss) for the period	109,545	(2,347)	107,198	2,335	(1,283)	108,250
Other key segment information						
Capital expenditures on property, plant and equipment	184,517	9,933	194,450	160	-	194,610
Depreciation of property, plant and equipment (Note 6)	67,071	7,782	74,853	823	(2)	75,674

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THREE AND SIX MONTHS ENDED 30 JUNE 2024 *(in millions of Tenge, unless otherwise stated)*

Geographical information of the Group

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

	For the three months ended 30 June		For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)	2024 (unaudited)	2023 (unaudited)
Kazakhstan	486,322	475,820	963,219	908,621
Russia	9,059	5,821	17,633	14,345
China	5,707	1,829	12,246	2,829
Germany	1,271	5,113	4,088	8,051
Other	2,898	417	4,189	1,828
	505,257	489,000	1,001,375	935,674

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

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THREE AND SIX MONTHS ENDED 30 JUNE 2024 (in millions of Tenge, unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT

	Rail track infrastructure	Buildings and constructions	Machinery and equipment	Vehicles	Land	Other	Construction-in- progress	Total
Carrying amount as at								
1 January 2023	1,291,479	295,342	245,620	1,267,851	3,959	10,937	126,317	3,241,505
Additions	138	15	2,211	2,210	1	362	183,111	188,048
Lease additions	-	9	1,074	5,151	-	-	-	6,234
Lease modifications	-	(81)	5,251	-	-	-	-	5,170
Disposals	(81)	(449)	(1,329)	(11,003)	(59)	(728)	(85)	(13,734)
Depreciation charge (Note 5)	(21,136)	(3,441)	(17,751)	(32,382)	-	(964)	-	(75,674)
Depreciation on disposal	67	251	1,206	10,998	-	724	-	13,246
Other movements and transfers ¹	37,570	1,056	7,397	103,130	-	(8)	(150,343)	(1,198)
Carrying value as at 30 June 2023 (unaudited)	1,308,037	292,702	243,679	1,345,955	3,901	10,323	159,000	3,363,597
Cost	1,660,924	365,093	555,522	1,965,461	3,901	30,517	171,239	4,752,657
Accumulated depreciation and impairment	(352,887)	(72,391)	(311,843)	(619,506)	-	(20,194)	(12,239)	(1,389,060)
Carrying value as at 30 June 2023 (unaudited)	1,308,037	292,702	243,679	1,345,955	3,901	10,323	159,000	3,363,597
Including:								
Rights-of-use assets:								
Cost	-	1,838	49,577	71,493	-	9,180	-	132,088
Accumulated depreciation and impairment	-	(696)	(38,981)	(5,497)	-	(4,842)	-	(50,016)
Carrying value	-	1,142	10,596	65,996	-	4,338	-	82,072
Property, plant and equipment that are subject to operating lease (the Group as the lessor) ²	-	229	18	78,712	-	-	-	78,959

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

² Comparative figures have been restated to be consistent with the current period.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THREE AND SIX MONTHS ENDED 30 JUNE 2024

(in millions of Tenge, unless otherwise stated)

	Rail track infrastructure	Buildings and constructions	Machinery and equipment	Vehicles	Land	Other	Construction-in- progress	Total
Carrying amount as at								
1 January 2024	1,415,744	313,465	247,974	1,607,550	3,871	10,500	195,375	3,794,479
Additions	-	1,932	8,955	3,589	-	982	381,380	396,838
Lease additions	-	7	27,261	41,123	-	-	-	68,391
Lease modifications	-	117	-	(41)	-	-	-	76
Disposals	(65)	(764)	(33,588)	(124)	(2)	(192)	(1,126)	(35,861)
Depreciation charge (Note 5)	(20,004)	(3,746)	(16,569)	(40,286)	-	(1,076)	-	(81,681)
Depreciation on disposal	21	353	33,476	123	-	187	-	34,160
Other movements and transfers ³	19,510	2,439	6,452	231,993	-	545	(259,803)	1,136
Carrying value as at 30 June 2024 (unaudited)	1,415,206	313,803	273,961	1,843,927	3,869	10,946	315,826	4,177,538
Cost	1,798,433	393,718	584,460	2,530,563	3,869	32,281	326,479	5,669,803
Accumulated depreciation and impairment	(383,227)	(79,915)	(310,499)	(686,636)	-	(21,335)	(10,653)	(1,492,265)
Carrying value as at 30 June 2024 (unaudited)	1,415,206	313,803	273,961	1,843,927	3,869	10,946	315,826	4,177,538
Including:								
Rights-of-use assets:								
Cost	-	1,889	45,136	152,660	-	7,261	-	206,946
Accumulated depreciation and impairment	-	(991)	(16,215)	(8,953)	-	(4,092)	-	(30,251)
Carrying value	-	898	28,921	143,707	-	3,169	-	176,695
Property, plant and equipment that are subject to operating lease (the Group as the lessor)	-	332	-	89,116	-	-	-	89,448

³ Other movements and transfers also include transfers to/from inventories, impairment/reversal of impairment

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THREE AND SIX MONTHS ENDED 30 JUNE 2024 (in millions of Tenge, unless otherwise stated)

7. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

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

	2024	2023
Associates		
As at 1 January	38,989	28,634
Foreign exchange difference on translation of foreign operations	2,055	(4,708)
Share in profit	4,499	4,904
Dividends receivable	(2,963)	(1,612)
As at 30 June (unaudited)	42,580	27,218
Joint ventures		
As at 1 January	1,579	165
Share in loss	(112)	(17)
Impairment	(231)	-
Charter capital contributions	75	-
As at 30 June (unaudited)	1,311	148

As at 30 June 2024, the Group's unrecognised share of the losses of its significant associate, Aktau Marine North Terminal LLP amounted to 4,561 million tenge (31 December 2023: 600 million tenge).

