

# **KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC**

Condensed interim consolidated financial statements  
for three and nine months ended 30 September 2022  
(unaudited)

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2022

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Management of Kazakhstan Temir Zholy National Company JSC ("the Company") is responsible for the preparation of the condensed interim consolidated financial statements that present fairly the consolidated financial position of the Company and its subsidiaries (collectively – "the Group") as at 30 September 2022, and the consolidated results of its operations for three and nine months then ended, consolidated cash flows and consolidated changes in equity for the nine months then ended in compliance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("the 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 local legislation and IFRSs;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

These condensed interim consolidated financial statements for three and nine months ended 30 September 2022 were approved for issue by management on 18 November 2022.

On behalf of the Group's management:

  
Dair Kuserov  
Finance Director

18 November 2022

  
Yelena Stankova  
Chief Accountant

18 November 2022

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022 (in millions of Tenge)

	Notes	30 September 2022 (unaudited)	31 December 2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	3,171,224	3,038,289
Goodwill		15,520	15,520
Intangible assets		15,029	16,481
Investment in joint ventures	7	170	895
Investment in associates	7	28,488	26,793
Deferred tax assets		190	145
Other non-current assets	8	207,258	164,572
<b>Total non-current assets</b>		<b>3,437,879</b>	<b>3,262,695</b>
<b>Current assets</b>			
Cash and cash equivalents	9	61,831	178,000
Inventories	10	46,110	42,401
VAT recoverable		30,369	34,417
Trade accounts receivable	11	29,433	23,248
Contract assets		6,256	6,644
Prepaid income tax		1,371	3,945
Other current assets	12	83,344	52,784
<b>Total current assets</b>		<b>258,714</b>	<b>341,439</b>
<b>Total assets</b>		<b>3,696,593</b>	<b>3,604,134</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		1,086,324	1,086,085
Hedging reserve	13	-	(51,997)
Foreign currency translation reserve	13	18,194	9,925
Retained earnings		227,745	214,574
Equity attributable to the Shareholder		1,332,263	1,258,587
Non-controlling interests		15,601	13,855
<b>Total equity</b>		<b>1,347,864</b>	<b>1,272,442</b>

**KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC**

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2022 (CONTINUED)  
(in millions of Tenge)**

	Notes	30 September 2022 (unaudited)	31 December 2021
<b>Non-current liabilities</b>			
Borrowings	14	1,405,908	1,361,403
Deferred tax liabilities		323,481	308,300
Employee benefit obligations		38,615	37,083
Lease liabilities	15	36,829	34,443
Other non-current liabilities	18	53,818	54,497
<b>Total non-current liabilities</b>		<b>1,858,651</b>	<b>1,795,726</b>
<b>Current liabilities</b>			
Borrowings	14	138,396	215,809
Trade accounts payable	16	111,728	116,531
Contract liabilities	17	90,318	95,310
Other taxes payable		29,218	17,250
Lease liabilities	15	18,322	25,355
Employment benefit obligations		9,100	9,100
Other current liabilities	18	92,996	56,611
<b>Total current liabilities</b>		<b>490,078</b>	<b>535,966</b>
<b>Total liabilities</b>		<b>2,348,729</b>	<b>2,331,692</b>
<b>Total equity and liabilities</b>		<b>3,696,593</b>	<b>3,604,134</b>

On behalf of the Group's management:

  
Dair Kusherov  
Finance Director

  
Yelena Stankova  
Chief Accountant

18 November 2022

18 November 2022

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

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2022 (UNAUDITED) (in millions of Tenge)

	Notes	Three months		Nine months	
		ended 30 September		ended 30 September	
		2022	2021	2022	2021
<b>Continuing operations</b>					
<b>Revenue and other income</b>					
Revenue from freight transportation	19	351,856	295,301	933,447	869,751
Revenue from passenger transportation	19	29,542	18,375	64,709	41,812
Government grants		9,289	10,621	23,393	24,942
Other revenue	20	20,142	12,383	49,597	35,046
<b>Total revenue and other income</b>		<b>410,829</b>	<b>336,680</b>	<b>1,071,146</b>	<b>971,551</b>
Cost of sales	21	(292,457)	(239,323)	(850,986)	(690,119)
<b>Gross profit</b>		<b>118,372</b>	<b>97,357</b>	<b>220,160</b>	<b>281,432</b>
General and administrative expenses	22	(25,541)	(20,506)	(73,481)	(63,116)
Finance income	23	10,743	5,095	33,520	11,375
Finance costs	23	(37,283)	(31,152)	(104,380)	(94,485)
Foreign exchange (loss)/gain		(3,902)	5,124	(37,704)	(5,062)
Share of the profit of associates and joint ventures	7	2,599	3,245	2,878	8,333
Asset impairment		(2,758)	(189)	(1,210)	(169)
Other profit or losses, net		740	344	1,831	7,269
<b>Profit before income tax</b>		<b>62,970</b>	<b>59,318</b>	<b>41,614</b>	<b>145,577</b>
Corporate income tax expenses		(17,674)	(9,705)	(26,697)	(28,108)
<b>Profit for the period</b>		<b>45,296</b>	<b>49,613</b>	<b>14,917</b>	<b>117,469</b>

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2022 (UNAUDITED) (CONTINUED) (in millions of Tenge)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2022	2021	2022	2021
<b>Other comprehensive (loss)/income for the period, net of income tax:</b>					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Net fair value profit/(loss) on cash flow hedging instruments	13	-	1,582	(2,445)	4,109
Reclassification of the loss on cash flow hedging instruments to the loss for the period	13,19	-	-	54,442	-
Foreign exchange difference on the translation of foreign operations		(3,888)	(230)	8,269	934
<b>Other comprehensive (loss)/income for the period</b>		<b>(3,888)</b>	<b>1,352</b>	<b>60,266</b>	<b>5,043</b>
<b>Total comprehensive income for the period</b>		<b>41,408</b>	<b>50,965</b>	<b>75,183</b>	<b>122,512</b>
<b>Profit for the period attributable to:</b>					
The Shareholder		44,496	49,130	13,171	116,454
Non-controlling interests		800	483	1,746	1,015
		<b>45,296</b>	<b>49,613</b>	<b>14,917</b>	<b>117,469</b>
<b>Comprehensive income for the period, attributable to:</b>					
The Shareholder		40,608	50,482	73,437	121,497
Non-controlling interests		800	483	1,746	1,015
		<b>41,408</b>	<b>50,965</b>	<b>75,183</b>	<b>122,512</b>
Profit per share in tenge	24	90	98	27	234

On behalf of the Group's management:

  
Dair Kuserov  
Finance Director

18 November 2022

  
Yelena Stankova  
Chief Accountant

18 November 2022

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

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022 (UNAUDITED) (in millions of Tenge)

	Notes	Nine months ended 30 September	
		2022	2021
<b>Operating activities:</b>			
Profit for the period		14,917	117,469
Income tax expenses recognised in profit or loss		26,697	28,108
Adjustments for:			
Depreciation and amortisation		109,240	104,564
Finance costs	23	104,380	94,485
Post-employment benefits and other long-term employee benefit expenses		6,023	4,519
Finance income	23	(33,520)	(11,375)
Share of profit of associates and joint ventures	7	(2,878)	(8,333)
Accrual of allowance for expected credit losses of accounts receivable and impairment of short-term advances paid		5,535	2,962
Foreign exchange loss		37,704	5,062
Reclassification of the loss on cash flow hedging instruments to the loss for the period	13,19	54,442	-
Others		3,955	(5,325)
<b>Operating income before changes in working capital and other balances</b>		<b>326,495</b>	<b>332,136</b>
Change in trade accounts receivable		(18,593)	(17,184)
Change in inventories		(3,794)	(961)
Change in other current and non-current assets (including non-current VAT recoverable)		(17,544)	(26,482)
Change in trade accounts payable		7,850	(6,974)
Change in other taxes payable		3,078	(19,792)
Change in other liabilities		21,722	23,714
Change in employee benefit obligations		(4,491)	(3,758)
<b>Cash generated from operations</b>		<b>314,723</b>	<b>280,699</b>
Interest paid		(81,062)	(73,516)
Interest received		6,478	5,758
Corporate income tax paid		(1,402)	(2,068)
<b>Net cash flows from operating activities</b>		<b>238,737</b>	<b>210,873</b>

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022 (UNAUDITED) (CONTINUED) (in millions of Tenge)

	Notes	Nine months ended 30 September	
		2022	2021
<b>Investing activities:</b>			
Purchase of property, plant and equipment, including advances paid for property, plant and equipment		(243,246)	(150,450)
Proceeds from the sale of other non-current assets		1,641	1,649
Investments acquired in joint ventures		(70)	(4,706)
Dividends received from associates		2,670	3,495
Others		(1,548)	193
<b>Net cash flows from investing activities</b>		<b>(240,553)</b>	<b>(149,819)</b>
<b>Financing activities:</b>			
Proceeds from borrowings	14	343,540	13,125
Repayment of borrowings	14	(443,890)	(36,486)
Repayment of lease liabilities	14	(11,167)	(8,977)
Others		(1,009)	(195)
<b>Net cash flows from financing activities</b>		<b>(112,526)</b>	<b>(32,533)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(114,342)</b>	<b>28,521</b>
Cash and cash equivalents at the beginning of the period	9	178,000	155,407
Effect of changes in foreign exchange rates on cash and cash equivalent balances held in foreign currency		(1,853)	(17)
Effect of changes in the allowance for expected credit losses		26	(15)
<b>Cash and cash equivalents at the end of the period</b>	<b>9</b>	<b>61,831</b>	<b>183,896</b>
<b>Non-cash transactions:</b>			
Purchase of property, plant and equipment from borrowed funds by direct bank transfer to the supplier	14	5,706	14,472

