



ҚАЗАҚСТАН
ТЕМІР
ЖОЛЫ



INTEGRATED
ANNUAL REPORT
2021

COMPANY IN NUMBERS

	Changes			
	2021	2020	Absolute value	%
FINANCIAL INDICATORS				
Revenue from core operations, billion tenge	1 328,5	1 173,3	155,2	13,2
Revenue from freight transportation, billion tenge	1 184,3	1 062,5	121,8	11,5
Revenue from passenger transportation, billion tenge	57,3	38,2	19,1	50
Operating profit, billion tenge	254,8	181,6	73,2	40,3
EBITDA, billion tenge	408,4	349,5	58,9	16,9

PRODUCTION INDICATORS

Passenger transportation				
Passenger traffic, billion tenge	9,5	6,4	3,1	49,9
The number of passengers carried, thous. passengers	11 597	8 150	3 447	42,3
Freight transportation				
Freight traffic, billion tenge	233,3	231,8	1,5	0,7
Volume of transported cargo, million tonnes	288,4	287,4	1	0,3
Container traffic				
Transit in containers, thous. TEU	1 066	876	190	21,7

ADDITIONAL INDICATORS

Number of staff, persons	112 581	119 071	-6 490	-5,5
Women, %	23	23	0	0
Spending on social welfare, billion tenge	11,6	9,3	2,3	24,7
Number of training hours per employee	41	35,1	5,9	16,8
Number of occupational and health-related injuries	35	34	1	2,9
Number of traffic safety violations	137	158	-21	-13,3
Environmental protection costs, million tenge	755,5	817,3	-61,8	-7,6
Amount of waste, thous. tonnes	60,9	75,9	-15	-19,7
Energy consumption, thous. tonnes of fuel equivalent	1 272,8	1 237,5	35,3	2,9



ABOUT THE REPORT

This Integrated Annual Report aims to provide our stakeholders with comprehensive and reliable information about the Company and its activities in terms of three aspects of sustainable development: **economic**, **social** and **environmental**. The Report also includes information on the Development Strategy of NC KTZ JSC until 2029.

Legend used in the Report

Notation keys for easy reading of the report are given below.

TEXT

Economic dimension indicators

The data highlighted by this color reflect economic indicators of the Company.

TEXT

Social dimension indicators

The data highlighted by this color reflect social indicators of the Company.

TEXT

Environmental dimension indicators

The data highlighted by this color reflect environmental indicators of the Company.

TEXT

GRI Standards Disclosure Index

The GRI Index refers to the information disclosed in accordance with the GRI Standards.



Significant themes

Disclosure of the themes identified as significant by our stakeholders and the Company.



The company's development strategy

Information is disclosed on the implementation of the Company's Development Strategy, as well as plans and goals of the Company.



URL

You can find more information on the mentioned website.



Additional information

Detailed information is disclosed in the specified section of the Report.



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DEVELOPMENT STRATEGY OF NC KTZ JSC

Our priorities according to the Development Strategy



The Company pays great attention to safety issues in railway transport.



The level of train traffic safety of NC KTZ JSC is one of the best among railway administrations in the CIS.



Our employees are the most valuable resource for the Company.



Professional competence of the Company's employees is the basis for the country's railway industry development.

The Company pays special attention to its social obligations and seeks to create better working environment for the life and work of its employees, providing them with a full social package and the opportunity to train and improve their professional skills.

NC KTZ JSC social spending amounted to 11.6 billion tenge in 2021.



The Company is taking steps to reduce carbon footprint.

The Company seeks to reduce its negative impact on the environment. In support of the initiative of the Head of State K-Zh. Tokayev on Kazakhstan achieving carbon neutrality by 2060, announced on December 12, 2020 at the Climate Ambition Summit, the Company developed the Action Plan for the transition of NC KTZ JSC to low-carbon development for the period up to 2060.



The safe working conditions for our employees and the protection of their health are Company's priorities. Our goal is to create zero accident conditions.

In order to create zero accident conditions, NC KTZ JSC has implemented an Integrated Occupational Safety System, including the "Work Stoppage" function, available to each employee.

600 workers stopped unsafe works in 2021.



Our goal is to improve the quality of our services for our Customers.

In 2021, the Company continued to improve the service provided, as evidenced by the level of customer satisfaction, the increase of which was observed in all key subsidiaries of the Company.



To steadily improve the efficiency of the use of the network and rolling stock are the great importance.

By 2020, the Company's operating profit for 2021 increased by 40.3%

ADDRESS BY THE CHAIRMAN OF THE BOARD OF DIRECTORS



Dear Shareholder, partners, investors and readers of the annual report!

We present to your attention the Annual report on the results of the activities of NC KTZ JSC for 2021.

The annual report is traditionally formed in the spirit of transparency and completeness of information disclosure for all interested parties within the established standards of corporate governance.

The past year for NC KTZ JSC was marked by the election of a new Board of Directors and the formation of a new Management team of the Company. We will consider this a new stage in the development of the Company and the search for opportunities in following its course to success.

Thanks to the close-knit work of the Company's employees, the net profit of NC KTZ JSC in 2021 increased 7.4 times compared to 2020 and amounted to 119.1 bln tenge.

In the reporting period, the Company took a step forward in improving the corporate governance rating. According to the results of the diagnostics, the independent consulting company of corporate governance of NC KTZ JSC was assigned a rating of "BB". This is one point better than the previous assessment (rating "B" in 2018) and corresponds to the Company's development Strategy plan. The most important area of improvement was the coordination and efficiency of the work of the Board of Directors and the Management Board of the Company, as well as good prioritization of ESG issues.

Train safety and labor protection remain a priority and an essential component of the Company's activities. In 2021, the number of train safety violations was reduced by 13%, however, there was an increase in the number of traumatic cases by 3% compared to the previous year.

In order to implement the Address of the Head of State of the Republic of Kazakhstan dated September 1, 2021 in terms of achieving carbon neutrality of the country, the Company has developed an action plan for the transition

of NC KTZ JSC and its subsidiaries to low-carbon development for the period up to 2060. The action plan will be consistently implemented in the following years.

NC KTZ JSC takes all possible measures to maintain the social stability of the Company's labor collectives, taking into account its financial and economic capabilities. Thus, in order to increase the level of material well-being of our employees, wages were increased by 22% in 2021. An increase in wages is also planned for 2022.

The Board of Directors will continue to work on the sustainable development of the Company, the introduction of best practices in corporate governance, ensuring social stability and minimizing the environmental consequences of the Company's activities.

I would like to express my gratitude to the Sole Shareholder, clients, investors and partners for their trust and fruitful cooperation.

I thank the employees of the Company as a whole and each one individually for their dedication to the profession, for their desire to develop and improve the efficiency of their activities for the benefit of the economy of the Republic of Kazakhstan.

The figures and facts presented in the annual report will tell you more about our work for 2021.

Sincerely,
KALMAN SHOMODI
Chairman of the Board of Directors of NC KTZ JSC



KALMAN SHOMODI

*Chairman of the Board of Directors
of NC KTZ JSC*

ADDRESS BY THE CHAIRMAN OF THE MANAGEMENT BOARD

Dear readers of the annual report, colleagues, partners!

2021 turned out to be not easy for NC KTZ JSC and the country as a whole.

The post-COVID-19 period and the ongoing negative global economic trends have served as a challenge to the Company's key benchmarks and objectives for maintaining leadership in the transport services market and improving operational efficiency.

Adhering to the current Development Strategy, the Company has achieved the planned results, showing its strength and team cohesion.

As a result, the operational cargo turnover has reached the maximum result since the establishment of the Company, amounting to 239 bln t-km in 2021.

It should also be noted the record volume of container transit during the formation of independent Kazakhstan – over 1 mln TEU. I consider this a significant contribution of railway workers to the development of the country's economy and confirmation of the loyalty of the transit policy.

Passenger traffic increased by 50% compared to last year, but did not reach the planned value by 14.8%, due to the continued limited movement of trains and reduced mobility of the population in a pandemic.

As a result of measures to increase the productivity of assets and labor and reduce general and administrative expenses, the operating profit of NC KTZ JSC increased by 40.3% by the fact of 2020 and amounted to 254.8 bln tenge.

Net profit was formed in the amount of 119.1 bln tenge, exceeding the fact of the previous year and the established plan for 2021.

At the same time, NC KTZ JSC carried out significant work on updating the rolling stock fleet. 82 new passenger cars, 957 fitting platforms, 1,000 freight cars and 60 locomotives were purchased.

Ensuring traffic safety and labor protection remains an absolute priority in the Company's activities. As of the end of 2021, the LTIFR (Lost Time Incident Frequency Rate) has improved from 0.27 to 0.25 compared to 2020. The number of train safety violations caused by the Company has been reduced by 13%.

In accordance with the initiative of the Head of State on Kazakhstan's achievement of carbon neutrality by 2060, the Company has set a course to reduce the carbon footprint and introduce low-carbon technologies.

In 2021, in order to increase the level of material well-being of our employees, the production staff twice increased wages by 10%.

At the same time, I want to thank the Company's staff, who, despite the pandemic, performed their duties at a high level every day. And also to note the understanding and responsibility of employees who, in order to increase the level of general collective immunity against COVID-19 and restore normal working conditions in the Company as soon as possible, underwent voluntary revaccination.

I would also like to express my gratitude to the Sole Shareholder, clients, investors and partners for their trust and fruitful joint activities. I believe that our cooperation will continue to develop exclusively in a positive way.

Sincerely,
NURLAN SAURANBAYEV
Chairman of the Management Board of NC KTZ JSC

A professional portrait of Nurlan Sauranbayev, a middle-aged man with dark hair, wearing a dark blue suit, white shirt, and patterned tie. He is looking directly at the camera with a slight smile. The background is a blurred indoor setting with warm lighting.

NURLAN SAURANBAYEV
*Chairman of the Management Board
of NC KTZ JSC*

2 ABOUT THE COMPANY

The «National company «Kazakhstan Temir Zholy» joint stock company (hereinafter - NC KTZ JSC, the Company) is a transport and logistics holding, operator of the main line railway network of the Republic of Kazakhstan, national railway carrier of freight and passengers.

The Government of Kazakhstan

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The sole shareholder of NC KTZ JSC is National Welfare Fund Samruk-Kazyna joint stock company (hereinafter – the Fund), of which founder and sole shareholder is the Government of Kazakhstan.

ҚАЗАҚСТАН ТЕМІР ЖОЛЫ



The NC KTZ JSC group of companies is the country's largest owner of locomotives, freight and passenger cars. NC KTZ JSC is one of the largest employers in Kazakhstan.

Kazakhstan ranks 3rd among the CIS and Baltic countries with a track gauge of 1520 mm in terms of the length of railway network.

Resources and assets of the Company



1,8 THOUSAND

LOCOMOTIVES



2,4 THOUSAND

PASSENGER CARS



46,2 THOUSAND

FREIGHT WAGONS



112,6 THOUSAND

WORKERS

Length of railways in Kazakhstan



21 THOUSAND KM

LENGTH OF MAIN LINE RAILWAYS



16 THOUSAND KM

OPERATING LENGTH OF RAILWAYS

Transportation activities of NC KTZ JSC provide economic connectivity **with 14 regions** of the Republic of Kazakhstan and 3 cities of national significance, and **with five neighboring countries: China, Russia, Uzbekistan, Kyrgyzstan, and Turkmenistan** through 16 junction points.

In terms of freight turnover and revenue, NC KTZ JSC is among **the 15 largest railway companies in the world.**



THE COMPANY'S HISTORY

1997

Founding Republican State Enterprise Kazakhstan Temir Zholy by the Decree of the Government of Kazakhstan dated 31 January 1997 No. 129 through a merger of state enterprises:

- Almaty Railway Administration;
- Tselinnaya Railway Administration;
- West-Kazakhstan Railway Administration.

2002

Creating National Company Kazakhstan Temir Zholy CJSC by the Decree of the Government of Kazakhstan dated 15 March 2002 No. 310 through a merger of RSE Kazakhstan Temir Zholy with its subsidiary state enterprises.

2004

NC KTZ CJSC reorganized into NC KTZ JSC and adopted the Program for restructuring railway transport of the Republic of Kazakhstan for 2004-2006 aimed to develop competitiveness in the industry and attract private investment. In accordance with the program, Locomotive JSC was formed on the basis of locomotives fleet and facilities, while the entire fleet of freight wagons was allocated to create an independent enterprise Kaztemirtrans JSC.

2005

Starting to subsidize loss-making passenger carriers from the republican budget.

2016

By separating transportation activities and infrastructure, the cargo carrier KTZ - Freight Transportation was created (transformed into KTZ- Freight Transportation LLP in 2020).

THE COMPANY'S ACTIVITIES

GRI
102-2 | 102-6



Main line railway network services



Freight transportation



Passenger transportation



Transportation and logistics services

BUSINESS MODEL

PARTNERS

Suppliers of goods and services
Railway administrations
Transportation and logistics companies

CORE ACTIVITY

Backbone railway services
Freight transportation
Passenger transportation

VALUE OFFER

Safe and reliable freight and passenger transportation services as per the established requirements

RESOURCES

Mainline railway network
Locomotives
Freight wagons
Passenger cars
Qualified personnel

CONSUMER SEGMENTS

Private passenger railway companies
Passengers
Private companies-owners of a fleet of freight wagon operation
Shippers

STAKEHOLDERS

Consumers
Shareholder
Board of Directors
Employees
Professional unions
State authorities
Investors and Debtors
Mass media
Population
Partners

COST STRUCTURE

Operation and maintenance of backbone railway
Repair and maintenance of locomotives
Repair and maintenance of freight wagons and passenger cars
Energy costs
Employee compensation expenses

REVENUE FLOWS

Revenue from passenger transportation
Revenue from freight transportation
Revenue from freight forwarding and wagon operation

KEY EVENTS IN 2021

JANUARY



On January 18, a video conference was held with the participation of railway workers, shippers and representatives of industry associations, who discussed the issues of transportation of goods in containers sent for export, including to China.



On January 18, NC KTZ JSC switched to a new version of the international standard ISO 45001:2018 as part of the management system recertification audit for compliance with the requirements of the international standard in the field of occupational health and safety.

FEBRUARY



On February 1, the first container train from China to Kyrgyzstan passed through the Altynkol border station and the dry port "KTZE-Khorgos Gateway".

On February 2, a video conference was held with the participation of representatives of NC KTZ JSC and Urumchi Railway LLC on the issue of the checkpoints operation on the Kazakhstan-China border in the context of COVID-19.

On February 21, NC KTZ JSC, Kuryk Port LLP and Kaspi Grain Way LLP signed a Cooperation Agreement for the construction of a terminal in the Kuryk port.

MARCH



On March 16-26, a regular meeting of the OSJD Commission on Freight Traffic was held, where the balance of work on the transportation of goods for 2020 were summarized and the volumes of transportation of export, import and transit cargo for 2021 were agreed.

On March 16, KTZ Express JSC - KTZE Western branch employees in the Aktau port made an e-transit of a container train for the first time.



On March 18, in Istanbul, an offsite meeting of the working group of the ALE International Association "Trans-Caspian International Transport Route" was concluded. The results of the activities of the Association in 2020 were summarized and development plans for 2021 were adopted.

On March 19, within the framework of the XVI meeting of Intergovernmental Kazakh-Tajik Commission on Economic Cooperation in Dushanbe, the prospects for cooperation between the railway administrations of the two states were discussed.

APRIL

On April 1, a pilot container train with heavy construction equipment arrived in Nur-Sultan from the administrative center of the Guangxi Zhuang Autonomous Region of the city of Nanning (PRC).

On April 2, the CEO of Passenger Transportation JSC P. Sturm participated in the 10th online conference on the development of Kazakh-German cooperation in the area of transport and logistics.

On April 9, via videoconferencing, at a regular meeting of the Technical Committee for Standardization (TC 40) "Railway Transport", the results of work for 2020 were summarized and priority tasks for 2021 were identified.

On April 19-23, the XXXVI meeting of the OSJD Railway General Directors (Authorized Representatives) Conference was held in Warsaw, where the results of activities for 2020 were summarized and work plans for 2022 and subsequent years were discussed.

On April 21, Kaztemirtrans JSC participated in the 25th international exhibition for transport and logistics services, warehouse equipment and technologies in Moscow (Russian Federation). Memorandums were signed on the increase of the Kaztemirtrans JSC cars loading in the territory of the Russian Federation under the Freight One Company JSC and New Forwarding Company JSC service contracts and on the increase of the Freight One Company JSC and New Forwarding Company JSC cars loading under Kaztemirtrans JSC service contracts in the territory of the Republic of Kazakhstan.



On April 24, the Chairman of the Management Board of NC KTZ JSC N. Sauranbayev held talks with the head of Russian Railways O. Belozеров on cooperation in the area of transport and logistics.

On April 27, KTZ-Freight Transportation LLP declared 2021 the Year of Environmental Culture with the slogan "Make the planet cleaner - start with yourself!".

MAY



On May 5, President K-Zh.Tokayev received the Chairman of the Management Board of NC KTZ JSC N. Sauranbayev, who reported on the results of freight transportation for the first quarter of 2021, the measures taken to upgrade the rolling stock fleet and the main railway network, to ensure the financial stability of the Company.

On May 19, the NC KTZ JSC delegation participated in the Freight Forum of the International Union of Railways (UIC) (Paris, France). Issues of innovation in the area of freight transportation, digital initiatives, environmental aspects of freight transportation, development of transcontinental corridors and routes were discussed, reports on ongoing projects for 2019-2021 were debriefed, as well as new project initiatives for 2022 were presented.



On May 25, in Baku (Azerbaijan), the Chairman of the Management Board of NC KTZ JSC N. Sauranbayev and the Chairman of Azerbaijan Railways CJSC D.Gurbanov discussed the results of collaboration on the goods transportation and prospects for further cooperation.

On May 27, the NC KTZ JSC delegation participated in the 20th meeting of the Advisory Committee for Transport and Infrastructure of the Eurasian Economic Commission (Moscow, Russian Federation), following the results of October 26, 2021, the Collegium of the Eurasian Economic Commission approved the List of Eurasian transport corridors and routes. A comprehensive plan for the Eurasian transport corridors development and issues of synchronization of their operational characteristics were discussed as well.

JUNE

On June 8, the seventy-fourth meeting of the Rail Transport Council of the Member States of the Commonwealth of Independent States (Moscow, Russian Federation) was held, as a result, amendments were adopted to a number of regulatory documents of the Council, including those related to complex settlements between the railway administrations of the member states of the Commonwealth of Independent States, the Republic of Latvia, the Republic of Lithuania, the Republic of Estonia.



On June 9, a new container terminal began to operate in test mode at the Dostyk station, which capacity will be 80,000 containers per year at the first stage. In the future, it is planned to increase the freight turnover to 330 thousand containers annually.

On June 15-18, the NC KTZ JSC delegation participated in the XLIX session of the Ministerial Conference of the Organization for Cooperation between Railways (OSJD) (Warsaw, Poland), which approved the OSJD past year activity report, discussed issues of transport policy, development strategies for railway transport, transport law, the OSJD Academy, the creation of a management mechanism (coordination) of the OSJD railway transport corridors.

On June 24, the NC KTZ JSC delegation participated in the 31st meeting of the Asia-Pacific Regional Assembly of the International Union of Railways (APRA UIC) (Paris, France), which decided to appoint the Chairman of the Management Board of NC KTZ JSC N. Sauranbayev as Vice-Chairman of the APRA UIC for 2021-2022, the results of the "Predictive maintenance of railway infrastructure using digital technology" (PMDT) project carried out by Transtelecom JSC were accepted as well.

On June 28-29, a joint international conference "Innovative technologies and materials in the production and maintenance of railway rolling stock and infrastructure" organized by NC KTZ JSC and the Non-profit partnership "Association of Railway Equipment Manufacturers" (NP "OPZhT") was held.

On June 30, at the IX meeting of Authorized Representatives of the railway administrations of the Commonwealth member states, topical issues of cooperation in the area of environmental protection and environmental safety were addressed.

JULY



On July 9, at the volunteers' request, the first cars with hay were sent from the Arys station to the Mangistau region for farmers affected by the drought.

On July 21, the Chairman of the Management Board of NC KTZ JSC N. Sauranbayev was elected the Chairman for the Logistics and Transportation Committee of the Presidium of the Atameken NCE.

On July 26, the Summer Safety Marathon was held at the HSE DAYS international project site, where representatives of large companies, including NC KTZ JSC, shared their experience in the area of health and safety.

On July 27, the Chairman of the Management Board of NC KTZ JSC N. Sauranbayev held talks with the Minister of Transport of Uzbekistan I. Makhkamov and the Head of Uzbekistan Temir Yollari JSC Kh. Khasilov on cooperation in the area of railway transport.

AUGUST



On August 18, the Chairman of the Management Board of NC KTZ JSC N. Sauranbayev and the CEO of Russian Railways JSC O. Belozеров signed a Roadmap to promote the transition to the transportation of goods and cars using paperless technology.

NC KTZ JSC and Russian Railways JSC signed Cooperation Memorandum on organization and development of the Agroexpress special service, which provides for the expedited delivery of agro-industrial products by container trains.

On August 20, in Cholpon-Ata, within the framework of the Eurasian Intergovernmental Council, the Chairman of the Management Board of NC KTZ JSC N. Sauranbayev, the CEO of Russian Railways JSC O. Belozеров and the Head of the Belarusian Railways V. Morozov signed a Memorandum on promoting sustainable development of the transit potential and environmental safety of the railways of the member states of the Eurasian Economic Union (EAEU).

On August 20, at the Eurasian Intergovernmental Council meeting, the Action Plan ("road map") for Implementation of the Main Directions and Stages of the Implementation of the Coordinated (Agreed)

Transport Policy of the Member States of the Eurasian Economic Union for 2021-2023 and the Priority Actions Plan for Digitalization of Freight Rail Transportation for the development of trade and economic cooperation between the EAEU and its member states and the PRC, developed with NC KTZ JSC participation.



On August 23, the delegation of NC KTZ JSC participated in the third meeting of the Heads of railway administrations of the member states of the Shanghai Cooperation Organization. The meeting took place with the participation of the SCO Secretary-General V.Norov. Joint measures for the development of the interconnectedness of railway infrastructure, coordination of policies and strategies of infrastructure development plans, plans for the development of technical innovations in railway transport, joint research work, and improvement of the efficiency of multimodal transportation.

SEPTEMBER



On September 8, the Chairman of the Management Board of NC KTZ JSC N. Sauranbayev met with the Ambassador Extraordinary and Plenipotentiary of Turkmenistan to the Republic of Kazakhstan B.Redzhepov. The possibilities and prospects of transit and transport cooperation were discussed during the meeting.

On September 22-24, a sectional meeting was held at the IX Forum of Machinery Manufacturers of Kazakhstan in Nur-Sultan, where issues of the development of railway engineering were discussed.

On September 23-24 in Baku (Azerbaijan) at the meeting of the Board and the General Meeting of the ALE International Association "Trans-Caspian International Transport Route" the Head of NC KTZ JSC N.Sauranbayev was approved as the Chairman of the Board of the ALE International Association "Trans-Caspian International Transport Route".

On September 29, the international scientific and practical conference "Transport potential of Kazakhstan: origins and prospects" was held online, dedicated to the 30th anniversary of the Independence of Kazakhstan and the 80th anniversary of the industry veteran, statesman N.Isingarlin.

OCTOBER

On October 10, Passenger Transportation JSC launched a new service for issuing travel documents (tickets) for females.

On October 13, the Chairman of the Management Board of NC KTZ JSC N. Sauranbayev, spoke at a conference held as part of the III Kazakhstan International Exhibition "Transport and Logistics" in Almaty.



On October 14, NC KTZ JSC together with the International Union of Railways held an international seminar (Nur-Sultan, Republic of Kazakhstan), dedicated to topical issues of standardization of the railway industry in Europe and the Asia-Pacific region.



On October 26, the delegation of NC KTZ JSC participated in the 32nd meeting of the Asia-Pacific Regional Assembly of the International Union of Railways (APRA UIC) (Paris, France), where the List of Projects for 2022 was agreed, including the NC KTZ JSC project "Research and Analysis of Hydrogen Technologies for the Exploratory Study of its Application on the Railway".

On October 30, as part of the Digital Bridge forum, Head of State K-Zh. Tokayev was presented with the project Automated control system "Energy Dispatch Traction" (ACS EDT). The system allows for monitoring each locomotive in real time.

On October 30, at the 30th Tariff Conference of Railway Administrations of the CIS countries, a new tariff policy for the transportation of goods in international traffic for the 2022 freight year was adopted.

NOVEMBER

On November 4, the President of the Republic of Kazakhstan K-Zh. Tokayev got familiar with the railway cluster in Ekibastuz, visited the Prommashkomplekt plant for the production of wheels for railway transport and launched the Ferrotranstrade plant for the production of elastic terminals and screws.

On November 9, a pilot container train with a freight - an ore-thermal furnace for the Karaganda Ferroalloy Plant - was sent from Lanzhou station (PRC) through Dostyk station.

On November 9, KTZ Express JSC and PSA International, one of the world's largest port and terminal operators, signed a Cooperation Memorandum for the organization of digital transportation on Asia-Europe routes.

On November 11, the first container train loaded with wheat bran was sent from the Kostanay station through the Dostyk station to the Chinese city of Chongqing. The train is made up of forty-six 40-foot long containers.

On November 12, the international rating agency S&P Global Ratings upgraded the long-term rating of NC KTZ JSC to BB, the national scale rating from kza to kza+. Estimates - Strong. The upgrade of the ratings is due to the improvement of the Company's performance.

On November 22, the seventy-fifth meeting of the Council for Rail Transport of the Member States of the Commonwealth of Independent States (Moscow, Russian Federation) was held, as a result, amendments to a number of regulatory documents of the Council regulating the operation, accounting and payment for the use of freight cars were adopted.



On November 26, issues of ensuring traffic safety on the railway were discussed at the International Congress "Innovative Technologies in Logistics, Transport and Education", held in Almaty.

On November 27, the delegation headed by the First Deputy Chairman of the Management Board for Transformation and Digitalization of NC KTZ JSC A.Akhmetzhanov visited the State Enterprise Belarusian Railway to exchange experience in the field of advanced technologies in production activities, automation of the transportation process and infrastructure development.

On November 30, from the Almaty station from the terminal of Kedentransservice JSC to the Chinese city of Xi'an, the first packaged freight loaded according to the LCL (Less than Container Load) principle, where it is not necessary to reserve the entire container, but only part of it, was sent as part of a container train.

November 30 - December 1, the delegation of NC KTZ JSC participated as an Asia-Pacific region of the UIC representative in the UIC Symposium "The Future of the Railways: Making Modal Shift Desirable" (Paris, France).

November 30 - December 3, the delegation of NC KTZ JSC participated in a joint meeting of authorized representatives of members of the OSJD Ministerial Conference and the Conference of General Directors (Authorized Representatives) of OSJD Railways, which approved the OSJD work plans for 2022.

DECEMBER

On December 1, an SMS notification system for passengers was launched to inform them about passenger train delays for more than two hours.



On December 4, Top Executives of NC KTZ JSC signed personal obligations on labor safety at the III annual Forum for Labor Safety and Environmental Protection.



On December 10, a train arrived at the seaport of Aktau, which included the millionth transit container sent from the Chinese city of Xi'an to the Turkish city of Mersin.

On December 14, the 10th meeting of the joint working group for strategic cooperation between JSC NC KTZ and Russian Railways JSC was held in Kaliningrad.

On December 15, representatives of NC KTZ JSC and Uzbekistan Temir Yollari JSC discussed issues of further development of cooperation in the area of railway transport and an increase in the volume of freight transportation involving the railways of the Republic of Kazakhstan and the Republic of Uzbekistan.



PARTICIPATION IN INTERNATIONAL ORGANIZATIONS, ASSOCIATIONS AND ADHERENCE TO INTERNATIONAL PRINCIPLES

NC KTZ JSC takes an active part in the activities of international organizations and associations in order to integrate into the global transport system, create and develop favorable conditions for the railway transport operation, improve the international legal framework for the transportation of goods and passengers in international traffic, and conduct a dialogue with consumers of the railway transport services, etc.



since 1992

Council on Rail Transport of the
Commonwealth Member States

Moscow, Russian Federation

www.sovetgt.org



since 1993

Organization for Cooperation of Railways (OSJD)
(participation of the Republic of Kazakhstan)

Warsaw, Polish Republic

www.osjd.org



since 1998

International Coordinating Council on
Trans-Eurasian Transportation (ICCTT)

Bern, the Swiss Confederation

www.icctt.com



since 2001

The Shanghai Cooperation Organization
(participation of the Republic of Kazakhstan)

Beijing, People's Republic of China

www.sectso.org



since 2001

Association of National forwarders of the
Republic of Kazakhstan (ANEK)

Almaty, Republic of Kazakhstan

www.kffanek.kz



since 2004

International Union of Railways (UIC)

Paris, French Republic

www.uic.org



since 2010

ALE Union of Machine Builders of
Kazakhstan

Nur-Sultan, Republic of Kazakhstan

www.smkz.kz



since 2010

International Railway Sports Association
(USIC)

Prague, Czech Republic

www.usic-sports.org



since 2011

UN Global Compact

**New York City, United States
of America**

www.unglobalcompact.org



since 2013

ALE Union of Kazakhstan transport workers
KAZLOGISTICS

Nur-Sultan, Republic of Kazakhstan

www.kazlogistics.kz



since 2015

Corporate Fund KAZLOGISTICS

Nur-Sultan, Republic of Kazakhstan

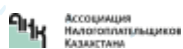
www.kazlogistics.kz

since 2014

Non-profit partnership Union of Industries
of Railway Equipment

Moscow, Russian Federation

www.opzt.ru

**since 2009**

ALE Association of Taxpayers of Kazakhstan

Almaty, Republic of Kazakhstan

www.ank.kz
**since 2014**

National Atameken Chamber of Entrepreneurs

Nur-Sultan, Republic of Kazakhstan

www.atameken.kz
**since 2015**

Eurasian Economic Union (participation of the Republic of Kazakhstan)

www.eaeunion.org
**since 2016**

ALE Association for the Development of Competition and Commodity Markets

Nur-Sultan, Republic of Kazakhstan

www.ark.org.kz
**since 2017**

ALE International Association Trans-Caspian International Transport Route

Nur-Sultan, Republic of Kazakhstan

www.middlecorridor.com


STRATEGIC REPORT

Development strategy



The development Strategy of NC KTZ JSC until 2029¹ defines the mission, vision and strategic goals of the Company, as well as strategic development directions to achieve the set objectives for a ten-year period.

MISSION

As a backbone transport company in Kazakhstan, we provide a high-quality foundation for sustainable business growth for our customers, create value for the Shareholder and benefit consumers and society as a whole by providing safe and competitive transportation services.

VISION

We are a highly efficient transport company operating in accordance with best business practices.

We are a reliable provider of transport infrastructure services, including freight and passenger transportation.

We are a leader among similar companies in terms of sustainable development, quality and cost-effectiveness of services provided by improving business processes, digitalizing activities and improving the professionalism of employees.

The achievement of the Company's mission and vision is ensured through the implementation of five strategic goals:

1. Removing the Company from the financial risk zone and ensuring financial stability
2. Improving the Company's efficiency
3. Increase customer satisfaction
4. Ensuring the safety of train traffic
5. Ensuring the Company's sustainable development

In order to implement the Strategy, the Action Plan for the implementation of the Development Strategy of NC KTZ JSC until 2029 has been developed and is being implemented. The Development Strategy implementation progress report is brought to the attention of the Board of Directors of NC KTZ JSC.

¹Approved by the decision of the Board of Directors of NC KTZ JSC dated September 6, 2019 (Minutes No. 13).

Strategic KPIs Implementation

Measuring the achievement of the set objectives is carried out through the realization of strategic key performance indicators (hereinafter – KPI).

KPI target values are set according to the Business Plan for 2021-2025 approved by the decision of the Board of Directors of NC KTZ JSC.

Name of KPI	Unit of Measurement	Fact 2020 ²	Goal 2021 ³	Fact 2021 ⁴	Changes Fact /Goal for 2021, %	Changes Fact 2021/ Fact 2020, %
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Goal 1. Taking the Company out of the financial risk zone and ensuring financial stability

Net income	bln tenge	16,2	87,9	119,1	35,4	635,2
Debt/EBITDA	index	4,89	4,4	4,13	-6,1	-15,5

Goal 3. Increasing customer satisfaction

Customer satisfaction level	%	67,3	65	69,6	7,1	3,4
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Goal 4. Ensuring the safety of train traffic

Traffic safety level	cases /mln train-km	1,0	1,0	0,81	-19	-19
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Goal 5. Ensuring sustainable development of the Company

Environmental impact level	index	0,641	0,630	0,630	0	-1,7
Social stability level	index	75	74	72	-2,7	-4
Corporate Governance Rating	rating	-	BB	BB	-	-



²Approved by the decision of the Board of Directors of NC KTZ JSC dated April 29, 2021 (Minutes No. 7).

³Approved by the decision of the Board of Directors of NC KTZ JSC dated November 4, 2020 (Minutes No. 18).

⁴Approved by the decision of the Board of Directors of NC KTZ JSC dated April 27, 2022 (Minutes No. 7).

KPI Achievement for 2021

The actual value of the "Net Income" figure in comparison with the planned figure was improved by 31.2 bln tenge. The growth was mainly due to an increase in income from core activities by 11.1 bln tenge and a decrease in general and administrative expenses by 19.3 bln tenge.

The Debt/EBITDA indicator was reduced by 6.1% compared to the plan. The figure improvement is related to EBITDA increase due to a 13.2% revenue increase.

The value of the "Customer Satisfaction Level" increased by 4.6% compared to 2020.

"Traffic safety level" indicator with a plan of 1.0 cases/million train-km amounted to 0.81 cases/mln train-km. The improvement is due to a decrease in the number of committed cases of security incidents from 158 cases in 2020 to 137 cases in 2021.