8. OTHER NON-CURRENT ASSETS

	30 June 2024 (unaudited)	31 December 2023
Advances paid for property, plant and equipment	427,289	463,044
VAT recoverable	192,867	167,275
Investment property	8,921	8,379
Deferred expenses	5,387	93
Others	4,197	4,197
Less: allowance for non-recoverable VAT	(12,237)	(12,237)
Less: allowance for advances for property, plant and equipment	(1,122)	(1,616)
Total other non-financial assets	625,302	629,135
Restricted cash	13,548	14,175
Loans to employees	3,492	3,819
Loans issued	1,969	3,938
Bonds of commercial banks and other credit institutions, and other debt securities	1,194	1,432
Long-term trade accounts receivable (Note 11)	28	26
Others	1,693	1,144
Less: allowance for expected credit losses on loans issued	(714)	(3,092)
Less: allowance for expected credit losses on other non-current financial assets	(581)	(539)
Total other financial assets	20,629	20,903
	645,931	650,038

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

As at 30 June 2024 and 31 December 2023, advances paid for property, plant and equipment included the following:

	30 June 2024 (unaudited)	31 December 2023
Passenger carriages supply	163,026	163,034
Construction of the railway	132,137	133,923
Electro locomotive supplies	89,449	90,447
Capital repairs of the railway	20,929	-
Diesel locomotive supplies	13,231	61,262
Railroad switch supplies	3,892	9,981
Others	4,625	4,397
	427,289	463,044

9. CASH AND CASH EQUIVALENTS

	30 June 2024 (unaudited)	31 December 2023
Short-term bank deposits in tenge	79,896	60,761
Short-term bank deposits in US Dollars	934	6,365
Short-term bank deposits in other currencies	-	165
Cash in bank current accounts in tenge	76,544	120,497
Cash in bank current accounts in US Dollars	23,790	13,075
Cash in bank current accounts in other currencies	3,480	3,758
Cash on digital accounts in tenge	20,316	-
Petty cash	6	9
Less: allowance for expected credit losses on cash and cash equivalents	(15)	(16)
	204,951	204,614

As at 30 June 2024, cash on digital accounts represents programmable digital tenge only for the modernisation of the Dostyk-Moiynty railway transport corridor and received as part of the bonds issuance on the Kazakhstan Stock Exchange in favour of the Shareholder (Note 14).

As at 30 June 2024, the weighted average interest rate on cash in current accounts was 0.25% in tenge and 1.56% in other currencies (31 December 2023: 0.68% in tenge and 1.5% in other currencies).

Short-term bank deposits in tenge and in other currencies are placed for various periods of up to three months, depending on the Group's cash needs. As at 30 June 2024, the weighted average interest rate on short-term bank deposits was 14.2% in tenge and 3% in US Dollars (31 December 2023: 15.26% in tenge, 3% in US Dollars and 12% in other currencies).

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As at 30 June 2024, cash placed by the Group on current accounts in Kazpost JSC, a related party of the Group, amounted to 72,116 million tenge (31 December 2023: 112,141 million tenge) (Note 26). In addition, the Group places cash and cash equivalents in banks and other financial institutions rated from A+ to B. Based on this, the Group believes that its cash and cash equivalents credit risk as at 30 June 2024 is low.

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

10. INVENTORIES

	30 June 2024 (unaudited)	31 December 2023
Fuel and lubricants	20,998	20,028
Track structure materials	17,971	18,786
Materials and supplies	14,056	13,452
Spare parts	9,097	8,421
Construction materials	1,752	1,559
Others	6,445	4,135
	70,319	66,381
Less: allowance for inventories	(1,364)	(2,019)
	68,955	64,362

11. TRADE ACCOUNTS RECEIVABLE

	30 June 2024 (unaudited)	31 December 2023
Trade accounts receivable	18,934	20,316
Less: allowance for expected credit losses	(3,055)	(3,964)
	15,879	16,352
Current portion of trade accounts receivable	15,851	16,326
Non-current portion of trade accounts receivable (Note 8)	28	26
	15,879	16,352

As at 30 June 2024, trade accounts receivable from contracts with customers amounted to 17,623 million tenge (31 December 2023: 19,369 million tenge), expected credit losses on these trade accounts receivable amounted to 2,463 million tenge (31 December 2023: 3,574 million tenge).