On behalf of the Group's management:

Dair Kuserov  
Finance Director

18 November 2022

  
Yelena Stankova  
Chief Accountant

18 November 2022

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KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022  
(in millions of Tenge)

	Share capital	Hedging reserve	Foreign currency translation reserve	Retained earnings	Shareholder equity	Non-controlling interests	Total equity
<b>As at 1 January 2021</b>	<b>1,082,299</b>	<b>(52,820)</b>	<b>8,788</b>	<b>88,858</b>	<b>1,127,125</b>	<b>11,480</b>	<b>1,138,605</b>
Profit for the period	-	-	-	116,454	116,454	1,015	117,469
Other comprehensive income for the period	-	4,109	934	-	5,043	-	5,043
Total comprehensive income for the period	-	4,109	934	116,454	121,497	1,015	122,512
Share issue (Note 13)	3,786	-	-	-	3,786	-	3,786
Other contributions (Notes 13)	-	-	-	6,286	6,286	-	6,286
Disposal of a subsidiary	-	-	-	-	-	849	849
<b>As at 30 September 2021 (unaudited)</b>	<b>1,086,085</b>	<b>(48,711)</b>	<b>9,722</b>	<b>211,598</b>	<b>1,258,694</b>	<b>13,344</b>	<b>1,272,038</b>
<b>As at 1 January 2022</b>	<b>1,086,085</b>	<b>(51,997)</b>	<b>9,925</b>	<b>214,574</b>	<b>1,258,587</b>	<b>13,855</b>	<b>1,272,442</b>
Profit for the period	-	-	-	13,171	13,171	1,746	14,917
Other comprehensive income for the period	-	51,997	8,269	-	60,266	-	60,266
Total comprehensive income for the period	-	51,997	8,269	13,171	73,437	1,746	75,183
Share issue (Note 13)	239	-	-	-	239	-	239
<b>As at 30 September 2022 (unaudited)</b>	<b>1,086,324</b>	<b>-</b>	<b>18,194</b>	<b>227,745</b>	<b>1,332,263</b>	<b>15,601</b>	<b>1,347,864</b>

On behalf of the Group's management:

Dair Kusherov  
Finance Director

Yelena Stankova  
Chief Accountant

18 November 2022

18 November 2022

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

**1. GENERAL INFORMATION**

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

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

The Group operates the nationwide mainline railway network providing freight and passenger transportation services; and operates, maintains and upgrades railway infrastructure in the Republic of Kazakhstan (hereinafter – “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 differ based on the type of freight transported. The government does not regulate international transit and container freight transportation tariffs.

For 2021-2025, the Kazakhstan Ministry of the National Economy’s Committee for the Regulation of Natural Monopolies (“CRNM”) approved railway network service tariffs, introducing differentiated mainline freight transportation tariffs for diesel locomotives on non-electrified track sections and electric locomotives on electrified track sections. Locomotive traction services were divided into diesel and electric traction. The differentiation led to a 2.7% freight transportation tariff increase for carriages and containers for the nine months of 2022.

From 1 July 2022, the authorised body, represented by the Ministry of Industry and Infrastructure Development approved a 7% increase in passenger transportation tariffs for socially important interdistrict routes (2021: 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, social, legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly and are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the government's fiscal and monetary policies, together with developments in the legal, regulatory and political environment.

Kazakhstan produces and exports large volumes of oil and gas, therefore, its economy is particularly sensitive to the global oil and gas price.

The Group's management continues to monitor the development of the COVID-19 situation and does not expect a significant impact of the pandemic on the further activities of the Group.

In the beginning of January 2022, Kazakhstan witnessed mass protests, which turned into mass unrest. The situation in Kazakhstan stabilised and was taken under the control of the authorities by 15 January 2022. The government is focusing on stabilising the political and socio-economic situation.

These events have not had a significant effect on the Group's operations.

In February – March 2022, the tenge depreciated significantly against major foreign currencies amid the external geopolitical situation driven by escalating tensions in the region. During the nine months of 2022 depreciation of tenge resulted in a foreign exchange loss, most of which relates to borrowings in foreign currencies. In order to reduce the negative impact of external factors on the Kazakhstani economy, the National Bank of the Republic of Kazakhstan raised the base rate from 10.25% to 14% per annum with a corridor of +/- 1.0 p.p., and interventions with respect to the currency market were performed to support the tenge exchange rate against foreign currencies. On 25 July 2022 and 26 October 2022, the base rate was raised to 14.5% and 16%, respectively. However, there is uncertainty related to the future development of the geopolitical risks and their impact on the overall economy of the Kazakhstan.

Group management is monitoring the current economic and political situation in Kazakhstan and the world and is taking the measures it believes are required to maintain stability and develop the Group's business in the near future. The current changes resulting from the situation have not had and are not expected to have a significant negative impact on the Group's trading and operations, as freight rail traffic including international (transit) freight transportation has not been suspended in either Kazakhstan or other countries.

However, the consequences of the events and any future related changes could potentially have a significant impact on Group operations.

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

According to the Group's strategy until 2029, work was continued in 2022 to improve performance, develop transit traffic, including alternative routes, and streamline its corporate portfolio in line with the state privatisation programme, ensuring financial stability for the Group, improving client satisfaction, guaranteeing train safety and ensuring sustained Group development.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2022 (CONTINUED)**  
*(in millions of Tenge, unless otherwise stated)*

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**2. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS**

**Statement of compliance**

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

**Going concern**

The Group's condensed interim consolidated financial statements have been prepared on a going concern basis. This assumes the sale of assets and settlement of liabilities in the normal course of business for the foreseeable future. As at 30 September 2022, the Group's current liabilities exceeded its current assets by 231,364 million tenge (31 December 2021: 194,527 million tenge). As at 30 September 2022, current liabilities include borrowings of 138,396 million tenge that are payable within 12 months after the reporting date. In addition, at the start of 2022, Kazakhstan witnessed mass protests, in February 2022, the tenge depreciated significantly against major foreign currencies amid the external geopolitical situation. The impact of these events on the Group's operations is described in Note 1. However, profit for the nine months ended 30 September 2022 amounted to 14,917 million tenge (2021: profit of 117,469 million tenge), and cash inflows from operating activities amounted to 238,737 million tenge (2021: 210,873 million tenge).

The management of the Group 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 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.

In assessing its going concern status, management also considered the Group's financial position, expected future financial results and cash flows from operating activities, its borrowings, available credit facilities and capital commitments, expected tariff growth, foreign currency exchange rates and other risks that Group is facing. As at 30 September 2022, the Group has available credit lines in credit institutions: Halyk Bank of Kazakhstan JSC (22,000 million tenge), Forte Bank JSC (60,000 million tenge) and Citibank Europe Plc (70,000,000 US Dollars) for the total amount of 115,370 million tenge. After completing the relevant analysis, taking into account the events described in Note 28 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 had adequate resources to continue its operating activities and settle its liabilities and that the going concern basis is appropriate in preparing these condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2022 (CONTINUED)  
(in millions of Tenge, unless otherwise stated)

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**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 2021 prepared in accordance with International Financial Reporting Standards (“IFRSs”), (such as accounting policies and details of accounts, which have not changed significantly in amount or composition).

These condensed interim consolidated financial statements should be read in conjunction with the Group’s annual consolidated financial statements for 2021.

These financial statements is based on the same accounting principles, accounting judgements, presentation methods and calculation methods as the consolidated financial statements of the Group as at 31 December 2021.

**3. ADOPTION OF NEW AND REVISED STANDARTS**

The following Amendments to Standards became effective from 1 January 2022:

- Amendments to IFRS 3 – *References to the Conceptual Framework*;
- Amendments to IAS 16 – *Property, Plant and Equipment—Proceeds before Intended Use*;
- Amendments to IAS 37 – *Onerous Contracts – Cost of Fulfilling a Contract*;
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1 – *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments – Accounting for commission in the “10% test” to derecognise financial liabilities*, IFRS 16 *Leases – Removal of the illustration of the reimbursement of leasehold improvements*, and IAS 41 – *Accounting treatment of tax payments when measuring fair value*).

The aforementioned amendments did not impact the Group’s condensed interim consolidated financial statements.