The performance of the indicator "Environmental impact level" is due to a decrease in emissions into the environment by 18.5% compared to 2020.

In the reporting year, there was a decrease in the indicator "Social stability level" by 3 points compared to the previous year. Noticeable deterioration occurred in the direction of the level of staff satisfaction with the amount of wages.

Based on the results of the corporate governance diagnostics in 2021, NC KTZ JSC was assigned a rating of "BB", which corresponds to the target value and is better than the rating indicator "B" achieved following the results of the last independent diagnostics in 2017-2018.

Overview of the Development Strategy implementation results in 2021

For more detailed information on the implementation of the NC KTZ JSC Development Strategy until 2029, you can find on the pages of the Report with legend



GOALS AND OBJECTIVES OF THE COMPANY FOR 2022

1

Continue work on the financial recovery of the Company.

2

Maintaining transit volumes in the changed world geopolitical conditions.

3

Renewal of the Company's assets – infrastructure and rolling stock.

4

Provision of passenger transportation, especially in the most popular period and on popular routes.

5

Continue work on the alienation of non-core assets of the group of companies NC KTZ JSC.

6

Ensuring the safety of train traffic, labor protection and minimizing the negative impact on the environment.

GOAL №1

GOAL №1

TAKING THE COMPANY OUT OF THE FINANCIAL RISK ZONE AND ENSURING FINANCIAL STABILITY

According to the Development Strategy of NC KTZ JSC until 2029, the financial stability of the Company is provided for by balancing equity and loaned funds, increasing operational efficiency, and improving tariff regulation.


TARIFF REGULATION

A lot of work has been done in previous years to change the system of tariffs and pricing of railway transport services in the context of a multiplicity of transport operators, within which:

- the differentiation of regulated tariffs for the MRN services and locomotive traction by types of track sections and types of traction was introduced;
- a fair, targeted and transparent subsidization of passenger transportation was introduced by separating passenger locomotives into a separate legal entity - KTZ - Passenger Locomotives LLP.

Based on the results of the work carried out by the Committee on Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan:

- tariffs, tariff estimates and an investment program for the MRN services for the period from 2021 to 2025 were approved. Tariffs for the MRN services are divided into electrified and non-electrified sections (November 2020);
- price limits, cost estimates and investment programs for locomotive traction services in freight and passenger traffic for 2021 have been agreed. Tariffs for locomotive traction in freight traffic are divided into diesel and electric locomotive traction. The cost of passenger locomotive traction was excluded from the tariff estimate for locomotive traction services in freight traffic, which affected the reduction in the price level of the locomotive traction tariff (December 2020).



As a result, the growth of the total regulated tariff for rail transportation (MRN services, locomotive traction services and freight and commercial work services) for 2021 averaged 13%.

In January 2021, as part of the pilot duty, access to the mainline railway network of two operating private freight operators was expanded by providing additional service routes in accordance with the submitted applications.

In 2022, the work for the development of the necessary regulatory legal and methodological framework, economic and technological conditions that ensure the functioning in the new conditions of the multiplicity of operators will continue.

GOAL №1



ON THE INTRODUCTION OF AMENDMENTS AND ADDITIONS TO SOME LEGISLATIVE ACTS OF THE REPUBLIC OF KAZAKHSTAN ON RAILWAY TRANSPORT ISSUES

In order to implement the Law of the Republic of Kazakhstan dated November 9, 2020 No. 373-VI Law of the Republic of Kazakhstan "On Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on Energy, Transport and State Awards", the order of the Ministry of Industry and Infrastructural Development of the Republic of Kazakhstan dated May 5, 2021 No. 220 amended the Rules for the transportation of goods by rail, approved by order of the Ministry of Industry and Infrastructural Development of the Republic of Kazakhstan dated August 2, 2019 No. 612 (hereinafter - the Rules).

Thus, at the initiative of the Company, in order to fill the legal gap, the Rules were supplemented with a new chapter regulating the procedure for transporting own empty cars (containers), and the list of services related to the transportation of goods was updated (Annex 12 to the Rules).

Additionally, in order to implement the Law of the Republic of Kazakhstan dated January 2, 2021 No. 399-VI Law of the Republic of Kazakhstan "On Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on Restoring Economic Growth", the Company, together with the authorized body, developed the Rules for subsidizing the interest rate in lending and financial leasing for the modernization of railways, which are approved by order of the Ministry of Industry and Infrastructural Development of the Republic of Kazakhstan dated January 20, 2022 No. 21.

DEBT BURDEN

The Company's consolidated debt as of December 31, 2021 amounted to 1 937 366 million tenge at face value and 1 637 010 million tenge at book value.

Debt /EBITDA decreased from 4.89 at the end of 2020 to 4.13 at the end of 2021.

In 2021, the Company carried out planned repayments of borrowings in full on time:

- Halyk Bank of Kazakhstan JSC in the amount of 25,000 million tenge (January 2021);
- Official Credit Institute for \$1,096 thousand US dollars (June 2021);
- MKB PJSC in the amount of 19,400 million rubles (December 2021);
- HSBC France in the amount of 22,458 thousand euros (during 2021).

In addition, the Company attracted concessional financing in the total amount of 14,700 million tenge for the purchase of passenger cars by Passenger Transportation JSC.

The loan from CBM PJSC was repaid at the expense of funds raised from VTB Bank PJSC in December 2021.

The share of debt in "hard" currency by the end of 2021 was 34.8% (2020 - 34.2%).

Due to the fact that in accordance with the Policy of debt management and financial stability of the Fund, the Company is in the "red zone" of credit risk, restrictions have been imposed on the implementation of large investment projects at the expense of borrowed funds.

In 2022, the Company will continue to improve its financial viability, including by reducing the debt share in hard currency. In this regard, it is planned:

- to raise funds for the redemption of Eurobonds in the amount of 185 million Swiss francs;
- to refinance the loan of KTZ-Finance LLC in the amount of 15,000 million Russian rubles.

Moreover, work for the procurement of concessional financing for the purchase of passenger cars for Passenger Transportation JSC and passenger locomotives for KTZ - Passenger Locomotives LLP will continue. It is planned to consider financing mechanisms for the purchase of freight locomotives for KTZ-Freight Transportation LLP.

The plans are to continue work on obtaining subsidies at coupon interest rates in the amount of 29.2 billion tenge, on obtaining subsidies from the republican budget for the interest rate under financial leasing agreements for the purchase of cars, container flatcars and locomotives.



GOAL №2

GOAL №2

IMPROVING THE EFFICIENCY OF ACTIVITIES

The strategic goal "Improving the Company Efficiency" includes a number of important initiatives, within the framework of which measures are being taken to develop transit and domestic transportation, work on restructuring the Company's structure, improving the quality of use of production assets, and implementing a Digital Transformation and Digitalization program.

SUMMARY OF RESULTS

ECONOMY OF KAZAKHSTAN IN 2021

In 2021, the Kazakhstan's economy continued to recover from the impact of the COVID-19 pandemic and related restrictive measures.

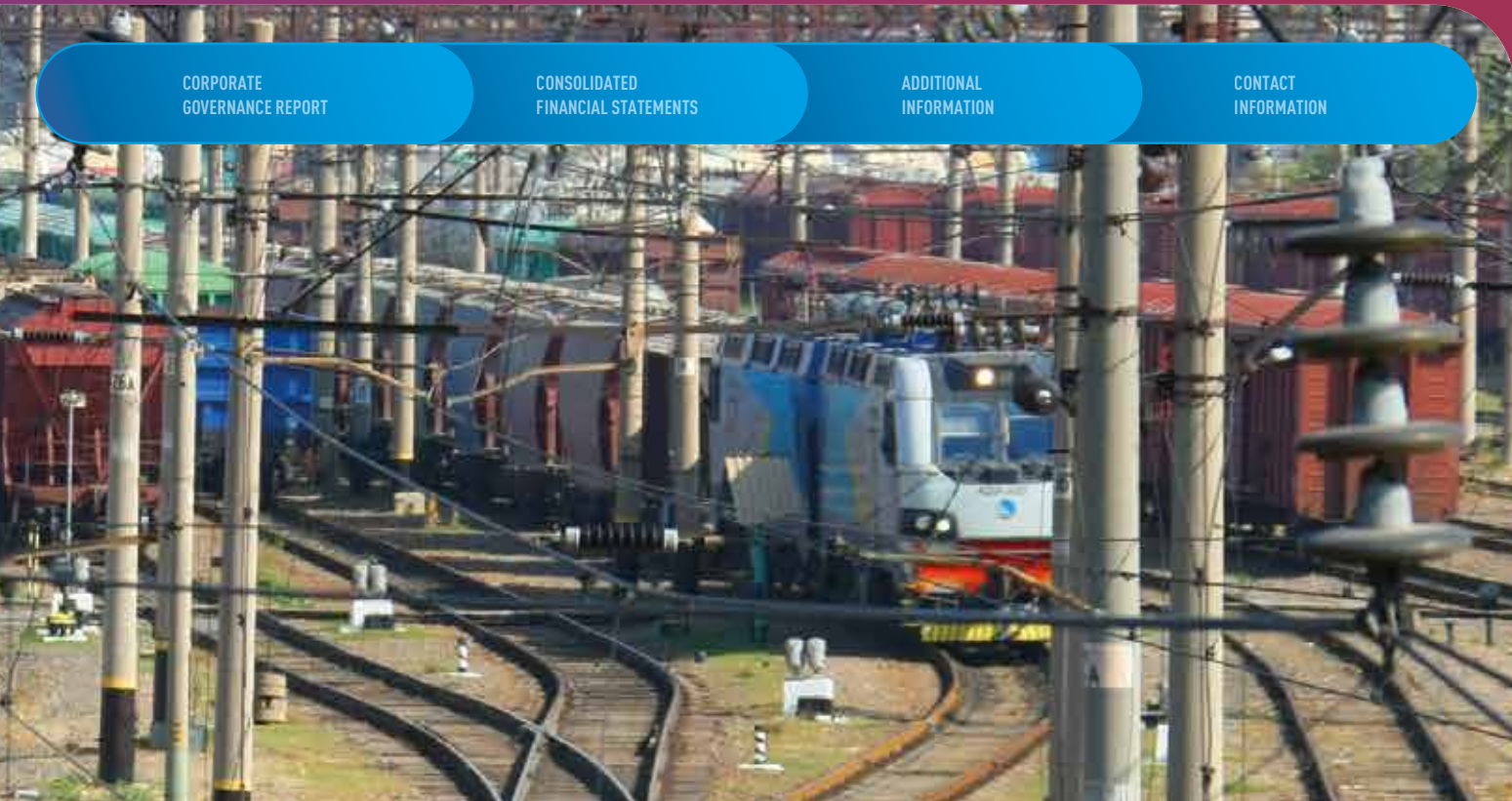
As of year-end 2021, Kazakhstan's GDP increased by 4.1% compared to 2020 figure. Positive dynamics was observed in the following industries:

- construction sector – 7.6%;
- trade – 9.2%;

- manufacturing – 5.6%;
- mining sector – 1.7%;
- transportation and warehouse – 3.6%.

The decrease in growth rates occurred in the agricultural sector by 2.4%.

In 2021, the country's foreign trade turnover increased by 17.4%, including exports increased by 26.9%, imports increased by 5.8%.



TRANSPORT SECTOR OF KAZAKHSTAN

The gradual decrease in the impact of the pandemic on the development of the transport industry has led to an increase in cargo turnover compared to 2020.

The easing of quarantine measures and the gradual restoration of international air traffic and the operation of passenger trains have affected the growth in passenger traffic by air and rail. At the same time, a decrease in the road transportation was still observed, which affected the decrease in the total passenger turnover in the country.

OVERVIEW OF FREIGHT TRANSPORTATION MARKET

In 2021, according to statistics of the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, cargo turnover by all modes of transport amounted to 597,196.2 million t-km, which is 1.5% higher than in 2020. The freight turnover of railway transport, which accounts for half of the total cargo turnover of the country, decreased by 1% by the end of 2021 and amounted to 299,170.8 million tons-km.

In the reporting year, the cargo turnover by air transport increased by 45.4%, by pipeline transport by 11.1%, by water transport by 6.9%.

The largest reduction in cargo turnover was observed in maritime transport - by 12.4%.



GOAL №2

FREIGHT TURNOVER BY TYPE OF TRANSPORT IN KAZAKHSTAN⁵

Type of transport	Freight turnover, mln tkm			Share of total freight turnover, %	
	2021	2020	Changes 2021/2020, %	2021	2020
All transport modes	597 196,2	588 679,4	1,45	100	100
Pipeline transport	139 012,6	125 088,5	11,13	23,28	21,25
Air transport	81,7	56,2	45,37	0,01	0,01
Water transport	66,4	62,1	6,92	0,01	0,01
Railway transport	299 170,8	302 156,1	-0,99	50,10	51,33
Road and urban electric transport	158 311,9	160 685,5	-1,48	26,51	27,30
Sea transport	552,8	631,0	-12,39	0,09	0,11

Overview of passenger
transportation market

According to the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, passenger turnover for the reporting period amounted to 106,813.1 million passenger-kilometers, which is 1.4% less than in 2020.

Transportation by road and urban electric transport decreased by 12.7% in 2021. compared to 2020. The decline in this area has had the greatest impact on the overall indicator, since it is this type of transport that accounts for 74.6% of the total passenger turnover.

A greater increase in passenger turnover was observed in air travel, which grew by 77.8% in 2021.

A significant increase in passenger turnover was observed in air transportation, which increased by 77.8% by the end of 2021.

The passenger turnover of railway transport has increased by 42% compared to the level of 2020.

⁵Source: Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan.



NC Kazakhstan Temir Zholy JSC

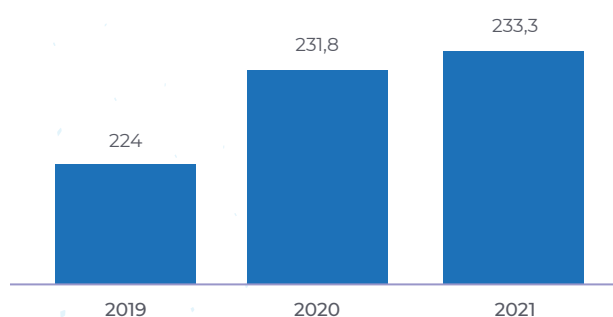
PASSENGER TRAFFIC BY TYPES OF TRANSPORT IN KAZAKHSTAN⁶

Type of transport	Passenger turnover, mln pkm			Share in total passenger turnover, %	
	2021	2020	Changes 2021/2020, %	2021	2020
All transport modes	106 813,1	108 283,6	-1,36	100	100
Road and urban electric transport	79 709,3	91 298,4	-12,69	74,63	84,31
Air transport	14 815,7	8 335,0	77,75	13,87	7,70
Railway transport	12 286,1	8 649,3	42,05	11,50	7,99

PRODUCTION
INDICATORS

Freight transportation

In 2021, the Company's tariff freight turnover amounted to 233.3 billion t-km, which is 0.7% more than in 2020. The growth was due to an increase in freight turnover in import and transit traffic.

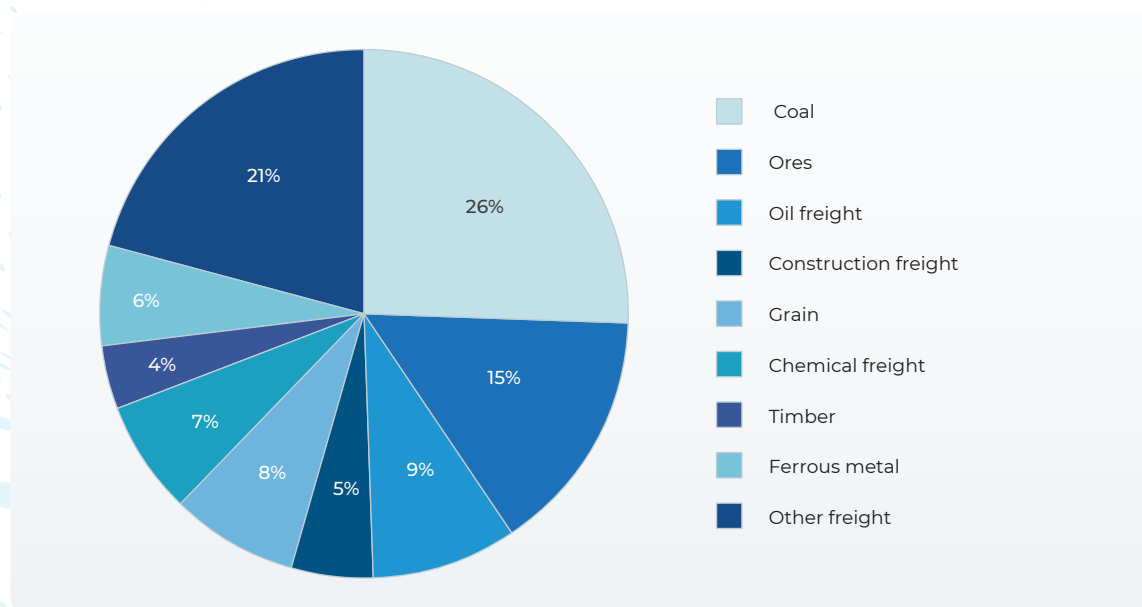
FREIGHT TURNOVER IN THE PERIOD
FROM 2019 TO 2021, BILLION T-KM

⁶Source: Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan.

GOAL №2

In the structure of mode of transport, the freight turnover is as follows:

- for traffic within the republic, the freight turnover remained at the level of 2020, while the volume of transportation amounted to 99.8% of the figure for 2020, which was due to a decrease in construction cargo, fertilizers, and non-ferrous ore.
- for export traffic, freight turnover decreased by 1.8% due to a decrease in traffic by 1.5% compared to 2020, which was due to a decrease in the transportation of oil, oil products, grain, fertilizers, ferrous metals, non-ferrous ore, non-ferrous metals, cement, wheat flour.
- for import traffic, freight turnover increased by 12.5% due to an increase in traffic by 113.6% compared to 2020, which was due to an increase in the supply of grain, coal, building materials, oil products, coal coke, cement, consumer goods.
- for transit traffic, the increase was 1.5%, due to an increase in traffic volumes by 2%. Grain transportation from Russia to Iran and countries of Central Asia; chemicals and soda from Russia to China, from China to Poland; fertilizers from Russia to the countries of Central Asia and China, from Uzbekistan to China, Vietnam and Ukraine increased.

In 2021, the structure and share of the main goods presented for transportation by rail did not change and remained at the level of the previous year:**SHARE OF MAIN GOODS IN THE COMPANY'S FREIGHT TURNOVER BY FREIGHT IN 2021, %****In 2021, in relation to 2020, there was an increase in the transportation of the following goods:**

- coal – by 1%;
- oil freight – by 6.2%;
- grain – by 6.0%;
- chemical freight – by 8.8%.

Transit traffic

At the end of 2021, there was a positive trend in transit freight transportation that increased by 2% by 2020. The volume of transit freight transportation reached

20.9 million tons, which is the highest figure of independent Kazakhstan.

Growth in transit traffic was due to an increase in transportation of non-ferrous ore (+186%), fertilizers (+79%), chemicals (+34%), grain (+5%), and other cargo (+2%).

Growth in transportation of non-ferrous ore was due to the supply of copper concentrate from Russia (Mikheevsky Ore Mining and Processing Plant, Tamerlan station) to China, under a contract concluded for a period of 2 years with a Chinese company.

The increase in the transit of fertilizer from Uzbekistan is related to the diversification of routes towards European countries (opening of a representative office of Trade House Uztimeimpeks-Ukraine in Ukraine).

In 2021, the global sulfur market is experiencing high consumer activity, which, in the context of a continuing shortage of supply, contributed to high demand and further growth in product quotations. Along with this, the growth in natural gas production at the Mubarek gas processing plant and the opening of the Kandym gas processing complex (Uzbekistan) influenced the growth in exports of Uzbekistan's sulfur compound products in 2021, increasing the transit transportation of these types of cargo through the territory of Kazakhstan.

The growth in the transportation of other goods was due to an increase in the supply of raw sugar to Uzbekistan, machinery and equipment in containers from China to Europe, from Korea to Uzbekistan, freight in containers in the China-Europe, China-Uzbekistan, Europe-China destinations.

The largest growth in transit transportation of goods was accounted for by container transportation. Container traffic shows a positive trend almost for all destinations:

Container transit increased by 22% compared to 2020 and amounted to 1,066 thousand TEU.

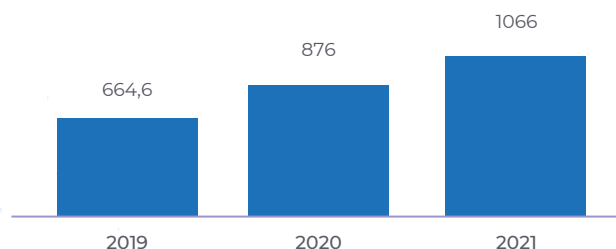
The main percentage in transit container traffic is claimed by the China - Europe - China route, with a share of 62%.

The successful work of the joint venture of the railway administrations of Kazakhstan, Russia and Belarus - UTLC ERA contributed to an increase in the volume of traffic on this route by 28% compared to last year.

In order to increase the volume of transit traffic, the priority issue is to reduce administrative barriers at border crossings, minimize inspections of transit freight and reduce the time for processing cars at the cross-border division points.

In June 2021, the Head of State instructed the Government of the Republic of Kazakhstan to consider the issue of forming a "green corridor" for transit freight. The issue is being actively worked out by the relevant authorized body.

TRANSIT IN CONTAINERS FROM 2019 TO 2021, THOUSAND TEU



662.2 THOUSAND TEU (+28% BY 2020)

China-Europe-China

216.6 THOUSAND TEU (THE SAME AS 2020)

China-Central Asian countries-China

69.7 THOUSAND TEU (+88% BY 2020)

China-Russia-China

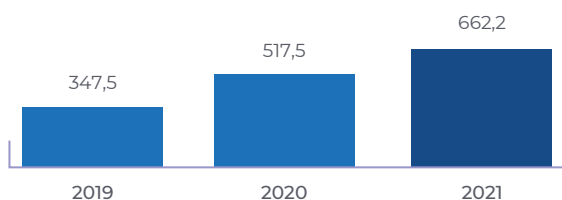
14.7 THOUSAND TEU (+82% BY 2020)

Trans-Caspian International Transport Route (TMTM)

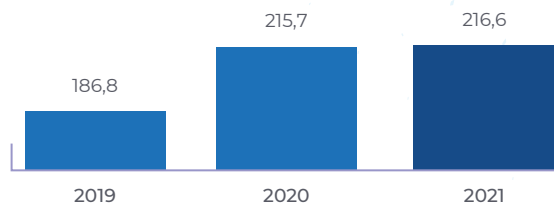
GOAL №2

TRANSIT TRAFFIC BY DESTINATION IN THE PERIOD FROM 2019 TO 2021, THOUSAND TEU

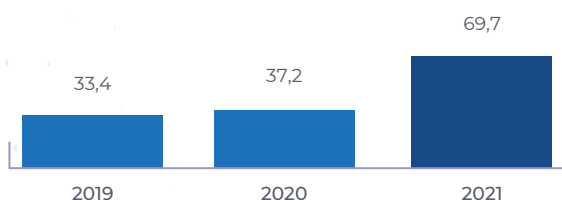
China-EU-China



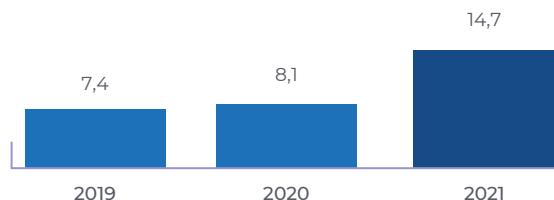
China-CA-China



China-RF-China



TMTM



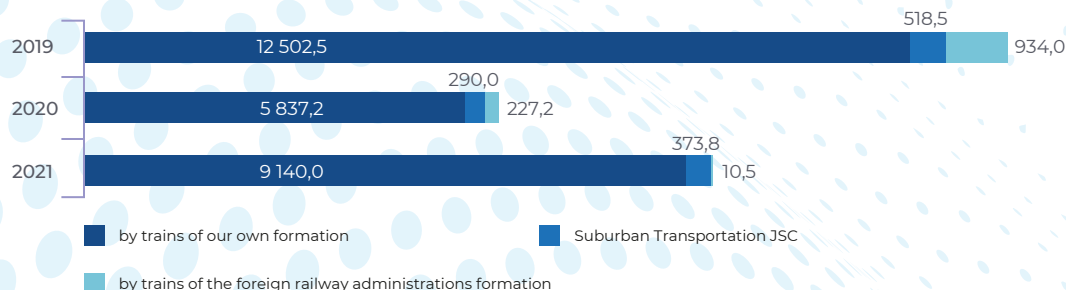
Also, to develop transit traffic by the Company:

- work is underway to increase the transit freight traffic through Kazakhstani seaports in the direction of the Caucasus countries, Iran and Turkey;
- a regular feeder service was organized from the port of Aktau in the direction of the Iranian ports of Anzali and Amirabad. Feeder flights are carried out along the route Turkmenbashi-Aktau port in the direction of China;
- work is underway to minimize administrative barriers;
- work is underway to implement planned infrastructure projects in order to increase capacity.

Passenger Transportation

The Company's passenger turnover in 2021 increased by 49.9% compared to 2020 and amounted to 9,524.3 million p-km. The increase in passenger miles was due to the easing of quarantine measures and the lifting of restrictions on the movement of trains associated with the coronavirus infection.

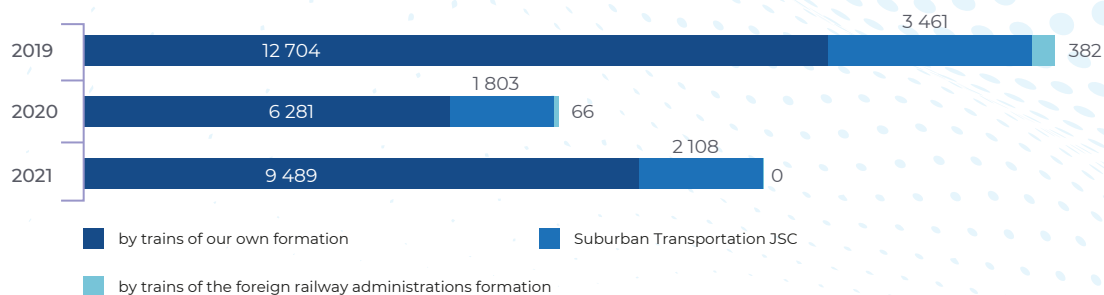
PASSENGER TURNOVER, MLN PASSENGER-KM



The number of passengers sent by the Passenger Transportation Group in 2021 amounted to 11,597 thousand passengers, including:

- by trains formed by Passenger Transportation JSC, 9,489 thousand passengers;
- by trains formed by Suburban Transportation JSC, 2,108 thousand passengers

NUMBER OF PASSENGERS TRANSPORTED, THOUSAND PEOPLE



GOAL №2

FINANCIAL PERFORMANCE



Income from core activities for 2021 amounted to 1,328.5 billion tenge, which is 13.2% higher than the fact of 2020. The increase was mainly due to an increase in revenues from freight traffic by 11.5% (due to an increase in freight traffic by 0.7%) and passenger traffic by 50.0% (increase in passenger turnover by 49.9%).

OPERATING INCOME, BLN TENGE



Income from freight traffic in relation to the fact of 2020 increased by 11.5%, mainly due to an increase in the volume of freight turnover by 0.7%; changes in the exchange rate (Swiss franc) for the calculation of income from transit traffic; increase in income from changes in the average level of tariff increases, etc.

FREIGHT INCOME, BLN TENGE



Income from passenger traffic for 2021 amounted to 57.3 billion tenge, which is 50,0% higher than the fact of the same period in 2020 due to a increase in passenger turnover by 49.9%.

PASSENGER TRAFFIC INCOME, BLN TENGE



EBITDA for 2021 amounted to 408.4 billion tenge, which is 16.9% higher than the fact of 2020.

EBITDA, BLN TENGE



Operating profit for 2021 amounted to 254.8 billion tenge, which is 40.3% higher than the fact of 2020.

OPERATING PROFIT, BLN TENGE



Net income attributable to the Sole Shareholder for 2021 amounted to 119,085 million tenge, which is higher than the fact of the same period in 2020 by 102,852 million tenge. The increase was mainly due to a 13.2% increase in operating income and a decrease in the negative exchange loss (balance) in the amount of 41,500 million tenge.

GOAL №2

MD&A ANALYSIS

Net income indicator for 2021 amounted to 119,085 million tenge

Strategic financial KPIs

Net income indicator for 2021 amounted to 119,085 million tenge, which is higher than the plan (profit 87,959 million tenge) by 31,126 million tenge, mainly due to:

- an increase in revenue from freight transportation by 23,056 million tenge (2.0%), mainly due to an increase in profit from transit traffic by 25,106 million tenge due to changes in the exchange rate of the Swiss franc (plan 1 CHF = 453 tenge, according to the National Bank of the Republic of Kazakhstan actual CHF = 466.13 tenge) and an increase in freight turnover in transit traffic by 0.7 %;
- a decrease in CIT expenditures by 10,167 million tenge due to changes in the tax basis and the deferred tax recognition;
- a growth in the share of profits of organizations accounted for under the equity method by 6,440 million tenge due to improved financial results of associates and jointly controlled organizations;
- actual income from fines in the amount of 5,754 million tenge;
- an increase in allocated subsidies to cover losses for passenger transportation in the amount of 3,919 million tenge in association with the actual allocation of subsidies from the Ministry of Investment and Infrastructural Development of the Republic of Kazakhstan;
- an increase in income from the provision of ancillary services to third parties by 1,561 million tenge;
- saving of expenses at cost price by 352 million tenge, on general and administrative expenses by 19,333 million tenge and on financing costs by 4,378 million tenge.

With a general revenue increase by 11,147 million tenge, there is a decrease in income to the plan from passenger transportation by 18,513 million tenge (24.4%) due to a decrease in passenger traffic by 14.8% that is due to the impact of the state of emergency (in January 2021) and imposed restrictions on the transportation of passengers through the territory of the Republic of Kazakhstan during the coronavirus pandemic continuing in 2021, as well as a decrease in income from the sale of inventories in the amount of 4,630 million tenge.

Other negative factors of influence are as follows:

- an increase in the cost of impairment expenses by 999 million tenge due to the impairment of fixed assets and other long-term non-financial assets;
- a decrease in non-operating gains by 6,876 million tenge due to the fact that government failed to provide subsidies to NC KTZ JSC for covering the interest rate of the loan in the amount of 29,184 million tenge;
- an increase in foreign exchange loss (balance) by 11,147 million tenge due to changes in the exchange rate (plan 1\$ = 430 tenge, according to the National Bank of the Republic of Kazakhstan, actual 1\$ = 431.67 tenge as of December 31, 2021);
- an increase in non-controlling interest by 1,667 million tenge by improving the financial results of subsidiaries with minority shareholders.

Impact Factors

Deviation,
million tenge

Net income, million tenge	31 127
including:	
<i>Positive factors:</i>	
• increase in freight transportation revenue	23 056
• G&A costs savings	19 333
• reduction of CIT expenses	10 167
• increase in the income share of organizations accounted for under the equity method	6 440
• income from fines	5 754
• savings in financing costs	4 378
• subsidies increase	3 919
• revenue increase from the provision of ancillary services to third parties	1 561
• cost price savings	352
<i>Negative factors:</i>	
• decrease in income from passenger transportation	(18 513)
• increase in foreign exchange loss (balance)	(11 147)
• decrease in non-operating gains (balance)	(6 876)
• decrease in inventories income	(4 630)
• increase in non-controlling interest	(1 667)
• increased cost of impairment expenses	(999)



GOAL №2

ROACE⁷ for 2021 is 7.42%, which is 0.98 percentage points higher than the plan (6.44%) due to an increase in NOPAT⁸ by 28,846 million tenge due to an increase in net income before non-controlling interests by 32,794 million tenge. The main reasons for the net income increase before non-controlling interests are as follows:

- increase in revenue from freight transportation by 23,056 million tenge (2.0%), mainly due to an increase in profit from transit traffic by 25,106 million tenge due to changes in the exchange rate of the Swiss franc (plan 1 CHF = 453 tenge, according to the National Bank of the Republic of Kazakhstan actual CHF = 466.13 tenge) and an increase in freight turnover in transit traffic by 0.7 %;
- decrease in CIT expenses by 10,167 million tenge due to changes in the tax basis and the deferred tax recognition;
- growth in the share of profits of organizations accounted for under the equity method by 6,440 million tenge due to improved financial results of associates and jointly controlled organizations;
- actual income from fines in the amount of 5,754 million tenge;

- increase in allocated subsidies to cover losses for passenger transportation in the amount of 3,919 million tenge in association with the actual allocation of subsidies from the Ministry of Investment and Infrastructural Development of the Republic of Kazakhstan;

- increase in income from the provision of ancillary services to third parties by 1,561 million tenge;

- saving of expenses at cost price by 352 million tenge, on general and administrative expenses by 19,333 million tenge and on financing costs by 4,378 million tenge.

However, NOPAT is negatively affected by a decrease in expenses in the form of remuneration to banks (including CIT) by 3,948 million tenge, due to changes in the exchange rate.

In general, ROACE is negatively affected by the change in the average value of capital employed, which is associated with a change in the opening balance, taking into account the actual operation results in 2020 and an increase in loaned capital during 2021 due to changes in the exchange rate.

Impact Factors

Deviation,
million tenge

ROACE, %	-0,98%
<i>including:</i>	
NOPAT increase	28 846
<i>of which:</i>	
net income (loss) before non-controlling interests	32 794
remuneration expenses (including CIT)	(3 948)
ACE increase (average value)	(18 105)
<i>of which:</i>	
CE as of December 31, 2020 (increase)	(24 477)
<i>including:</i>	
equity (decrease)	17 844
loan liabilities (increase)	(42 321)
CE change during 2021	(11 732)
<i>including:</i>	
equity (decrease)	34 528
loan liabilities (increase)	(46 260)

⁷ROACE - Return On Average Capital Employed.