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12. OTHER CURRENT ASSETS

	30 June 2024 (unaudited)	31 December 2023
Other taxes prepaid	45,132	44,328
Advances paid	12,644	25,736
Deferred expenses	1,730	2,448
Others	5,909	5,494
Less: allowance for impairment of advances paid and other current non-financial assets	(7,629)	(6,396)
Total other non-financial assets	57,786	71,610
Subsidies	27,323	15
Restricted cash	15,280	6,789
Dividends receivable	3,007	-
Claims, interest and fines	2,177	3,974
Amounts due from employees	2,062	1,665
Others	6,139	5,176
Less: allowance for expected credit losses on other current financial assets	(3,107)	(3,120)
Total other financial assets	52,881	14,499
	110,667	86,109

Subsidies mainly include amounts provided for by the Republican budget program “Subsidizing the coupon rate on carrier bonds issued for the development of the main railway network and rolling stock of railway transport” (Note 14).

13. EQUITY

Contributions

Other contributions

For the six months ended on 30 June 2024, the Group recognised an adjustment to loans received from the Shareholder at below market rates to fair value of 10,181 million tenge (2023: 154,213 million tenge), net of deferred tax effect of 2,036 million tenge (2023: 30,842 million tenge) (Note 14).

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THREE AND SIX MONTHS ENDED 30 JUNE 2024 (in millions of Tenge, unless otherwise stated)

14. BORROWINGS

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

	30 June 2024 (unaudited)		31 December 2023	
	Amount	Weighted average effective interest rate (%)	Amount	Weighted average effective interest rate (%)
<i>Fixed interest rate borrowings</i>				
Loans received	428,605		333,852	
- in tenge	227,636	8.89	223,035	8.69
- in Euros	53,654	5.31	59,611	5.31
- in Russian Roubles	94,482	7.66	51,206	5.94
- in Swiss Francs	52,833	3.40	-	-
Debt securities issued	1,122,837		1,079,764	
- in tenge	728,500	11.52	707,590	11.41
- in US Dollars	394,337	6.43	372,174	6.43
<i>Variable interest rate borrowings</i>				
Loans received	606,193		518,138	
- in tenge	53,516	19.12	122,925	18.83
- in Euros	184,965	7.55	139,143	5.32
- in Swiss Francs	367,712	3.01	256,070	3.55
Debt securities issued	179,168		185,793	
- in tenge	179,168	17.31	185,793	19.02
	2,336,803		2,117,547	
Current portion of borrowings	422,089		354,115	
Non-current portion of borrowings	1,914,714		1,763,432	
	2,336,803		2,117,547	

Borrowings received

The Shareholder

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 million tenge, signed an additional agreement to extend the repayment period from 2024 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. The fair value was calculated based on the market rate of 12.25%. The Group recognised an adjustment to fair value of borrowings in the amount of 6,003 million tenge, net of deferred tax in the amount of 1,200 million tenge through equity in retained earnings as other contributions (Note 13).

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THREE AND SIX MONTHS ENDED 30 JUNE 2024 (in millions of Tenge, unless otherwise stated)

ForteBank JSC

During the six months ended 30 June 2024, the Group, represented by the Company, under the credit line agreement with ForteBank JSC concluded on 13 June 2022, received 55,000 million tenge with an interest rate of 16.25% to 16.75% and maturity up to six months. The Group made full/partial early repayment of loans received in the amount of 30,000 million tenge.

Societe Generale and Natixis

During the six months ended 30 June 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 of 627,110,893 Euros, borrowed 85,324,154 Euros (41,664 million tenge) (including the BPIfrance premium). Loan interest is paid semi-annually at Euribor 6m + 1.15% margin. Principal is repaid semi-annually until full repayment in 2034.

Halyk Bank of Kazakhstan JSC

During the six months ended 30 June 2024, the Group, represented by its subsidiary KTZ-Freight Transportation LLP, within the framework of a credit line agreement with Halyk Bank of Kazakhstan JSC concluded on 26 February 2015, received borrowings in the total amount of 39,000 million tenge with an interest rate of 16.5% to 17.25% with a maturity date of up to one year. The Group made full/partial early repayment of loans received.

Eurasian Development Bank ("EDB")

During the six months ended 30 June 2024, 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 7,640,071,200 Russian Roubles (37,956 million tenge). Loan interest is paid semi-annually at 7.8%. Principal is repaid semi-annually until full repayment in 2034.

Citibank N.A.

In April 2024, the Group, represented by the Company, under the credit line Agreement with Citibank N.A., dated 4 April 2024, borrowed funds in the total amount of 100,000,000 Swiss Francs (49,296 million tenge) with an interest rate of 3.4% and a repayment period of up to one year.

During the six months ended 30 June 2024, the Group, represented by its subsidiaries KTZ-Freight Transportation LLP and KTZ-Passenger Locomotives LLP, under a loan agreement with Citibank N.A. under the guarantee of Export-Import Bank of the United States (US EXIM Bank), dated 7 May 2024, to finance the acquisition of freight and passenger locomotives for a total amount of 593,952,912 US Dollars in Swiss Francs equivalent, borrowed 259,549,974 Swiss Francs (130,451 million tenge) (including the US EXIM Bank premium). Loan interest is repaid quarterly at SARON 3m + 0.75% margin. The principal is repayable quarterly until full repayment in 2033.

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Early repayment of non-current borrowings

During the six months ended 30 June 2024, the Group, represented by its subsidiary KTZ-Freight transportation LLP, under the credit line agreement with Halyk Bank of Kazakhstan JSC, concluded on 22 October 2022, made a full early repayment of borrowings received of 57,208 million tenge.