**New and revised IFRS in issue, but not yet effective**

A number of new standards, clarifications and changes to standards become effective for annual periods beginning on or after 1 January 2023. The Group did not apply the following standards, clarifications and amendments to standards early:

- IFRS 17 *Insurance Contracts* (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective date not yet set);
- Amendments to IAS 1 – *Classification of Liabilities as Current or Non-Current* (effective, inclusive of draft additional amendments issued in November 2021, for annual periods beginning on or after 1 January 2024);
- Amendments to IAS 1 – *Disclosure of Accounting Policies* (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 8 – *Definition of Accounting Estimates* (effective for annual periods beginning on or after 1 January 2023);

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2022 (CONTINUED)**  
*(in millions of Tenge, unless otherwise stated)*

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- Amendments to IAS 12 – *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (effective for annual periods beginning on or after 1 January 2023).

The above standards and amendments are not expected to have a significant effect on the consolidated financial statements of the Group after they become effective.

**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 2021 prepared in accordance with IFRSs.

**Key sources of estimation uncertainty**

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

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

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

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

As at 30 September 2022, the Group performed the analysis of the above external and internal impairment indicators of property, plant and equipment, intangible assets and goodwill, in particular, changes in interest rates, an analysis of the achievement of actual indicators versus budgeted indicators, as well as an analysis of the transit freight turnover and changes in the exchange rate of tenge to the Swiss franc, as the transit tariff is set in Swiss franc.

The management of the Group did not identify any events that occurred during the nine months of 2022 that could be considered as an indicator of the impairment of property, plant and equipment, intangible assets and goodwill as at 30 September 2022.

*Corporate income tax*

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

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**5. SEGMENT INFORMATION**

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

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

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

	For the three months ended 30 September 2022 (unaudited)					
	Freight transportation	Passenger transportation	Reportable segments	Others	Consolidation	Total
<b>Key operating indices</b>						
<b>Revenue and other income</b>						
Transportation revenue from third parties	351,856	29,542	381,398	-	-	381,398
Transportation revenue from intersegment transactions	376	15,184	15,560	-	(15,560)	-
Government grants	-	9,289	9,289	-	-	9,289
Other income from third parties	14,488	1,657	16,145	3,997	-	20,142
Other income from intersegment transactions	6,972	869	7,841	1,696	(9,537)	-
<b>Total revenue and other income</b>	<b>373,692</b>	<b>56,541</b>	<b>430,233</b>	<b>5,693</b>	<b>(25,097)</b>	<b>410,829</b>
Cost of sales	(270,622)	(43,020)	(313,642)	(4,030)	25,215	(292,457)
<b>Gross profit</b>	<b>103,070</b>	<b>13,521</b>	<b>116,591</b>	<b>1,663</b>	<b>118</b>	<b>118,372</b>
General and administrative expenses	(21,623)	(2,357)	(23,980)	(2,168)	607	(25,541)
Finance income	10,786	188	10,974	320	(551)	10,743
Finance costs	(34,041)	(2,708)	(36,749)	(115)	(419)	(37,283)
Foreign exchange (loss)/gain	(4,829)	856	(3,973)	25	46	(3,902)
Share of the profit of associates and joint ventures	2,599	-	2,599	-	-	2,599
Asset (impairment)/ impairment reversal	(2,739)	30	(2,709)	(98)	49	(2,758)
Other profit and losses, net	709	21	730	20	(10)	740
<b>Profit before income tax</b>	<b>53,932</b>	<b>9,551</b>	<b>63,483</b>	<b>(353)</b>	<b>(160)</b>	<b>62,970</b>
Corporate income tax expenses	(16,172)	(944)	(17,116)	(239)	(319)	(17,674)
<b>Profit for the period</b>	<b>37,760</b>	<b>8,607</b>	<b>46,367</b>	<b>(592)</b>	<b>(479)</b>	<b>45,296</b>
<b>Other key segment information</b>						
Capital expenditures on property, plant and equipment	129,292	65	129,357	49	-	129,406
Depreciation of property, plant and equipment	32,407	4,988	37,395	404	(1)	37,798

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2022 (CONTINUED) (in millions of Tenge, unless otherwise stated)

	For the three months ended 30 September 2021 (unaudited)					
	Freight transportation	Passenger transportation	Reportable segments	Others	Consolidation	Total
<b>Key operating indices</b>						
<b>Revenue and other income</b>						
Transportation revenue from third parties	295,301	18,375	313,676	-	-	313,676
Transportation revenue from intersegment transactions	229	13,389	13,618	-	(13,618)	-
Government grants	-	10,621	10,621	-	-	10,621
Other income from third parties	8,840	823	9,663	2,720	-	12,383
Other income from intersegment transactions	7,480	188	7,668	1,352	(9,020)	-
<b>Total revenue and other income</b>	<b>311,850</b>	<b>43,396</b>	<b>355,246</b>	<b>4,072</b>	<b>(22,638)</b>	<b>336,680</b>
Cost of sales	(223,634)	(33,380)	(257,014)	(3,326)	21,017	(239,323)
<b>Gross profit</b>	<b>88,216</b>	<b>10,016</b>	<b>98,232</b>	<b>746</b>	<b>(1,621)</b>	<b>97,357</b>
General and administrative expenses	(18,983)	(2,307)	(21,290)	(863)	1,647	(20,506)
Finance income	4,887	566	5,453	212	(570)	5,095
Finance costs	(29,570)	(1,210)	(30,780)	(625)	253	(31,152)
Foreign exchange gain/(loss)	4,680	537	5,217	(73)	(20)	5,124
Share of the profit of associates and joint ventures	3,245	-	3,245	-	-	3,245
Assets impairment	(126)	(6)	(132)	-	(57)	(189)
Other profit and losses, net	298	27	325	19	-	344
<b>Profit/(loss) before income tax</b>	<b>52,647</b>	<b>7,623</b>	<b>60,270</b>	<b>(584)</b>	<b>(368)</b>	<b>59,318</b>
Corporate income tax expense	(7,917)	(1,649)	(9,566)	(69)	(70)	(9,705)
<b>Profit/(loss) for the period</b>	<b>44,730</b>	<b>5,974</b>	<b>50,704</b>	<b>(653)</b>	<b>(438)</b>	<b>49,613</b>
<b>Other key segment information</b>						
Capital expenditures on property, plant and equipment	102,303	14	102,317	80	3,029	105,426
Depreciation of property, plant and equipment	33,042	1,881	34,923	662	(2)	35,583



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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2022 (CONTINUED)

(in millions of Tenge, unless otherwise stated)

	For the nine months ended 30 September 2022 (unaudited)					
	Freight transportation	Passenger transportation	Reportable segments	Others	Consolidation	Total
<b>Key operating indices</b>						
<b>Revenue and other income</b>						
Transportation revenue from third parties	933,447	64,709	998,156	-	-	998,156
Transportation revenue from intersegment transactions	1,411	45,187	46,598	-	(46,598)	-
Government grants	-	23,393	23,393	-	-	23,393
Other income from third parties	34,775	3,764	38,539	11,058	-	49,597
Other income from intersegment transactions	20,484	2,594	23,078	4,760	(27,838)	-
<b>Total revenue and other income</b>	<b>990,117</b>	<b>139,647</b>	<b>1,129,764</b>	<b>15,818</b>	<b>(74,436)</b>	<b>1,071,146</b>
Cost of sales	(793,813)	(120,739)	(914,552)	(10,946)	74,512	(850,986)
<b>Gross profit</b>	<b>196,304</b>	<b>18,908</b>	<b>215,212</b>	<b>4,872</b>	<b>76</b>	<b>220,160</b>
General and administrative expenses	(63,429)	(6,781)	(70,210)	(4,139)	868	(73,481)
Finance income	33,708	650	34,358	841	(1,679)	33,520
Finance costs	(97,563)	(5,727)	(103,290)	(361)	(729)	(104,380)
Foreign exchange (loss)/gain	(38,726)	539	(38,187)	149	334	(37,704)
Share of the profit of associates and joint ventures	2,878	-	2,878	-	-	2,878
Asset (impairment)/ impairment reversal	(1,430)	145	(1,285)	3	72	(1,210)
Other profit and losses, net	1,720	59	1,779	77	(25)	1,831
<b>Profit before income tax</b>	<b>33,462</b>	<b>7,793</b>	<b>41,255</b>	<b>1,442</b>	<b>(1,083)</b>	<b>41,614</b>
Corporate income tax expenses	(22,014)	(3,168)	(25,182)	(723)	(792)	(26,697)
<b>Profit for the period</b>	<b>11,448</b>	<b>4,625</b>	<b>16,073</b>	<b>719</b>	<b>(1,875)</b>	<b>14,917</b>
<b>Other key segment information</b>						
Capital expenditures on property, plant and equipment	216,894	24,361	241,255	378	1,890	243,523
Depreciation of property, plant and equipment (Note 6)	97,561	10,638	108,199	1,208	(3)	109,404

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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2022 (CONTINUED) (in millions of Tenge, unless otherwise stated)