⁸NOPAT - Net Operating Profit After Tax

NAV⁹ indicator for 2021 amounted to 995,478 million tenge, which is lower than the plan (1,005,077 million tenge) by 9,599 million tenge due to a change in the opening balance, taking into account the actual data on the operation results in 2020 (decrease) by 3,640 million tenge, as well as reducing the contribution to the authorized capital of NC KTZ JSC from the Republican budget by 36,214 million tenge due to changes of funds receipt conditions from the

Republican budget for the additional assembly of 62 passenger cars according to the Patentes Talgo procedure and the lack of funding for the "Modernization of the Dostyk-Aktogay-Mointy Railway Transit Corridor" investment project for 40,000 million tenge. However, NC KTZ JSC issued 37,859 shares during 2021, which the Fund paid for with intangible assets in the amount of 3,786 million tenge.



Impact Factors

Deviation,
million tenge

NAV, млн тенге	(9 599)
<i>including:</i>	
Equity attributable to Shareholder of the parent company	(22 841)
<i>of which:</i>	
opening balance (actuality 2020)	(3 640)
change in equity for the period	(19 201)
Authorized Capital Contribution	36 214
including changes of funds receipt conditions from the Central Government Budget for the additional assembly of 62 passenger cars according to the Patentes Talgo procedure and the lack of funding for the "Modernization of the Dostyk-Aktogay-Mointy Railway Transit Corridor" investment project.	40 000
37,859 shares paid by the Shareholder with intangible assets	(3 786)
Discount on loans from the Government and others	(22 972)

⁹NAV – Net Asset Value

GOAL №2

ASSET STRUCTURE

The development of an optimal business model and the target structure of the Company's assets are defined by the Company's Development Strategy as a strategic initiative to improve the Company activity efficiency.

The restructuring of the Company's structure, reduction of legal entities, asset management levels and exit from non-core assets will allow the Company to effectively reallocate its resources in order to increase the value of the Company and its profitability.

The Company's business portfolio is represented by five blocks:

Item No.	Area	Name of Organizations of the 2nd level	Participation Share ¹⁰
1	Mainline railway network	NC KTZ JSC branch - "Directorate of the mainline network"	-
2	Freight transportation	KTZ-Freight Transportation LLP	100%
		Kaztemirtrans JSC	100%
3	Passenger Transportation	Passenger Transportation JSC	100%
		KTZ-Passenger Locomotives LLP	100%
4	Transport and logistics unit	KTZ Express JSC	100%
		Kedentransservice JSC	100%
		United Transport and Logistics Company Eurasian Railway Alliance (UTLC ERA) JSC	33,33%
		Kuryk Port LLP	100%
		National Company Aktau Commercial Sea Port JSC	discretionary portfolio management
5	Field-specific and auxiliary unit	Transtelecom JSC	25%
		Militarized Railway Guard LLP	100%
		Temirzholsu JSC	100%
		Dosjan temir zholy JSC	46,046%
		KTZ Finance LLC	100%

Work on the alienation of non-core assets of the NC KTZ JSC group of companies continues as part of the Company's Development Strategy.

The following changes took place in the structure of the Company in 2021:

- reorganization activities of Remlokomotiv JSC and Kamkor Repair Corporation LLP were completed by merging with Kaztemirtrans JSC;
- Logistic System Management B.V. company was dissolved.

In total, 24 companies were taken out from NC KTZ JSC in the period from 2019 to 2021.



Details about the key business units of the Company are presented in the Company's Key Business Units section.

¹⁰The structure of the NC KTZ JSC group of companies as of 01.01.2022 (1, 2 levels).

КАЗАХСТАН ТЕМІР ЖОЛЫ

*The NC KTZ JSC group
of companies includes
44 organizations.*

GOAL №2

COMPANY'S KEY BUSINESS UNITS

KTZ-Freight Transportation LLP

KTZ-Freight Transportation LLP is the largest freight carrier and locomotive traction operator in the territory of the Republic of Kazakhstan.

By the Decree of the Government of the Republic of Kazakhstan dated September 29, 2017, KTZ-Freight Transportation JSC¹¹ was granted the status of the National Freight Carrier.

Business unit overview



Date of establishment 2016



Ownership share of NC KTZ JSC 100%

RESOURCE



Employees

44 894 people



Rolling Stock

1 678 locomotives



Infrastructure

17 wagon depots
30 locomotive depots
831 stations



Regional branches

17 regional branches
3 representative offices in China, Iran and Russia

BUSINESS ACTIVITIES



Consumer segments:

- consignors;
- consignees;
- forwarders;
- branch owners;
- participants in the transportation process.



Value offer:

- uninterrupted and high-quality provision of the needs of the economy and the population in the carriage of goods by rail while ensuring the safety of train traffic and the safety of transported baggage, freight luggage, freight;
- formation of the functions of a single operator taking into account the use of multimodal transportation, interaction with operators and owners of rolling stock and providing access to the main railway network;
- development of trunk and terminal infrastructure of transport corridors.



Key activities:

- transportation of goods by rail;
- transportation of social goods by rail;
- provision of locomotive traction services;
- provision of services of locomotive crews;
- provision of services for the preparation of traction rolling stock and motor-car rolling stock for access to the backbone network;
- provision of services for traction shunters, commodity cashiers, acceptance suppliers;
- provision of services for the preparation of freight cars for loading.

¹¹ Reorganized as KTZ-Freight Transportation LLP in 2020.

Key Performance Indicators

Indicators	2019	2020	2021	Changes 2020/2019, %	Changes 2021/2020, %
Revenue, bln tenge	934,9	1 019,2	1 178,9	9	15,7
Operating profit, bln tenge	61,2	110,8	50,5	81	-54,4
EBITDA, bln tenge	79,8	129,2	68,8	61,8	-46,8
Tariff freight turnover, bln tkm	222,3	229,7	225,6	3,3	-1,8
Freight transported, million tons	275,6	278,3	267,7	1	-3,8
Number of employees, people, including:	50 344	47 301	44 894	-6	-5,1
Share of women, %	28	26	26	-7,1	0
Administrative and management personnel, people	2 654	1 910	1 666	-28	-12,8
Production personnel, people	47 690	45 391	43 228	-4,8	-4,8
Social stability index, %	73	72	69	-1,4	-4,2
Occupational Injury Rate (LTIFR)	0,22	0,23	0,24	4,5	4,3
Waste volume, thousand tons	10,8	9,3	9,1	-13,9	-2,2

The Company's freight turnover in 2021 amounted to 233.3 billion tkm, which is 0.7% more than in 2020. The growth is due to an increase in freight turnover in import and transit traffic, freight turnover for KTZ-Freight Transportation LLP amounted to 225.6 billion tkm.

According to the results of the reporting period, the KTZ-Freight Transportation LLP revenue increased by 15.7% compared to 2020, which is related to an increase in the exchange rate for calculating income from transit traffic and income from mutual settlements between railway administrations.



GOAL №2



Passenger Transportation JSC

Passenger Transportation JSC carries out railway transportation of passengers, mail, baggage and freight luggage in interdistrict, interregional and international routes.

By the Decree of the Government of the Republic of Kazakhstan dated December 25, 2004 Passenger Transportation JSC was assigned the status of the National Carrier for the transportation of passengers, baggage, freight and mail.

Business unit overview



Date of establishment 1998



Ownership share of NC KTZ JSC 100%

RESOURCES



Employees

10 766 people



Rolling Stock

2 223 passenger cars



Regional branches

Western, Northern, Southern, Express, Passenger
Transportation JSC – Suburban
Transportation JSC

BUSINESS ACTIVITIES



Consumer segments:

- passengers;
- consignors of baggage and freight luggage;
- organizations that provide transportation services.



Value offer:

Provision of high-quality and safe services for the transportation of passengers, baggage, freight luggage and postal items in international, interregional, interdistrict, domestic and suburban railway transport.



Key activity:

- passenger rail transportation;
- transportation of baggage, freight luggage and mail.

Key Performance Indicators

Indicators	2019	2020	2021	Changes 2020/2019, %	Changes 2021/2020, %
Revenue, bln tenge	123	68,9	91,6	-44	32,9
Operating profit, bln tenge	5,9	-14,1	-5,2	-337,7	-63,5
EBITDA, bln tenge	14,3	-4,8	4,6	-133,8	-195,7
Passenger turnover, bln tkm	14	6,4	9,5	-54,5	49,9
Passenger transported, million tons	16,5	8,2	11,6	-50,7	42,3
Number of employees, people, including:	12 577	11 611	10 766	-7,7	-7,3
Share of women, %	34	33	33	-2,9	0
Administrative and management personnel, people	697	663	634	-4,9	-4,4
Production personnel, people	11 880	10 948	10 132	-7,8	-7,5
Social stability index, %	54	71	65	31,5	-8,5
Occupational Injury Rate (LTIFR)	0,23	0,32	0,41	39,1	28,1
Greenhouse gas emissions into the atmosphere, tons	954,3	862,3	795	-9,6	-7,8
Waste volume, thousand tons	12,1	10,3	10,2	-14,9	-1

Data on Operating income and EBITDA at the end of 2019 and 2020 have been adjusted due to changes in the Chart of accounts for purposes of financial accounting of NC KTZ JSC.

At the end of 2021, due to the increase in passenger turnover compared to 2020, revenue increased by 33%, operating income by 63%, EBITDA doubled. The growth in operating figures in the reporting year is related to the resumption of rail traffic (the restriction of rail traffic occurred in 2020 due to the introduction of a state of emergency in Kazakhstan, quarantine restrictions introduced in certain regions of the republic, and the cancellation of a number of Talgo commercial trains).



GOAL №2

KTZ Express JSC

KTZ Express JSC provides a full range of transport and logistics services in all types of communications, integrating transportation by rail, sea and road, using port infrastructure, a network of warehouses and terminals. Also, KTZ Express JSC carries out transportation of groupage freight according to the principle of Less Than Container Load (LCL), transportation of goods in organized shuttle trains, as well as transportation of goods that are sensitive to temperature conditions.

Business unit overview



Date of establishment 2013



Ownership share of NC KTZ JSC 100%

RESOURCE



Employees

559 people



Rolling Stock

7 721 units – 20 and 45 ft. containers
1 919 units – fitting platforms



Regional branches

3 regional branches, 2 representative
offices abroad: Moscow (Russia),
Berlin (Germany)

BUSINESS ACTIVITIES



Consumer segments:

- Forwarders
- Consignors



Value offer:

Comprehensive customer service with the provision of additional services such as customs clearance, intermodal exchange, service through “one stop shop”.



Key activity:

- provision of transport and forwarding services;
- logistics activities;
- transportation of oversized, heavy and dangerous goods;
- management of objects of transport and logistics infrastructure;
- provision of information support for the transportation of goods;
- customs clearance, insurance, provision of guarantees for all types of risk, organization, escort, security, certification of goods.



Key Performance Indicators

Indicators	2019	2020	2021	Changes 2020/2019, %	Changes 2021/2020, %
Revenue, bln tenge	32,7	30,9	32,7	-5,5	5,8
Operating profit, bln tenge	-15,3	9,3	20,8	-160,5	124,6
EBITDA, bln tenge	-8,7	14,6	24,4	-267,2	67,2
Container forwarding, thousand TEU	226,0	355,4	329,7	57,3	-7,2
Freight forwarding by rail, thousand tons	9 533	6 471	3 372	-32,1	-47,9
Number of employees, people, including:	602	571	559	-5,1	-2,1
Share of women, %	41	43	42	4,9	-2,3
Administrative and management personnel, people	207	181	181	-12,6	0
Production personnel, people	395	390	378	-1,3	-3,1
Social stability index, %	72	79	87	9,7	10,1
Waste volume, tons	336,3	307,5	401,58	-8,6	30,6
Greenhouse gas emissions into the atmosphere, tons	24,7	13,9	16,57	-43,7	19,2

Note: The data on "Container Freight Forwarding" and "Rail Freight Forwarding" figures at the end of 2019 and 2020 have been changed due to the consolidation of volume figures of the central office, subsidiaries and associates of the company and regional branches of KTZ Express JSC. Previously, information on the volume of the central office of the Company only was published.

The revenue of KTZ Express JSC in 2021 amounted to 32,672 million tenge, which is 5.8% higher than in 2020, the increase was due to the gain recognition for previous periods.

Container freight forwarding in 2021 amounted to 329,671 TEU, which is 7.2% lower than in 2020, due to difficulties in coordinating transportation plans on the part of Chinese railways, as well as a decrease in the share of KTZ Express JSC in UTLC ERA transportation.

Rail freight forwarding in 2021 amounted to 3,372 thousand tons, which is 47.9% lower than in 2020. The reasons for the figure decrease are the reorientation of aluminum transportation to road transport on the customer's part, the suspension of shuttle transportation, as well as Afghanistan's refusal to load oil cargo (since June 2021, due to US troops withdrawal from the country).

GOAL №2

Kaztemirtrans JSC

Kaztemirtrans JSC is the largest operator of the freight wagon fleet in the Republic of Kazakhstan. The Company's activities cover such areas as provision of freight cars for operation, leasing of special rolling stock, storage and sale of scrap metal.

The bulk of freight transported in Kaztemirtrans JSC wagons is mostly bulk freight such as coal, grain, flour and milling products, ore, mineral fertilizers and cement.

Business unit overview



Date of establishment 2003



Ownership share of NC KTZ JSC 100%

RESOURCE



Employees

1 138 people



Rolling Stock

42,4 thousand units of wagons



Regional branches

10 regional branches



Infrastructure

Saryozek production base

BUSINESS ACTIVITIES



Consumer segments:

The main segment is the owners of bulk freight, such as coal, grain, flour and milling products, ore, mineral fertilizers and cement.



Value offer:

Providing high-quality cargo transportation services.



Key activity:

- provision of freight cars for operation;
- lease of special rolling stock;
- storage and sale of scrap metal.

Key Performance Indicators

Indicators	2019	2020	2021	Changes 2020/2019, %	Changes 2021/2020, %
Revenue, bln tenge	154,9	147,9	149,0	-4,5	0,8
Operating profit, bln tenge	30,5	30,9	8,8	1,5	-71,6
EBITDA, bln tenge	52,1	54,8	32,0	5,2	-41,7
Freight transported, million tons	93,7	86,5	82,8	-7,7	-4,3
Number of employees, people, including:	1 318	903	1 138	-31,5	26,0
Share of women, %	46	48	43	4,3	-10,4
Administrative and management personnel, people	411	326	342	-20,7	4,9
Production personnel, people	907	577	796	-36,4	38,0
Social stability index, %	70	80	80	14,3	0

At the end of 2021, the revenue of Kaztemirtrans JSC increased by 0.8%, which is related to the sale of inventory items. Operating income decreased by 71.6% due to non-fulfillment of the revenue income plan: operating and renting freight cars.



GOAL №2

Kedentransservice JSC

Kedentransservice JSC is the leading operator of logistics terminals in the Republic of Kazakhstan. The company has assets and expertise in the field of terminal cargo handling, and also provides services for reloading goods imported from China at the Dostyk and Altynkol border stations.

Business Unit Overview



Date of establishment 1997



Ownership share of NC KTZ JSC 100%

RESOURCES



Employees

1,755 people



Rolling stock

4,403 units - 20, 60,
80 ft. containers



Regional branches

11 regional branches,
3 representative offices: in China,
Uzbekistan and Belarus

BUSINESS ACTIVITY



Consumer segments:

- consignors;
- consignee;
- forwarders.



Value offer:

Provision of high-quality terminal handling services, reloading at the Dostyk and Altynkol border stations, container flatcars handling, container transportation on various routes.



Key activity:

- provision of container flatcars;
- transshipment services (at the Dostyk and Altynkol stations);
- terminal services;
- container transportation service.





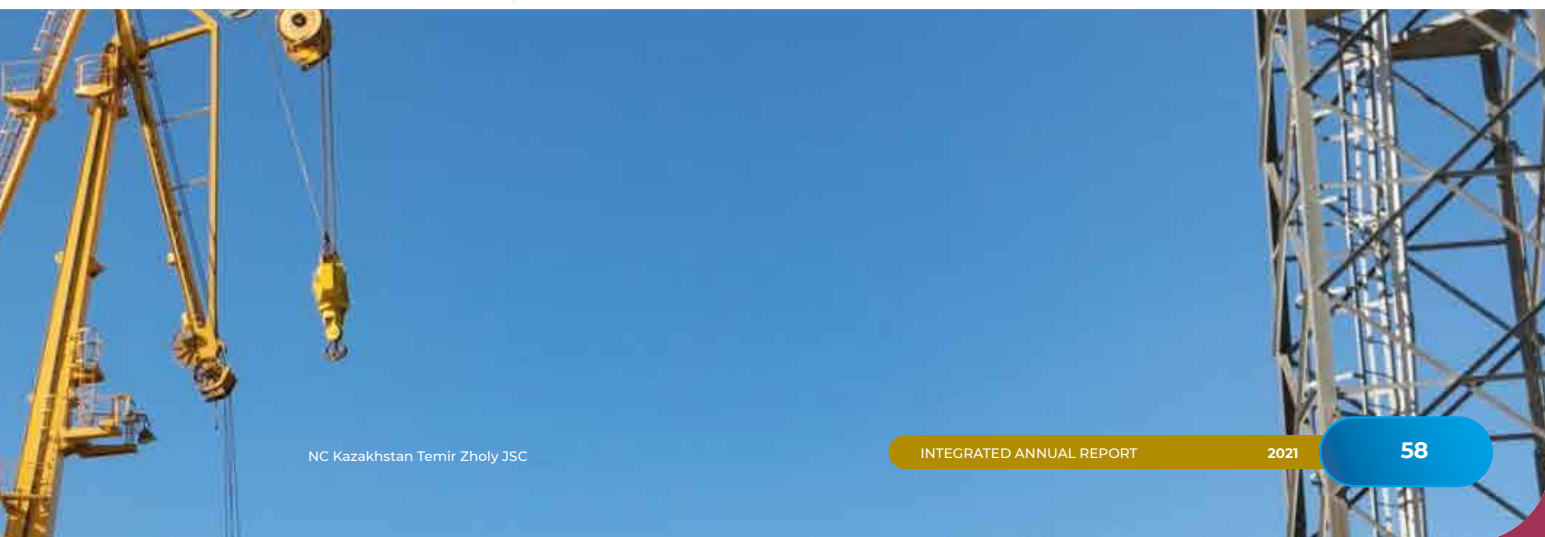
Key Performance Indicators

Indicators	2020	2021	Changes 2021/2020, %
Income, bln tenge	24,2	37,3	53,8
Operating income, bln tenge	3,5	7,6	113,7
EBITDA, bln tenge	5,9	12,7	114,6
Rolling stock operating, thous. TEU	219,6	243	10,7
Number of employees, including:	1 921	1 755	-8,6
Women proportion, %	19	20	5,3
Administrative and managerial personnel, persons	561	553	-1,4
Operating personnel, people	1 360	1 202	-11,6
Social stability index, %	-	84	100
Waste volume, thous. tons	3,8	3,8	0

The growth in the operations volume in 2021 compared to the level of 2020 by 10.7% was achieved due to an increase in traffic in import, export and domestic traffic.

Revenue in 2021 increased by 54.1% compared to 2020, mainly due to a decrease in the negative impact of the COVID-19 pandemic on operating activities.

An increase in EBITDA by 114.6% occurred due to the transfer of cars from Kaztemirtrans JSC from January 2021.



GOAL №2

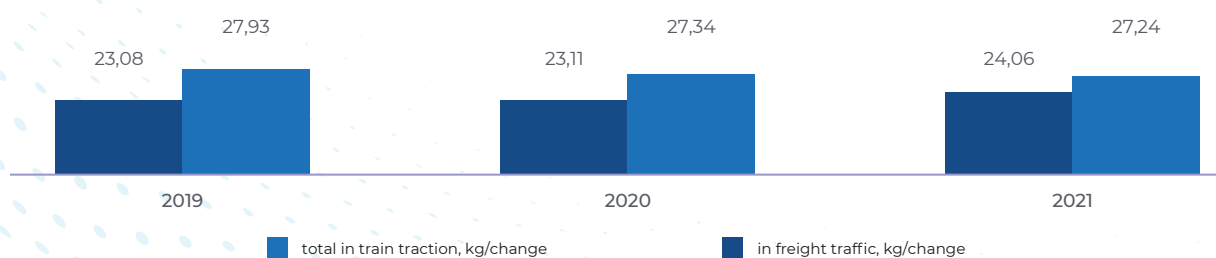
IMPROVING THE EFFICIENCY OF ACTIVITIES

AVERAGE DAILY LOCOMOTIVE PERFORMANCE, THOUS. GROSS TKM



In 2021, the average daily locomotive performance decreased compared to 2020 due to a decrease in the average daily mileage of a locomotive. Mileage decreased due to the growth of trains (a 53% increase by 2020) due to untimely acceptance by the Chinese side and increased quarantine measures (COVID- 19)

DYNAMICS OF CHANGES IN THE SPECIFIC DIESEL FUEL CONSUMPTION FOR TRAIN TRACTION, KG/CHANGE



In 2021, the total specific consumption for train traction decreased by 0.4% compared to 2020 and by 2.5% compared to 2019.

LABOR PRODUCTIVITY, REDUCED, THOUS. TONS KM/PERSON



Labor productivity growth in 2021 is due to an increase in passenger traffic due to the easing of quarantine measures related to the coronavirus infection.

INVESTMENT ACTIVITIES

NC KTZ JSC investment activity is aimed at implementing a set of measures to ensure the sustainable operation of railway transport, improving the quality and safety of transportation services.

In 2021, investments in the amount of 374 billion tenge were channeled to the development of railway infrastructure and the rolling stock renewal.

The following major activities were carried out with these funds:

- work for completion of the ferry complex construction in the Kuryk port and the operation of universal passenger-and-freight ferries continued;
- works on modernization and repair of the upper structure of the 582 km track were completed;
- 66 units of locomotives were purchased and a major overhaul of 50 units of locomotives was performed;
- 1,957 units of freight cars were purchased and a major overhaul of 961 units of freight cars was performed;

- 82 units of passenger cars were purchased and a major overhaul of 56 units of passenger cars was performed;
- measures were taken to upgrade and recover the railway infrastructure, develop transport logistics and improve traffic safety.

As part of the implementation of the state task to increase transit freight traffic through the territory of the Republic of Kazakhstan in order to ensure the necessary throughput capacity of the main transport corridors, the National project "Strong regions are the driver of the country's development" has identified the following long term railway infrastructure projects as priorities:

- 1) Construction of a second track and electrification on the Dostyk-Moiynty section on the border with China;
- 2) Construction of the Darbaza - Maktaaral rail line, which will reduce the capacity shortage in Uzbekistan direction, especially during peak periods of seasonal freight loading;
- 3) Construction of Almaty bypass rail line.

The matter of determining the funding source for the projects, taking into account their strategic importance, is being discussed.



GOAL №2

DIGITAL TRANSFORMATION AND DIGITIZATION PROGRAM

Digital Transformation

The NC KTZ JSC Digital Transformation program is one of the tools for achieving the Company's strategic goals.

The Program goal is to increase the value of NC KTZ JSC and implement fundamental changes by increasing the economic efficiency of the services provided, improving business processes, digitalizing and automating activities, as well as improving the professional expertise of employees.

The current project portfolio of the Digital Transformation Program of NC KTZ JSC¹² includes 16 projects:

- 1) Stock management;
- 2) Implementation of a new data control model;
- 3) Integrated Planning System (IPS);
- 4) Train Traffic Control Center (reboot);
- 5) Transfer of locomotives to the Driver Only Operation;
- 6) Efficiency improvement of the Kedentransservice JSC terminals;
- 7) Centralization and automation of commercial functions in KTZ-Freight Transportation LLP;
- 8) Optimization of specific fuel and electricity consumption of KTZ-Freight Transportation LLP;
- 9) Efficiency improvement of locomotive traction;
- 10) Efficiency improvement of shunting operations;
- 11) Operational efficiency;
- 12) Marketing and sales in the railway passenger transportation area;
- 13) Management and coordination of import-transit freight traffic flow at the Dostyk and Altynkol border stations;
- 14) New organizational model of Passenger Transportation JSC and company management system, IT Development Strategy;
- 15) Non-core activities outsourcing;
- 16) Implementation of portable diagnostic tools within the Magistral Automated Control System.

¹²Approved by the decision of the Board of Directors of NC KTZ JSC dated December 9, 2021 (Minutes No. 15).



The following projects were completed under the Program in 2021:

1) Implementation of IT solutions in the area of safety and labor protection, industrial and environmental safety in NC KTZ JSC.

- More than 106 thousand registered users of NC KTZ JSC (97%).
- 66,739 violations were identified, 66,136 or 99% of which were eliminated for 2021.
- Reduced time for report preparation in the area of industrial safety (real time monitoring of industrial safety figures).
- Manual entry and management of paper records are excluded.
- Reduced time for information search (investigation files, documental records, etc.), which were previously on paper.
- All potential incidents are recorded in the IS (the Behavioral Security Dialogue program is aimed at identifying unsafe actions (UA), hazardous conditions (HC), near miss incidents (Near Miss), which allows for proactive management of incidents.

2) Implementation of a new marketing and sales model (reboot).

- Increasing KTZ Express JSC and Kaztemirtrans JSC customer satisfaction level.
- 100% of customer requests are recorded, stored and processed in the CRM system.
- The amount of tenders won under concluded contracts increased by 88 times compared to 2016.
- Commercial offers for customers are issued through CRM by 100%, which reduced the time for providing commercial offers and concluding a contract to 2 days (more than 5 days before the implementation).

- More than 85% of transportation orders are processed through the customer's personal account (more than 5 days before the implementation, no more than 1 day after the implementation).

- The subcodes theft opportunity has been suppressed (the instruction is given through a personal account, without human intervention).

3) Implementation of portable diagnostic complexes within the Magistral Automated Control System.

- 6 geometry cars, 290 outdated flaw detection trolleys, 580 operators of flaw detection trolleys were optimized.
- The level of ensuring the train traffic safety has been increased by increasing the controlled parameters of the railway track state and automating the processing of diagnostic results data.
- The state of bolted joints is monitored with the adoption of measures to limit the speed of trains.
- Additional analytical programs are used to determine the pre-failure condition of a continuous welded rail and to monitor the condition of the subgrade formation.
- Monitoring of changes in track condition is carried out and various types of ongoing repairs are assessed, both by track distances and by contractors.
- Regular control of the dimensions of the approach of buildings and distances between the axes of the tracks is carried out with the adoption of measures to ensure the safe passage of out-of-gauge load.

GOAL №2



4) New Information Security Model implementation (Reboot)

3 information security tools are implemented:

1. Network traffic analysis system;
2. Source code analysis system;
3. Network access control system.

The above IS tools are currently being operated successfully and used in daily work by key project users.

5) Transfer of freight cars for service maintenance

- A draft contract on long-term procurement of works for the maintenance of freight cars of Kaztemirtrans JSC was developed and agreed with Samruk-Kazyna Contract LLP.
- The purchasing category "Repair of Freight Cars" strategy was developed and approved.
- Kaztemirtrans JSC freight cars repair program has been developed.
- The time spent by Kaztemirtrans JSC cars in the non-operational pool was reduced due to: uncoupling to the current uncoupling repair (CUR) on KTZ from 40 days to 18 days, uncoupling to the depot repair (DR) on KTZ from 30 days to 12 days.

Program Plans and Objectives for 2022:

- achieving profit in the amount of 17.9 billion tenge;
- determining business processes when working with owners of the cross-docking for reloading freight, containers, the procedure for distributing volumes, accounting for transferred freight, containers, the procedure for developing record-books and generating reports of the services rendered;
- completion of the branches formation - KTZ - Freight transportation LLP transportation departments of the South and North regions;
- launching a train traffic control center for the North Region with the relocation of the control by subdivisions;
- completion of the pilot project No. 1 for transferring functions of an acceptance/delivery agent to employees of related services and the introduction of a "Mobile workstation for receiving and delivering freight";
- completion of the pilot project No. 2 for creating Customer Service Center based at Nur-Sultan station;
- completion of the full and complete transfer of the shunting traffic type to the Driver Only Operation;
- completion of the trial period of passenger locomotives operation with the Driver Only Operation;
- completion of the reform of the main (TMD) and transfer (TD) motive-power depots in the West region ("pilot project");
- automation of the Kedentransservice JSC customer relationship management process;
- automation of the Almaty-1 terminal operational activity management process;
- calculation of target production and financial indicators of KTZ - Freight transportation LLP business plan for 2023-2027. in EIS;
- calculation of target production indicators of Kaztemirtrans JSC business plan for 2023-2027. in EIS.

Digitalization



In the reporting year, in order to ensure effective management and business resilience, as well as to modernize outdated information systems, the Company developed the Strategy for the Development of Information Technologies of NC KTZ JSC for 2022-2026¹³.

The goal state of information technology (IT) in the Company will be characterized by a high level of software and hardware infrastructure integration.

All work on IT management and development will be subject to the goals and objectives of the Company's business development, have one control center, and be based on the following approaches:

- the organizational and leadership role in the digital segment of the Company will be determined by a single decision-making center - a branch of NC KTZ JSC - Directorate of Automation and Digitalization, through the Branch participation at all stages of initiation, implementation and launch of IT projects, as well as ensuring their synchronization with the investment unit of the Company;
- reengineering of existing processes, which involves reviewing and changing processes in order to eliminate inefficient steps, corruption risks and reduce the time for rendering services;
- technological improvement and transition to a platform and microservice digitalization model;
- introduction of the "Big Data" concept and the transition to the "Data Driven Company" principle;
- implementation of tasks to improve employees competence and relationships with the business community;
- creation of system and infrastructure protection of codes;
- building an innovative ecosystem;
- inadmissibility of dependence on third-party companies that causes significant damage to the economic and technological interests of the Company;
- projects prioritization according to quality infrastructure.

¹³Approved by the decision of the Board of Directors of NC KTZ JSC dated March 16, 2022 (Minutes No. 5).

GOAL №2

As part of the implementation of this Strategy, in 2022 it is planned to:

- centralization of the business function within the Shared Service Center (SSC). The customer will “knock at the same door”, control of the quantity and quality of the services provided will be strengthened due to the transparency of processes;
- fast-tracking of work on the mutual recognition of electronic digital signature (EDS) and improving IFTMIN messages transmission (electronic message about the shipment of goods) between neighboring countries to organize transportation using paperless technology;
- continue the digitalization of freight management, including:
 - digitize the work of facilities (track, signalisation and communications, and power production facilities) and the management of BRN track possessions. The process will become transparent and more predictable;
 - improve the automation of station and local work;
 - improve the automation of dispatching processes (shunting operations planning, train formation from manual to automatic, algorithms will automatically make and remake optimal traffic schedules depending on the situation on the track).
- improvement of corporate services, including:
 - creation of Personal Account of an employee with the provision of online services in a mobile application (obtaining a salary statement, obtaining certificates, processing vacations, business trips, etc.);
 - transition to cloud document management, centralization with subsidiaries;
- integration of the Company's IS with government agencies, which will allow customers to receive services faster, eliminating unnecessary paperwork;
- centralization of data processing centers (DPC) and subsidiaries, which will optimize and increase computing power by more than 30%;
- modernization of outdated information systems;
- implementation of the SAP system (System Analysis and Program Development), which will allow for the reengineering of business processes in financial and accounting systems;
- robotic automation of routine tasks, which will reduce processes execution time, eliminate errors associated with the human factor, etc.;
- development of an integrated video surveillance system, including for the purpose of recognizing train numbers (checking real cars through cameras and comparing their numbers to eliminate fraud and corruption or own benefits in transportation).





GOAL №3

GOAL №3

INCREASING CUSTOMER SATISFACTION

Satisfaction of the Company's consumers with the quality of services provided in the area of freight and passenger transportation, transport and logistics services is one of the strategic goals of the Company.

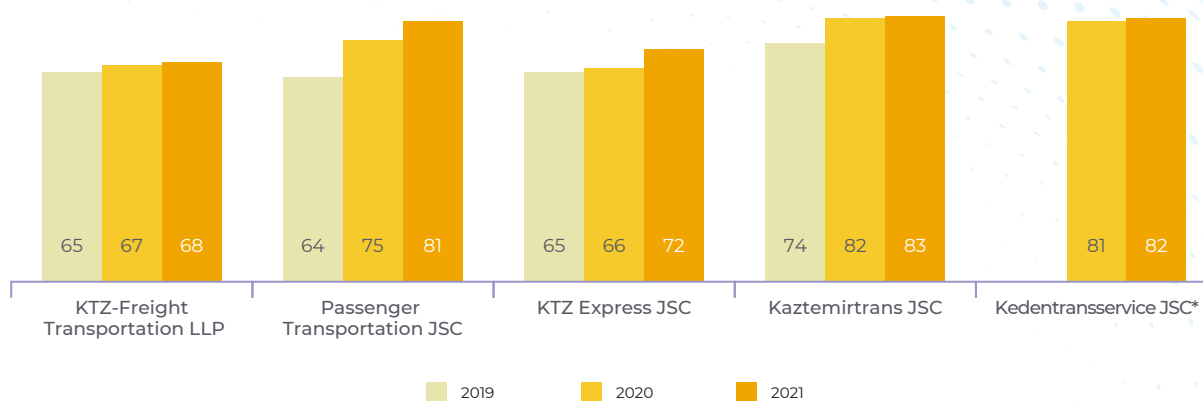
CUSTOMER SATISFACTION



Regular assessment of customer satisfaction makes it possible to identify strengths and weaknesses in customer relationships and make timely decisions on further development steps in the Company's subsidiaries aimed at improving customer satisfaction and loyalty.

The survey of clients is conducted by filling out questionnaires posted on the corporate websites of the Company's subsidiaries.