Debt securities issued

In June 2024, the Group, represented by the Company, for the implementation of Modernisation of the Dostyk-Moiynty railway transport corridor, issued debt securities at Kazakhstan Stock Exchange in favor of the Shareholder in the amount of 20,316 million tenge with a coupon rate of 9.25% per annum and a maturity date in 2044. The coupon is paid twice a year. The issuance was made in digital tenge (Note 9). Bonds were issued with a coupon rate below the market rate and the fair value was calculated based on the market rate of 12.34%. The Group recognised an adjustment to the fair value of bonds issued in the amount of 4,178 million tenge, net of deferred tax in the amount of 836 million tenge through equity in retained earnings as other contributions (Note 13).

State subsidy of the interest rate

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

For the six months ended 30 June 2024, the Group recognised income from government subsidies under the Program in the amount of 11,150 million tenge as part of financial income. In addition, the Group recognised deferred income in the amount of 11,150 million tenge as part of other current liabilities as at 30 June 2024.

The fair value of borrowings is presented in Note 27.

Credit agreements and breaches of credit agreements

In accordance with arrangements with HSBC Continental Europe regarding financial and non-financial covenants, the Group should comply with the covenant that the Company has any two of three corporate ratings (S&P, Fitch, Moody's) of at least BB. As at 30 June 2024, this covenant was met.

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Loan agreements with Societe Generale and Natixis include financial covenant Net Debt to Equity (at the same time, concessional loans from the Shareholder should not exceed 50% of the total debt) calculated based on annual consolidated financial statements of the Group. 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 consolidated results of the Group. In addition, the Group should comply with the covenant that the Company has any two of three corporate ratings (S&P, Fitch, Moody's) of at least BB. As at 30 June 2024, 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 quarterly consolidated results of the Group. As at 30 June 2024, these covenants were met.

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Reconciliation of changes in liabilities and cash flows from financing activity

	2024			2023		
	Borrowings and debt securities issued	Lease liabilities (Note 15)	Total	Borrowings and debt securities issued	Lease liabilities	Total
As at 1 January	2,117,547	71,506	2,189,053	1,687,331	53,082	1,740,413
Changes due to cash flows from financing activities						
Repayment of principal on borrowings	(168,356)	-	(168,356)	(109,092)	-	(109,092)
Proceeds from borrowings	318,628	-	318,628	308,997	-	308,997
Repayment of lease liabilities	-	(4,677)	(4,677)	-	(6,989)	(6,989)
Total changes due to cash flows from financing activities	150,272	(4,677)	145,595	199,905	(6,989)	192,916
Other changes						
Effect of changes in foreign currency exchange rates	25,314	14	25,328	(8,585)	160	(8,425)
Acquisition of property, plant and equipment through borrowings directly transferred to the supplier	41,664	-	41,664	45,631	-	45,631
New lease agreements	-	47,602	47,602	-	4,183	4,183
Fair value adjustments of borrowings received from the Shareholder at below market interest rate (Note 13)	(10,181)	-	(10,181)	(154,213)	-	(154,213)
Interest expenses and amortisation of discount, including those capitalised	103,557	8,828	112,385	88,668	4,245	92,913
Interest paid	(87,388)	(4,807)	(92,195)	(70,010)	(2,968)	(72,978)
Other changes	(3,982)	(998)	(4,980)	(3,282)	4,024	742
Total other changes attributable to liabilities	68,984	50,639	119,623	(101,791)	9,644	(92,147)
As at 30 June (unaudited)	2,336,803	117,468	2,454,271	1,785,445	55,737	1,841,182

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THREE AND SIX MONTHS ENDED 30 JUNE 2024 (in millions of Tenge, unless otherwise stated)

15. LEASE LIABILITIES

	30 June 2024 (unaudited)		31 December 2023	
	Lease payments	Present value of lease payments	Lease payments	Present value of lease payments
Up to one year	27,723	25,654	18,461	16,951
From two to five years inclusive	86,931	51,153	47,066	26,930
Over five years	144,335	40,661	100,304	27,625
Total	258,989	117,468	165,831	71,506
Less unearned interest	(141,521)	-	(94,325)	-
Present cost of lease liabilities	117,468	117,468	71,506	71,506
Less amount due within 12 months		(25,654)		(16,951)
Amount due after 12 months		91,814		54,555

As at 30 June 2024, interest calculations are based on effective interest rates of between 2.5% and 21.69% (31 December 2023: 2.5%-21.69%).

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

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

Flat carriages

In November 2020, the Group, represented by its subsidiary KTZ Express JSC, entered into an agreement to lease 2,000 flat carriages with a total value of 47,391 million 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.

During the six months ended 30 June 2024, within the framework of the agreement, the Group received 193 flat carriages and recognised right-of-use assets of 5,077 million tenge for 32 years and a lease liability of 2,734 million tenge for 15 years.

Passenger carriages

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 65,796 million 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.

During the six months ended 30 June 2024, the Group received 50 passenger carriages under this agreement and recognised right-of-use assets in the amount of 33,431 million tenge for 40 years and a lease liability of 15,748 million tenge for 15 years.

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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 million 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.