	For the nine months ended 30 September 2021 (unaudited)					
	Freight transportation	Passenger transportation	Reportable segments	Others	Consolidation	Total
<b>Key operating indices</b>						
<b>Revenue and other income</b>						
Transportation revenue from third parties	869,751	41,812	911,563	-	-	911,563
Transportation revenue from intersegment transactions	770	40,087	40,857	-	(40,857)	-
Government grants	-	24,942	24,942	-	-	24,942
Other income from third parties	24,383	2,205	26,588	8,458	-	35,046
Other income from intersegment transactions	22,251	489	22,740	4,052	(26,792)	-
<b>Total revenue and other income</b>	<b>917,155</b>	<b>109,535</b>	<b>1,026,690</b>	<b>12,510</b>	<b>(67,649)</b>	<b>971,551</b>
Cost of sales	(652,707)	(91,998)	(744,705)	(9,150)	63,736	(690,119)
<b>Gross profit</b>	<b>264,448</b>	<b>17,537</b>	<b>281,985</b>	<b>3,360</b>	<b>(3,913)</b>	<b>281,432</b>
General and administrative expenses	(58,528)	(6,215)	(64,743)	(2,110)	3,737	(63,116)
Finance income	11,692	1,358	13,050	714	(2,389)	11,375
Finance costs	(90,282)	(3,214)	(93,496)	(2,540)	1,551	(94,485)
Foreign exchange (loss)/gain	(5,414)	382	(5,032)	(54)	24	(5,062)
Share of the profit of associates and joint ventures	8,333	-	8,333	-	-	8,333
Asset (impairment)/ impairment reversal	(324)	(24)	(348)	22	157	(169)
Other profit and losses, net	7,046	129	7,175	94	-	7,269
<b>Profit/(loss) before income tax</b>	<b>136,971</b>	<b>9,953</b>	<b>146,924</b>	<b>(514)</b>	<b>(833)</b>	<b>145,577</b>
Corporate income tax expense	(27,189)	(999)	(28,188)	(173)	253	(28,108)
<b>Profit/(loss) for the period</b>	<b>109,782</b>	<b>8,954</b>	<b>118,736</b>	<b>(687)</b>	<b>(580)</b>	<b>117,469</b>
<b>Other key segment information</b>						
Capital expenditures on property, plant and equipment	226,415	148	226,563	198	4,252	231,013
Depreciation of property, plant and equipment (Note 6)	97,929	5,754	103,683	1,527	(5)	105,205

### Geographical information of the Group

The Group generates its revenue from customers in multiple geographical regions.

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Kazakhstan	399,079	329,025	1,042,161	945,470
Russia	6,103	4,993	16,004	17,256
Others	5,647	2,662	12,981	8,825
	<b>410,829</b>	<b>336,680</b>	<b>1,071,146</b>	<b>971,551</b>

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

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6. PROPERTY, PLANT AND EQUIPMENT

	Rail track infrastructure	Buildings and constructions	Machinery and equipment	Vehicles	Land	Other	Construction-in- progress	Total
Carrying amount as at 1 January 2021	1,157,450	321,322	281,881	926,519	3,969	14,177	131,099	2,836,417
Additions	28	2,473	2,931	39,744	12	28	148,442	193,658
Disposals	(4,012)	(512)	(1,277)	(2,446)	(4)	(227)	-	(8,478)
Lease additions	-	349	-	36,183	-	-	-	36,532
Depreciation charge (Note 5)	(27,728)	(6,308)	(27,406)	(42,190)	-	(1,573)	-	(105,205)
Depreciation on disposal	3,792	213	1,221	2,277	-	224	-	7,727
Transfer to assets held for sale	-	(1,896)	(196)	(1,568)	(22)	(56)	(24)	(3,762)
Other movements and transfers <sup>1</sup>	6,338	(2,012)	6,033	67,211	(12)	98	(78,299)	(643)
<b>Carrying amount as at 30 September 2021</b> <b>(unaudited)</b>	<b>1,135,868</b>	<b>313,629</b>	<b>263,187</b>	<b>1,025,730</b>	<b>3,943</b>	<b>12,671</b>	<b>201,218</b>	<b>2,956,246</b>
Cost	1,444,269	376,825	512,733	1,560,966	3,943	28,763	213,050	4,140,549
Accumulated depreciation and impairment	(308,401)	(63,196)	(249,546)	(535,236)	-	(16,092)	(11,832)	(1,184,303)
<b>Carrying amount as at 30 September 2021</b> <b>(unaudited)</b>	<b>1,135,868</b>	<b>313,629</b>	<b>263,187</b>	<b>1,025,730</b>	<b>3,943</b>	<b>12,671</b>	<b>201,218</b>	<b>2,956,246</b>
Including:								
Rights-of-use assets:								
Cost	-	1,925	37,728	53,621	-	7,417	-	100,691
Accumulated depreciation and impairment	-	(433)	(16,435)	(5,870)	-	(1,669)	-	(24,407)
Carrying value	-	1,492	21,293	47,751	-	5,748	-	76,284
Property, plant and equipment that are subject to operating lease (the Group as the lessor)	-	138	6	8,719	-	-	-	8,863

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

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	Rail track infrastructure	Buildings and constructions	Machinery and equipment	Vehicles	Land	Other	Construction-in- progress	Total
Carrying amount as at 1 January 2022	1,205,831	305,435	266,902	1,071,704	3,960	12,437	172,020	3,038,289
Additions	284	248	1,673	17,830	4	1,633	215,804	237,476
Disposals	(74)	(239)	(1,555)	(3,241)	(10)	(173)	(3)	(5,295)
Lease additions	-	98	-	6,392	-	686	-	7,176
Depreciation charge (Note 5)	(29,423)	(5,757)	(26,496)	(45,124)	-	(2,604)	-	(109,404)
Depreciation on disposal	68	166	1,543	3,205	-	168	-	5,150
Other movements and transfers <sup>2</sup>	31,191	(73)	2,429	153,534	-	(1,049)	(188,200)	(2,168)
<b>Carrying amount as at 30 September 2022 (unaudited)</b>	<b>1,207,877</b>	<b>299,878</b>	<b>244,496</b>	<b>1,204,300</b>	<b>3,954</b>	<b>11,098</b>	<b>199,621</b>	<b>3,171,224</b>
Cost	1,542,056	371,178	528,133	1,794,708	3,954	31,491	211,410	4,482,930
Accumulated depreciation and impairment	(334,179)	(71,300)	(283,637)	(590,408)	-	(20,393)	(11,789)	(1,311,706)
<b>Carrying amount as at 30 September 2022 (unaudited)</b>	<b>1,207,877</b>	<b>299,878</b>	<b>244,496</b>	<b>1,204,300</b>	<b>3,954</b>	<b>11,098</b>	<b>199,621</b>	<b>3,171,224</b>
Including:								
Rights-of-use assets:								
Cost	-	1,988	37,728	66,383	-	9,280	-	115,379
Accumulated depreciation and impairment	-	(653)	(26,296)	(10,572)	-	(4,364)	-	(41,885)
Carrying value	-	1,335	11,432	55,811	-	4,916	-	73,494
Property, plant and equipment that are subject to operating lease (the Group as the lessor)	-	233	4	23,231	-	-	-	23,468

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

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**7. INVESTMENT IN ASSOCIATES AND JOINT VENTURES**

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

	<u>2022</u>	<u>2021</u>
<b>Associates</b>		
<b>As at 1 January</b>	26,793	21,218
Foreign exchange difference on translation of foreign operations	7,586	949
Share in profit	2,835	8,373
Dividends receivable	<u>(8,726)</u>	<u>(6,461)</u>
<b>As at 30 September (unaudited)</b>	<b><u>28,488</u></b>	<b><u>24,079</u></b>
<b>Joint ventures</b>		
<b>As at 1 January</b>	895	-
Additions	-	966
Share in profit/(loss)	43	(40)
Charter capital contributions	58	-
Impairment	<u>(826)</u>	<u>-</u>
<b>As at 30 September (unaudited)</b>	<b><u>170</u></b>	<b><u>926</u></b>

As at 30 September 2022, the Group's unrecognised share of the losses of its significant associate, Aktau Marine North Terminal LLP amounted to 8,352 million tenge (31 December 2021: 7,768 million tenge).

During the nine months ended 30 September 2022, the Group received from United Transport and Logistics Company - Eurasian Rail Alliance JSC dividends for 2021 in cash of 2,670 million tenge (317,142,638 Russian Roubles), net of foreign exchange (2021: 3,495 million tenge (606,685,681.74 Russian Roubles), net of foreign exchange) (Note 28).

Due to indicators of impairment, the Group performed an impairment test for investment in joint venture KIF Warehouses LLP as at 30 September 2022. Based on the results of the test the Group recognized an impairment loss of 826 million tenge.