CUSTOMER SATISFACTION LEVEL IN THE PERIOD FROM 2019 TO 2021, %



*Kedentransservice JSC did not assess the customer satisfaction level at the end of 2019.



GOAL №3

IN THE AREA OF FREIGHT TRANSPORTATION

**KTZ-Freight Transportation LLP**

To increase customer loyalty, meetings are held on a regular basis with the participation of consignors/consignees, forwarding companies with the involvement of representatives of state bodies for joint discussion and resolution of current issues. All relevant and new information in terms of interaction with consignors, forwarders and operating companies is published on an ongoing basis on the KTZ-Freight Transportation LLP corporate website in the "Customers" section.

Active work is being carried out to develop paperless technology for processing carriage documents. Currently, the percentage of carriage documents registration within the republic traffic using paperless technology is 93%. In international transportation, the use of paperless technology and the recognition of the legal force of such documents has been implemented with Russian Railways JSC and on an experimental basis with Belarusian Railways since June 1, 2021.

In accordance with the established procedure, KTZ-Freight Transportation LLP carries out the transportation of socially significant freight - coal - as needed by the CHP plants and the population of the country. Due to the special importance of ensuring timely delivery, the issue of transportation is under the control of the KTZ-Freight Transportation LLP management, meetings of the operational headquarters are held with the direct participation of coal companies' representatives. Thus, the operator fully fulfills its obligations for the timely delivery of coal according to incoming customer orders.

Also, in the reporting year, work for the provision of hay and fodder for domestic animals affected by drought in the regions of the country was carried out. In order to support the affected regions, transportation in this area of focus was carried out promptly and in full.

Based on the results of a customer survey to determine the customer satisfaction level, an action plan was developed aimed at increasing satisfaction of KTZ-Freight Transportation LLP customers.

Kaztemirtrans JSC

The increase in the satisfaction level of Kaztemirtrans JSC customers is ensured by increasing customer focus, introducing new IT tools, and improving relationships with customers.

For the customers convenience, there is a personal account where each customer can apply online for rate calculation, freight transportation, track the location of cars, conclude an offer agreement, and also write appeals to Kaztemirtrans JSC.

In 2021, a feedback function was introduced on the Kaztemirtrans JSC website, which allows customers to make a call the Call center through a browser or leave an order with the specified contact details, after which the specialist gives feedback. It also became possible to receive information through the Telegram bot.



GOAL №3

IN THE AREA OF PASSENGER TRANSPORTATION



Electronic ticketing system

In 2021, Passenger Transportation JSC continued to improve the e-ticketing system:

- in the electronic ticketing system of the Mobius fiscal software package, the Waiting List functionality has been upgraded with new features: access to the functionality is open if there are vacant seats (previously, booking was made in the absence of vacant seats), a price threshold was set when applying for a Waiting List;
- the task of integrating the ticketing system with the mobile citizen database and identifying customer's social status when buying discount tickets on the website bilet.railways.kz was implemented;
- the function of an online calculator for calculating the carriage of luggage and cargo luggage on the website bilet.railways.kz was implemented;
- a new product "Women's carriages" was launched for the trial period. According to the survey results, 74% of respondents rated the product positively;
- Passenger SMS-notification service was implemented, by sending notifications about delays in passenger trains for more than 3 hours from the schedule of passenger and local trains;
- the task of issuing discount tickets for all types of discount cards from the Waiting List was implemented;
- the task of issuing travel documents indicating passenger IIN in accordance with the requirements of the Rules for the Transportation of Passengers, Luggage and Cargo Luggage in Railway Transport was implemented;
- the function of paying a fine for a train delay at the ticket offices of Passenger Transportation JSC was automated.

At the end of 2021, the share of online ticket sales was 70% (55% in 2020).

Rolling stock renewal

During 2021, new passenger cars of the Tulpar Carriage Building Plant LLP were delivered in the amount of 82 units, which partially updated the train sets of the following routes: Atyrau - Almaty, Almaty - Mangistau, Kyzylorda - Semey, Nur-Sultan - Semey, Almaty - Oskemen.

Service improvement

In 2021, the range of services provided to passengers on passenger trains of Passenger Transportation JSC was expanded with an entertainment multimedia portal.

Passengers can use the multimedia portal through Wi-Fi access points using personal electronic devices to access information resources, watch feature films, documentaries and cartoons, listen to music, play games, etc.

IN THE AREA OF TRANSPORT AND LOGISTICS SERVICES

KTZ Express JSC

On all routes through Kazakhstan KTZ Express JSC created the most favorable tariff conditions, all specifications for speed and safety of goods are observed.

All online services have been set up and international offices have been opened in China, Russia, Europe and large cities of Kazakhstan for the customers' convenience.

To improve the quality of services provided, the following activities were implemented in 2021:

- the work to launch the Tariff Calculator on the KTZ Express JSC corporate website was carried out. The tariff calculator includes the calculation of tariff conditions based on 1,210 calculated routes (directions of transportation) and calculations for the LCL transportation service;
- automation of signing price schedules in the Aikey CRM system - in the CRM system and in the Customer's Personal Account;
- holding a Customer Information Day with customers on container and car transportation (twice every six months).

Kedentransservice JSC

In the reporting year, in order to increase customer satisfaction, Kedentransservice JSC launched a Contact center with an IVR (Interactive Voice Menu) menu in 7 areas, including sales and customer service, as well as receiving complaints and suggestions for improving the quality of service.

An automated customer relationship management system (CRM system) has been introduced in terms of receiving applications (requests) for providing rates and tariffs, and issuing commercial offers.



GOAL №4

GOAL №4

ENSURING THE SAFETY OF TRAIN TRAFFIC

Ensuring the safety of train traffic, safe working conditions and the preservation of the life and health of employees are the main priorities and the most important components of the Company's activities.

The strategic initiatives provided by the NC KTZ JSC Strategy within the framework of this goal are aimed at improving the safety management system of the transportation process and at achieving zero accident conditions.



GOAL №4

TRAFFIC SAFETY



Traffic Safety Management System Guidelines is a framework document in the area of traffic safety, which defines the requirements for planning, implementation, monitoring and continuous improvement of the traffic safety management system for the Company. The Guidelines were developed in accordance with the requirements of the regulatory legal acts of the Republic of Kazakhstan, the international standard ISO9001:2015 and the Company's internal policies and procedures in the area of traffic safety.

Priority objectives in the area of train traffic safety:

- ensuring the safety of life and health of people;
- ensuring the safety of freight, rolling stock, and infrastructure facilities;
- ensuring a targeted level of traffic safety;
- minimizing the consequences of traffic accidents.

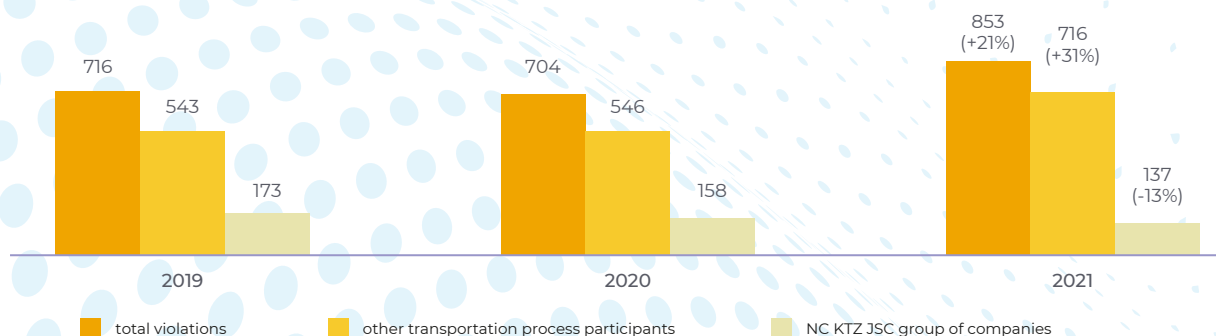
The main directions for improving the safety management system of the transportation process:

- development of a risk management system in the area of traffic safety;
- development of a positive culture of traffic safety;
- development of the technical and technological expertise for ensuring the safety and reliability of the transportation process;
- improving the procedures for investigating traffic accidents in ensuring traffic safety and the activities of rescue and recovery units.

On the backbone network in 2021, all transportation process participants allowed an increase in traffic safety violations by 147 cases compared to 2020. The total number of violations was 853 cases (706 cases in 2020).

At the same time, the number of traffic safety violations by the NC KTZ JSC group of companies decreased by 13% compared to 2020, 137 cases were committed (158 cases in 2020) or 16% of the total number of violations.

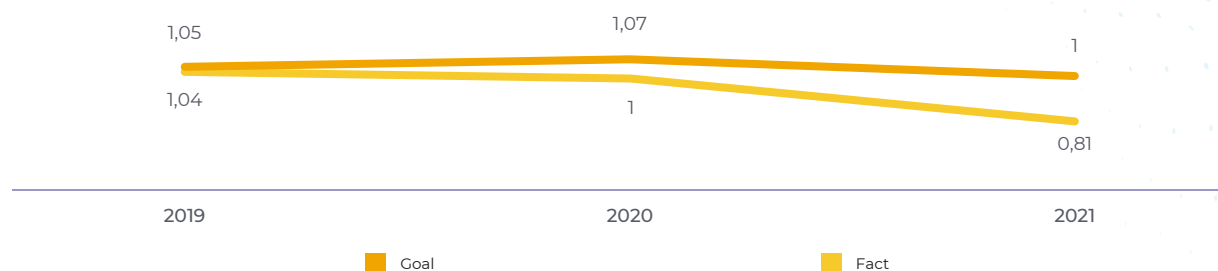
VIOLATIONS OF TRAFFIC SAFETY BY ALL TRANSPORTATION PROCESS PARTICIPANTS, CASE





The "Traffic safety level" indicator improves every year, at the end of 2021, the Company reached the target value of the indicator established by the decision of the Board of Directors of NC KTZ JSC.

TARGET INDICATOR OF THE TRAFFIC SAFETY LEVEL, CASES/MILLION TRAIN-KM



In 2021, the Company continued to implement measures aimed at improving the train traffic safety conditions, which made it possible to maintain a positive trend in traffic safety indicators.

Thus, in the reporting year, measures were implemented in the following areas:

reduction of human injury incidents on the railway tracks:

- construction of pedestrian crossings over the railway tracks completed at 10 stations;
- more than 4,000 meetings were held, involving more than 95,000 people;
- inspections were carried out with the imposition of administrative fines;

- speeches and publications in mass media were provided.

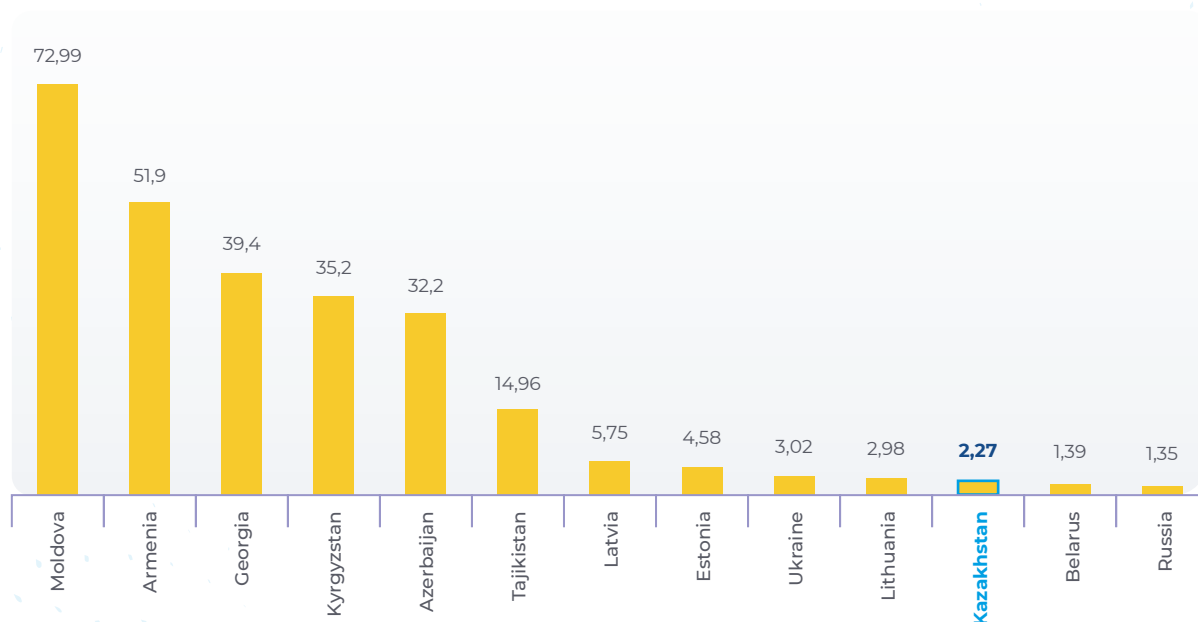
Improvement of the traffic safety culture:

- 6 thousand employees were trained;
- distinguished workers were given awards and money rewards.

Improvement of the reliability of rolling stock, ways of arranging power supply and contact network, SCB and communications:

- over 12,000 units of rolling stock were repaired and maintained;
- a major overhaul of 582 km of track was carried out.

GOAL №4

SPECIFIC NUMBER OF TRAFFIC SAFETY VIOLATIONS, TOTAL/MILLION TRAIN-KM¹⁴

A comparative analysis of the safety indicators of railway administrations in the international traffic of the Commonwealth member states at the end of 2021 showed that the number of traffic safety violations per million train-km of the Company is lower than the indicators of the considered railway administrations, except for Belarus and Russia.

SAFETY AND LABOUR PROTECTION



Occupational safety processes are managed in accordance with the Guidelines for the occupational safety management system at NC KTZ JSC and its subsidiaries, which was developed in accordance with the requirements of the international standard ISO 45001:2018 "Occupational health and safety management system. Requirements and application guidelines", interstate standard GOST 12.0.230 "System of labor safety standards. Occupational safety management system. General requirements ILO OSH2001" and is the underlying document that regulates the activities for the management of safety and labor protection in the NC KTZ JSC group of companies.

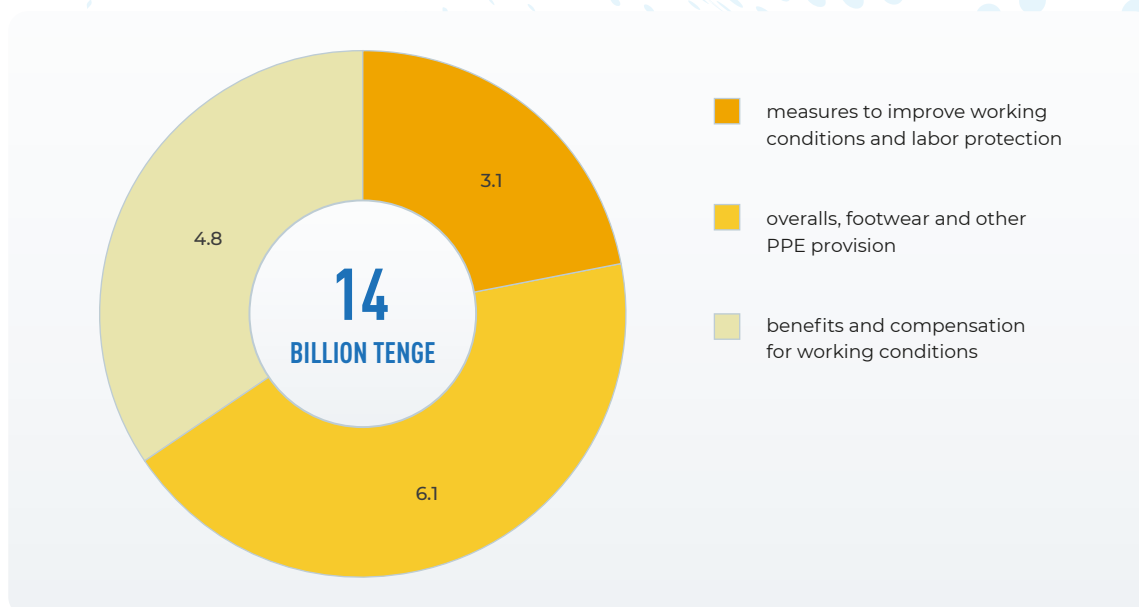
Compliance with the principles of the ISO 45001:2018 standard is confirmed by a Certificate of Conformity received from international auditors of Intercertifica-TUV LLC together with TUV Thüringen.

In the reporting year, the Company continued to improve working conditions, prevent industrial injuries and occupational diseases. A total of 3,061 measures were implemented.

14 billion tenge (including subsidiaries) was spent from all sources of financing for the implementation of measures to improve working conditions and labor protection.

¹⁴Source: Directorate of the Council for Railway Transport of the Commonwealth Member States.

EXPENDITURES FOR MEASURES TO IMPROVE WORKING CONDITIONS AND LABOR PROTECTION IN 2021, BILLION TENGE



Expenditures for measures to improve working conditions and labor protection in terms of one employee on average for NC KTZ JSC amounted to 31.7 thousand tenge (26.3 thousand tenge in 2020).

As of the end of 2021, based on the results of industrial facility work conditions certification, the Company established 24,152 workplaces (24,601 in 2020), where 45,984 employees, or 42% of the total number of NC KTZ JSC employees, work in harmful, difficult and stressful working conditions.



GOAL №4

THE NUMBER OF EMPLOYEES ENGAGED IN HEAVY WORK, WITH HARMFUL (ESPECIALLY HARMFUL) AND (OR) DANGEROUS WORKING CONDITIONS BY REGION, AGE AND GENDER AS OF THE END OF THE REPORTING PERIOD.

	Total number	By gender		up to 35 y.o.	Including By age		
		F	M		36-45 y.o.	46-50 y.o.	over 50 y.o.
Republic of Kazakhstan	45 984	3 541	42 443	15 278	11 984	9 893	8 829
Nur-Sultan	38	30	8	9	10	8	11
Almaty	2	1	1	0	1	0	1
Shymkent	54	4	50	18	14	12	10
Akmola region	4 069	301	3 768	1 552	1 012	843	662
Aktobe region	6 485	849	5 636	1 981	1 776	1 404	1 324
Almaty region	4 081	62	4 019	1 375	1 082	825	799
Atyrau region	1 494	6	1 488	711	169	515	99
East Kazakhstan region	2 383	288	2 095	1 090	554	430	309
Zhambyl region	4 215	120	4 095	1 095	1 141	1 027	952
West Kazakhstan region	487	16	471	153	120	80	134
Karaganda region	4 551	133	4 418	1 412	1 460	1 021	658
Kostanay region	4 040	256	3 784	1 295	1 251	741	753
Kyzylorda region	2 895	85	2 810	947	702	458	788
Mangystau region	2 366	171	2 195	938	690	349	389
Pavlodar region	5 182	1 001	4 181	1 402	1 486	911	1 383
North Kazakhstan region	383	36	347	104	105	82	92
Turkestan region	3 259	182	3 077	1 196	411	1 187	465

Industrial Injuries

The industrial injury indicators in 2021 amounted to 35 accidents (2020 - 34 cases, 36 injured), including 8 fatal cases (2020 - 8 cases, 9 injured), 7 cases of disability (2020 - 7 cases).

The average lost time injury frequency rate registered for the Company amounted to 0.25 (2020 - 0.27), material damage amounted to 463,344 thousand tenge (2019 - 478,075 thousand tenge).

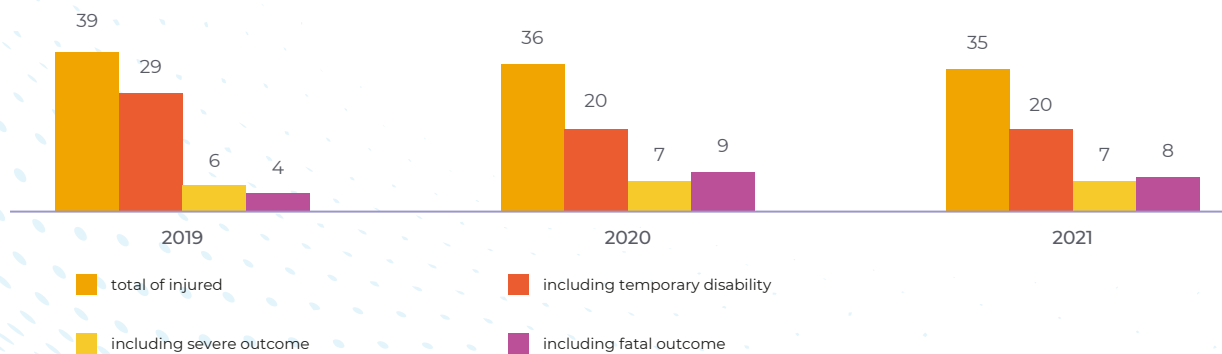
INDUSTRIAL INJURY LEVEL BY GENDER, REGIONS, LEVEL OF INJURIES (TEMPORARY DISABILITY, SEVERE, FATAL)); BY REGION, AGE AND GENDER AS OF THE END OF THE REPORTING PERIOD.

		By gender				Including By age		
		Total number	F	M	up to 35 y.o.	36-45 y.o.	46-50 y.o.	over 50 y.o.
Injury level: temporary disability								
	Republic of Kazakhstan	20	2	18	8	3	4	5
	Nur-Sultan	1	0	1	0	0	0	1
	Almaty	1	0	1	0	0	0	1
	Akmola region	1	0	1	0	1	0	0
	Aktobe region	4	1	3	3	0	0	1
	Almaty region	2	0	2	1	0	1	0
	East Kazakhstan region	1	0	1	0	0	1	0
	Zhambyl region	1	0	1	0	1	0	0
	West Kazakhstan region	1	0	1	0	0	0	1
	Karaganda region	1	0	1	1	0	0	0
	Kostanay region	1	0	1	0	0	1	0
	Kyzylorda region	1	0	1	1	0	0	0
	Mangystau region	1	0	1	1	0	0	0
	Pavlodar region	2	1	1	1	0	0	1
	Turkestan region	1	0	1	0	0	1	0
	Ilets (RF)	1	0	1	0	1	0	0
Injury level: severe								
	Republic of Kazakhstan	7	1	6	1	2	1	3
	Aktobe region	2	1	1	1	1	0	0
	West Kazakhstan region	1	0	1	0	0	0	1
	Pavlodar region	3	0	3	0	0	1	2
	Turkestan region	1	0	1	0	1	0	0
Injury level: fatal								
	Republic of Kazakhstan	8	0	8	2	3	1	2
	Nur-Sultan	2	0	2	1	1	0	0
	West Kazakhstan region	1	0	1	0	0	1	0
	Karaganda region	1	0	1	1	0	0	0
	Kostanay region	1	0	1	0	1	0	0
	Mangystau region	1	0	1	0	0	0	1
	North Kazakhstan region	2	0	2	0	1	0	1

GOAL №4



INDUSTRIAL INJURY DYNAMIC IN THE PERIOD FROM 2019 TO 2021, NUMBER OF INJURED, PEOPLE



In the reporting year, the Company took measures aimed at reducing industrial injuries, including:

- additions were made to the technological instructions of 475 stations regarding safety measures when performing shunting operations;
- more than 1.2 thousand inspections were carried out, the rate of eliminated violations and inconsistencies at the end of the reporting period amounted to 92%;
- 399 electric locomotives were simultaneously checked for electric safety, during which discrepancies in electrical protection schemes were found in 3 locomotives;
- dedicated months called "Attention - yard conductor" and "Always at your best when working at a height!" were held in all track departments;
- 21.5 thousand signals about dangerous actions or dangerous conditions were entered into the Integrated Industrial Safety System by the Company's employees;
- more than 65,000 employees of the Company were trained;
- monthly cash bonus incentives for operational personnel for preventing potentially dangerous situations, etc.

Employee Training

One of the main preventive measures in the labor protection management system aimed at reducing the number of work accidents is the training of managers, specialists and workers in health and safety requirements.

65,470 employees were trained (111,815 hours of training) online by internal training specialists in the following programs: Behavioral Safety Dialogue, Internal Control, Environmental Protection, Risk Assessment, Certification of Production Facilities, Incident Management, Emergency Management.

Industrial Safety Forum

In December 2021, the III Forum on Industrial Safety and Environmental Protection was held on the topic of "Challenges of a social and environmental nature in the field of sustainable development".

The purpose of the Forum is to promote safe work and the concept of zero accident and to increase environmental responsibility.

Following the results of the Forum, key executives undertakings were signed on the management commitment to industrial safety issues.

Integrated Industrial Safety System

The Company successfully operates the automated system "Integrated Industrial Safety System" (IS IS). The system includes blocks of internal control, behavioral safety dialogues, incident management, emergency situations, safety alerts and reports, environmental protection, industrial facility work conditions certifications, questionnaires, safety minutes.

More than 100 thousand employees are users of IS IS. With the help of a mobile app, each Company's employee has the opportunity to exercise the right to stop unsafe work if they notice a potential danger to themselves and their colleagues at the workplace.

In 2021, 600 employees used this stoppage of works opportunity.

MOBILE PLATFORM BY THE NUMBERS

88 811

Violations identified (BSD+IC)

404 737

Hours of training provided

86 276

Violations eliminated (BSD+IC)

103 100

Registered users

35 945

Security dialogs implemented

98,2%

Share of registered users

52 866

Inspections conducted

600

Automated methodologies for emission calculation

178

Safety alerts and records launched

16

Covered Business Units and Subsidiaries

STOPPAGE OF WORKS DYNAMIC

2 937

Suspension

1 076

Suspension of operation

1 151

Retirement from service

1 135

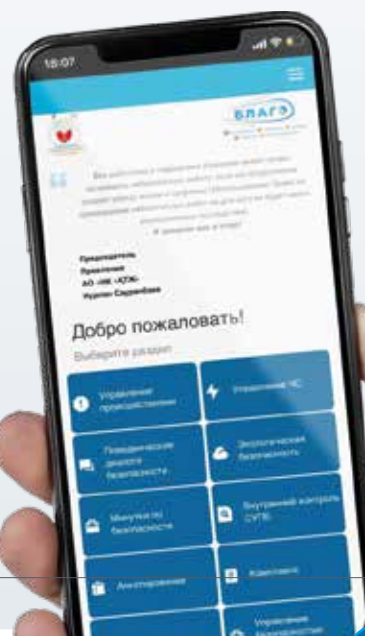
Decommissioning

1 494

Stoppage of Works (IC+BSD)

25 363

Remedy at the site



BSD - Behavioral Security Dialogue; IC - Internal Control;

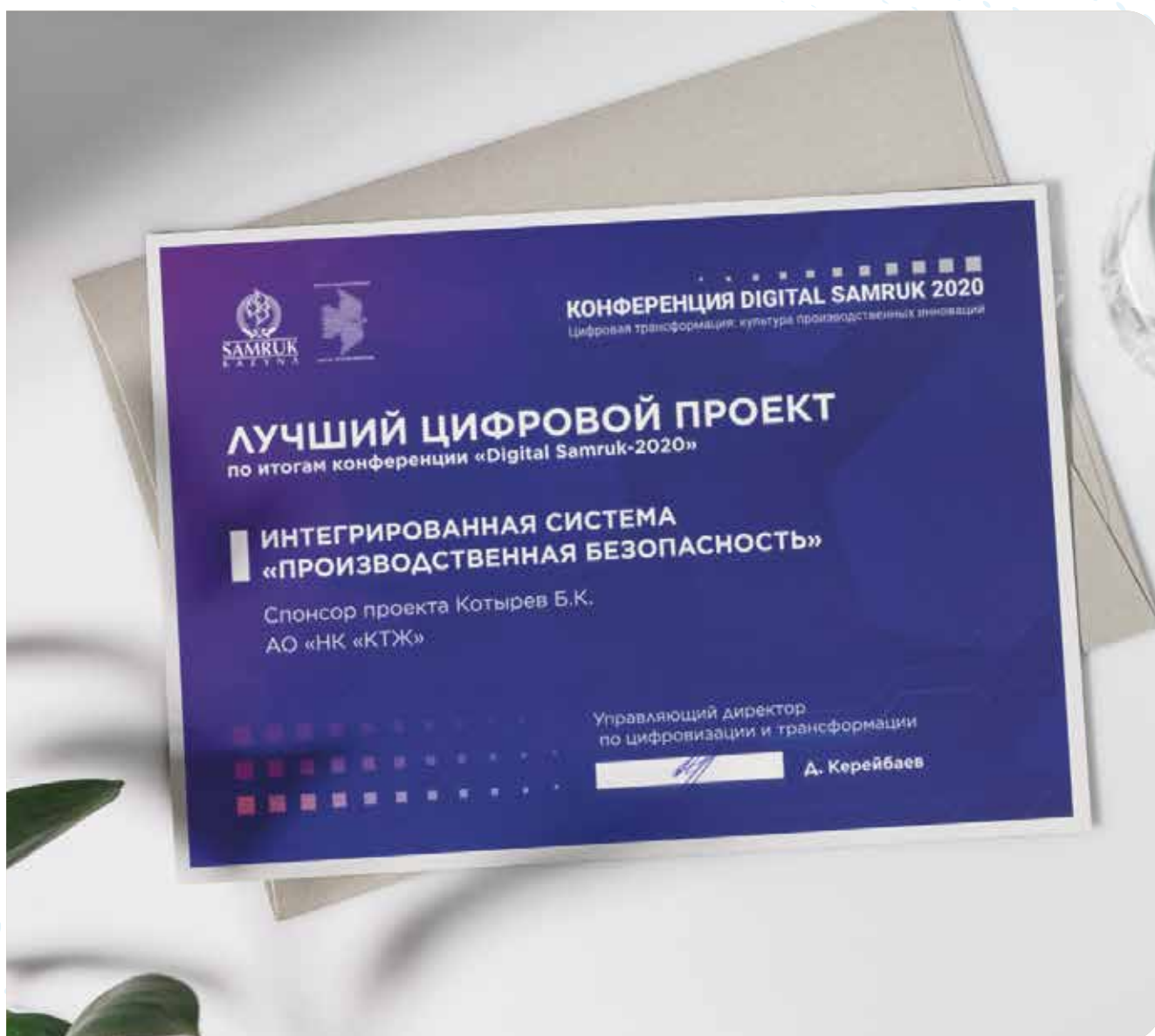
GOAL №4

IS IS was recognized at the international level and has received awards:

2nd place in the competition of the International Union of Railways (UIC) UIC DIGITAL AWARDS 2020 in the "Safety" category;



Best Digital Project category at Digital Samruk 2020 conference as part of the Digital Kazakhstan Program.



GOAL №5

GOAL №5

ENSURING SUSTAINABLE DEVELOPMENT OF THE COMPANY

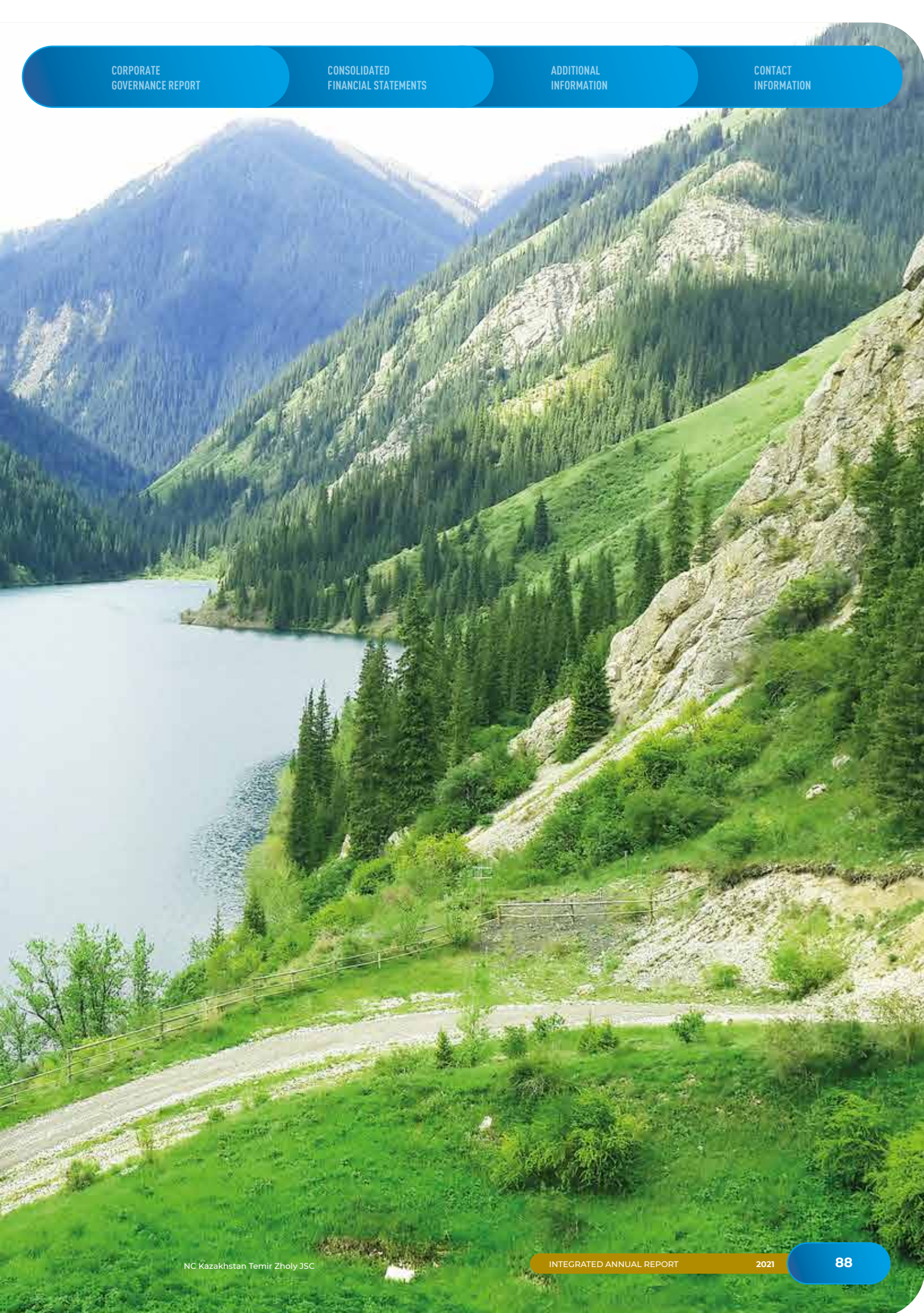
NC KTZ JSC gives great value to the principles of sustainable development in the development of the Company. The NC KTZ JSC development strategy until 2029 contains a strategic goal - ensuring sustainable development and provides for the implementation of three strategic initiatives:

- increasing social stability and developing human capacity;
- environmental sustainability;
- improvement of corporate governance.