For the six months ended 30 June 2024, under this agreement, the Group received 89 open wagons and recognised right-of-use assets of 2,615 million tenge for 22 years and a lease liability of 1,852 million tenge for 14 years.

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

Lease agreements with Transtelecom JSC

During the six months ended 30 June 2024, the Group, represented by the Company, entered into a lease agreement of communication channels with its associate Transtelecom JSC and recognised right-of-use assets and a lease liability in the amount of 27,261 million tenge for 5 years.

16. TRADE ACCOUNTS PAYABLE

	30 June 2024 (unaudited)	31 December 2023
Accounts payable for inventories received	97,857	56,961
Accounts payable for services provided	72,117	92,628
Accounts payable for the supply of property, plant and equipment	48,175	46,789
Other accounts payable	6,177	4,591
	224,326	200,969

As at 30 June 2024 and 31 December 2023, trade accounts payable were denominated in the following currencies:

	30 June 2024 (unaudited)	31 December 2023
Tenge	204,281	174,516
Euros	9,518	9,542
US Dollars	9,349	10,018
UAE Dirham	-	5,899
Other currencies	1,178	994
	224,326	200,969

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THREE AND SIX MONTHS ENDED 30 JUNE 2024 (in millions of Tenge, unless otherwise stated)

17. CONTRACT LIABILITIES

	30 June 2024 (unaudited)	31 December 2023
Advances received on contracts with customers	70,257	105,103
Deferred income	18,267	10,765
	88,524	115,868

18. OTHER LIABILITIES

	30 June 2024 (unaudited)	31 December 2023
Deferred income (government grants)	83,940	44,804
Obligatory pension contributions, social contributions, insurance and obligatory medical insurance contributions	13,130	12,530
Advances received	8,651	10,015
Provisions	2,312	2,611
Others	1,900	3,397
Total other non-financial liabilities	109,933	73,357
Provisions for unused vacation and other employee benefits	37,118	36,225
Salary payable	34,111	15,511
Financial guarantee contract liabilities	27,824	28,536
Others	18,143	15,059
Total other financial liabilities	117,196	95,331
	227,129	168,688
Current portion of other liabilities	138,906	98,910
Non-current portion of other liabilities	88,223	69,778
	227,129	168,688

As disclosed in Note 25, the Group provided financial guarantees to banks on loans received by the entities of Nursultan Nazarbayev International Airport JSC and Aktobe Rail and Section Mill Plant LLP, and recognised obligations under financial guarantee agreements. As at 30 June 2024, liabilities under financial guarantee agreements amounted to 15,102 million tenge for Nursultan Nazarbayev International Airport JSC and 12,722 million tenge for Aktobe Rail and Section Mill Plant LLP (31 December 2023: 15,315 million tenge for Nursultan Nazarbayev International Airport JSC, 13,202 million tenge for Aktobe Rail and Section Mill Plant LLP and 19 million tenge for Transtelecom JSC).

As at 30 June 2024 and 31 December 2023, other liabilities were primarily denominated in tenge.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THREE AND SIX MONTHS ENDED 30 JUNE 2024 (in millions of Tenge, unless otherwise stated)

19. REVENUE

For three and six months ended 30 June 2024 and 2023, revenue from freight transportation included:

	For the three months ended 30 June		For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)	2024 (unaudited)	2023 (unaudited)
Revenue from contracts with customers:				
International (transit) route	160,154	160,142	324,534	329,146
Domestic route	119,787	111,547	226,115	202,388
International (export) route	72,077	67,757	147,092	127,892
International (import) route	44,884	48,547	90,928	91,064
Additional charges related to the transportation process	19,368	17,967	36,387	30,554
Other revenue from freight transportation	17,420	14,649	38,812	30,952
	433,690	420,609	863,868	811,996

For the three and six months ended 30 June 2024 and 2023, revenue from passenger transportation included:

	For the three months ended 30 June		For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)	2024 (unaudited)	2023 (unaudited)
Revenue from contracts with customers:				
Passenger transportation	22,100	22,665	42,807	43,986
Other revenue from freight transportation	4,098	2,992	7,959	5,438
	26,198	25,657	50,766	49,424

20. OTHER REVENUE

	For the three months ended 30 June		For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)	2024 (unaudited)	2023 (unaudited)
Revenue from lease of wagons	15,576	11,885	31,069	21,293
Revenue from the sale of goods, provision of other services	12,950	13,635	25,717	24,453
Revenue from fines	4,969	2,658	7,316	4,538
Revenue from the lease of other property, plant and equipment	2,132	905	3,594	2,034
	35,627	29,083	67,696	52,318

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

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

21. COST OF SALES

	For the three months ended 30 June		For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)	2024 (unaudited)	2023 (unaudited)
Staff costs, including taxes, contributions and provisions for unused vacations	164,516	146,758	346,982	298,063
Repairs and maintenance	59,665	63,199	110,959	105,483
Fuel and lubricants	45,894	55,621	94,204	100,454
Depreciation and amortisation	38,121	37,188	79,232	72,797
Electricity	20,716	12,263	41,693	27,399
Work and services of a production nature	15,643	20,339	31,325	40,862
Materials and supplies	15,013	11,823	25,672	20,757
Property tax and other taxes than social tax and social contributions	7,749	7,230	15,123	13,996
Employee benefit expenses and other long-term employee benefits	1,855	1,800	3,771	3,569
Other costs	13,220	13,217	24,487	22,977
	382,392	369,438	773,448	706,357