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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2022 (CONTINUED) (in millions of Tenge, unless otherwise stated)

### 8. OTHER NON-CURRENT ASSETS

	30 September 2022 (unaudited)	31 December 2021
Advances paid for property, plant and equipment	119,565	104,054
VAT recoverable	68,921	43,797
Investment property	8,532	8,629
Others	941	1,027
Less: allowance for non-recoverable VAT	(10,380)	(10,380)
Less: allowance for advances for property, plant and equipment	(1,281)	(4,362)
<b>Total other non-financial assets</b>	<b>186,298</b>	<b>142,765</b>
Restricted cash	13,266	13,737
Loans given	6,677	6,146
Loans given to employees	1,866	2,178
Bonds of the second-tier Kazakhstani banks and other credit institutions and other debt securities	1,366	1,262
Long-term trade accounts receivable (Note 11)	31	47
Others	883	1,663
Less: allowance for expected credit losses on loans given	(2,552)	(2,349)
Less: allowance for expected credit losses on other non-current financial assets	(577)	(877)
<b>Total other financial assets</b>	<b>20,960</b>	<b>21,807</b>
	<b>207,258</b>	<b>164,572</b>

Restricted cash primarily represents amounts in euro pledged as collateral for loans received from HSBC France. The restriction on the use of funds will be removed after the repayment of these loans.

As at 30 September 2022 and 31 December 2021, advances paid for property, plant and equipment included the following:

	30 September 2022 (unaudited)	31 December 2021
Supply of electric locomotives	88,532	68,036
Supply of diesel locomotives	17,179	4,996
Supply of rail switch products	3,337	-
Construction of a ferry complex at Kuryk Port	2,139	2,244
Purchase of rails	1,719	21,356
Others	6,659	7,422
	<b>119,565</b>	<b>104,054</b>

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**9. CASH AND CASH EQUIVAVLENTS**

	<b>30 September 2022 (unaudited)</b>	<b>31 December 2021</b>
Short-term bank deposits in tenge	12,523	128,371
Short-term bank deposits in Russian roubles	-	597
Cash in bank current accounts, in tenge	32,750	30,653
Cash in bank current accounts, in US Dollars	11,402	13,098
Cash in bank current accounts, in Russian roubles	4,333	2,482
Cash in bank current accounts, in euro	553	1,667
Cash in bank accounts, in other currencies	269	1,158
Petty cash	6	5
Less: allowance for expected credit losses on cash and cash equivalents	(5)	(31)
	<b>61,831</b>	<b>178,000</b>

As at 30 September 2022, the weighted average interest rate for cash in current accounts was 1.35% per annum in tenge and 1.59% per annum in other currencies (31 December 2021: 1.75% in tenge и 1.92% in other currencies).

Short-term bank deposits in tenge and in foreign currencies are placed for various periods of up to three months, depending on the Group's cash needs. As at 30 September 2022, the weighted average interest rate for short-term bank deposits was 13.8% per annum in tenge (31 December 2021: 9.18% in tenge and 8% in other currencies).

The Group places most of its cash and cash equivalents in banks and other financial institutions rated between A+ and B. Based on this, the Group believes that the cash and cash equivalents credit risk as at 30 September 2022 is low.

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

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**10. INVENTORIES**

	<b>30 September 2022 (unaudited)</b>	<b>31 December 2021</b>
Materials and supplies	13,707	10,995
Track structure materials	11,144	11,050
Spare parts	8,810	7,129
Fuel and lubricants	8,750	9,401
Construction materials	1,396	1,278
Production in progress	120	117
Others	3,531	3,463
	<b>47,458</b>	<b>43,433</b>
Less: allowance for inventories	(1,348)	(1,032)
	<b>46,110</b>	<b>42,401</b>

**11. TRADE ACCOUNTS RECEIVABLE**

	<b>30 September 2022 (unaudited)</b>	<b>31 December 2021</b>
Trade accounts receivable	38,132	28,541
Less: allowance for expected credit losses	(8,668)	(5,246)
	<b>29,464</b>	<b>23,295</b>
Current portion of trade accounts receivable	29,433	23,248
Non-current portion of trade accounts receivable (Note 8)	31	47
	<b>29,464</b>	<b>23,295</b>

As at 30 September 2022, trade accounts receivable from contracts with customers amounted to 36,994 million tenge (31 December 2021: 26,031 million tenge), expected credit losses on these trade accounts receivable amounted to 8,148 million tenge (31 December 2021: 3,060 million tenge).



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**12. OTHER CURRENT ASSETS**

	<b>30 September 2022 (unaudited)</b>	<b>31 December 2021</b>
Other taxes prepaid	42,000	41,874
Advances paid	17,623	6,777
Deferred expenses	1,175	1,223
Others	4,050	4,702
Less: allowance for impairment of advances given and other current non-financial assets	(5,894)	(6,034)
<b>Total other non-financial assets</b>	<b>58,954</b>	<b>48,542</b>
Subsidies	6,259	-
Dividends receivable	6,141	-
Claims, interest and fines	4,432	1,721
Amounts due from employees	1,884	1,664
Others	9,494	2,973
Less: allowance for expected credit losses on other current financial assets	(3,820)	(2,116)
<b>Total other financial assets</b>	<b>24,390</b>	<b>4,242</b>
	<b>83,344</b>	<b>52,784</b>

**13. EQUITY****Contributions***Share issue*

For the nine months ended 30 September 2022, Группа выпустила 1 акцию, в оплату которой от Акционера получены 607 единиц колесных пар общей рыночной стоимостью 239 млн. тенге.

For the nine months ended 30 September 2021, the Group issued 37,859 shares, in payment for intangible assets in the amount of 3,786 million tenge that were received from the Shareholder.

*Other contributions*

For the nine months ended 30 September 2021, the Group recognised an adjustment to loans received at rates lower than market to fair value of 7,857 million tenge (2020: 20,858 million tenge) less the deferred tax effect of 1,571 million tenge (Note 14).

**Hedging reserve**

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

As at 30 September 2022, hedge accounting was discontinued due to the receipt of revenue from freight transportation in international (transit) route, which is the hedge item, accordingly, the

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cumulative deferred loss attributable to this hedging instrument was reclassified from other comprehensive loss to revenue from freight transportation in the amount of 54,442 million tenge (Note 19).

During the nine months ended 30 September 2022, the effective portion of 2,445 million tenge was allocated to the hedging reserve in other comprehensive income in the form of a net loss on the hedging instrument (2021: 4,109 million tenge in the form of net profit).

**Foreign currency translation reserve**

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

**14. BORROWINGS**

As at 30 September 2022 and 31 December 2021, borrowings, including accrued interest, consisted of the following:

	30 September 2022 (unaudited)		31 December 2021	
	Value	Weighted average effective interest rate (%)	Value	Weighted average effective interest rate (%)
<i>Fixed interest rate borrowings and debt securities issued</i>				
Borrowings received	315,349		240,890	
- in tenge	244,318	10.34	164,644	7.51
- in Euros	71,031	6.57	76,246	6.57
Debt securities issued	1,043,402		1,158,930	
- in tenge	474,129	10.81	468,570	10.81
- in US Dollars	444,390	6.95	396,207	6.95
- in Swiss Francs	124,883	3.25	207,321	3.42
- in other currencies	-	-	86,832	8.75
<i>Variable interest rate borrowings and debt securities issued</i>				
Borrowings received	10,484		124,017	
- in tenge	10,484	16.42	13,066	12.39
- in Russian Roubles	-	-	110,951	11.00
Debt securities issued	175,069		53,375	
- in tenge	175,069	15.21	53,375	9.92
	<b>1,544,304</b>		<b>1,577,212</b>	
Current portion of borrowings	138,396		215,809	
Non-current portion of borrowings	1,405,908		1,361,403	
	<b>1,544,304</b>		<b>1,577,212</b>	

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**Borrowings received**

*Halyk Bank of Kazakhstan JSC*

For the nine months ended 30 September 2022, the Group, represented by the Company and 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 108,000 million tenge with an interest rate of 14.5%-16% and maturity date of up to six months. The Group made a partial early repayment of borrowings received in the total amount of 40,000 million tenge (Note 28).

*Forte Bank JSC*

In June 2022, the Group, represented by the Company, within the framework of a credit line agreement with Forte Bank JSC concluded on 13 June 2022, received borrowings in the total amount of 60,000 million tenge with an interest rate of 15.5% and maturity date of up to three months. In July-September 2022, the Group made an early repayment of the received borrowings.

*Citibank Kazakhstan JSC*

In May 2022, the Group, represented by a subsidiary KTZ-Freight Transportation LLP, within the framework of a Master agreement with Citibank Kazakhstan on short-term loans, concluded on 30 November 2009, received borrowings in the total amount of 12,650 million tenge with an interest rate of 17% and maturity date of up to 1 year.

*The Shareholder*

The Group, represented by the Company, under a loan agreement with the Shareholder concluded on 25 May 2022, received borrowings in the total amount of 30,000 million tenge with an interest rate of 14.5% and maturity date of up to 2 months. In July 2022, the Group made a repayment of the received borrowings.

*Citibank Europe Plc*

In July 2022, the Group, represented by the Company, within the framework of a credit line agreement with Citibank Europe Plc concluded on 16 June 2022, received borrowings in the total amount of 29,999,995 US Dollars (13,945 million tenge) with an interest rate of 4.61% and maturity date of up to three months. The Group made an early repayment of the received borrowings.