SUSTAINABILITY REPORT GROWING UP





SUSTAINABILITY MANAGEMENT

Understanding and realizing the possible consequences of decisions made today, NC KTZ JSC is guided in its development by the principles of sustainable development that ensure economic growth, social well-being and environmental sustainability.

In its activities NC KTZ JSC strives to:

- ensure national economic growth by developing the transit and export potential of Kazakhstan;
- improve the living conditions of the population of Kazakhstan by creating new jobs, reducing the transport component, increasing the mobility of the population and implementing charitable projects;
- to create the most favorable conditions for the life and work of its employees, providing them with a full recruitment package and the opportunity to train and advance their professional skills.

- ensure traffic and industrial safety;
- minimize the negative impact on the environment by introducing new technologies and modern rolling stock and by developing rail transportation.

The sustainable development policy of NC KTZ JSC¹⁵ is the underlying document of the Company for improving the management system in the area of sustainable development in the Company.

The policy defines the goals, principles in the area of sustainable development, establishes a mechanism for achieving the goals and implementing the principles of sustainable development, creating an effective system for managing interaction with stakeholders.

¹⁵Approved by the decision of the Board of Directors of NC KTZ JSC dated October 24, 2018 (Minutes No. 7).

COMMITMENT TO THE PRINCIPLES OF THE UN GLOBAL COMPACT AND SUSTAINABLE DEVELOPMENT GOALS

This report is our account of progress under the UN Global Compact.

This progress report is the Company's statement of continued support for the UN Global Compact and confirms the readiness of NC KTZ JSC to be guided in its work by the ten principles of the UN Global Compact in the area of human rights, labor relations, environmental protection and anti-corruption and reflects our efforts to integrate these important principles into all aspects of the Company's activities.

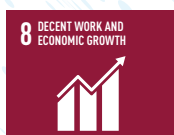
Human Rights	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights.
	Principle 2	Businesses should not be complicit in human rights violations.
Labour	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
	Principle 4	Businesses should advocate for the elimination of all forms of forced and compulsory labour.
	Principle 5	Businesses should advocate for the effective abolition of child labour.
	Principle 6	Businesses should advocate for the elimination of discrimination in respect of employment and occupation.
Environment	Principle 7	Businesses should support a precautionary approach to environmental challenges.
	Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility.
	Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.

NC KTZ JSC is committed to all the United Nations (UN) goals in the area of sustainable development, adopted by the UN within the framework of the program "Transforming our World: The 2030 Agenda for Sustainable Development".

By comparing the Company activities with the goals of the UN, we have identified 6 of them on which we will focus and contribute to their achievement.



Goals to which we can make a significant contribution:



Key performance indicators (KPIs) in the area of sustainable development assess the achievement of these goals.

ACHIEVEMENT OF NC KTZ JSC GOALS IN THE AREA OF SUSTAINABLE DEVELOPMENT FROM 2019 TO 2021

UN Goals

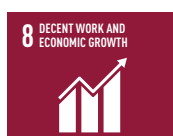
Achievement of NC KTZ JSC Goals

LTIFR (Lost Time Injury Frequency Rate) ¹

2019	2020	2021
-	0,27	0,25

Proportion of women in management positions, % ²

2019	2020	2021
-	-	21



Social stability level, %

2019	2020	2021
71	75	72

Level of management personnel involvement, %

2019	2020	2021
57	81	81



Transportation safety level, cases/million train-km

2019	2020	2021
1,04	1	0,81

Implementation of the Energy Saving Action Plan, % ³

2019	2020	2021
-	-	10



Environmental impact level, %

2019	2020	2021
0,657	0,641	0,630

At the end of 2021, there is a positive trend in terms of LTIFR, Transportation Safety Level, Environmental Impact Level compared to the 2020 level.

Level of involvement of administrative personnel value remained at the level of 2020. The decrease occurred in the Level of social stability indicator from 75% in 2020 to 72% in 2021 (🌐 Social stability).

Notes: ¹"Level of injuries" KPI for 2019 was set, the actual value of the indicator was 0.23 cases/thousand people.

²"Proportion of women in management positions" KPI was set in 2021.

³"Implementation of the Energy Saving Action Plan" KPI was set in 2021.



ECONOMIC IMPACT

NC KTZ JSC makes a significant contribution to the sustainable development of the national economy, regions of presence and society as a whole.

The direct economic impact of the Company is determined by the number of jobs, taxes paid, employees' salaries and their professional development, investments, environmental impact and other inputs.

DIRECT ECONOMIC VALUE CREATED AND DISTRIBUTED BETWEEN 2019 AND 2021.

Indicators	2019	2020	2021	Changes 2020/2019, %	Changes 2021/2020, %
EBITA, billion tenge	321,9	349,5	408,4	8,6	16,9
Total income, million tenge	1 139,1	1 173,3	1 328,5	3	13,2
Freight transportation, billion tenge	959,8	1 062,5	1 184,3	10,7	11,5
Passenger transportation, billion tenge	84,8	38,2	57,3	-55	50
Subsidies, billion tenge	31,4	25,5	39,2	-18,8	53,7
Other, billion tenge	63,2	47,1	47,8	-25,5	1,5
Cost of sales, billion tenge	872,4	885,4	980,9	1,5	10,8
Operating income, billion tenge	159,1	181,6	254,8	14,1	40,3
Net income attributable to the Sole Shareholder for the year, billion tenge	-70,2	16,2	119,1	-123,1	635,2
EBITDA margin, %	27,8	29,8	30,7	7,2	3
Operational expenditures, billion tenge ¹	980,1	992	1 075	1,2	8,4
Salary and other payments, billion tenge	322,5	329,5	383,6	2,2	16,4

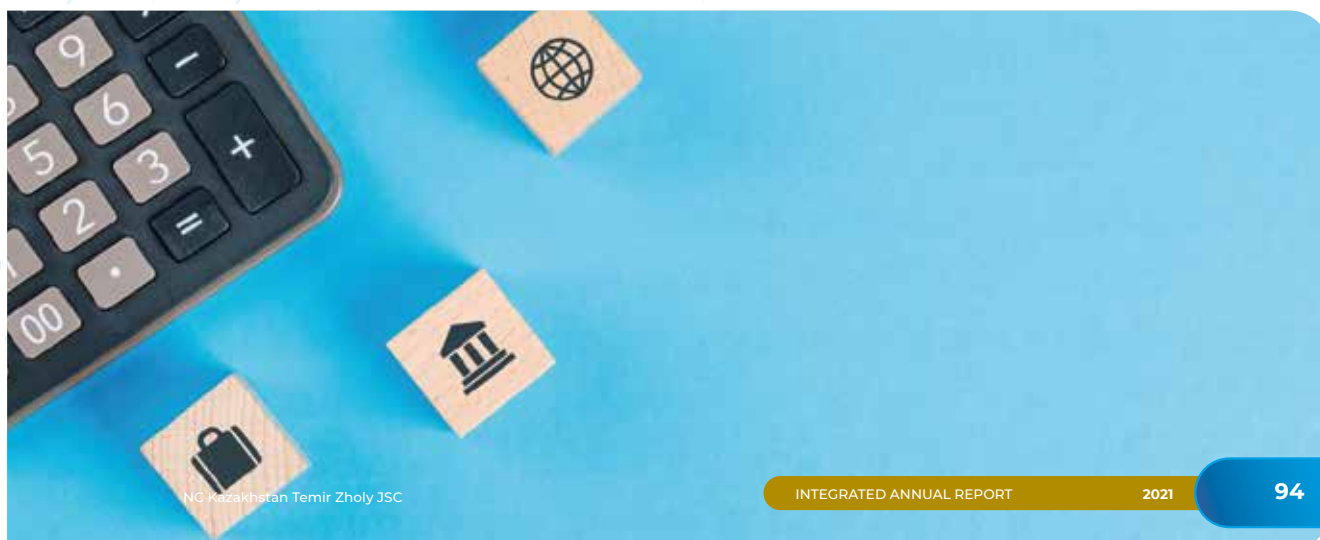
Note. ¹ Data for 2019-2020 have been adjusted due to changes in financial statements.

Tax Payments

NC KTZ JSC is one of the largest taxpayers in the country, the amount of taxes and other mandatory payments paid by NC KTZ JSC and its subsidiaries to the budget of the Republic of Kazakhstan in the reporting year amounted to 140,402.8 million tenge (2020 – 108,629 million tenge).

TAXES AND OTHER MANDATORY PAYMENTS PAID TO THE BUDGET OF THE REPUBLIC OF KAZAKHSTAN FOR 2021 BY REGIONS, THOUSAND TENGE

Regions of presence	Total, thousand tenge	Proportion, %
TOTAL	140 402 815	100
Nur-Sultan	85 028 223	60,6
Almaty	4 313 320	3,1
Shymkent	2 098 964	1,5
Akmola region	5 431 565	3,9
Aktobe region	8 159 388	5,8
Almaty region	3 752 877	2,7
Karaganda region	7 692 355	5,5
Zhambyl region	3 946 857	2,8
West Kazakhstan region	100 226	0,1
East Kazakhstan region	3 143 887	2,2
North Kazakhstan region	232 990	0,2
Atyrau region	2 069 641	1,5
Pavlodar region	3 431 806	2,4
Kyzylorda region	2 277 101	1,6
Turkestan region	651 234	0,5
Mangystau region	4 627 022	3,3
Kostanay region	3 445 359	2,5



Indirect Economic Impacts

The NC KTZ JSC contribution is not limited to Company's direct economic impacts. Through the NC KTZ JSC employees' purchases and consumer spending, the Company significantly affects other sectors and industries of the country. The company ensures the creation of a certain number of additional jobs in contracting companies, which allows them to generate income and salaries for their employees, as well as additional tax revenues to the country's budget.

By providing jobs, paying salaries, and providing recruitment package to its employees, the Company has an indirect economic impact on their family members.

The Company's indirect economic impact on the regions of its presence is assessed by the Company according to the following indicators:

- the number of family members of the Company's employees;
- the amount of contracts for the purchase of goods and materials, works and services;
- the number of new jobs as a result of the infrastructure projects implementation by the Company, the opening of new enterprises.

No new jobs were created in the Company in the reporting year.

NUMBER OF FAMILY MEMBERS OF NC KTZ JSC EMPLOYEES FOR 2021, PERSONS

Regions	family members, persons	Including children under the age of majority, persons
TOTAL	283 569	146 863
Nur-Sultan	21 550	10 561
Almaty	15 861	9 753
Shymkent	8 097	5 039
Akmola region	14 783	6 728
Aktobe region	28 835	15 258
Almaty region	31 405	14 792
Karaganda region	22 947	9 605
Zhambyl region	24 689	14 689
West Kazakhstan region	4 012	1 737
East Kazakhstan region	11 721	9 045
North Kazakhstan region	2 609	1 578
Atyrau region	17 520	8 600
Pavlodar region	13 228	8 011
Kyzylorda region	18 507	9 831
Turkestan region	14 356	7 850
Mangystau region	18 189	8 738
Kostanay region	15 260	5 048


Procurement Practices




When carrying out procurement activities, the Company is guided by the Rules for the Procurement Activities Management of NC KTZ JSC and organizations, fifty or more percent of voting stocks (participation interests) of which are directly or indirectly owned by NC KTZ JSC on the right of ownership or trust management, approved by the decision of the NC KTZ JSC Management Board, the Procurement Procedure of the Fund and organizations, fifty or more percent of the voting stocks (participation interests) of which directly or indirectly owned by the Fund on the basis of ownership or trust management, approved by the decision of the Board of Directors of the Fund and the Standard for managing the procurement activities of the Fund and organizations, fifty or more percent of the voting stocks (participation interests) of

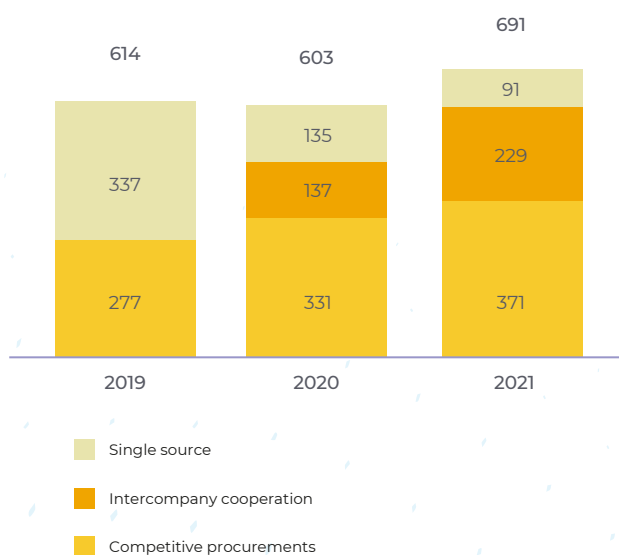
which directly or indirectly owned by the Fund on the basis of ownership or trust management, approved by the decision of the Fund's Board.

All information on procurements by NC KTZ JSC is posted on the Company's corporate website

 <http://www.railways.kz>, as well as on the specialized procurement portal

 <http://www.zakup.sk.kz> and is available to all prospective suppliers. The e-procurement system has significantly improved the efficiency of the procurement process and made it more transparent.

NC KTZ JSC PROCUREMENTS FROM 2019 TO 2021 BY PROCUREMENT PROCEDURES, BILLION TENGE



NC KTZ JSC PROCUREMENTS FROM 2019 TO 2021 BY REGIONS, MILLION TENGE

	2019	2020	2021
Grand total, million tenge	614 438	603 266	691 267
Republic of Kazakhstan	583 429	548 218	670 882
Nur-Sultan	463 009	413 013	534 089
Almaty	44 015	42 089	44 014
Shymkent	4 709	2 799	6 977
Akmola region	5 003	4 000	3 945
Aktobe region	4 089	5 009	4 130
Almaty region	3 808	7 043	8 555
Atyrau region	1 700	2 201	1 644
East Kazakhstan region	7 010	7 031	5 313
Zhambyl region	3 003	3 055	6 039
West Kazakhstan region	1 013	1 010	451
Karaganda region	24 000	20 243	20 879
Kostanay region	1 801	2 003	2 481
Kyzylorda region	1 100	1 089	1 064
Mangystau region	4 114	3 680	11 639
Pavlodar region	12 006	13 005	15 034
North Kazakhstan region	1 044	9 039	855
Turkestan region	2 005	11 909	3 773
Non-residents	31 009	55 048	20 385

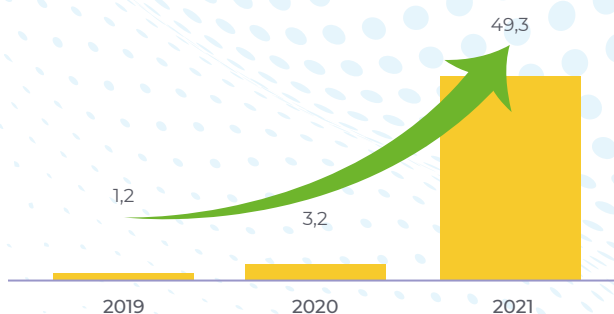
The amount of contracts concluded during the year according to the Annual Procurement Plan is indicated.

THE PERCENTAGE OF LOCAL CONTENT IN THE PROCUREMENT OF GOODS, WORKS AND SERVICES FROM 2019 TO 2021, %

Indicators	2019	2020	2021	Changes 2020/2019, %	Changes 2021/2020, %
Goods	60	64	65	6,7	1,6
Works and services	82	92	92	12,2	0



OFF-TAKE AGREEMENTS WITH DOMESTIC PRODUCERS FROM 2019 TO 2021, BILLION TENGE



Anti-Corruption

At the end of 2021, the Company and its subsidiaries carried out the following anti-corruption measures:



In the area of freight transportation

The Anti-corruption Roadmap within the KTZ-Freight Transportation LLP for 2021–2022 has been signed and is being implemented.

KTZ-Freight Transportation LLP, TD TEK-Kazakhstan LLP and Transtelecom JSC developed and approved a Roadmap to ensure automated data transmission for the generation of daily e-sheets.

Work for the automation and digitalization of the freight transportation system continued, including:

- 1) the process of transfer for property lease (lease) of railway tracks that are not used in the provision of regulated services is carried out through e-auction on the web portal of the State Property Register (Internet resource www.gosreestr.kz);
- 2) at all KTZ-Freight Transportation LLP stations (about 456 stations), the "Contractual and commercial work" automated control system has been successfully implemented. The system includes catalogues on consignors/consignees, forwarding organizations, and also provides for

the submission of electronic applications for forwarding, assignment of unified personal accounts, assignment of forwarding codes and conclusion of contracts for the provision of forwarding services. About 50 thousand customers (consignors, consignees, forwarding organizations) are registered in the system.

By order of the Ministry of Industry and Infrastructural Development of the Republic of Kazakhstan dated May 05, 2021 No. 220, amendments and additions were made to the "Rules for the Transportation of Goods", which include, among other things, the use of paperless technology.





In the area of passenger transportation

Measures to weigh the hand luggage of passengers at the railway stations of Almaty-1 and Almaty-2 were initiated in a pilot mode in order to eliminate petty corruption in passenger transportation. Overweight luggage is registered for transportation for a fee. Based on the results of the pilot project, a decision will be made on weighing cargo-luggage at all railway stations.

Work for the introduction of the zero tolerance principle for the facts of transportation of passengers without tickets and unchecked luggage/cargo-luggage continued.



In the area of recruitment

The project for centralization of personnel search, selection and evaluation procedures for the NC KTZ JSC group of companies was completed. The Project perimeter includes the central office, all branches and subsidiaries of NC KTZ JSC. The centralized recruitment process includes posting vacancies on job portals, screening resumes, evaluating applicants (testing) and conducting interviews with Interview panels. At the same time, independent observers and HR business partners participate in the Interview panels meetings. The course of the interview with each applicant is recorded using technical means of video/audio recording, which are sent to the Human Resources Management Department to monitor the decisions of the Interview panels regarding the transparency and objectivity of the interviews. Along with this, a mechanism for mandatory verification of senior position applicants for their possible commission of corruption and other crimes, as well as the presence of affiliation and conflicts of interest has been introduced.



In the area of procurements

To minimize corruption risks, specific measures have been developed to eliminate the causes and conditions that create corrupt practices.

Currently, process owners have conducted the following work:

- 1) internal documents have been updated with regard to the exclusion of discretionary powers and norms that create conditions for corrupt practices, and strengthening responsibility and the introduction of control procedures;
- 2) proposals for automating and digitalizing the provision of services process have been developed and submitted to line ministries and state bodies;
- 3) a special office has been opened for holding meetings of Bidding Commissions for the procurement of goods, works and services. The rules of procedure of the office provide for audio and video recording of meetings, as well registration and storage. The office is equipped with everything necessary for the effective work of the bidding commission, aimed at ensuring equal opportunities for participation in the procurement procedure, attracting reliable and qualified suppliers, and preventing violations of the procurement rules. Special offices for holding meetings of bidding commissions also function in subsidiaries and regional departments of railways;
- 4) procedures have been introduced to verify the civil and legal solvency and business reputation of potential counterparties, as well as the affiliation of the NC KTZ JSC and its subsidiaries officials with them on an ongoing basis;



5) procurement and the progress of the implementation of contracts is monitored with emphasis to the receivables forming factors in order to identify signs of fraud, corruption, conflicts of interest;

6) certification of specialists of the procurement unit of the central office and branches of the Company is carried out.

7) an anti-corruption clause is included in all transactions concluded by the Company.

2) the Code of Ethics and Business Conduct of NC KTZ JSC and its subsidiaries has been supplemented with a section on engaging third parties in contracts with which it is necessary to include a requirement to comply with the ethical principles and standards of business conduct established by the Code, as well as a section on fair competition, which covers issues related to the prohibition of anti-competitive actions, unfair competition and actions aimed at restricting competition.



Preventive efforts

As part of the amendments to anti-corruption legislation introduced in 2020–2021, the Company carried out the following work:

1) The anti-corruption policy at NC KTZ JSC was updated with the following main additions:

- measures of financial control and liability of officials, applicants and their spouses for failure to submit relevant tax returns were established;
- the list of anti-corruption restrictions has been supplemented, in particular, with an absolute ban on receiving material remuneration, gifts or services for actions or inactions by officials;
- consent by officials to the requirement that it is inadmissible to hold positions that are directly subordinate to positions occupied by their close relatives, spouse and (or) in-law relatives, as well as to have close relatives, spouse and (or) in-law relatives directly subordinated;
- charge HR service with responsibility for the publication of information specified in the declarations of officials and their spouses.



3) The Confidential Information Policy at NC KTZ JSC has been updated due to the invalidation of the Law of the Republic of Kazakhstan dated 12.01.2007. No. 221-III "On the procedure for appeal consideration from individuals and legal entities" and with the entry into effect on 07/01/2021 of the Administrative Procedural and Process-related Code of the Republic of Kazakhstan;

4) the NC KTZ JSC Plan for the Prevention of Corruption for 2022 was approved;

5) background check procedures for applicants applying for the positions of CEO-1 and CEO-2 for the presence/absence of affiliation and conflicts of interest were introduced.



To strengthen anti-corruption measures in the regions:

operational meetings and meetings of the Company's management with regional leaders (Heads of road departments, main networks, directors of branches) were organized on issues of social stability, the formation of an anti-corruption culture, the need to comply with the provisions of the Code of Ethics and Business Conduct, etc.;

2) The Action Plan for the prevention of corruption in the regional divisions of the Company and its subsidiaries for 2020–2021 was approved. The plan provides for the introduction of the principles of openness and transparency and the involvement of all Company executives in interaction with citizens and public organizations to give publicity to the results of work. The Plan implementation report will be heard on a quarterly basis by the Company's management.



Training events

The Compliance Service of the Company conducts training seminars on anti-corruption, ethics and business conduct on an ongoing basis.

15 anti-corruption events were held in the form of operational meetings, training sessions, round tables with the participation of top executive officers of NC KTZ JSC and its subsidiaries, the Compliance Service of NC KTZ JSC, representatives of the Anti-Corruption Agency of the Republic of Kazakhstan and the Adal Zhol project office, which made it possible to convey key messages to the Company's employees about the need for zero tolerance for corruption, respect for the rule of law, as well as ethical and behavioral standards.

More than 52 thousand employees of NC KTZ JSC and its subsidiaries were trained in 2021.

In order to promote anti-corruption work, raise awareness of the population and employees of NC KTZ JSC, the regional offices were instructed to organize meetings and conduct live broadcasts on the basis of the Antikor Life anti-corruption service project at the level of branch directors.

In 2021, together with the territorial departments of the anti-corruption service, all branch directors took part in this activity.

Responsible executives have been appointed in all territorial departments of NC KTZ JSC to ensure the coordination of measures to prevent corruption offenses, compliance with the ethics of conduct, raising awareness of employees on the prevention of corruption offenses at the level not lower than the deputy of the department.

With the participation of the Adal Zhol Project Office representatives, monthly hearings on the reports of the top executive officers of the territorial departments on the ongoing work to prevent corruption were held.

SOCIAL RESPONSIBILITY

NC KTZ JSC continues to be the largest employer and pays great attention to the social status of its employees and the development of human capacity.

The company follows the principles of social responsibility and strives to:

- create the most favorable conditions for the life and work of its employees, providing them with a full recruitment package and the opportunity to train and advance their professional skills;
- improve the living conditions of the population of Kazakhstan by creating new jobs, reducing the transport component, increasing the mobility of the population and implementing charitable projects.



HR POLICY

In September 2019, in pursuance of the strategic goals and objectives of the Company, the Board of Directors approved a new HR Policy of NC KTZ JSC for 2019-2029.

The HR Policy is an underlying document that defines the main approaches, principles, requirements and directions for the development of the human resource management function in the Company and its subsidiaries until 2029.

To monitor the effectiveness of the ongoing personnel policy implementation, key performance indicators have been identified.

HR POLICY KPI PERFORMANCE IN 2021

HR Policy KPI	Projection	Actuality
Labor efficiency	2,703 reduced thousand tons km/person	2,759 reduced thousand tons km/person*
Safety level (number of trained employees on the industrial safety dialogue)	111,695 employee hour of training	111,815 employee hour of training
HR Policy implementation	100%	100%
HR functioning satisfaction	at least 90%	91%
Personnel involvement	at least 80%	79%
Promotion of talent pool employees	at least 15%	16%



COMPANY'S PERSONNEL

The headcount of the Company's employees at the end of 2021 was 112,581 people (119,071 people in 2020).

Taking into account the Company's activity specifics, the gender structure of the personnel is represented by the main proportion of men - 77% of the total count. The proportion of women in 2021 remained at the level of 2020 and amounted to 23%.

The operating personnel of the total number of employees is 104,705 people or 93%, administrative and management personnel is 7,876 people or 7% (92.5% in 2020 and 7.5%, respectively).

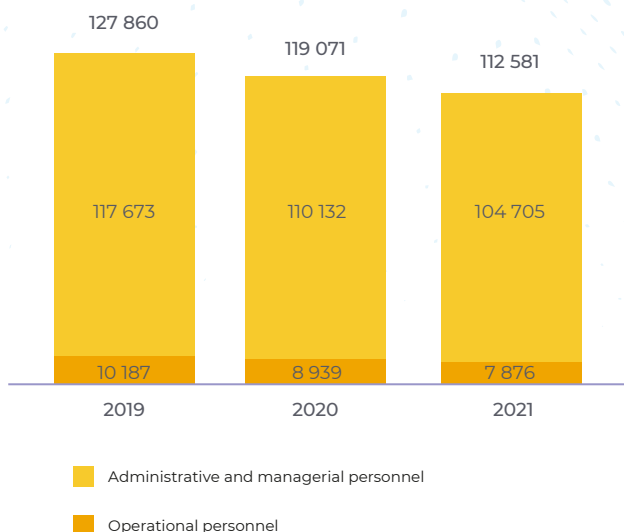
Employees by age groups - 30-39 years old, 40-49 years old, over 50 years old are represented evenly. The proportion of young employees under the age of 30 is a minority and accounts for 19% of the total number of employees.

In 2021, the proportion of female managers at NC KTZ JSC amounted to 21% of the total number of management personnel.

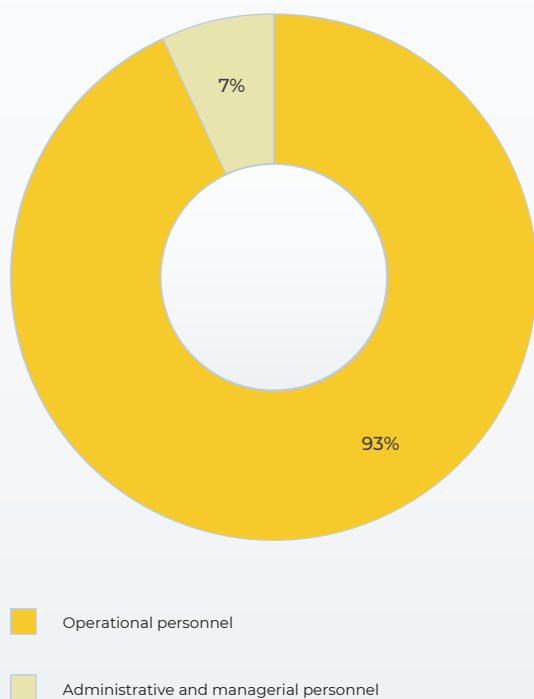
HEADCOUNT BY GENDER AND REGION AT THE END OF THE REPORTING PERIOD, PEOPLE

	Total number	including	
		women	men
Total	112 581	26 400	86 181
Nur-Sultan	13 233	4 785	8 448
Almaty	7 418	1 837	5 581
Shymkent	2 067	461	1 606
Akmola region	4 935	1 004	3 931
Aktobe region	11 143	2 535	8 608
Almaty region	7 522	1 505	6 017
Atyrau region	5 403	1 414	3 989
East Kazakhstan region	6 649	1 471	5 178
Zhambyl region	8 406	1 308	7 098
West Kazakhstan region	860	313	547
Karaganda region	11 868	2 733	9 135
Kostanay region	7 266	1 684	5 582
Kyzylorda region	6 001	918	5 083
Mangystau region	5 004	1 036	3 968
Pavlodar region	7 966	2 214	5 752
North Kazakhstan region	1 240	228	1 012
Turkestan region	4 084	520	3 564
Russian Federation	1 516	434	1 082

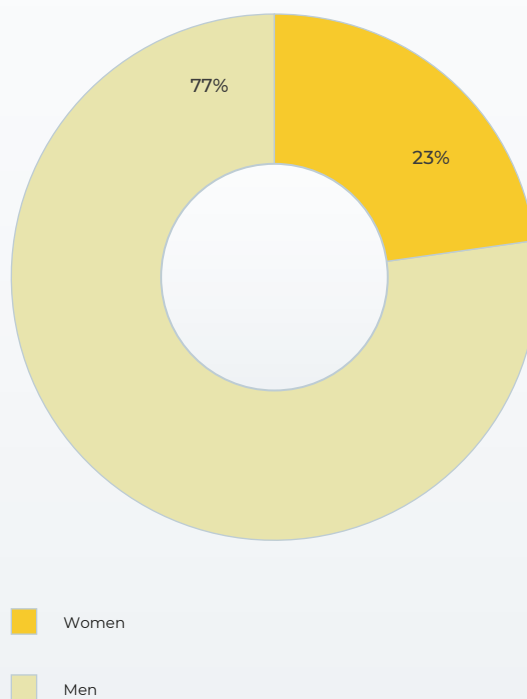
HEADCOUNT BY CATEGORY IN THE PERIOD FROM 2019 TO 2021

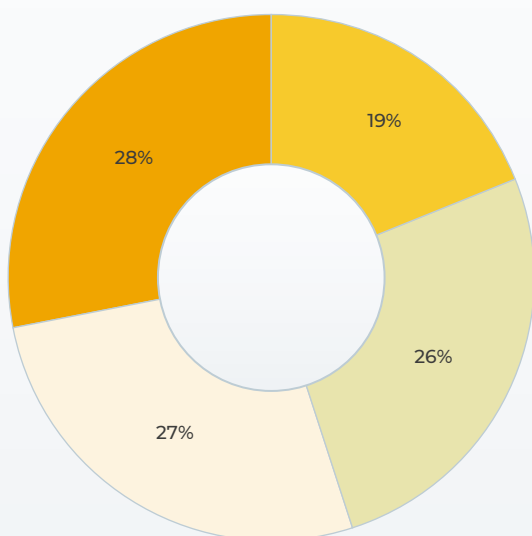


EMPLOYEES BY CATEGORY FOR THE REPORTING PERIOD, %



EMPLOYEES BY GENDER FOR THE REPORTING PERIOD, %



EMPLOYEES BY AGE FOR THE REPORTING
PERIOD, %

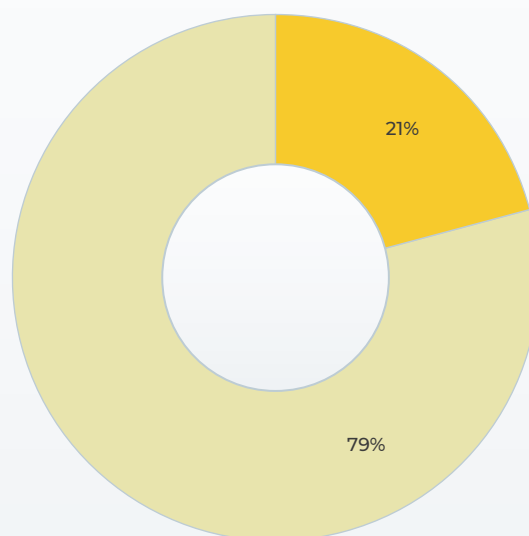
up to 30 y.o.

31-39 y.o.

40-49 y.o.

over 50 y.o.

EXECUTIVES BY GENDER, %



Women

Men

The number of employees with whom labor relations were terminated during the reporting period amounted to 18,185 people, which is 16.6% more than in 2020, including 93.4% of operational personnel (93.2% in 2020), 6.6% of administrative and managerial personnel (6.8% in 2020).