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THREE AND SIX MONTHS ENDED 30 JUNE 2024 (in millions of Tenge, unless otherwise stated)

22. GENERAL AND ADMINISTRATIVE EXPENSES

	For the three months ended 30 June		For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)	2024 (unaudited)	2023 (unaudited)
Staff costs, including taxes, contributions and provisions for unused vacation	17,733	14,836	35,939	30,548
Property tax and other taxes, excluding social tax and social contributions	1,941	1,459	4,886	3,571
Charity	2,000	-	2,000	-
Depreciation and amortisation	915	1,032	1,876	2,268
Other third party services	610	1,132	1,463	1,770
Consulting, audit and legal services	965	131	1,298	501
Business trip expenses	585	548	1,024	908
Utilities and building maintenance	214	162	631	367
Lease expenses	276	241	537	474
Telecommunication services	159	171	321	340
Insurance	152	167	302	303
Employee benefit expenses and other long-term employee benefits	113	131	232	259
Banking services	122	126	224	226
Expenses to maintain social sphere facilities	77	77	223	200
Other expenses	2,539	2,710	4,481	5,664
	28,401	22,923	55,437	47,399

23. FINANCE INCOME AND COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)	2024 (unaudited)	2023 (unaudited)
Finance income				
Income from interest rate subsidies on financial liabilities	6,615	523	13,084	916
Change in fair value of derivative financial instruments recognised at fair value through profit or loss	1,062	(7,130)	6,351	-
Interest income on cash and cash equivalents	2,807	3,182	5,244	5,849
Interest income on derivative financial instruments recognised at fair value through profit or loss	5,016	5,079	5,016	5,079
Other financial income	1,455	856	2,430	2,353
	16,955	2,510	32,125	14,197

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	For the three months ended 30 June		For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)	2024 (unaudited)	2023 (unaudited)
Finance costs				
Interest expenses and amortisation of discount on borrowings	41,983	39,347	84,472	79,103
Lease interest expenses	4,707	1,391	8,828	4,245
Change in fair value of derivative financial instruments recognised at fair value through profit or loss	-	2,089	-	2,089
Other finance costs	702	137	1,163	378
	47,392	42,964	94,463	85,815

24. EARNINGS PER SHARE

Basic earnings per share are calculated using the weighted average number of common shares issued during the period. Basic and diluted per share data are the same, as there are no dilutive instruments outstanding. As at 30 June 2024 and 31 December 2023, the Company had no outstanding antidilutive instruments.

	For the three months ended 30 June		For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)	2024 (unaudited)	2023 (unaudited)
Weighted average of common shares	496,693,666	496,692,666	496,693,666	496,692,666
Profit for the period attributable to the Shareholder, (million tenge)	12,426	47,929	76,069	106,971
Earnings per share (tenge)	25	96	153	215

The carrying amount of one share as at 30 June 2024 and 31 December 2023 is presented below:

	30 June 2024 (unaudited)	31 December 2023
Net assets, excluding intangible assets, goodwill and non-controlling interests, million tenge	1,799,771	1,712,208
Quantity of common shares in circulation (registered)	496,693,666	496,693,666
Carrying amount of one share (tenge)⁴	3,624	3,447

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

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25. FINANCIAL AND CONTINGENT LIABILITIES

Investment liabilities

As at 30 June 2024, the Group had investment liabilities, including the modernisation of the Dostyk-Moiynty railway transport corridor, construction of the Darbaza-Maktaaral railway line and railway lines bypassing the Almaty station, liabilities under lease agreements with Industrial Development Fund JSC, for the capital repairs of railways and carriages, for the acquisition of freight and passenger electric locomotives, freight and passenger diesel locomotives, freight and passenger carriages, for the acquisition of equipment and long rails for a total amount of 2,135,672 million tenge (31 December 2023: 1,867,649 million tenge).

Liabilities under lease agreements with Industrial Development Fund JSC

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 65,796 million 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 30 June 2024, the commitment for the undelivered passenger carriages was 7,753 million 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 million 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 30 June 2024, the commitment for the undelivered open wagons was 78,402 million tenge.

Other contractual liabilities

As at 30 June 2024, the Group, represented by its subsidiary KTZ Express JSC, had an agreement dated 28 December 2015 in place to provide freight handling and freight storage services in the future. The agreement stipulates that the Group has to acquire a minimum volume of freight storage services for 10 years and make substantial payments for those services.

Management of the Group believes that the service period under the Agreement with Aktau Marine North Terminal LLP has not yet commenced, because the Group has not been notified about the commencement date of commercial operations and service period, and the parties have not begun executing the obligations under the Agreement. Management of the Group believes that as at 30 June 2024, the outflow of resources embodying economic benefits under this Agreement is not highly probable.

Contingent liabilities

Litigations

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

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Contingent liabilities related to the Kazakhstan tax system

Due to the uncertainties inherent in the Kazakhstan tax system, the ultimate amount of taxes, fines and late payment interest may exceed the amount expensed as at 30 June 2024 and 31 December 2023. It is not possible to determine the value of any unasserted claims that may manifest, if any, or the likelihood of any unfavourable outcome.