*HSBC France*

For the nine months ended 30 September 2022, the Group, represented by a subsidiary KTZ-Freight Transportation LLP, under the General Framework Agreement with HSBC France from 31 May 2012, together with HSBC Bank Plc and DB “HSBC Kazakhstan” JSC, guaranteed by the COFACE export and credit agency to finance the purchase of electric freight and passenger locomotives for 880,877,000 euros, borrowed 13,329,103 Euros (6,547 million tenge) (including the COFACE premium). Interest is repaid semi-annually at EUR CIRR + 0.4% margin which is fixed at each tranche date. Principal is repaid semi-annually until fully repaid in 2031.

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**Early repayment of non-current borrowings**

In March 2022, the Group's management made a decision to early repay the principal debt of loans from VTB Bank PJSC and Sberbank SB JSC in the amount of 19,400,000,000 Russian Roubles (93,681 million tenge) and 5,064 million tenge, respectively. In March 2022, the Group made an early repayment of principal and accrued interest on these loans.

**Debt securities issued**

*State subsidy of the interest rate*

In May 2020, the Group, represented by the Company, entered into a contract with the Transport Committee of the Ministry of Industry and Infrastructure Development 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 modernization, updating locomotives and freight cars. The Agreement stipulates that the amount of subsidy should be provided for under the Republican budget program No. 010 «Subsidising the coupon rate on the carrier's Bonds issued for the development of the main railway network and rolling stock of railway transport» (further 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 nine months ended 30 September 2022, the Group recognised income from government subsidies under the Program in the amount of 21,887 million tenge as part of financial income. In addition, the Group recognized deferred income in the amount of 7,296 млн. Тенге million tenge as part of other current liabilities as at 30 September 2022.

Fair value of borrowings is disclosed in Note 27.

**Credit agreements and breaches of credit agreements**

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

According to finance lease agreements with Industrial Development Fund JSC being accounted for by the Group as borrowings, the Group shall comply with certain non-financial covenants.

EBRD loan agreements include certain financial coefficients (covenants), such as Adjusted Debt to Adjusted EBITDA, Adjusted Debt to Equity and Interest Coverage Ratios (based on Adjusted EBITDA) calculated based on consolidated results of the Group semi-annually. As at 30 June 2022, these condition were met.

The Group reached new agreements with HSBC France regarding financial and non-financial covenants – starting from 2020, the Group shall comply with the covenant that the Company has any two of the three corporate ratings (S&P, Fitch, Moody's) at a level not lower than BB. As at 30 September 2022, this covenant was met.

**KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC**

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

	2022			2021		
	Borrowings and debt securities issued	Lease liabilities (Note 15)	Total	Borrowings and debt securities issued	Lease liabilities (Note 15)	Total
As at 1 January	1,577,212	59,798	1,637,010	1,570,179	50,186	1,620,365
Changes due to cash flows from financing activities						
Repayment of principal on borrowings	(443,890)	-	(443,890)	(36,486)	-	(36,486)
Proceeds from borrowings	343,540	-	343,540	13,125	-	13,125
Repayment of lease liabilities	-	(11,167)	(11,167)	-	(8,977)	(8,977)
<b>Total changes due to cash flows from financing activities</b>	<b>(100,350)</b>	<b>(11,167)</b>	<b>(111,517)</b>	<b>(23,361)</b>	<b>(8,977)</b>	<b>(32,338)</b>
<b>Other changes</b>						
Effect of changes in foreign exchange rates	35,857	481	36,338	4,048	(32)	4,016
Cash flows hedging	2,445	-	2,445	(4,109)	-	(4,109)
Purchase of property, plant and equipment through borrowings	5,706	-	5,706	14,472	-	14,472
New lease agreements	-	3,042	3,042	-	18,535	18,535
Adjustment to the fair value of loans received from the Shareholder/Ultimate Shareholder at rates lower than market (Note 13)	-	-	-	(7,857)	-	(7,857)
Interest expenses and amortisation of discount, including those capitalised	101,466	6,366	107,832	91,417	5,232	96,649
Interest paid	(77,241)	(4,466)	(81,707)	(70,334)	(4,283)	(74,617)
Other changes	(791)	1,097	306	(240)	96	(144)
<b>Total other changes attributable to liabilities</b>	<b>67,442</b>	<b>6,520</b>	<b>73,962</b>	<b>27,397</b>	<b>19,548</b>	<b>46,945</b>
<b>As at 30 September (unaudited)</b>	<b>1,544,304</b>	<b>55,151</b>	<b>1,599,455</b>	<b>1,574,215</b>	<b>60,757</b>	<b>1,634,972</b>

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**15. LEASE LIABILITIES**

	30 September 2022 (unaudited)		31 December 2021	
	Lease payments	Present value of lease payments	Lease payments	Present value of lease payments
Within one year	19,048	18,322	27,269	25,355
From two to five years inclusive	34,224	22,441	36,592	22,857
Over five years	62,434	14,388	55,996	11,586
<b>Net liabilities</b>	<b>115,706</b>	<b>55,151</b>	<b>119,857</b>	<b>59,798</b>
Net of future financial costs	(60,555)	-	(60,059)	-
<b>Present value of lease liabilities</b>	<b>55,151</b>	<b>55,151</b>	<b>59,798</b>	<b>59,798</b>
Less amount due within 12 months		(18,322)		(25,355)
<b>Amount to be repaid after 12 months</b>		<b>36,829</b>		<b>34,443</b>

**Lease agreements with Industrial Development Fund JSC***Platform cars*

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

During the nine months ended 30 September 2022, the Group received 277 platform cars under this agreement and recognized right-of-use assets in the amount of 6,392 million tenge for 32 years as well as lease liability in the amount of 2,934 million tenge with a maturity of 15 years.

As at 30 September 2022, the calculation of interest amount is based on effective interest rates ranging between 2.5% and 21.69% (31 December 2021: от 2.5% and 21.69%).

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

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

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**16. TRADE ACCOUNTS PAYABLE**

	<b>30 September 2022 (unaudited)</b>	<b>31 December 2021</b>
Accounts payable for services provided	61,167	56,208
Accounts payable for the supply of property, plant and equipment	25,396	29,336
Accounts payable for inventories received	22,491	26,287
Other accounts payable	2,674	4,700
	<b>111,728</b>	<b>116,531</b>

As at 30 September 2022 and 31 December 2021, trade accounts payable were expressed in the following currencies:

	<b>30 September 2022 (unaudited)</b>	<b>31 December 2021</b>
Tenge	84,387	105,782
US Dollars	21,092	4,634
Euro	4,574	3,995
Other currencies	1,675	2,120
	<b>111,728</b>	<b>116,531</b>

**17. CONTRACT LIABILITIES**

	<b>30 September 2022 (unaudited)</b>	<b>31 December 2021</b>
Advances received on contracts with customers	73,495	82,920
Deferred income	16,823	12,390
	<b>90,318</b>	<b>95,310</b>

The revenue recognised in the reporting period, which was included in the balance of advances received and deferred income at the beginning of the year amounted to 88,376 million tenge (2021: 66,420 million tenge).

Contract liabilities as at 30 September 2022 will be recognised as revenue within 12 months after the reporting date.

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2022 (CONTINUED) (in millions of Tenge, unless otherwise stated)

#### 18. OTHER LIABILITIES

	30 September 2022 (unaudited)	31 December 2021
Deferred income (government grants)	38,764	24,453
Provisions for unused vacation and other employee benefits	23,492	23,265
Advances received	8,330	701
Provisions	2,216	4,291
Others	4,457	3,310
<b>Total other non-financial liabilities</b>	<b>77,259</b>	<b>56,020</b>
Liabilities under financial guarantee contracts	29,507	29,953
Salary payable	23,406	7,563
Obligatory pension contributions, social contributions, insurance and obligatory medical insurance contributions	9,764	9,696
Liabilities under financial guarantee contracts	6,878	7,876
<b>Total other financial liabilities</b>	<b>69,555</b>	<b>55,088</b>
	<b>146,814</b>	<b>111,108</b>
Current portion of other liabilities	92,996	56,611
Non-current portion of other liabilities	53,818	54,497
	<b>146,814</b>	<b>111,108</b>

As disclosed in Note 25, the Group has provided financial guarantees to banks on loans received by the entities of Nursultan Nazarbayev International Airport JSC and Aktobe Rail and Section Mill Plant LLP and an associate of Transtelecom JSC, and has recognised obligations under financial guarantee agreements. As at 30 September 2022, liabilities under financial guarantee agreements amounted to 15,417 million tenge for Nursultan Nazarbayev International Airport JSC, 13,662 million tenge for Aktobe Rail and Section Mill Plant LLP and 428 million tenge for Transtelecom JSC (31 December 2021: 15,476 million tenge for Nursultan Nazarbayev International Airport JSC, 13,953 million tenge for Aktobe Rail and 524 million tenge for Transtelecom JSC).

Provisions include provisions for agreements under which as at 30 September 2022, there is a high probability that an outflow of resources embodying economic benefits will be required to settle the liabilities. Provisions were recognised through other profit or losses.

As at 30 September 2022 and 31 December 2021, other liabilities were primarily denominated in tenge.