NUMBER OF EMPLOYEES WHO LEFT THE COMPANY, BY CATEGORY, PEOPLE

	2019	2020	2021	Changes 2020/2019, %	Changes 2021/2020, %
TOTAL	11 880	15 600	18 185	31,31	16,57
Administrative and managerial personnel	835	1 055	1 192	26,35	12,99
Operating personnel	11 045	14 545	16 993	31,69	16,83

NUMBER OF EMPLOYEES WHO LEFT THE COMPANY, BY GENDER, PEOPLE

	2019	2020	2021	Changes 2020/2019, %	Changes 2021/2020, %
TOTAL	11 880	15 600	18 185	31,31	16,57
Women	2 389	3 761	3 231	57,43	-14,09
Men	9 491	11 839	14 954	24,74	26,31

NUMBER OF EMPLOYEES WHO LEFT THE COMPANY, BY AGE, PEOPLE

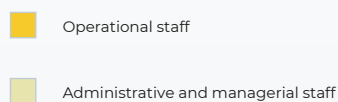
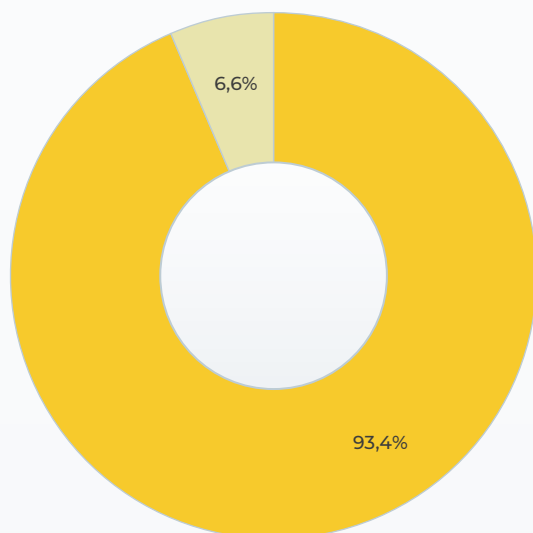
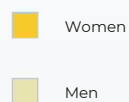
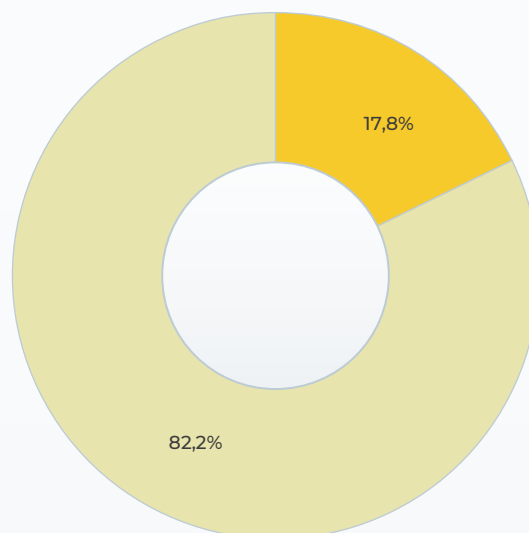
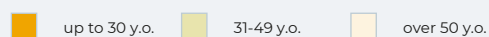
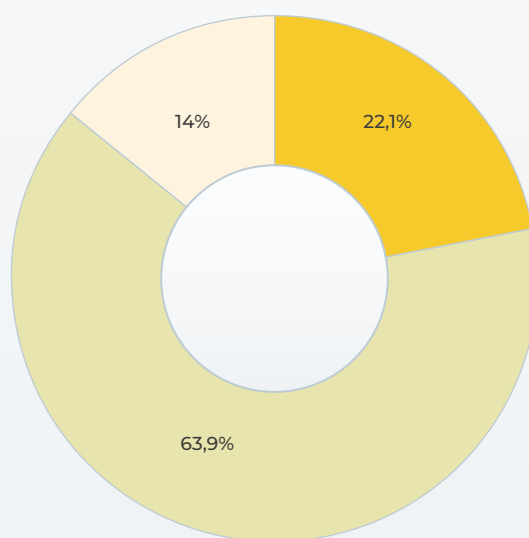
	2019	2020	2021	Changes 2020/2019, %	Changes 2021/2020, %
TOTAL	11 880	15 600	18 185	31,31	16,57
Women	2 389	3 761	3 231	57,43	-14,09
up to 30 y.o.	1 502	574	871	-61,78	51,74
31-50 y.o.	706	1 863	1 974	163,88	5,96
over 50 y.o.	181	1 324	386	631,49	-70,85
Men	9 491	11 839	14 954	24,74	26,31
up to 30 y.o.	2 133	2 713	3 157	27,19	16,37
31-50 y.o.	5 995	5 585	9 638	-6,84	72,57
over 50 y.o.	1 363	3 541	2 159	159,79	-39,03



NUMBER OF EMPLOYEES WHO LEFT THE COMPANY, BY REGION, PEOPLE

	2019	2020	2021	Changes 2020/2019, %	Changes 2021/2020, %
Women	2 389	3 761	3 231	57,43	-14,09
Republic of Kazakhstan	2 389	3 761	3 231	57,43	-14,09
Nur-Sultan	625	807	735	29,12	-8,92
Almaty	311	356	171	14,47	-51,97
Shymkent	51	43	20	-15,69	-53,49
Akmola region	98	176	123	79,59	-30,11
Aktobe region	110	361	138	228,18	-61,77
Almaty region	108	206	83	90,74	-59,71
Atyrau region	53	158	521	198,11	229,75
East Kazakhstan region	97	270	207	178,35	-23,33
Zhambyl region	200	141	74	-29,5	-47,52
West Kazakhstan region	41	22	15	-46,34	-31,82
Karaganda region	211	290	162	37,44	-44,14
Kostanay region	127	268	152	111,02	-43,28
Kyzylorda region	20	97	276	385	184,54
Mangystau region	109	132	289	21,1	118,94
Pavlodar region	186	322	202	73,12	-37,27
North Kazakhstan region	21	19	29	-9,52	52,63
Turkestan region	21	93	34	342,86	-63,44
Men	9 491	11 839	14 954	24,74	26,31
Republic of Kazakhstan	9 491	11 839	14 954	24,74	26,31
Nur-Sultan	1 359	1 484	1 844	9,2	24,26
Almaty	615	811	720	31,87	-11,22
Shymkent	296	225	159	-23,99	-29,33
Akmola region	676	565	613	-16,42	8,50
Aktobe region	634	1 105	852	74,29	-22,90
Almaty region	726	1 032	833	42,15	-19,28
Atyrau region	370	497	1 575	34,32	216,90
East Kazakhstan region	803	887	950	10,46	7,10
Zhambyl region	615	651	707	5,85	8,60
West Kazakhstan region	170	124	132	-27,06	6,45
Karaganda region	883	1 243	1 055	40,77	-15,12
Kostanay region	936	989	869	5,66	-12,13
Kyzylorda region	151	371	1 781	145,7	380,05
Mangystau region	261	346	1 290	32,57	272,83
Pavlodar region	754	1 004	1 038	33,16	3,39
North Kazakhstan region	97	152	206	56,7	35,53
Turkestan region	145	353	330	143,45	-6,52



EMPLOYEES WHO LEFT THE COMPANY, BY
CATEGORY FOR THE REPORTING PERIOD, %EMPLOYEES WHO LEFT THE COMPANY, BY
GENDER FOR THE REPORTING PERIOD, %EMPLOYEES WHO LEFT THE COMPANY, BY
AGE FOR THE REPORTING PERIOD, %

PERSONNEL TURNOVER RATE IN THE PERIOD FROM 2019 TO 2021, %

	2019	2020	2021
Index	8,9	8,2	11,09

NUMBER OF EMPLOYEES HIRED BY THE COMPANY, BY GENDER, PEOPLE

	2019	2020	2021	Changes 2020/2019, %	Changes 2021/2020, %
TOTAL	10 025	8 283	10 746	-17,38	29,74
Women	2 615	1 156	1 660	-55,79	43,60
Men	7 410	7 127	9 086	-3,82	27,49

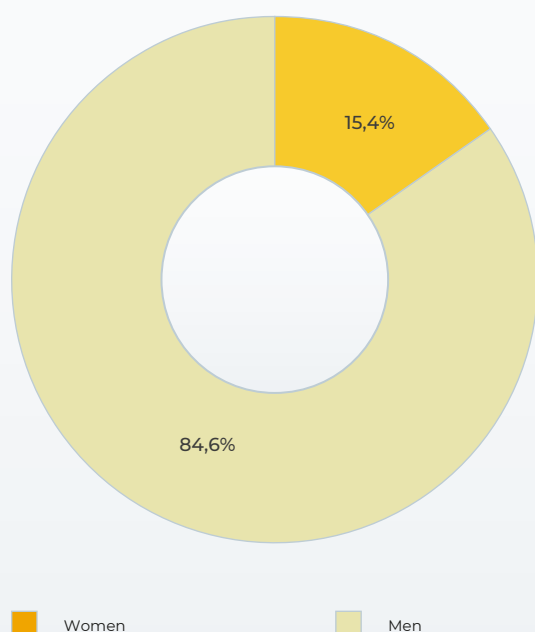
NUMBER OF EMPLOYEES HIRED BY THE COMPANY, BY AGE, PEOPLE

	2019	2020	2021	Changes 2020/2019, %	Changes 2021/2020, %
TOTAL	10 025	8 283	10 746	-17,38	29,74
Women	2 615	1 156	1 660	-55,79	43,60
up to 30 y.o.	1 122	456	629	-59,36	37,94
31-49 y.o.	1 272	573	897	-54,95	56,54
over 50 y.o.	221	127	134	-42,53	5,51
Men	7 410	7 127	9 086	-3,82	27,49
up to 30 y.o.	2 905	3 227	4 242	11,08	31,45
31-49 y.o.	3 344	3 146	4 082	-5,92	29,75
over 50 y.o.	1 161	754	762	-35,06	1,06

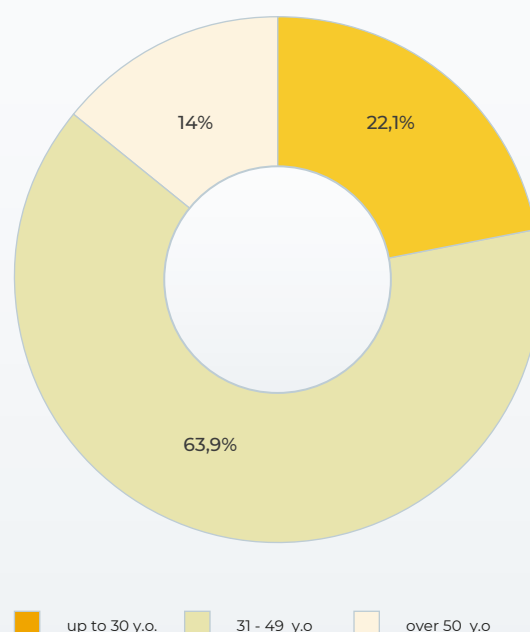
NUMBER OF EMPLOYEES HIRED BY THE COMPANY, BY REGION, PEOPLE

	2019	2020	2021	Changes 2020/2019, %	Changes 2021/2020, %
Women	2 615	1 156	1 660	-55,79	43,60
Republic of Kazakhstan	2 613	1 156	1 660	-55,76	43,60
Nur-Sultan	513	185	290	-63,94	56,76
Almaty	320	112	100	-65	-10,71
Shymkent	33	8	8	-75,76	0,00
Akmola region	159	93	96	-41,51	3,23
Aktobe region	265	74	95	-72,08	28,38
Almaty region	78	97	98	24,36	1,03
Atyrau region	105	55	59	-47,62	7,27
East Kazakhstan region	177	97	104	-45,2	7,22
Zhambyl region	123	49	67	-60,16	36,73
West Kazakhstan region	22	6	21	-72,73	250,00
Karaganda region	290	88	218	-69,66	147,73
Kostanay region	168	140	185	-16,67	32,14
Kyzylorda region	55	15	14	-72,73	-6,67
Mangystau region	54	20	23	-62,96	15,00
Pavlodar region	189	104	230	-44,97	121,15
North Kazakhstan region	48	3	16	-93,75	433,33
Turkestan region	14	10	36	-28,57	260,00
Men	7 410	7 127	9 086	-3,82	27,49
Republic of Kazakhstan	7 319	7 127	9 086	-2,62	27,49
Nur-Sultan	1 174	1 009	1 534	-14,05	52,03
Almaty	716	608	417	-15,08	-31,41
Shymkent	58	79	156	36,21	97,47
Akmola region	471	362	669	-23,14	84,81
Aktobe region	532	544	678	2,26	24,63
Almaty region	380	618	721	62,63	16,67
Atyrau region	299	276	295	-7,69	6,88
East Kazakhstan region	639	557	580	-12,83	4,13
Zhambyl region	275	475	556	72,73	17,05
West Kazakhstan region	56	60	89	7,14	48,33
Karaganda region	749	895	971	19,49	8,49
Kostanay region	759	605	775	-20,29	28,10
Kyzylorda region	93	64	160	-31,18	150,00
Mangystau region	214	93	139	-56,54	49,46
Pavlodar region	679	592	977	-12,81	65,03
North Kazakhstan region	58	132	206	127,59	56,06
Turkestan region	167	158	163	-5,39	3,16

EMPLOYEES HIRED BY THE COMPANY, BY GENDER FOR THE REPORTING PERIOD, %



EMPLOYEES HIRED BY THE COMPANY, BY AGE FOR THE REPORTING PERIOD, %



HEADCOUNT BY OCCUPATION AT THE END OF 2021, PEOPLE

	Including		
	Total number	men	women
Headcount	112 581	86 181	26 400
full-time	112 581	86 181	26 400
part-time	0	0	0

HEADCOUNT BY TERMS OF EMPLOYMENT CONTRACTS AT THE END OF 2021, PEOPLE

	Including		
	Total number	men	women
Headcount	112 581	86 181	26 400
Working under employment contracts for an indefinite period	116 416	89 965	26 451
Working on a temporary basis (fixed-term)	2 655	1 448	1 207

HEADCOUNT BY STAFF AND NON-STAFF EMPLOYEES AT THE END OF 2021, PEOPLE

	Including		
	Total number	men	women
Headcount	112 581	86 181	26 400
Staff employees	112 581	86 181	26 400
Non-staff employees	0	0	0

HEADCOUNT OF EMPLOYEES ON PARENTAL LEAVE AT THE END OF 2021

	Including		
	Total number	men	women
Total number of employees on parental leave	3 894	277	3 617

HEADCOUNT OF EMPLOYEES RETURNED FROM PARENTAL LEAVE AT THE END OF 2021

	Including		
	Total number	men	women
Total employees returned from parental leave	728	70	658



Zhas Orken and Digital Summer Programs

The Company implements the Zhas Orken and Digital Summer programs for the development of young professionals under the Fund umbrella, the internship and industrial practices opportunities are available for university students at the NC KTZ JSC group of companies.

The main goal of the programs is the development of young professionals through mentoring, as well as the preparation of future leaders for the group of companies of the Fund.

In the period from 2019 to 2021, 15 and 23 young professionals participated in the Zhas Orken and Digital Summer programs respectively, 10 graduates of which were employed at the NC KTZ JSC group of companies (6 graduates following the Zhas Orken program, 4 graduates under the Digital Summer program).

Employee Orientation

The Company implements steps for employee orientation. Employee orientation is carried out with the help of a set of measures aimed at developing the employee's involvement in the Company's production activities, familiarizing the employee with the Company's corporate values and developing corporate culture, assisting the employee in understanding the social and organizational and economic working conditions in the Company, and facilitating the establishment of long-term labor relations of the employee with the Company, reducing the percentage of employee turnover in the first year of work.

A Welcome training is provided as part of the orientation course for recruits. At this stage, the newly hired employee is introduced to the history of the creation and development of the Company, its mission, corporate values, structure, principles of Compliance and anti-corruption, the corporate risk management system, and more.

Automation of the orientation process is planned for 2022.

Employee Performance Review

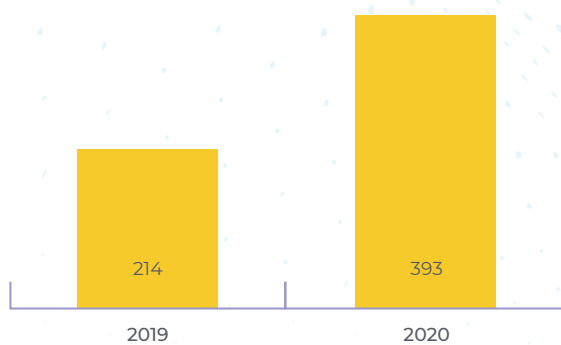
Employee performance review is carried out in all structural departments, as well as in the NC KTZ JSC subsidiaries.

In 2021, the process of setting and evaluating goals for employees of the central office was automated in the HR KPI system.

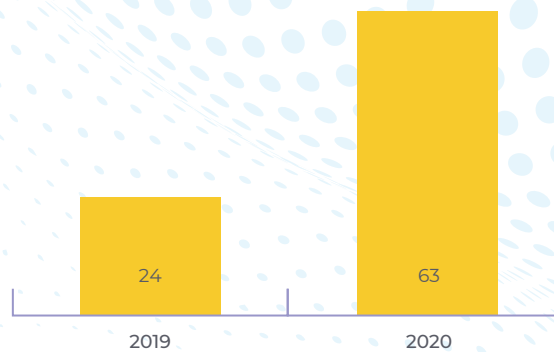
In the reporting year, the results of a comprehensive performance review of the Company's employees based on the results of 2020 were summarized. The review covered 95.4% of employees, including the central office of NC KTZ JSC - 94.7%, branches - 98.9%, subsidiaries - 92.4%.

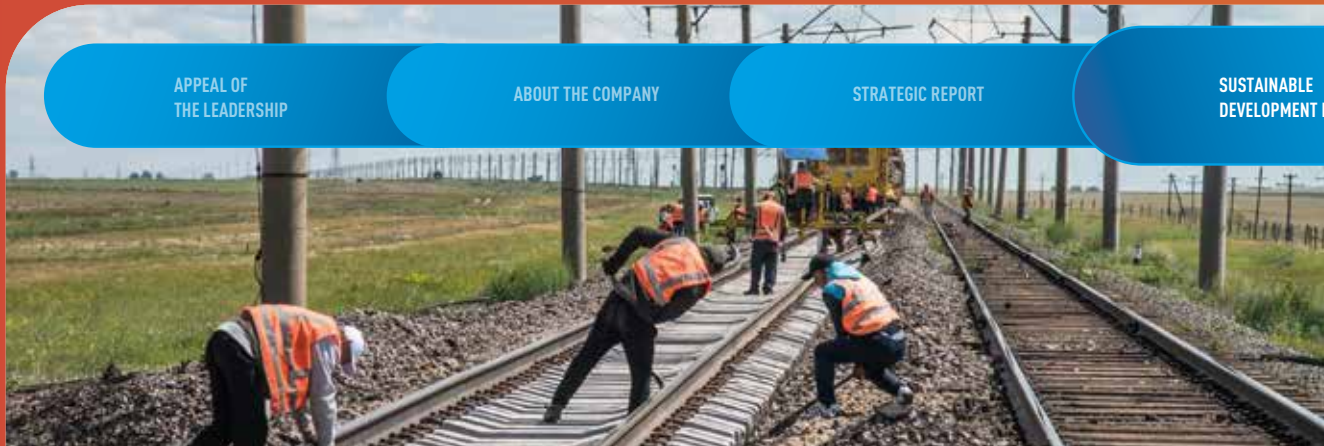
In accordance with the Rules for the NC KTZ JSC¹⁶ succession and talent pool turnover based on the results of the performance review, 393 employees were included in the talent pool, including 63 succession pool members were rotated.

¹⁶Approved by the decision of the Management Board of NC KTZ JSC dated March 26, 2020.

NUMBER OF EMPLOYEES INCLUDED IN
THE TALENT POOL, PEOPLE

NUMBER OF ROTATED EMPLOYEES, PEOPLE





SOCIAL POLICY

Recognizing the business social responsibility, NC KTZ JSC takes voluntary obligations for socially responsible participation in the life of the Company's employees, the population in the regions of the Company's activities and society as a whole.

The Company provides its employees with a guaranteed recruitment package, which includes various types of benefits, creates all conditions for professional and personal development, pays special attention to youth policy, promotes a healthy lifestyle and conducts a large-scale charity campaign. Significant support is provided to retirees and families of employees.

Expenses for NC KTZ JSC employees social support in 2021 increased by 24.7% and amounted to 11.6 billion tenge (9.3 billion tenge in 2020).

Thus, in the reporting year, the Company provided financial assistance to:

- retirees for improving and maintaining health in the amount of 190 million tenge;
- employees for child birth in the amount of 916 million tenge;
- employees who raise children with disabilities alone in the amount of 41 million tenge;
- employees due to marriage registration in the amount of 72 million tenge, etc.

As part of the Industry Agreement on Social and Labor Issues and the Collective Bargaining Agreement for 2021-2023, the Company's employees are provided with social guarantees for the protection of labor rights, remuneration,

labor protection, health improvement and recreation of employees and their children, as well as additional norms to improve the social situation of employees.

To protect the health of the Company's employees, the Collective Bargaining Agreement provides for the provision of medical care for all employees, health resorts for employees and retirees, summer recreation for children, reimbursement of expenses for the treatment and care of the disabled, etc.

The Collective Bargaining Agreement sets out the following liabilities of the Company:

- observance of norms in the area of social and labor relations;
- providing material support and social guarantees to employees, non-working retirees, disabled people in the Company, as well as victims of accidents at work and occupational diseases;
- providing social guarantees to youth, families of employees, including summer vacations and health improvement for children of the Company's employees.

Moreover, in accordance with the provisions of the Collective Bargaining Agreement, the Company's liabilities are provided for sending notifications to employees and their representatives about significant changes in the Company's activities that affect the working conditions of personnel (announcement of downtime - no later than fifteen calendar days prior, abolition of a business unit - no later than a month prior). With an increase in staff, employees made redundant (in the last six months) are notified of vacancies available.

At the end of 2021, the proportion of employees covered by collective bargaining agreements amounted to 92.5%.

Social Stability

Social stability in the Company is determined as part of a study of the social stability index conducted by the Center for Social Interaction and Communications of the Fund.

The Company's social stability indicator for 2021 amounted to 72% (75% in 2020).

In the reporting year, there was a decrease in the personnel involvement and social peace indicators by 2 and 5 points, respectively.

Based on the study results, the Company takes measures in areas requiring development, as set out in the Action Plans to improve the level of social stability and employee involvement for the coming year.

In 2022, the Company and its subsidiaries will continue to work to improve the social stability level and employee involvement by providing comfortable and safe working conditions, as well as maintaining healthy and constructive relationships in the Company's workforce.

Socially Responsible Personnel Layoff

In order to achieve the goals of a soft personnel layoff without creating social tension, the Socially Responsible Personnel Layoff Program was adopted in 2020.

The purpose of the Program is to ensure social stability within the workforce through the most acceptable and economically viable tools for employees and the Company as part of the implementation of measures aimed at improving the efficiency of the Company's activities.

One such tool is the Early Retirement Program. The Early Retirement Program is aimed at painless optimization of the headcount through voluntary early retirement of the Company's employees. Employees who have 5 years or less left, in exceptional cases 6 years or less, before the retirement age in accordance with the legislation of the Republic of Kazakhstan can

become the Program participants and receive compensation depending on their salary and length of employment.

In total, 631 people were laid off from under the Early Retirement Program in 2021.

Financial Incentives

The Company attaches great importance to the issues of maintaining social stability and improving the social and economic situation of railway industry employees. The following measures were implemented in 2020:

- employees salaries increased from January 1 and July 1 by 10%;
- incentives were paid to those employees of NC KTZ JSC regional branches and its subsidiaries who showed the best results based on the rating assessment carried out on the principle of industry competition;
- work on developing a bonus system for operating personnel using Bounded Supervisor Score was carried out. The said type of bonus has been introduced for track servicemen and foremen, technicians, switchmen of power supply and signaling and communication distances;
- bonuses to NC KTZ JSC employees, including those on parental leave, as well as on long-term leave in the amount of 1 MSL;
- the amount of payments to state and departmental awards has been increased by 2 times;
- a one-time bonus was paid to the female employees of the Company as part of the celebration of March 8 - International Women's Day;
- one-time bonuses were paid for the professional holiday the Transport Workers Appreciation Day and the Independence Day of the Republic of Kazakhstan.

The measures taken ensured the increase of the average monthly salary for the NC KTZ JSC group of companies by 22% compared to 2020.

AVERAGE MONTHLY SALARY LEVEL BY CATEGORY, TENGE

	2019	2020	2021	Changes 2020/2019, %	Changes 2021/2020, %
Administrative and managerial personnel	316 570	345 763	417 192	9,2	20,7
Operating personnel	175 436	192 649	236 287	9,8	22,7

BASE SALARY LEVEL FOR MEN AND WOMEN FOR THE REPORTING PERIOD

	Administrative personnel ¹⁷	Operating personnel ¹⁸
Base salary		
women, tenge	228 000	66 612
men, tenge	228 000	66 612

THE RATIO OF THE LEVEL OF THE MINIMUM SALARY OF EMPLOYEES BY GENDER TO
THE LEVEL OF THE ESTABLISHED MINIMUM SALARY FOR THE REPORTING PERIOD

Minimum salary	
women, tenge ¹⁹	66 612
men, tenge ²⁰	66 612
minimum salary level ²¹	42 500



¹⁷The salary of the manager of the central office of NC KTZ JSC (grade 13).

¹⁸The salary of the cleaning specialist of KTZ - Freight Transportation LLP (grade 2).

¹⁹The salary of the cleaning specialist of KTZ - Freight Transportation LLP (grade 2).

²⁰The salary of the cleaning specialist of KTZ - Freight Transportation LLP (grade 2).

²¹The minimum salary level of the Republic of Kazakhstan established by the Law "On the Republican Budget for 2021-2023" dated December 2, 2020, No. 379-VI.

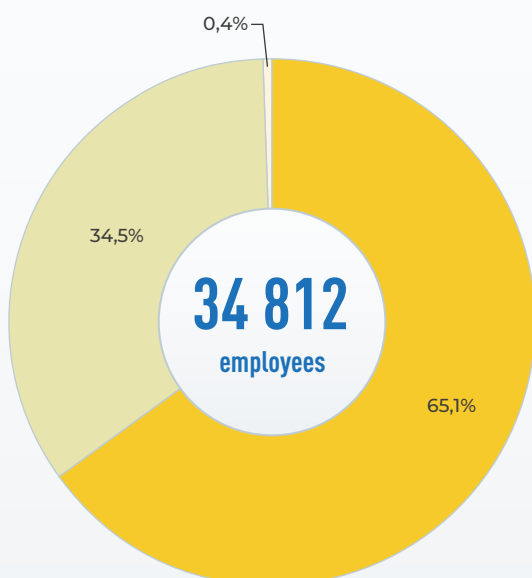
EMPLOYEE DEVELOPMENT

In order to improve the professional and personal potential of each employee of the Company, the work to provide training for employees and develop corporate and managerial competencies is carried out on a regular basis.

The Company has five training centers located in different regions of the country that provide the basis for the corporate system of vocational training. These centers trained 22,671 employees in 2021 (15,642 employees in 2020).

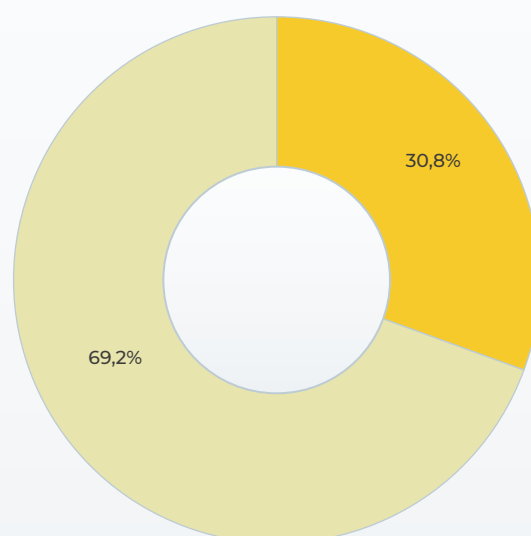
Totally in the reporting year, 34,812 of NC KTZ JSC employees were trained (26,757 employees in 2020) for a total amount of 1.49 billion tenge (1.07 billion tenge in 2020).

TRAINING OF EMPLOYEES BY FIELD FOR THE REPORTING PERIOD, %



- vocational training in the Company's training centers
- advanced training in third-party organizations
- language training (English)

TRAINING OF EMPLOYEES BY GENDER FOR THE REPORTING PERIOD, %



- Women
- Men

The Company has corporate internal training specialists, these are highly qualified employees who are experts in their field.

24 employees received an Internal Training Specialist Certificate in 2021. The total number of internal training specialists is 57 people.

In the reporting year, internal training specialists trained online 65,470 employees in the Behavioral Safety Dialogue, Internal Control, Environmental Protection, Incident Management, Emergencies, Industrial Facilities Certification, and Risk Assessment programs.

17,861 employees were trained on the topic of "Anti-Corruption", and 17,304 employees were trained on the topic of "Code of Business Ethics" in an online format, as well as in the remote training and testing system.

NUMBER OF TRAINED EMPLOYEES AND TRAINING COSTS BY CATEGORY OF EMPLOYEES FOR THE REPORTING PERIOD

	Top executives	Middle management	Administrative personnel	Including Operating personnel
Number of trained employees, people	20	1 146	12 139	21 507
Training costs, thousand tenge	7 598	106 398	464 447	917 531
Average annual training hours per employee	14,2	19,1	41	24

Topzhargan: Zhana Kush Program

Topzhargan: Zhana Kush Leadership Development Program is aimed at developing the personal and business qualities of network and line managers, HR employees, press services and other departments of the Company.

It is planned to provide training under this program for 3,000 employees, of which 400 have already been trained.

Igilik Program

As part of the Igilik (Welfare) development program, 26 training events and meetings were organized with representatives and agents of various services (with representatives of the UPSF, Otbas Bank, Medicare Medical Center, with Dauletkerey Kapuly, an Honored Worker of the Republic of Kazakhstan, with the Department of Emergency Situations of Nur-Sultan), as well as trainings to develop personal, business and professional expertise. The number of Program participants amounted to more than 3,000 employees.



CHARITY AND SPONSORSHIP

The implementation of a unified policy for the provision of charitable assistance to the group of companies of Samruk-Kazyna JSC is carried out by the Samruk-Kazyna Trust Corporate Fund.

Along with this, the Company implements programs aimed at promoting a healthy lifestyle, implementing a youth policy, providing assistance to vulnerable groups of the population, low-income citizens, and more through corporate volunteering.

Caring for Retirees

The Company operates the Central Council of Railway Veterans of JSC NC KTZ, established in 2013 and aimed at providing social support to non-working retirees.

- visiting sick and lonely retirees at home and in hospitals;
- congratulations to the anniversary celebrants on the significant birthdays of the 70th, 80th, 90th, 100th anniversary;
- provision of consulting, explanatory and practical assistance.

Additionally, NC KTZ JSC provides non-working retirees with a benefits package, which includes:

- annual free travel;
- sanatorium-and-health-resort rehabilitation
- one-time financial assistance when they reach the age of 70, 80, 90, 100 years;
- financial assistance by decision of the Board of Review of Social and Domestic Matters;
- financial assistance for such holidays as Transport Workers Appreciation Day, Victory Day, etc.

During the reporting period, more than 7,000 employees and retirees improved their health, including more than 2,600 employees who received sanatorium-and-health-resort rehabilitation in the sanatorium-preventorium named after Saken Seifullin, which is under the jurisdiction of KTZ-Freight Transportation LLP.

Caring for Young Employees

The Company pays special attention to the development of the human capacity potential of young employees and for this purpose implements a corporate youth policy.

The youth policy program is aimed at improving professional skills, raising corporate spirit, developing a system for recruiting young people, their effective orientation, and securing them in the Company, involving young people in solving corporate problems, developing international youth cooperation, spiritual, moral, patriotic education of young people, as well as promoting values of healthy lifestyle and sports among youth.

The programs 100 Young People of KTZ, School of a Corporate Blogger and Zhas Uzdik Maman are being implemented under the youth policy.



Promotion of Healthy Lifestyle

As a member of the International Railway Sports Association (USIC), which includes 24 states, NC KTZ JSC takes an active part in USIC events, as well as in the Association Congress.

In addition, railroad-men took part in more than 100 sports events involving more than 15,000 people.

In 2021, for the promotion of a healthy lifestyle and physical training, online webinars in 10 sports disciplines (breathing exercises, industrial gymnastics, board games, etc.) were held.

Health Protection and Medical Support

The matters of health protection and medical support for employees remain a particularly important component of the NC KTZ JSC social policy.

In 2021, more than 75 thousand employees were provided with voluntary medical insurance in the amount of 3,342 million tenge.

In 2021, the Company began vaccination of its employees against coronavirus infection, the overall percentage of herd immunity from Covid-19 was 95%.

DYNAMIC OF THE NUMBER OF DAYS OF EMPLOYEES SICKNESS ABSENCE IN THE PERIOD FROM 2019 TO 2021, DAYS



The number of days of sickness absence was 1,277,202 days, of which women account for 357,616 days, or 28%, the number of days of sickness absence among men was 919,586 days, or 72%.

The working conditions of railroad-men are associated with a number of adverse factors, including significant physical, psychological and emotional overload, traveling nature of work, as well as prolonged exposure to the open air.

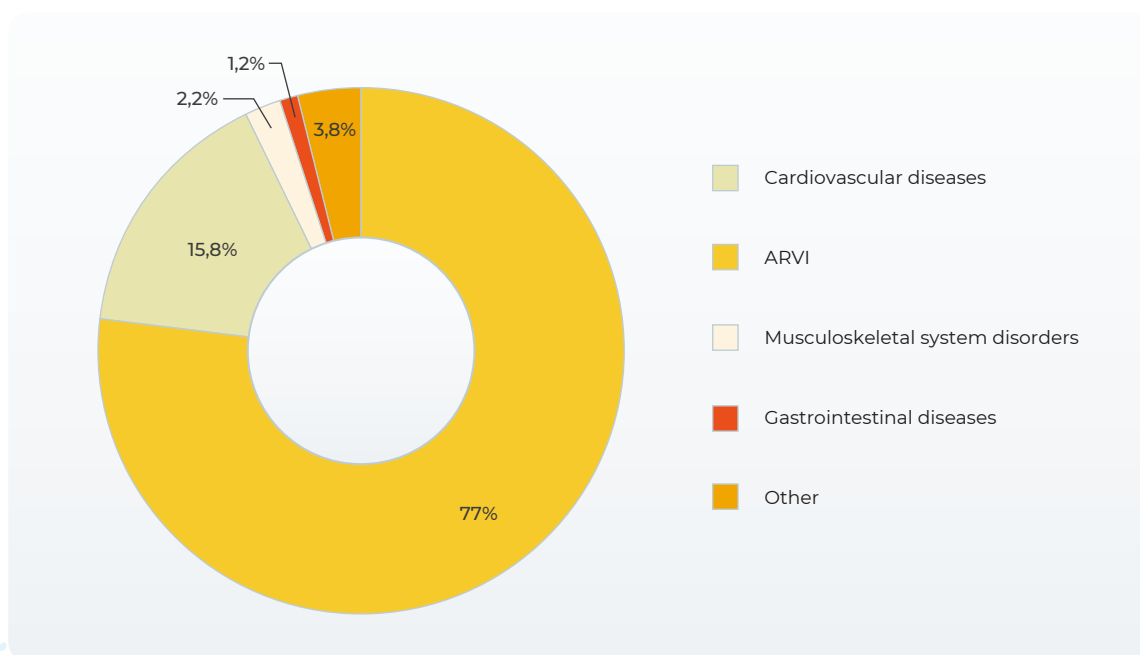
Such working conditions are the main risk factor for the development of a number of diseases of the respiratory, cardiovascular, digestive systems, musculoskeletal system, occupational intoxication.