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

Insurance

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

Environmental protection

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

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

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Guarantees

As at 30 June 2024, guarantees were represented as follows:

Creditor	Purpose of the guarantee	Guarantee issue date	Guarantee period	Guarantee amount, million tenge (unaudited)
Development Bank of Kazakhstan JSC	Execute the obligations of the associate Aktobe Rail and Section Mill Plant LLP to finance the construction of a rail and section mill plant in Aktobe	4 July 2013	until 2033	16,388
Development Bank of Kazakhstan JSC	Execute the obligations of Nursultan Nazarbayev International Airport JSC to finance its modernisation	28 March 2018	until 2033	22,174

Note 18 discloses the carrying value of these guarantees.

As at 30 June 2024 and 31 December 2023 there were no cases of using the financial guarantees listed above.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THREE AND SIX MONTHS ENDED 30 JUNE 2024 (in millions of Tenge, unless otherwise stated)

26. RELATED PARTY TRANSACTIONS

The nature of related party relationships for those related parties with which the Group entered into significant transactions or had significant balances outstanding as at 30 June 2024 (unaudited) and 31 December 2023 are detailed below.

		Shareholder	Associates	Companies making up the Shareholder group	Other related parties ⁵
Amounts due from related parties for goods, services and non-current assets, including advances paid	2024	-	24	171	4,439
	2023	-	3,374	146	3,214
<i>including allowances for expected credit losses and impairment of advances paid</i>	2024	-	(204)	(99)	(116)
	2023	-	(425)	(100)	(60)
Amounts due to related parties for goods, services and non-current assets, including advances received	2024	-	12,318	75,515	9,484
	2023	-	14,217	38,903	13,399
Cash on current accounts	2024	-	-	72,116	-
	2023	-	-	112,141	-
Cash on digital accounts	2024	-	-	-	20,316
	2023	-	-	-	-
Other current assets	2024	-	-	-	708
	2023	-	-	-	202
Loans received	2024	804,553	-	-	168,890
	2023	768,615	-	-	125,449
Lease liabilities	2024	-	32,556	-	81,721
	2023	-	9,831	-	58,445
Financial guarantee contract liabilities	2024	-	-	-	15,102
	2023	-	19	-	15,315
Dividends receivable	2024	-	3,007	-	-
	2023	-	-	-	-

⁵ Other related parties include other commercial entities and financial institutions under common control and significant influence of the State.

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Related party transactions for the six months ended 30 June (unaudited) are detailed below:

		Shareholder	Associates	Joint ventures	Companies making up the Shareholder Group	Other related parties ⁴
Sale of goods, services and non-current assets	2024	-	56,183	-	13,635	49,423
	2023	-	37,652	-	11,968	36,901
Recovered/(accrued) allowances for expected credit losses and impairment of advances paid	2024	-	221	-	1	(35)
	2023	-	1,354	-	(25)	-
Purchase of goods, services and non-current assets	2024	-	12,806	-	54,463	33,175
	2023	-	12,291	-	93,765	3,055
Receipt of loans	2024	20,316	-	-	-	37,956
	2023	236,309	-	-	-	11,800
Repayment of loans received	2024	1,175	-	-	-	5,613
	2023	1,175	-	-	-	628
New lease agreements (Group as lessee)	2024	-	27,261	-	-	20,334
	2023	-	1,083	-	-	3,101
Lease liability payments	2024	-	7,612	-	-	3,604
	2023	-	6,650	-	-	1,710
Finance income	2024	-	19	-	-	222
	2023	-	161	-	-	60
Finance costs	2024	17,582	3,057	-	-	11,506
	2023	17,566	1,265	-	-	6,149
Dividends declared	2024	-	2,963	-	-	-
	2023	-	1,612	-	-	-
Charter capital contribution	2024	-	-	75	-	-
	2023	-	-	-	-	-

During the six months ended 30 June 2024, the Group issued bonds in favour of the Shareholder in the amount of 20,316 million tenge (Note 14) (2023: received a loan in the amount of 162,600 million tenge and issued bonds in the amount of 73,709 million tenge).

As at 30 June 2024, the Group has borrowings from Industrial Development Fund JSC, Development Bank of Kazakhstan JSC and EDB for a total of 168,890 million tenge (31 December 2023: 125,449 million tenge).

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As at 30 June 2024 and 31 December 2023, the Group issued guarantee on certain borrowings of the associate and other related and third parties to ensure the execution of obligations to the banks (Notes 18 and 25).

As at 30 June 2024, Group's borrowings from the Shareholder were mainly received at rates below market varying from 0.075% to 9.25% and maturity varying from 3 to 50 years and at initial recognition were reflected at fair value at rates from 6.43% 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, lease), 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), Samruk-Energo JSC (electricity), Settlement and financial centre for renewable energy support LLP (electricity), National Bank of the Republic of Kazakhstan (cash deposits). The Group also provides freight transportation services to Shareholder group companies, associates and joint ventures, as well as other related parties.