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19. REVENUE

For three and nine months ended 30 September 2022 and 2021, revenue from freight transportation included:

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Revenue from contracts with customers:				
International (transit) route	140,592	106,117	311,578	308,950
Domestic route	98,141	89,274	276,899	252,364
International (export) route	50,818	46,210	160,365	140,853
International (import) route	36,394	32,849	108,772	98,547
Additional charges related to the transportation process	11,814	12,470	38,900	35,117
Other revenue from freight transportation	14,097	8,381	36,933	33,920
	<b>351,856</b>	<b>295,301</b>	<b>933,447</b>	<b>869,751</b>

During the nine months ended 30 September 2022, the Group received international (transit) freight transportation revenue, which is the cash flow hedged item, therefore, the accumulated loss in the amount of 54,442 million attributable to the hedging instrument was reclassified from other comprehensive loss to freight transportation revenue (Note 13).

For three and nine months ended 30 September 2022 and 2021, revenue from passenger transportation included:

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Revenue from contracts with customers:				
Passenger transportation	26,684	16,173	57,477	36,317
Other revenue from freight transportation	2,858	2,202	7,232	5,495
	<b>29,542</b>	<b>18,375</b>	<b>64,709</b>	<b>41,812</b>

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2022 (CONTINUED) (in millions of Tenge, unless otherwise stated)

### 20. OTHER REVENUE

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Revenue from the sale of goods, provision of other services and fines	13,683	10,159	36,628	28,890
Revenue from lease of wagons	5,097	1,116	9,617	3,695
Revenue from the lease of other property, plant and equipment	1,362	1,108	3,352	2,461
	<b>20,142</b>	<b>12,383</b>	<b>49,597</b>	<b>35,046</b>

Revenue from the sale of goods and the provision of other services mainly consists of income from cargo handling, ship maintenance, and the sale of materials and scrap metal.

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

Revenue from fines is mainly represented by revenue from penalties related to untimely clearing of goods from destination stations and for violation of the terms of business contracts.

### 21. COST OF SALES

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Staff costs, including taxes, contributions and provisions for unused vacations	116,032	86,169	335,994	243,464
Fuel and lubricants	38,051	32,299	121,369	90,341
Repairs and maintenance	45,269	36,842	121,366	104,101
Depreciation and amortisation	36,391	33,875	105,992	100,679
Work and services of a production nature	18,170	15,710	50,820	43,821
Electricity	11,796	10,683	38,825	37,013
Materials and supplies	9,373	7,913	22,999	23,500
Property tax and other taxes than social tax and social contributions	6,513	6,524	19,901	19,118
Other costs	10,862	9,308	33,720	28,082
	<b>292,457</b>	<b>239,323</b>	<b>850,986</b>	<b>690,119</b>

# KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2022 (CONTINUED) (in millions of Tenge, unless otherwise stated)

### 22. GENERAL AND ADMINISTRATIVE EXPENSES

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Staff costs, including taxes, contributions and provisions for unused vacation	15,036	12,026	42,803	36,449
Property tax and other taxes than social tax and social contributions	2,640	1,619	6,341	7,284
Accrual of allowances for expected credit losses on accounts receivable and impairment of short-term advances paid	868	830	5,535	2,962
Depreciation and amortisation	1,002	1,250	3,139	3,772
Other third party services	568	442	2,106	1,373
Business trip expenses	473	243	1,125	637
Consulting, audit and legal services	273	369	962	935
Operating lease expenses	355	317	898	838
Utilities and building maintenance	320	131	701	540
Insurance	141	100	435	309
Telecommunication services	135	152	429	464
Banking services	103	115	334	350
Other expenses	3,627	2,912	8,673	7,203
	<b>25,541</b>	<b>20,506</b>	<b>73,481</b>	<b>63,116</b>

### 23. FINANCE INCOME AND COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
<b>Finance income</b>				
Income from interest rate subsidies on financial liabilities	7,813	631	23,395	994
Interest income on cash and cash equivalents	2,252	2,697	7,539	6,716
Other financial income	678	1,767	2,586	3,665
	<b>10,743</b>	<b>5,095</b>	<b>33,520</b>	<b>11,375</b>
	For the three months ended 30 September		For the nine months ended 30 September	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
<b>Finance costs</b>				
Interest expenses and amortisation of discount on borrowings	34,702	28,946	97,236	88,759
Lease interest expenses	2,144	1,983	6,366	5,232
Other finance costs	437	223	778	494
	<b>37,283</b>	<b>31,152</b>	<b>104,380</b>	<b>94,485</b>

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**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 September 2022 and 31 December 2021, the Company had no outstanding antidilutive instruments.

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Weighted average of common shares	496,692,666	496,692,665	496,692,665	496,667,842
Profit for the period attributable to the Shareholder, (million tenge)	44,496	49,130	13,171	116,454
<b>Profit per share (tenge)</b>	<b>90</b>	<b>98</b>	<b>27</b>	<b>234</b>

The carrying amount of one share as at 30 September 2022 and 31 December 2021 is presented below:

	30 September 2022 (unaudited)	31 December 2021
Net assets, not including intangible assets, goodwill and non-controlling interests, million tenge	1,301,714	1,226,586
Number of common shares in circulation (registered)	496,692,666	496,692,665
<b>Carrying amount of one share (tenge)<sup>3</sup></b>	<b>2,621</b>	<b>2,470</b>

**25. FINANCIAL AND CONTINGENT LIABILITIES**

**Capital commitments**

As at 30 September 2022 and 31 December 2021, the Group had commitments, including under lease agreements with Industrial Development Fund JSC, for overhaul of rail track, for the purchase of long rails and for the purchase of freight and passenger electric locomotives, freight and passenger diesel locomotives and freight cars for a total amount of 1,464,421 million tenge (31 December 2021: 1,613,814 million tenge).

*Commitments under lease agreements with Industrial Development Fund JSC*

In August 2017, the Group, represented by its subsidiary KTZ Express JSC, concluded contracts for the lease of 1,995 platform cars, with a total cost of 33,264 million tenge for 15 years and interest rate of 15% per annum, 10% of which is subsidised by the State. The grace period for the principal is 5 years. The Group acts as a lessee. As at 30 September 2022, platform cars with a total value of 26,862 million tenge had not been delivered. By the end of 2022, the Group plans to sign an addendum to the lease contract to reduce the quantity of wagons to the actually delivered quantity as at 30 September 2022 in the amount of 6,402 million tenge.

<sup>3</sup> Carrying amount of shares is calculated in accordance with KASE requirements.

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In November 2020, the Group, represented by its subsidiary KTZ Express JSC, signed a contract for the lease of 2,000 platform cars with a total cost of 51,692 million tenge for 15 years and interest rate of 15% per annum, 10% of which is 360modernizat by the State. The grace period for the principal is 2 years. The Group acts as a lessee. As at 30 September 2022, the amount of the contingent liability for undelivered platform cars amounted to 19,798 million tenge.

**Other contractual liabilities**

As at 30 September 2022, the Group, represented by its subsidiary KTZ Express JSC, had an agreement for the provision of freight handling and freight storage services in the future. The Agreement stipulate that the Group has to acquire a minimum volume of freight storage services for 10 years and make substantial payments in relation for such volumes.

Group management 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 started execution of the obligations under the Agreement. Group management believes that as at 30 September 2022, the outflow of resources embodying economic benefits under this Agreement is not highly probable.

**Contingent liabilities**

*Litigation*

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

*Contingent liabilities related to the Kazakhstan tax system*

Due to the uncertainties inherent in the Kazakhstan tax system, the ultimate amount of taxes, fines and late payment interest may exceed the amount expensed as at 30 September 2022 and 31 December 2021. 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

## KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2022 (CONTINUED) (in millions of Tenge, unless otherwise stated)

required insurance coverage under policies purchased from commercial insurance operators in Kazakhstan.

#### Guarantees

As at 30 September 2022, guarantees were represented as follows:

Creditor	Purpose of the guarantee	Guarantee issue date	Guarantee period	Guarantee amount, million tenge (unaudited)
Development Bank of Kazakhstan JSC	Execute the obligations of the associate Aktobe Rail and Section Mill Plant LLP to finance the construction of a rail and section mill plant in Aktobe	4 July 2013	until 2033	17,677
Development Bank of Kazakhstan JSC	Execute the obligations of Nursultan Nazarbayev International Airport JSC to finance its 370ernization	28 March 2018	until 2033	22,500
Eurasian Development Bank	Execute the obligations of an associate Transtelecom JSC for the implementation of the project Construction of a Fibber-Optic communication line (FOCL)	21 October 2014	until 2024	2,628
Development Bank of Kazakhstan JSC	Execute the obligations of an associate Transtelecom JSC for the implementation of the project ACS of Energy Dispatching Traction	30 June 2014	until 2024	5,990

Note 18 discloses the carrying value of these guarantees.

As at at 30 September 2022 and 31 December 2021, there were no cases of using the financial guarantees listed above.

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**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 September 2022 (unaudited) and 31 December 2021 are detailed below.