During the reporting period, 74,272 people underwent periodic medical examinations. About 7,400 thousand pre-shift (pre-trip) and post-shift (post-trip) medical examinations of employees were carried out.

According to the results of pre-shift medical examinations, 3,273 people, or 0.04% of the total number of those examined, were suspended from the shift.



REASONS (DISEASES) FOR EMPLOYEES DISMISSAL FROM A SHIFT BASED ON THE RESULTS OF PRE-SHIFT/PRE-TRIP MEDICAL EXAMINATIONS FOR THE REPORTING PERIOD, %

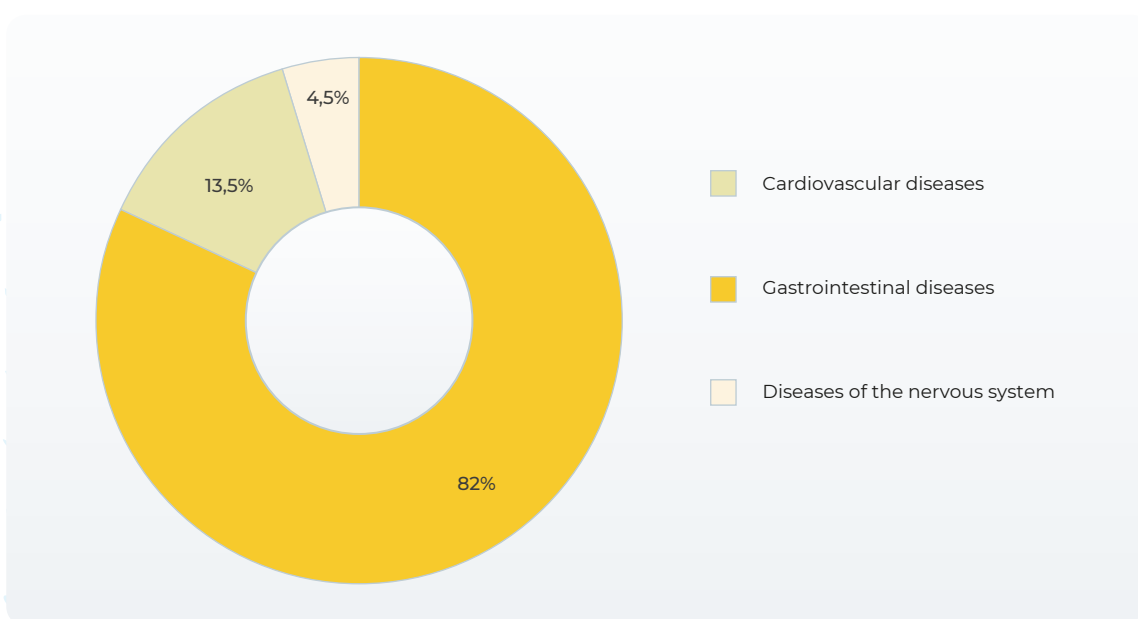


Sudden Health Decline

In the reporting year, 35 cases of sudden health decline (SHD) at the workplace were investigated, which is 15% less than in 2020 (41 cases in 2020). The decrease in SHD cases can be explained both by the adopted strict sanitary and quarantine restrictions, and by measures to strengthen control over the conduct of preventive and pre-shift/pre-trip medical examinations.

The main share of cases falls on KTZ-Freight Transportation LLP and the Directorate of the Backbone Network, branch of NC KTZ JSC, 14 and 12 cases, respectively.

SHD CAUSES (DISEASES) FOR THE REPORTING PERIOD, %



In general, the Company recorded 16 deaths due to SHD (13 cases in 2020). Cardiovascular diseases were the cause of death in 100% of cases: 75% - heart attack, 25% - stroke. Notably, high mortality is noted among employees of the track facilities (about 40% of all deaths).

In 2021, in order to reduce SHD cases, an Action Plan for the improvement of the NC KTZ JSC personnel health was adopted and it includes the following areas:

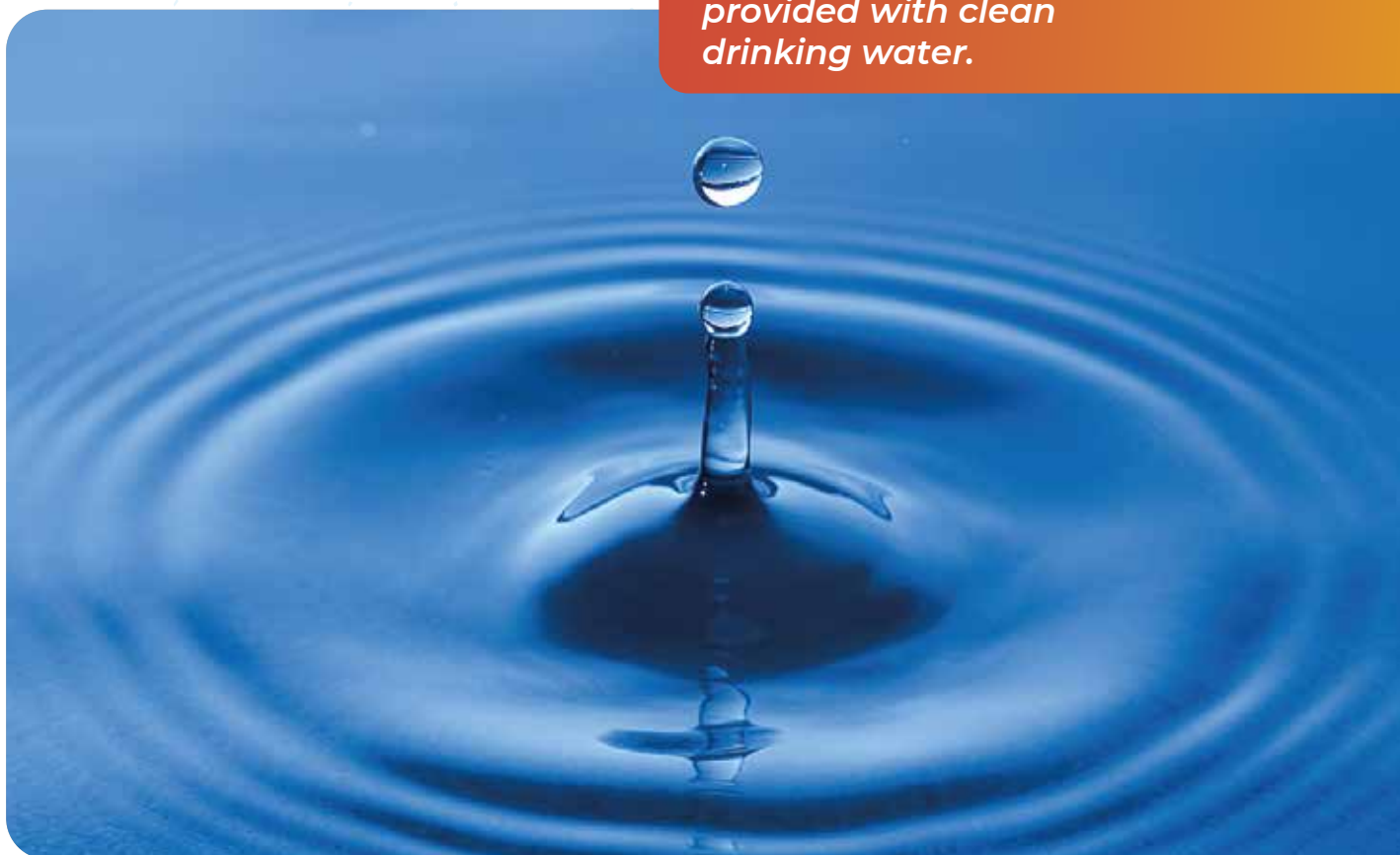
- promotion of a healthy lifestyle: public awareness campaign through the IS IS, the media, social networks; healthy lifestyle challenges and sports and recreational activities;
- public awareness campaign on the topic of symptoms and prevention of major communicable and noncommunicable diseases;
- first aid training courses/videos;
- implementation of strict control by the top executives in terms of the quality of medical services provided;
- generation of a database of those employees who need follow-up medical care at each enterprise;
- analysis of working and rest conditions of the decreed group of employees;
- revision of the conditions for early retirement and/or industry benefits for employees with difficult, dangerous and harmful working conditions, most often prone to accidents at work, including SHD.

Drinking Water Provision

There is no access to clean drinking water at certain stations and crossing loops served by NC KTZ JSC employees.

The Company provides settlements with imported water supply both for the Company's employees and for the population living in these regions.

*In the reporting year,
14,934 people were
provided with clean
drinking water.*



NUMBER OF PEOPLE PROVIDED WITH IMPORTED WATER BY NC KTZ JSC BY REGION, PEOPLE.

Regions	Total, people
TOTAL	14 934
Central and East	2 340
South	2 805
North	3 353
West	6 436

ENVIRONMENTAL RESPONSIBILITY

Responsible attitude to the use of natural resources is one of the key components of corporate social responsibility and an important factor in the sustainable development of the Company.

Environmental Management System

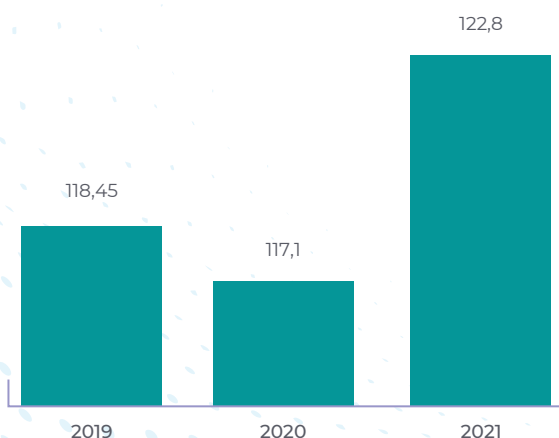
The results of the witness audit of NC KTZ JSC, conducted by the auditors of the certification body Intercertifica-TUV LLC together with TUV Thüringen in 2021, confirmed the compliance of the Company's environmental management system with the requirements of the international standard ISO 14001:2015 "Environmental Management Systems".



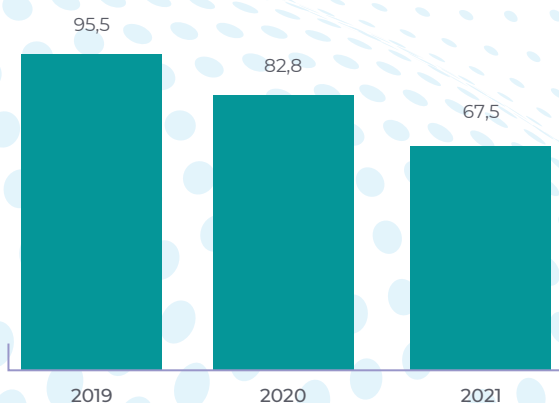
Environmental Emission

Mitigation of the negative impact on the environment is achieved by the Company through rational consumption of natural resources, consistent reduction of emissions, discharges of pollutants, reduction of waste generation and their reuse, as well as the use of energy-saving technologies.

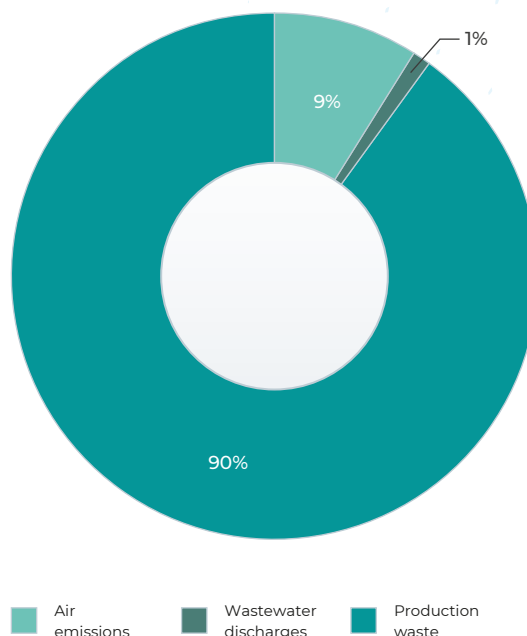
DYNAMIC OF GREENHOUSE GAS EMISSIONS INTO THE ATMOSPHERE FROM STATIONARY INSTALLATIONS IN THE PERIOD FROM 2019 TO 2021, THOUSAND TONS



DYNAMIC OF EMISSIONS INTO THE ENVIRONMENT IN THE PERIOD FROM 2019 TO 2021, THOUSAND TONS



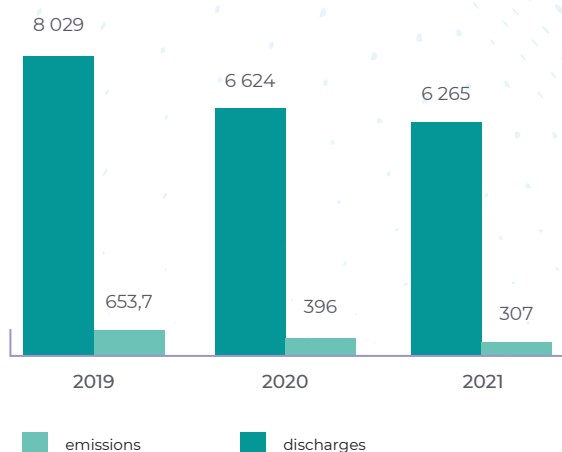
PROPORTION OF POLLUTANT EMISSIONS, %



Measures taken to reduce emissions:

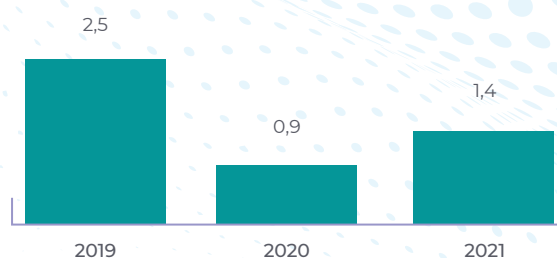
- introduction of diesel locomotives of the EVOLUTION series, which have a reduced emission of pollutants, which will reduce emissions into the atmosphere by more than 2.2 times compared to diesel locomotives of old models;
- purchase of new passenger cars with combined heating and closed-type toilets, which will reduce pollutant emissions and eliminate bacterial contamination of the railway track by fecal microflora;
- transfer of boiler compartments from solid to gaseous fuels, connection of heating of industrial buildings to electric heat supply, which helps to reduce air pollution from stationary sources;
- separate collection of waste - waste paper, defective electronic equipment (DEE), plastic, scrap metal, used oil, batteries, tires with subsequent transfer to third parties for recycling on a reimbursable basis.

VOLUMES OF EMISSIONS, DISCHARGES OF POLLUTANTS IN THE PERIOD FROM 2019 TO 2021, TONS

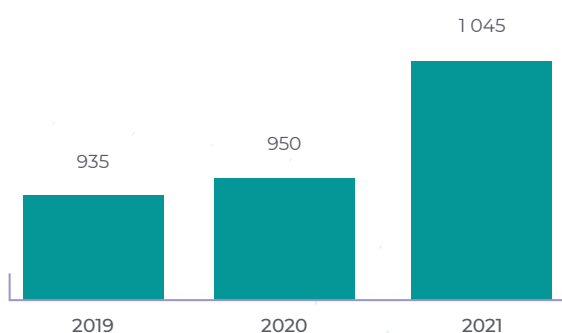


There were no emergency or irregular discharges of pollutants in the reporting year.

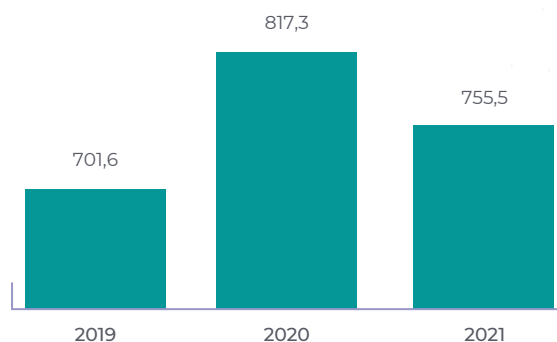
DYNAMIC OF ECONOMIC PENALTIES FOR ENVIRONMENTAL VIOLATIONS, IN THE PERIOD FROM 2019 TO 2021, MILLION TENGE



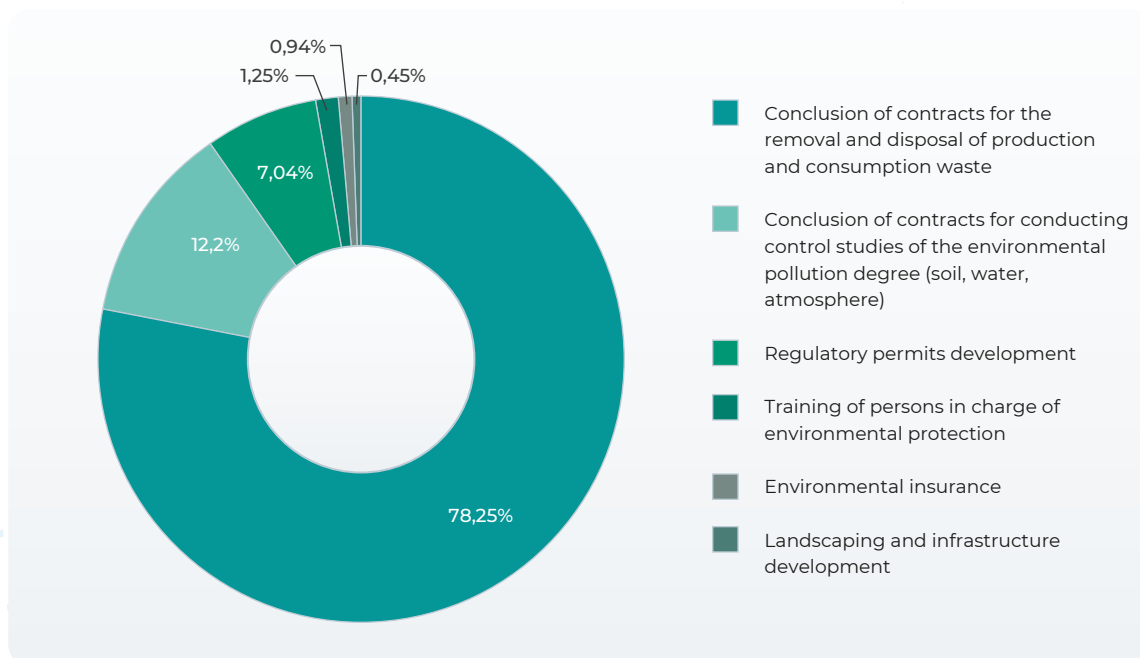
DYNAMIC OF ENVIRONMENTAL PAYMENTS IN THE PERIOD FROM 2019 TO 2021, MILLION TENGE



DYNAMIC OF COSTS FOR ENVIRONMENTAL PROTECTION ACTIVITIES IN THE PERIOD FROM 2019 TO 2021, MILLION TENGE

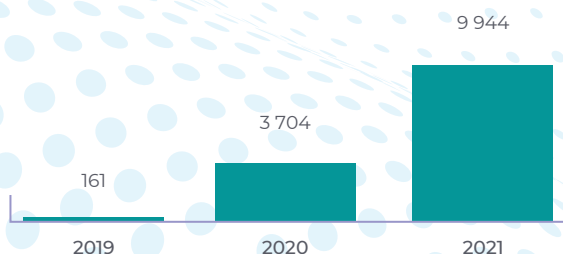


STRUCTURE OF COSTS FOR ENVIRONMENTAL PROTECTION MEASURES, %

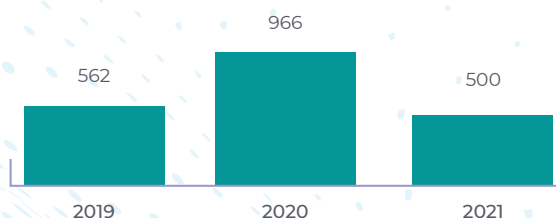


In the reporting year, internal training specialists conducted online training on environmental safety and trained 9,944 employees.

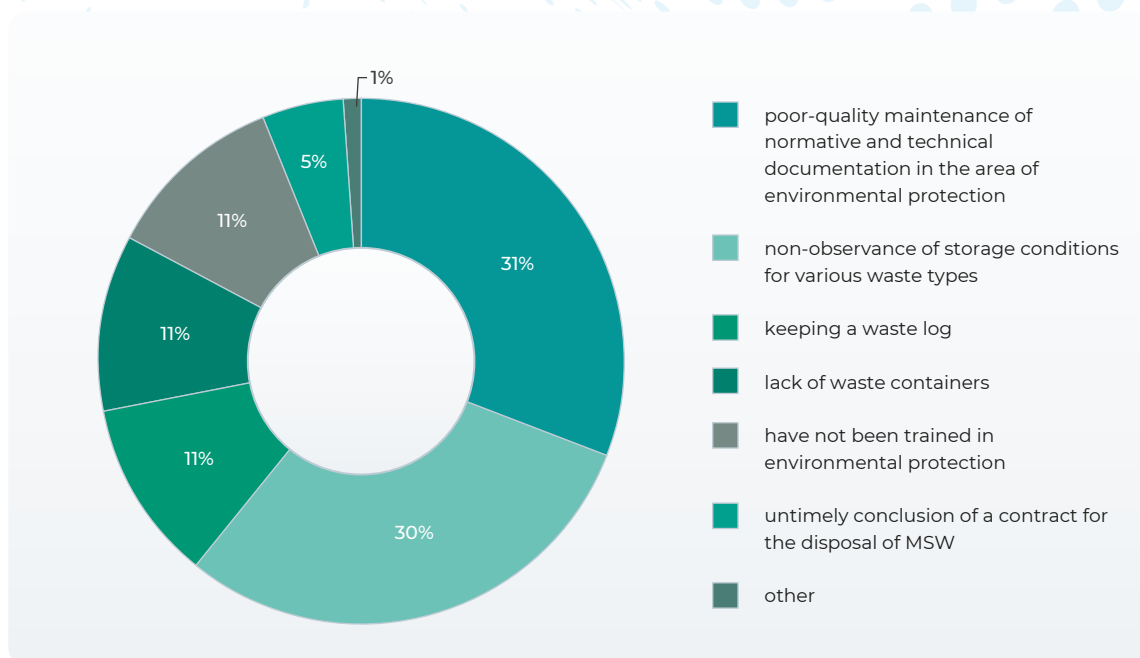
NUMBER OF TRAINED EMPLOYEES OF ENVIRONMENTAL SAFETY IN THE PERIOD FROM 2019 TO 2021, PEOPLE



THE NUMBER OF VIOLATIONS OF THE REQUIREMENTS OF STANDARDS AND NORMS IN THE AREA OF ENVIRONMENTAL PROTECTION COMMITTED BY THE COMPANY IDENTIFIED AND ELIMINATED DURING INTERNAL CONTROL IN THE PERIOD FROM 2019 TO 2021, VIOLATIONS



STRUCTURE OF VIOLATIONS OF REQUIREMENTS COMMITTED BY THE COMPANY IDENTIFIED DURING INTERNAL CONTROL, %



Wastewater Discharges

Discharges of pollutants with wastewater amounted to 306.5 tons, which is 23% less than in 2020 (396.5 tons).

The decrease in discharge volumes is due to a decrease in the number of cars delivered to the car washing point at Anar station of the Astana operational car-repair shed of the branch of the Akmola department of

KTZ-Freight Transportation LLP, as well as a decrease in the volume of water consumption by car washing enterprises.

When washing cars, the Company discharges wastewater to filtration fields, sedimentation tanks, and water disposal is carried out to a septic tank with a filter well. Treated wastewaters are taken out for discharge into the city sewerage.

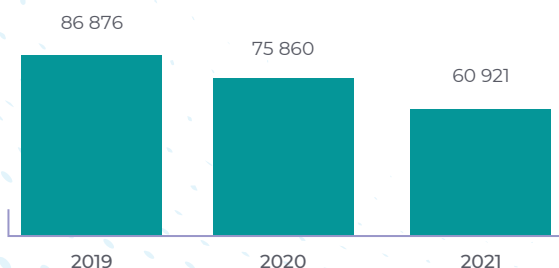
The calculation of the norms of maximum admissible discharge is carried out on the basis of the Environmental Code of the Republic of Kazakhstan. The main components that pollute the water body are oil products, phenol, nitrates, nitrites, ammonium nitrogen, suspended solids, phosphates, chlorides, sulfates, etc.



Waste Management

The Company's waste volume in 2021 decreased by 19.7% compared to the level of 2020 and amounted to 60,921 tons.

WASTE VOLUMES IN THE PERIOD FROM 2019 TO 2021, TONS



To reduce waste taken to the landfill and reduce the impact on the environment, the Company is working on the separate collection of waste with further disposal and delivery to interested organizations.

In 2021, 107.5 tons of waste were sold for recycling and reuse throughout the Company in the amount of 6,169 thousand tenge. Disposed of in the reporting year:

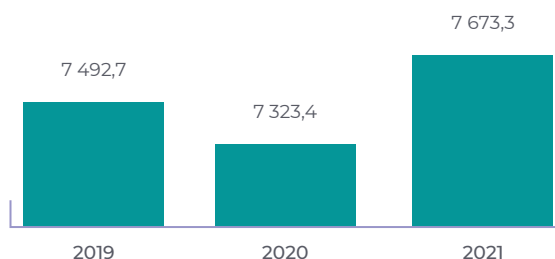
- waste paper - 47.2 tons;
- plastic - 9.3 tons;
- glass - 6.8 tons;
- used batteries - 33.2 tons;
- used office equipment - 3.6 tons;
- used car tires - 7.6 tons.

Water Usage

Efficient use of resources is an important component of the Company's environmental responsibility.

The total volume of water used by the Company for its core activities for the reporting year is 7,673 thousand m³, including surface water - 2,712 thousand m³ or 35.3%, groundwater (wells) - 4,040 thousand m³ or 52.7%, purchased - 921 thousand m³ or 12%.

DYNAMIC OF WATER USAGE BY THE COMPANY IN THE PERIOD FROM 2019 TO 2021, THOUSAND M³



Note. Water usage data of Temirzholsu JSC.

Running into Cattle on Railroad Tracks

Cattle grazing on railway tracks without supervision is the cause of the disruption of the normal operation of railway transport. Livestock grazing near railroad tracks increases the risk of being run over by railway transport, resulting in the death of the animal. Totally for the period from 2018 to 2021, there were 12 cases of running over livestock recorded for the Company, including 2 cases in 2021.

In order to prevent collisions with livestock in 2021, engine drivers applied 775 emergency brakes.



ENERGY EFFICIENCY AND ENERGY SAVING

Energy Management System

The results of the certification audit of NC KTZ JSC, conducted by the auditors of the certification body Intercertifica-TUV LLC together with TUV Thüringen in 2021, confirmed the compliance of the Company's energy management system with the requirements of the international standard ISO 50001:2018 "Energy Management System".



Energy Efficiency

NC KTZ JSC is the largest consumer of energy resources in the Republic of Kazakhstan. The Company accounts for up to 30% of diesel fuel consumption and up to 4% of electric power consumption. The company strives to continuously improve efficiency through implementation of emission reduction and energy consumption policy.

Kazakhstan is a party to the UN Framework Convention on Climate Change (UNFCCC), its Kyoto Protocol and the Paris Agreement, which replaces the Kyoto Protocol from 2021.

As part of fulfilling the requirements of the Law of the Republic of Kazakhstan "On Energy Saving and Energy Efficiency Improvement", as well as being a subject of the State Energy Register, NC KTZ JSC undergoes a mandatory energy audit at least once every five years, as a result of which measures are developed to save energy and improve energy efficiency that contributing to the reduction of annual costs for fuel and energy resources.

As a result of the energy audit conducted at NC KTZ JSC in 2020, measures to improve energy efficiency were taken. The possible potential of energy saving measures (in reference equivalent) will be about 3,160 toe, or 2.6% of the total consumption of fuel and energy resources in relation to the level of 2018. The total savings in monetary terms will be about 868 million tenge. The activities implementation period is from 2021 to 2024.

At the end of 2021, one measure was completed (installation of heat-reflective screens on the walls behind heating appliances), as a result of which the savings in reference equivalent amounted to 12.004 toe, in monetary terms it is equal to 1,845.79 thousand tenge.

In 2022, the Company will continue to implement measures to improve energy efficiency.

CONSUMPTION OF FUEL AND ENERGY RESOURCES (FER) FOR OPERATIONAL AND PRODUCTION (NON-TRACTION) NEEDS IN THE PERIOD FROM 2019 TO 2021

Indicator	2019	2020	2021	Change 2020/2019, %	Change 2021/2020, %
Electric power, thousand kWh.	332 086,7	325 196,7	327 092,2	-2,1	0,6
Coal, tons	31 410,2	30 839,2	30 316,3	-1,8	-1,7
Natural gas, thous. m ³	1 869,1	1 894,4	1 787,6	1,4	-5,6
Petrol, tons	7 104,3	6 847,6	5 229,8	-3,6	-23,6
Diesel fuel, tons	20 695,1	21 771,3	19 859,9	5,2	-8,8
FER consumption, toe	103 289,5	103 292,3	97 891,2	0,0	-5,2
FER cost, mln tenge (VAT included)	13 305,2	11 868,6	14 112,04	-10,8	18,9
FER cost, thousand tenge/toe	128,8	114,9	144,16	-10,8	25,5

The increase in energy consumption in monetary terms is explained by the annual increase in energy prices, while consumption in physical terms is reduced.

CONSUMPTION OF FER FOR TRACTION NEEDS (HEAT AND ELECTRIC TRACTION) IN THE PERIOD FROM 2019 TO 2021

Indicator	2019	2020	2021	Change 2020/2019, %	Change 2021/2020, %
Output, bln tkm gross	423,8	429,1	423,07	1,3	-1,4
FER consumption for train traction, thous. toe	1 157	1 134,2	1 174,9	-2	3,6
Energy output, kgoe/10 thous. tkm gross	27,3	26,4	27,77	-3,3	5,2

EFFICIENCY OF THE SPECIFIC FER CONSUMPTION PER UNIT OF WORK IN THE PERIOD FROM 2019 TO 2021, KGOE/10 THOUSAND TKM GROSS

Indicator	2019	2020	2021	Change 2020/2019, %	Change 2021/2020, %
Efficiency of the specific FER consumption per unit of work, kgoe/10 thousand tkm gross	29,70	28,84	30,08	-2,9	4,3

Reducing your carbon footprint

The Company is working to reduce its carbon footprint in order to support the initiative of the Head of State K-Zh. Tokayev on Kazakhstan achieving carbon neutrality by 2060, announced on December 12, 2020 at the Climate Ambition Summit.

Thus, in order to develop and introduce low-carbon technologies in NC KTZ JSC provides for the development of a project for a battery shunting locomotive, the implementation of a pilot project for the use of liquefied natural gas on mainline locomotives.

Further, depending on the development of world technological progress, the use of hydrogen technologies will be considered.

To this end, the Company has developed an Action Plan for the transition NC KTZ JSC towards low-carbon development for the period up to 2060.

At the same time, the implementation of these projects depends on the approval by the state of regulatory documents indicating specific steps for the implementation of measures and will largely be associated with the possibility of state funding.

CORPORATE GOVERNANCE

NC KTZ JSC realizes the importance of improving corporate governance and strives to ensure openness and transparency of activities, as well as the practical implementation of the basic principles of the Corporate Governance Code.



Corporate governance structure

SOLE SHAREHOLDER

The supreme body is the Sole Shareholder - the Fund. The sole shareholder has the rights provided for by law and the Charter. The sole shareholder has the right to cancel any decision of other bodies of the Company on issues related to the internal activities of the Company.

BOARD OF DIRECTORS

The governing body of NC KTZ JSC, which carries out general management of the Company's activities, with the exception of resolving issues attributed by the Law "On Joint Stock Companies" and the Charter to the exclusive competence of the Sole Shareholder.

Committees of the Board of Directors

The purpose of the work of the Committees under the Board of Directors is to increase the efficiency of the Board of Directors and improve the structure of corporate governance. The Board of Directors has four committees: Nomination and Remuneration Committee; Strategy and Finance Committee; Committee on Safety and Environmental Protection; and Audit Committee.

Internal Audit Service

The purpose of the Internal Audit Service is to monitor the financial and economic activities of the NC KTZ JSC Group, assessments in the field of internal control, risk management, execution of documents in corporate governance and consulting in order to improve the activities of the NC KTZ JSC Group.

Compliance Service

The purpose of the Compliance Service is to ensure compliance with regulatory requirements on anti-corruption issues, as well as the introduction of mechanisms to prevent corruption risks in accordance with the anti-corruption legislation of the Republic of Kazakhstan and the best international anti-corruption practice of the Organization for Economic Cooperation and Development.

Corporate Secretary

The Corporate Secretary ensures that the Company's bodies and officials comply with the rules and procedures of corporate governance, which guarantee the implementation of the rights and interests of the Sole Shareholder. The Office of the Corporate Secretary functions under the Corporate Secretary.

Corporate Ombudsman

The main functions of the Corporate Ombudsman are to advise the employees of the Company who have contacted him and provide assistance in resolving labor disputes, conflicts, problematic issues of a social and labor nature, as well as in observing the principles of business ethics by the employees of the Company.