Compensation to key management personnel of the Group

As at 30 June 2024, key management personnel comprise members of the Group's Management Board and Board of Directors, totalling 18 persons (31 December 2023: 16 persons). Total compensation to key management personnel included in personnel costs in the condensed interim consolidated statement of profit or loss and other comprehensive income comprised 200 million tenge for the six months ended 30 June 2024 (2023: 152 million 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.

27. FINANCIAL INSTRUMENTS. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

In preparation of these condensed interim consolidated financial statements, the same methodologies and assumptions for calculating the fair value of financial instruments were used as in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2023.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THREE AND SIX MONTHS ENDED 30 JUNE 2024 (in millions of Tenge, unless otherwise stated)

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

As at 30 June 2024 and 31 December 2023, the fair value of financial assets and financial liabilities, except for loans issued, borrowings and debt securities issued, was not significantly different from their carrying amount. The carrying amount and fair value of loans issued and received, debt securities issued (bonds) and other financial assets as at 30 June 2024 and 31 December 2023 are presented as follows:

	30 June 2024 (unaudited)		31 December 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans issued	3,874	3,464	4,577	4,257
Other financial assets	30,778	29,275	22,037	20,320
Loans received	1,034,798	976,786	851,990	821,326
Debt securities	1,302,005	1,190,423	1,265,557	1,182,596

Fair value hierarchy

The table below provides an analysis of financial instruments as at 30 June 2024 (unaudited) broken down into the fair value hierarchy levels.

	Level 1	Level 2	Level 3	Total
Financial assets at amortised cost:				
- loans issued	-	3,464	-	3,464
- other financial assets	-	28,643	-	28,643
Financial assets at fair value through profit or loss:				
- other financial assets	-	-	632	632
Total	-	32,107	632	32,739
Financial liabilities at amortised cost:				
- debt securities	-	532,003	-	532,003
- debt securities from the Shareholder	-	658,420	-	658,420
- bank loans	-	914,267	-	914,267
- loans from the Shareholder	-	62,519	-	62,519
Financial liabilities at fair value through profit or loss:				
- derivative financial instruments	-	29,368	-	29,368
Total	-	2,196,577	-	2,196,577

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THREE AND SIX MONTHS ENDED 30 JUNE 2024 (in millions of Tenge, unless otherwise stated)

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
Financial assets at amortised cost:				
- loans issued	-	4,257	-	4,257
- other financial assets	-	20,247	-	20,247
Financial assets recognised at fair value through profit of loss:				
- other financial assets	-	-	73	73
Total	-	24,504	73	24,577
Financial liabilities recognised at amortised cost:				
- debt securities	-	564,075	-	564,075
- debt securities from the Shareholder	-	618,521	-	618,521
- bank loans	-	752,077	-	752,077
- loans from the Shareholder	-	69,249	-	69,249
Financial liabilities recognised at fair value through profit of loss:				
- derivative financial instruments	-	35,719	-	35,719
Total	-	2,039,641	-	2,039,641

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.

For the six months ended 30 June 2024, there were no transfers between the fair value hierarchy levels.

28. EVENTS AFTER THE REPORTING DATE

Borrowings received

On 3 July 2024, the Group, represented by the 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 14,000 million tenge with an interest rate of 15%. The principal is repayable in full in December 2024.

On 19 July 2024, the Group, represented by the Company, under the credit agreement with European Bank for Reconstruction and Development, concluded on 4 July 2024 to refinance debt liabilities, borrowed 200,000,000 Swiss Francs (107,986 million tenge). Loan interest is paid semi-annually at SARON 6m + 1.80%. Principal is repaid semi-annually until full repayment in 2029.

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On 29 July 2024, the Group, represented by its subsidiaries KTZ-Freight transportation LLP and KTZ-Passenger locomotives LLP, under the credit 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 8,437,586 Euros (4,349 million tenge) (including the BPIfrance premium). Loan interest is paid semi-annually at Euribor 6m + 1.15% margin. Principal is repaid semi-annually until full repayment in 2034.

On 17 July and 7 August 2024, the Group, represented by its subsidiaries KTZ-Freight Transportation LLP and KTZ-Passenger Locomotives LLP, under a loan agreement with Citibank N.A. under the guarantee of Export-Import Bank of the United States (US EXIM Bank), dated 7 May 2024 to finance the acquisition of freight and passenger locomotives for a total amount of 593,952,912 US Dollars in Swiss Francs equivalent, borrowed 70,589,262 Swiss Francs (38,515 million tenge) (including the US EXIM Bank premium). Loan interest is repaid quarterly at SARON 3m + 0.75% margin. The principal is repayable quarterly until full repayment in 2034.

Early repayment of long-term loans

On 24 July 2024, 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 partial early repayment of loans received for the amount of 9,198 million tenge.

Debt securities issued

On 10 July 2024, the Group, represented by the Company, to implement the project “Construction of Darbaza-Maktaaral railway line”, issued bonds on the Kazakhstan Stock Exchange in favour of the Shareholder in the amount of 44,200 million tenge, with a coupon rate of 1.8% per annum and a maturity date in 2044. Coupon payment - twice a year.

Dividends received

On 12 July 2024, the Group received dividends for 2023 in the amount of 489,305,591 Russian Roubles (2,657 million tenge) from an associate United Transport and Logistics Company - Eurasian Rail Alliance JSC.