		Shareholder	Associates	Joint ventures in which the Group is a partner	Companies making up the Shareholder Group	Other related parties <sup>4</sup>
Amounts due from related parties for goods, services and non-current assets including advances paid	2022	-	5,262	-	785	12
	2021	-	4,748	-	356	5
<i>including allowances for expected credit losses and impairment of advances paid</i>	2022	-	(1,848)	-	(64)	-
	2021	-	(35)	-	(23)	-
Amounts due to related parties for goods, services and non-current assets including advances received	2022	-	16,741	-	7,405	328
	2021	-	19,425	-	2,722	2,437
Restricted cash	2022	-	-	-	-	2
	2021	-	-	-	-	117
Borrowings received	2022	129,207	-	-	-	75,571
	2021	128,769	-	-	-	72,720
Lease liabilities	2022	-	17,353	-	-	31,342
	2021	48	27,012	-	-	27,291
Lease liabilities	2022	-	6,141	-	-	-
	2021	-	-	-	-	-

<sup>4</sup> Other related parties include other entities under the common control of the Ultimate Shareholder.

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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2022 (CONTINUED) (in millions of Tenge, unless otherwise stated)

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

		Shareholder	Associates	Joint ventures in which the Group is a partner	Companies making up the Shareholder Group	Other related parties <sup>5</sup>
Sale of goods, services and non- current assets	2022	-	90,758	-	8,276	33
	2021	-	98,910	-	6,709	494
<i>(Accrued)/ recovered allowances for expected credit losses and impairment of advances paid</i>	2022	-	(1,813)	-	(51)	-
	2021	-	(50)	-	5	-
Purchase of goods, services and non- current assets	2022	-	19,382	-	22,415	9,279
	2021	-	19,688	-	6,638	1,134
Receipt of loans	2022	30,000	-	-	-	-
	2021	-	-	-	-	13,125
Repayment of loans received	2022	31,175	-	-	-	548
	2021	1,175	-	-	-	548
New lease agreements (Group as lessee)	2022	-	95	-	-	2,934
	2021	-	25	-	-	-
Lease liability payments	2022	49	11,841	-	-	2,890
	2021	148	11,277	-	-	725
Finance income	2022	-	96	-	-	59
	2021	-	1,048	-	-	141
Finance costs	2022	8,031	2,133	-	-	8,260
	2021	7,165	3,371	-	-	5,632
Dividends declared	2022	-	8,726	-	-	-
	2021	-	6,461	-	-	-
Share capital contribution	2022	239	-	-	-	-
	2021	3,786	-	-	-	-

<sup>5</sup> Other related parties include other entities under the common control of the Ultimate Shareholder.



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As at 30 September 2022 and 31 December 2021, the Group has borrowings from Industrial Development Fund JSC and Development Bank of Kazakhstan JSC for a total of 75,571 million tenge and 72,720 million tenge, respectively.

As at 30 September 2022 and 31 December 2021, 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 September 2022, Group`s borrowings from the Shareholder were mainly received at rates below market varying from 0.075% to 2% and maturity varying from 13 to 50 years and at initial recognition were reflected at fair value at rates from 5.4% to 11.5%.

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

*Compensation to key management personnel of the Group*

Key management personnel comprise members of the Group`s Management Board and Board of Directors, totalling 16 persons for the nine months ended 30 September 2022 (2021: 14 persons). Total compensation to key management personnel included in personnel costs in the consolidated statement of profit or loss and other comprehensive income comprised 273 million tenge for the nine months ended 30 September 2022 (2021: 492 million tenge). Compensation to key management personnel mainly consists of contractual salary costs, social tax costs and provision for unused vacation.

**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.

In preparation of these statements, the same methodologies and assumptions for calculating the fair value of financial instruments were used as in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2021.

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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2022 (CONTINUED) (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 September 2022 and 31 December 2021, 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 September 2022 and 31 December 2021 are presented as follows:

	30 September 2022 (unaudited)		31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans issued	4,125	3,622	3,797	5,299
Other financial assets	21,118	21,594	15,031	15,031
Loans received	325,833	299,498	364,907	359,599
Debt securities	1,218,471	1,107,857	1,212,305	1,330,260

### *Fair value hierarchy*

The table below provides an analysis of financial instruments as at 30 September 2022 (unaudited) broken down into the fair value hierarchy levels.

	Level 1	Level 2	Level 3	Total
Financial assets at amortised cost:				
- loans issued	-	3,622	-	3,622
- other financial assets	-	21,521	-	21,521
Other financial assets at fair value through profit of loss	-	-	73	73
<b>Total</b>	<b>-</b>	<b>25,143</b>	<b>73</b>	<b>25,216</b>
Financial liabilities at amortised cost:				
- debt securities	1,066,172	-	-	1,066,172
- debt securities from related parties	41,685	-	-	41,685
- bank loans	-	239,950	-	239,950
- loans from related parties	-	59,548	-	59,548
<b>Total</b>	<b>1,107,857</b>	<b>299,498</b>	<b>-</b>	<b>1,407,355</b>

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

	Level 1	Level 2	Level 3	Total
Financial assets at amortised cost:				
- loans issued	-	5,299	-	5,299
- other financial assets	-	14,930	-	14,930
Other financial assets at fair value through profit of loss	-	-	101	101
<b>Total</b>	<b>-</b>	<b>20,229</b>	<b>101</b>	<b>20,330</b>
Financial liabilities at amortised cost:				
- debt securities	1,288,064	-	-	1,288,064
- debt securities from related parties	42,196	-	-	42,196
- bank loans	-	298,145	-	298,145
- loans from related parties	-	61,454	-	61,454
<b>Total</b>	<b>1,330,260</b>	<b>359,599</b>	<b>-</b>	<b>1,689,859</b>

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

For the nine months ended 30 September 2022, there were no transfers between the hierarchy levels.

## 28. EVENTS AFTER THE REPORTING DATE

### *Dividends received*

On 14 October 2022, the Group received dividends for the 1<sup>st</sup> half of 2022 in the amount of 5,004 million tenge (661,078,888.42 Russian Roubles) from an associate of United Transport and Logistics Company - Eurasian Rail Alliance JSC.

### *Borrowings received*

On 5 October 2022, the Group, represented by a 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 10,000 million tenge with an interest rate of 16% and maturity date of up to three months.

On 13 October 2022, the Group, represented by the Company, within the framework of a credit line agreement with Forte Bank JSC concluded on 13 June 2022, received borrowings in the total amount of 30,000 million tenge with an interest rate of 16% and maturity date of up to three months.

On 28 October 2022, the Group, represented by the Company, for the purpose of early partial repayment of Eurobonds issued in 2012 in the amount of 1,100 million US Dollars (balance of 882,978,000 US Dollars after partial early repayment in 2020), issued Eurobonds on Kazakhstan Stock Exchange to the Shareholder of 882,978,000 US Dollars (410,903 million tenge) with

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favourable coupon rate of 2% per annum and maturity date of 28 October 2025. The coupon is paid twice a year.

From 28 October to 1 November 2022, the Group, represented by the Company, made an early repayment of Eurobonds issued in 2012 in the amount of 1,100 million US Dollars (balance of 882,978,000 US Dollars after partial early repayment in 2020). The total amount of payments amounted to 901,899,482.77 US Dollars (419,998 million tenge), including accrued interest in the amount of 18,921,482.77 US Dollars (8,839 million tenge). As a result, the Group recognized the write-off of the unamortised portion of the transaction costs in the amount of 440 million tenge and the premium in the amount of 16,890 million tenge as part of finance costs and finance income, respectively.

On 14 October and 4 November 2022, the Group, represented by the Company, within the framework of a credit line agreement with Halyk Bank of Kazakhstan JSC concluded on 26 February 2015, made an early repayment of borrowings received in the total amount of 68,000 million tenge (Note 14).

On 4 November 2022, the Group, represented by a subsidiary KTZ – Freight Transportation LLP, within the framework of a credit line agreement with Halyk Bank of Kazakhstan JSC concluded on 22 October 2022, received borrowings in the total amount of 63,305 million tenge. Interest on the loan is repaid in quarterly instalments at the interest rate “Base rate of the National Bank of Kazakhstan + 2%”. Principal is repaid semi-annually until fully repaid in 2032.

On 4 November 2022, the Group, represented by a subsidiary KTZ – Passenger Locomotives LLP, within the framework of a credit line agreement with Halyk Bank of Kazakhstan JSC concluded on 20 October 2022, received borrowings in the total amount of 49,863 million tenge. Interest on the loan is repaid in quarterly instalments at the interest rate “Base rate of the National Bank of Kazakhstan + 2%”. Principal is repaid semi-annually until fully repaid in 2029.

*Cross currency swap*

The Group entered into a cross currency swap (US Dollar/Swiss Franc) on 28 October 2022 with Societe Generale (France) and Citibank London J.P. and on 2 November 2022 with Morgan Securities plc (the UK) to hedge its exposure to US Dollar denominated debt.

The underlying debt hedged is the US Dollars denominated payments of interest and principal on Eurobonds of 882,978,000 US Dollars with interest rate of 2% per annum and maturing in October 2025.

The Group pays to the counterparty banks a fixed amount of Swiss Francs in exchange of a fixed amount of US Dollars. The payment of the fixed amount of Swiss Francs is a natural hedge to its currency risk of borrowings, since the Group has a share of revenue denominated in Swiss Francs. The Group does not apply hedge accounting.