MANAGEMENT BOARD

Collegial executive body of NC KTZ JSC, which is responsible for resolving all issues of the Company's activities that are not attributed to the Law "On Joint Stock Companies", other legislative acts of the Republic of Kazakhstan and the Charter to the competence of other bodies and officials of the Company.

Committees of the Management Board

In order to improve the efficiency of the decisions taken by the Management Board, there are four committees: Development Committee; Investment Committee; Budget Committee and Credit Committee.

Secretariat Service of the Management Board

The main tasks of the Secretariat Service of the Management Board are organizational and protocol support for the work of the Management Board, organizational and documentation support for the activities of the Chairman of the Management Board of the Company, control over the timely and high-quality execution of decisions of the Management Board and instructions of the Chairman of the Management Board of the Company.

Corporate Governance Code

The Corporate Governance Code was approved by the decision of the Sole Shareholder dated May 27, 2015 (record of the FUnd Board meeting No. 22/15). The Corporate Governance Code of NC KTZ JSC was developed in accordance with the legislation of the Republic of Kazakhstan, internal documents of Samruk-Kazyna JSC and the Transformation Program of Samruk-Kazyna JSC. The Code recognizes the corporate governance practices accepted in Kazakhstan and the world, establishes the principles on which the corporate governance system in the Company is based.

The objectives of the Code are to improve corporate governance, ensure governance transparency and confirm adherence to good corporate governance standards. The Code establishes the principles on which the Company's corporate governance system is based. The Board of Directors controls the implementation of the Code provisions in the Company.



Compliance with the Principles and Provisions of the Corporate Governance Code Report

In accordance with the requirements of the Code, the Corporate Secretary annually reviews the Code to determine whether the Company complies with its principles and provisions using the Comply or explain approach.

Control over the implementation of the provisions of the Code is assigned to the Board of Directors of NC KTZ JSC.

The report on compliance with the principles and provisions of the Corporate Governance Code of NC KTZ JSC for 2021 was approved by the decision of the Board of Directors of NC KTZ JSC dated May 25, 2022 (Minutes No. 9).

According to the results of the analysis, 88% of the provisions of the Code are observed in practice in the Company, another 4% of the provisions of the Code are partially observed, 0.3% of the provisions are not observed²² and 7% of the provisions of the Code are not applicable to the Company.

Corporate Governance System Improvement

In accordance with the provisions of the NC KTZ JSC Corporate Governance Code, as assigned by the Fund, the consulting company conducted an external independent diagnostic of the NC KTZ JSC corporate governance in the reporting period.

Based on the results of the diagnostics, NC KTZ JSC was assigned a corporate governance BB rating. This rating means that the Company's corporate governance system complies in all key respects with most of the established criteria, but there is insufficient evidence that the system is operating effectively.

The assigned rating indicates an increase in the corporate governance rating level from B, achieved according to the results of the last

external independent diagnostics carried out in 2017-2018. This progress was largely made possible due to the systematic control over the implementation of measures to improve the corporate governance system by the Board of Directors of NC KTZ JSC.

Following the diagnostics results as part of improving the corporate governance system, based on the recommendations of the consulting company, the Company prepared a Corporate Governance Improvement Plan for 2022-2023. The implementation of the Plan's activities will ensure the improvement of efficiency of the Board of Directors and the executive body of the Company, of the risk management and internal control system, the compliance with advanced standards in the field of information disclosure, as well as implementation of ESG principles.

In order to improve the corporate governance system and introduce advanced corporate governance practices for the group of companies, a Roadmap was adopted to improve corporate governance in NC KTZ JSC and its subsidiaries, and a Comprehensive plan to improve corporate governance in subsidiaries of NC KTZ JSC for 2021-2022²³.

As part of the implementation of the Roadmap, appropriate measures are taken to optimize business processes, improve management efficiency and interaction with the Company's subsidiaries.

Monitoring of the implementation of comprehensive plans of NC KTZ JSC subsidiaries is carried out on a quarterly basis. In accordance with the best corporate governance practice, since 2020, annual hearings of the Boards of Directors of KTZ NC JSC subsidiaries by the Board of Directors of KTZ NC JSC are held, following which specific instructions are given aimed at improving the performance of the Company's subsidiaries.

In addition, as part of the implementation of the order of the Chairman of the Board of the Fund²⁴, KTZ NC JSC approved the Action Plan for the implementation of best corporate governance practices in accordance with the requirements of the LSE listing rules of the AIFC²⁵.

²²In the future the work will continue to implement the provisions of the Corporate Governance Code.

²³Approved by the decision of the Board of Directors dated April 29, 2021 (Minutes No. 7).

²⁴Order dated August 27, 2021 No. 110-P.

²⁵Approved by the decision of the Board of Directors dated November 19, 2021 (Minutes No. 13).

BOARD OF DIRECTORS

The Board of Directors carries out corporate management of the Company's activities. Decisions of the Board of Directors are made in the manner prescribed by the legislation of the Republic of Kazakhstan and the Charter of the Company. The Board of Directors plays a key role in ensuring the safe, successful and sustainable development of the Company, as well as in creating long-term shareholder value. The Board of Directors approves the Development Strategy of the Company, which determines the priority areas of its activities, approves long-term plans and main activity programs, determines the

general principles and approaches to the organization of the risk management system.

The activities of the Board of Directors of the Company are regulated by the Charter of the Company, the Corporate Governance Code and the Regulations on the Board of Directors and are carried out in accordance with the annually developed work plan and schedule of meetings, based on the principles of rationality and efficiency. The Board of Directors considers issues not included in the work plan, if necessary.

GRI
102-22GRI
102-23GRI
102-24

Board Composition

The number of Directors and the term of office of the Board of Directors is determined by the Sole Shareholder. Only an individual can be a member of the Board of Directors. Members of the Management Board, with the exception of the Chairman of the Management Board, cannot be elected to the Board of Directors. The Chairman of the Management Board cannot be elected as the Chairman of the Board of Directors.

As of December 31, 2021, the Board of Directors consists of nine directors, including four non-executive directors. Non-Executive Director is the Chairman of the Board of Directors. Members of the Board of Directors do not have shares of the Company/stakes in the authorized capital of affiliated companies, and also do not own shares/stakes in the authorized capitals of suppliers and competitors of the Company.

Changes in the Composition of the Board of Directors

The following changes occurred in the composition of the Board of Directors in the reporting period:

- S.M. Mynbayev was removed by the decision of the Board of the Fund dated April 7, 2021 (Minutes No. 12/21);
- N.Y. Sauranbayev was appointed the Chairman of the Board and a member of the Board of Directors of NC KTZ JSC by the decision of the Board of the Fund dated April 12, 2021 (Minutes No. 13/21);
- A.M. Satkaliyev was removed by the decision of the Board of the Fund dated April 26, 2021 (Minutes No. 17/21);
- B.U. Akchulakov was elected a member of the Board of Directors of NC KTZ JSC and a representative of the interests of the Fund by the decision of the Board of the Fund dated April 26, 2021 (Minutes No. 17/21);
- All members of the Board of Directors of KTZ NC JSC were removed by the decision of the Board of the Fund dated June 17, 2021 (Minutes No. 26/21);
- A new composition of the Board of Directors of NC KTZ JSC was elected with a term of office for three years by the decision of the Board of the Fund dated 07.10.2021 (Minutes No. 45/21).

At the end of 2021, the Board of Directors of NC KTZ JSC was represented as follows:

Full Name	Position
K. Shomodi	Chairman of the Board of Directors Non-Executive Director
N.Y. Sauranbayev	Member of the Board of Directors Chairman of the Management Board
N.T. Baidauletov	Member of the Board of Directors Representative of interests of the Sole Shareholder
A.N. Kravchenko	Member of the Board of Directors Representative of interests of the Sole Shareholder
Y.B. Zhanadil	Member of the Board of Directors Representative of interests of the Sole Shareholder
B.U. Akchulakov	Member of the Board of Directors Representative of interests of the Sole Shareholder
U. Vokurka	Member of the Board of Directors Non-Executive Director
N.Z. Akhanzaripov	Member of the Board of Directors Non-Executive Director
J. (I.) McKay	Member of the Board of Directors Non-Executive Director

Recruitment of Non-Executive Directors

The Company complies with the requirements of the Code regarding the number of Non-Executive Directors on the Board of Directors, according to which the number of Non-Executive Directors is up to 50% of the total number of members of the Board of Directors.

When selecting Non-Executive Directors, the Sole Shareholder and the Company are guided by the requirements of the legislation of the Republic of Kazakhstan, the Corporate Governance Code, the Company's Charter and local acts of the Sole Shareholder, which determine the procedure for searching and selecting candidates on a competitive basis for the position of Non-Executive Directors.

Non-Executive Directors K. Shomodi, U. Vokurka, N.Z. Akhanzaripov, J.(I.) McKay meet the independence criteria determined by the legislation of the Republic of Kazakhstan. Thus, there are no relationships or circumstances that have or may have a significant influence on the decisions taken by these Non-Executive Directors.

KALMAN SHOMODI

Chairman of the Board of Directors
Non-Executive Director

Member of the Board of Directors
since 2021.

Year of birth:
1959

Nationality:
Hungary



Education:

Leningrad Institute of Railway Transport Engineers, Automation, Telecoms and Signal Engineer;
Budapest Technical University, major: Automation and management of transportation processes.

Employment:

Over the years, he held the positions of Executive Secretary of the OSJD Committee, Permanent Secretary of the Conference of General Directors of Railways – the governing body of OSJD; Chairman of the Financial Dispute Settlement Commission; the Permanent Representative of the Hungarian Minister of Transport to OSJD, as well as the Hungarian State Railways (MAV).

From 2009 to 2011, 2015 - Head of the Office of the Hungarian State Railways;

From 2006 to 2012, from 2014 to 2016 - Non-Executive Director - Member of the Board of Directors of NC KTZ JSC.

No shares that belong to the Company, suppliers, or competitors of the Company.

NURLAN SAURANBAYEV

Member of the Board of Directors,
Chairman of the Management
Board

Member of the Board of Directors
since 2021.

Year of birth:
1967

Nationality:
Republic of Kazakhstan



Education:

Kazakh State University named after C.M. Kirov, major: Economics.

Employment:

Over the years, he held senior positions in RSE Kazakhstan Temir Zholy, NC KazMunayGas JSC, the position of Managing Director of NWF Samruk-Kazyna JSC, Vice Minister of Industry and New Technologies of the Republic of Kazakhstan, Deputy Minister of Defense of the Republic of Kazakhstan, Head of the Organizing Committee for International Specialized Exhibition EXPO-2017.

From 2017 to 2018 - Akim of the city of Shymkent, South Kazakhstan region.

From 2019 to 2021 - Head of the Department of State Control and Organizational and Territorial Work of the Republic of Kazakhstan Presidential Administration.

From April 2021 to present - Chairman of the Management Board of NC KTZ JSC.

No shares that belong to the Company, suppliers, or competitors of the Company.

NURZHAN BAYDAULETOV

Member of the Board of Directors,
Representative of the Sole
Shareholder's interests

Member of the Board of Directors
since 2018.

Year of birth:
1960

Citizenship:
Republic of Kazakhstan



Background:

Moscow Institute of Railway Transport, Russian Federation, railway transportation management.

Professional experience:

N. Baydauletov rose from the trainer to the leading positions of the RSE Kazakhstan Temir Zholy.

Over the years, he held the positions of Director of the Railway Transport Department of the Ministry of Transport and Communications of the Republic of Kazakhstan; Vice Minister of Transport and Communications of the Republic of Kazakhstan; Chairman of the Railway Committee of the Ministry of Transport and Communications of the Republic of Kazakhstan; executive positions in the Fund.

2016 – present: Chairman of the Board of Directors of Kazakhtelecom JSC.

2021 – present: Chairman of the Board of Directors of Air Astana JSC.

No shares that belong to the Company, suppliers, or competitors of the Company.

ANDREY KRAVCHENKO

Member of the Board of Directors,
Representative of the Sole
Shareholder's interests

Member of the Board of Directors
from 2018 to 2022.

Year of birth:
1966

Citizenship:
Republic of Kazakhstan



Background:

Kirov Kazakh State University, Republic of Kazakhstan, attorney at law
Moscow Business School, Russian Federation, Master of Business Administration.

Professional experience:

Over the years, he held the positions of prosecutor, senior prosecutor of Taldykorgan region; Deputy Prosecutor General of the Republic of Kazakhstan.

From 2018 to 2022: Managing Director for Legal Support and Risks; Member of the Management Board, the Fund.

No shares that belong to the Company, suppliers, or competitors of the Company.

YERNAR ZHANADIL

Member of the Board of Directors,
Representative of the Sole
Shareholder's interests

Member of the Board of Directors
from 2018 to 2022.

Year of birth:
1984

Citizenship:
Republic of Kazakhstan



Background:

Manchester Business School, UK, Master in Finance and Accounting

Professional experience:

Over the years, he worked for Philip Morris Kazakhstan, ElitSroy LLP, PricewaterhouseCoopers, the Fund.

From 2016 to 2018, held the positions of Financial Controller, Managing Director for Finance and Operations of the Fund.

From 2018 to 2021, held the position of Co-Managing Director for Economics and Finance of the Fund.

From 2021 to 2022, he is the Managing Director for Investment, Privatization and International Cooperation – a member of the Management Board of the Fund.

From February 2022 – Managing Director for Development and Privatization of the Fund.

No shares that belong to the Company, suppliers, or competitors of the Company.

BOLAT AKCHULAKOV

Member of the Board of Directors,
Representative of interests of the
Sole Shareholder

Member of the Board of Directors
from 2021 to 2022.

Year of birth:
1971

Nationality:
Republic of Kazakhstan



Education:

Kazakh State Academy of Management, Faculty of Accounting and Economic Cybernetics, major: Economist;

Oil and Gas Education Center, areas of study: Evaluation of contracts for subsoil use and Economics of oil production

Employment:

Over the years, he held senior positions in the banking sector; position of the Vice Minister of Energy and Mineral Resources of the Republic of Kazakhstan, Oil and Gas of the Republic of Kazakhstan, Energy of the Republic of Kazakhstan; Managing Director for the Management of Electric Power and Oil and Gas Assets of the Fund; General Director of PSA LLP, Almex Petrochemical LLP, KAZENERGY Association; President of NC KazMunayGas JSC.

From 2021 to January 2022 - Managing Director for Asset Management of the Fund.

No shares that belong to the Company, suppliers, or competitors of the Company.

ULF VOKURKA

Member of the Board of Directors
Non-Executive Director

Member of the Board of Directors
since 2021.

Year of birth:
1962

Nationality:
Federal Republic of Germany



Education:

Martin Luther University (Germany);

Moscow State Institute of International Relations of the USSR Ministry of Foreign Affairs (MGIMO), Faculty of International Relations.

Employment:

He worked in the following companies: Deutsche Bank AG, Kazakhstan Holding for State Assets Management Samruk JSC, Metzler Asset Management GmbH.

Over the years, he held the positions of the Chairman of the Board of Directors of

Kazpost JSC; Chairman and member of the Board of the Association of the Kazakhstan Council of Foreign Investors under the President of the Republic of Kazakhstan; Chairman of the Board and member of the Board of Directors of Kazkommertsbank JSC, Chairman of the Board of Tsesnabank JSC.

From 2019 to present - Member of the Board of Directors of Nurbank JSC, Non-Executive Director of KEGOC JSC, AIFC Administration JSC and NC KAZAKH INVEST JSC.

No shares that belong to the Company, suppliers, or competitors of the Company.

NURLAN AKHANZARIPOV

Member of the Board of Directors
Non-Executive Director

Member of the Board of Directors since
2021.

Year of birth:
1965

Nationality:
Republic of Kazakhstan



Education:

Semipalatinsk Technological Institute, Semey State University named after Shakarim, majors:
Accountant-Economist, and Accounting and Audit;

Kazakhstan Institute of Management, Economics and Strategic Research under the President of the
Republic of Kazakhstan, MBA, Master of Business Administration;

Kazakh National Technical University named after K.I. Satpayev, major: Geophysics.

Employment:

He held senior positions in the oil and gas sector, was a member of the Governing Council of the ATK Association of Taxpayers of Kazakhstan, the Expert Council of the KAZENERGY Association and the Association of Non-Executive Directors of the Russian Federation (ANED RF); Non-Executive Director - member of the Board of Directors of SB AlfaBank Kazakhstan JSC, National Company Kazakhstan Engineering JSC, Ariket High Technology Fund JSC and Center for Engineering and Technology Transfer JSC.

At present - Independent member of the Board of Directors of KEGOC JSC and AstanaGas KMG JSC.

No shares that belong to the Company, suppliers, or competitors of the Company.

JOHN (IAN) MACKAY

Member of the Board of Directors
Non-Executive Director

Member of the Board of Directors
since 2021.

Year of birth:
1955

Nationality:
United Kingdom



Education:

University of Stirling, English Studies;

Certificate in Mediation and Conflict Management, Core Solutions, Edinburgh;

Honorary Professor at the Stirling Management School.

Employment:

He has considerable experience (since 2006) in the Boards of Directors of Lothian Buses Ltd., Critiqom Ltd., NHS UK Payroll Review Authority, Colleges of Scotland, Edinburgh College, Ofcom Advisory Committee for Scotland, Security Industry Authority, and etc.

From 2012 to present - the Founder and Director of Otherhand Ltd company.

From 2015 to present - Member of the Board of Directors of the International Council of the Management School at the University of Stirling; Independent Chairman of the Police Negotiating Board & SPCF.

No shares that belong to the Company, suppliers, or competitors of the Company.

The Board of Directors Activities

Meetings of the Board of Directors were held in accordance with its Activity Plan, approved prior to the beginning of the calendar year. Special meetings of the Board of Directors were held when necessary.

In 2021, with 7 meetings planned, the Board of Directors held 17 meetings, of which 13 meetings were held in person, and 4 in the form of voting by written consent.

At the meetings of the Board of Directors held in 2021, 190 issues were considered in various areas of the Company's activities. The most important issues were considered at meetings held in person.

ISSUES CONSIDERED BY THE BOARD OF DIRECTORS AT MEETINGS IN THE REPORTING YEAR

Type of Issue	Number of issues
Activity of the services subordinate to the Board of Directors	32
Corporate governance	30
HR policy, central office structure and other personnel issues	29
Standard reports (including financial, etc.)	28
Major transactions	25
Risk management	10
Transformation	8
Other issues	28

As part of the implementation of the main functions and tasks in 2021, the Board of Directors:

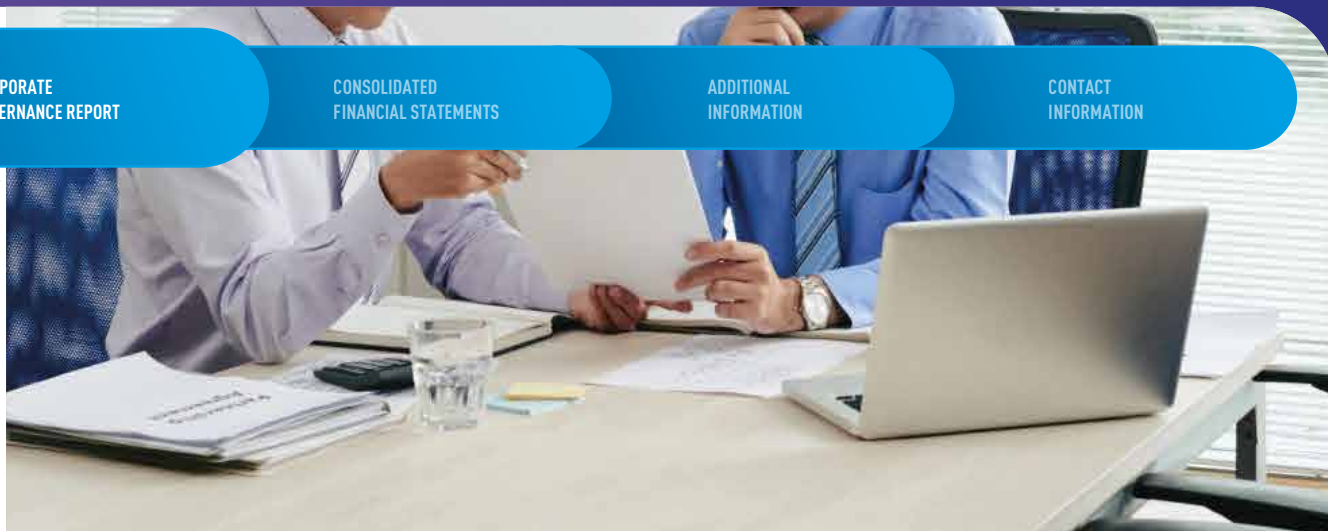
- made decisions on the conclusion of major transactions and transactions in which the Company is interested, preliminarily approved the annual financial statements of the Company in accordance with the legislation of the Republic of Kazakhstan and the Charter of the Company;
- in order to increase labor productivity, an increase in the salary of operating personnel was approved, changes were made to the organizational structure of the Company, the composition of the executive bodies of the Company and subsidiaries was revised, an updated Succession Plan for the strategic personnel pool of the Company was approved;
- coordinated the executive body activities for the withdrawal of non-core non-strategic assets of the Company, and additionally, initiated the development of the Policy for determining and outsourcing non-core activities in the group of companies;
- controlled the implementation of the Strategy and the Development Plan, and was actively involved in the discussion of the projects of the Digital Transformation Program of NC KTZ JSC;
- approved the conclusion of the Agreement on strategic cooperation between Passenger Transportation JSC and the Stadler Swiss company - the world leader in the production of passenger cars, approved the attraction of financial resources for the purchase of freight and passenger electric locomotives, constantly monitored the implementation of the joint project of DB Engineering & Consulting GmbH and Passenger Transportation JSC;
- reviewed and approved amendments and additions to the Company's Charter, approved the Company's Sustainable Development Policy, the Company's Financial Strategy until 2030, the Roadmap for improving corporate governance, etc.;
- approved the Company's Integrated Annual Report for 2020, in accordance with the best international practice, combining the content of the annual financial statements and the report on sustainable development of the Company;
- paid special attention to risk management issues, improvement of the corporate governance system of the holding in accordance with the requirements of the Corporate Governance Code, LSE listing rules, AIFC and best world practice;
- initiated the inclusion of complex indicators on security and transformation issues in the maps of key performance indicators of the Company's executives;
- regularly reviewed reports on the state of integrated safety and labor protection in the Company, carried out trips to the Karaganda and Almaty divisions in order to familiarize themselves with the state of labor protection at the line management level enterprises.



PARTICIPATION OF MEMBERS OF THE BOARD OF DIRECTORS AT MEETINGS OF THE BOARD OF DIRECTORS DURING THE REPORTING PERIOD

Member of the Board of Directors	Reporting period	Participation at meetings
K. Kun Chairman of the Board of Directors - Non-Executive Director	01.01.2021-17.06.2021	10/10
K. Shomodi Chairman of the Board of Directors - Non-Executive Director	07.10.2021-31.12.2021	7/7
S.M. Mynbayev Member of the Board of Directors - Chairman of the Management Board	01.01.2021-07.04.2021	1/5
N.Y. Sauranbayev Member of the Board of Directors - Chairman of the Management Board	12.04.2021-31.12.2021	11/11
N.T. Baidauletov Member of the Board of Directors - Representative of interests of the Sole Shareholder	01.01.2021-31.12.2021	17/17
A.N. Kravchenko Member of the Board of Directors - Representative of interests of the Sole Shareholder	01.01.2021-31.12.2021	16/17
Y.B. Zhanadil Member of the Board of Directors - Representative of interests of the Sole Shareholder	01.01.2021-31.12.2021	15/17
A.M. Satkaliyev Member of the Board of Directors - Representative of interests of the Sole Shareholder	01.01.2021-26.04.2021	6/6
B.U. Akchulakov Member of the Board of Directors - Representative of interests of the Sole Shareholder	26.04.2021-31.12.2021	11/11
K. Bokker Member of the Board of Directors - Non-Executive Director	01.01.2021-17.06.2021	10/10
Y.A. Kudabayev Member of the Board of Directors - Non-Executive Director	01.01.2021-17.06.2021	10/10
L. Freitag Member of the Board of Directors - Non-Executive Director	01.01.2021-17.06.2021	10/10
U. Vokurka Member of the Board of Directors - Non-Executive Director	07.10.2021-31.12.2021	7/7
N.Z. Akhanzaripov Member of the Board of Directors - Non-Executive Director	07.10.2021 -31.12.2021	7/7
J. (I.) McKay Member of the Board of Directors - Non-Executive Director	07.10.2021-31.12.2021	7/7





Board of Directors' Committees

In order to increase the efficiency of the Board of Directors and improve the corporate governance structure, four committees have been formed under the Board of Directors:

- Nomination and Remuneration Committee;
- Strategy and Finance Committee;
- Safety and Environmental Protection Committee;
- Audit Committee.

The main task of the committees is a preliminary comprehensive study of issues within their competence and the preparation of recommendations for the Board of Directors to make reasonable and balanced decisions.

The Committees include members of the Board of Directors who have the necessary professional knowledge, expertise and skills to work in the committee.

The activities of the committees of the Board of Directors are regulated by their respective regulations. According to the regulations on committees, only non-executive directors can be elected as members of the Audit Committee; non-executive directors must form a majority in other committees. The chairmen of the committees of the Board of Directors are non-executive directors.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee (NRC) helps to establish awareness and prepare recommendations for the Board of Directors on issues in the area of personnel policy, nominations, evaluation and remuneration, as well as in the area of social issues of the Company.

After the meeting, the Chairman of the NRC informs the Board of Directors about the most important issues considered during the last meeting.

COMPOSITION OF THE NOMINATION AND REMUNERATION COMMITTEE AT THE END OF 2021

Full Name	Position
J. (I.) McKay	Chairman of the Committee Member of the Board of Directors - Non-Executive Director
A.N. Kravchenko	member of the Committee Member of the Board of Directors - Representative of interests of the Sole Shareholder
U. Vokurka	member of the Committee Member of the Board of Directors - Non-Executive Director
N.Z. Akhanzaripov	member of the Committee Member of the Board of Directors - Non-Executive Director

PARTICIPATION OF THE COMMITTEE MEMBERS AT THE MEETINGS OF THE COMMITTEE FOR THE REPORTING PERIOD

Full Name	Reporting period	Participation at meetings
K. Bokker Chairman of the Committee	01.01.2021-17.06.2021	5/5
J. (I.) McKay Chairman of the Committee	15.10.2021-31.12.2021	4/4
A.N. Kravchenko member of the Committee	01.01.2021-31.12.2021	7/9
K. Kun member of the Committee	01.01.2021-17.06.2021	5/5
Y.A. Kudabayev member of the Committee	01.01.2021-17.06.2021	5/5
U. Vokurka member of the Committee	15.10.2021-31.12.2021	4/4
N.Z. Akhanzaripov member of the Committee	15.10.2021-31.12.2021	4/4

THE COMMITTEE ACTIVITIES IN 2021

In 2021, the NRC activity was carried out in accordance with the Activity Plan approved by the decision of the Committee dated November 25, 2020 (Minutes No. 11), which was developed taking into account the Activity Plan of the Board of Directors of NC KTZ JSC for 2021.

In 2021, 9 meetings of the NRC were held (plan - 7 meetings).

In the reporting year, the NRC reviewed and made relevant recommendations on the following issues:

- HR policy;
- nomination of personnel to key management positions;
- performance appraisals and remuneration;
- other issues.

During 2021, the NRC reviewed and approved the following documents:

- reports on HR issues as part of the implementation of the HR Policy of NC KTZ JSC;
- Rules for the search and selection of personnel for positions reporting in their activities to the Board of Directors of NC KTZ JSC, the Corporate

Ombudsman and the Corporate Secretary, as well as for the positions of CEO-1 and CEO-2;

- Succession Plan for the strategic personnel pool of NC KTZ JSC;
- Report on the results of an anonymous survey conducted as part of the monitoring of industrial relations in some branches and subsidiaries of NC KTZ JSC;
- changes and additions to the Program for Socially Responsible Personnel Layoff planned for layoff before 2024;
- Structure of the central office of NC KTZ JSC;
- The NC KTZ JSC Corporate Ombudsman Performance Report following the results of 2020;
- The NRC and the Board of Directors Performance Report following the results of 2020;
- Action Plan for the implementation of the best practices of corporate governance in accordance with the requirements of the Listing Rules of the LSE, AIFC.

Strategy and Finance Committee

The Strategy and Finance Committee (SFC) helps to establish awareness and prepare recommendations for the Board of Directors on the consideration of the Development Strategy, which determines the priority areas of the Company's activities, financial stability, approval and monitoring of the Company's development plan, investment activities, management of the Company's asset portfolio.

After the meeting, the Chairman of the SFC informs the Board of Directors about the most important issues considered during the last meeting.



COMPOSITION OF THE STRATEGY AND FINANCE COMMITTEE AT THE END OF 2021

Full Name	Position
U. Vokurka	Chairman of the Committee Member of the Board of Directors - Non-Executive Director
K. Shomodi	member of the Committee Chairman of the Board of Directors - Non-Executive Director
N.Z. Akhanzaripov	member of the Committee Member of the Board of Directors - Non-Executive Director
N.T. Baidauletov	member of the Committee Member of the Board of Directors - Representative of interests of the Sole Shareholder
B.U. Akchulakov	member of the Committee Member of the Board of Directors - Representative of interests of the Sole Shareholder
Y.B. Zhanadil	member of the Committee Member of the Board of Directors - Representative of interests of the Sole Shareholder



PARTICIPATION OF THE COMMITTEE MEMBERS AT THE MEETINGS OF THE COMMITTEE FOR THE REPORTING PERIOD

Full Name	Reporting period	Participation at meetings
L. Freitag Chairman of the Committee	01.01.2021-17.06.2021	9/9
U. Vokurka Chairman of the Committee	15.10.2021- 31.12.2021	3/3
K. Kun member of the Committee	01.01.2021-17.06.2021	9/9
K. Shomodi member of the Committee	15.10.2021- 31.12.2021	3/3
Y.A. Kudabayev member of the Committee	01.01.2021-17.06.2021	7/9
N.Z. Akhanzaripov member of the Committee	15.10.2021-31.12.2021	3/3
Y. Zhanadil member of the Committee	01.01.2021-31.12.2021	2/12
N.T. Baidaletov member of the Committee	01.01.2021-31.12.2021	12/12
B.U. Akchulakov member of the Committee	15.10.2021- 31.12.2021	3/3

THE COMMITTEE ACTIVITIES IN 2021

In 2021, the SFC activity was carried out in accordance with the Activity Plan approved by the decision of the Committee dated November 26, 2020 (Minutes No. 16/2020), which was developed taking into account the Activity Plan of the Board of Directors of KTZ NC JSC for 2021.

In 2021, 12 SFC meetings were held (plan - 7 meetings).

In the reporting year, the SFC reviewed and made relevant recommendations on the following issues:

- strategy and financial sustainability;
- implementation of investment projects;
- business transformation;
- asset management.

During 2021, the SFC reviewed and approved the following documents:

- Policy for determining and outsourcing non-core activities in the NC KTZ JSC group of companies;

- Report on the progress of the implementation of the Strategy for the rolling stock of Passenger Transportation JSC and the acquisition of sleeping cars for long-distance trains ("standard rolling stock") for 2020–2029;
- Approval of the implementation and inclusion of new projects in the portfolio of projects of the NC KTZ JSC Digital Transformation Program;
- Report on the present status of Passenger Locomotives LLP;
- Report on the implementation of the NC KTZ JSC Development Strategy until 2029;
- List of non-strategic assets to be withdrawn from the NC KTZ JSC group of companies;
- Approval of Model Articles of NC KTZ JSC subsidiaries;
- The NC KTZ JSC Development plan for 2022–2026;

- Amending the Rules for the disposal of NC KTZ JSC property;
- SFC Activity Report at the end of 2020;

- Approval of the Activity Plan of the Strategy and Finance Committee of the Board of Directors of NC KTZ JSC for 2022.

Safety and Environmental Protection Committee

The Safety and Environmental Protection Committee (SEPC) promotes awareness and preparation of recommendations for the Board of Directors on issues of improving the safety and labor protection of employees, ensuring the safety of the railway infrastructure in the course of the Company's and its subsidiaries' operating activities, as well as on issues of sustainable

development and efficiency improvement of the Company's operating activities.

After the meeting, the Chairman of the SEPC informs the Board of Directors about the most important issues considered during the last meeting.

COMPOSITION OF THE SAFETY AND ENVIRONMENTAL PROTECTION COMMITTEE AT THE END OF 2021

Full Name	Position
K. Shomodi	Chairman of the Committee Chairman of the Board of Directors - Non-Executive Director
N.T. Baidauletov	member of the Committee Member of the Board of Directors - Representative of interests of the Sole Shareholder
J. (I.) McKay	member of the Committee Member of the Board of Directors - Non-Executive Director



PARTICIPATION OF THE COMMITTEE MEMBERS AT THE MEETINGS OF THE COMMITTEE FOR THE REPORTING PERIOD

Full Name	Reporting period	Participation at meetings
K. Kun Chairman of the Committee	01.01.2021-17.06.2021	5/5
K. Shomodi Chairman of the Committee	15.10.2021-31.12.2021	2/2
A.M. Satkaliyev member of the Committee	01.01.2021-26.04.2021	2/3
K. Bokker member of the Committee	01.01.2021-17.06.2021	3/5
J. (I.) McKay member of the Committee	15.10.2021-31.12.2021	2/2
N.T. Baidauletov member of the Committee	01.01.2021-31.12.2021	7/7

THE COMMITTEE ACTIVITIES IN 2021

In 2021, the SEPC activity was carried out in accordance with the Activity Plan approved by the decision of the Committee dated November 25, 2020 (Minutes No. 6/2020), which was developed taking into account the Activity Plan and Schedule of the Board of Directors of KTZ NC JSC for 2021.

In 2021, 7 SEPC meetings were held (plan - 7 meetings).

In the reporting year, the SEPC reviewed and made relevant recommendations on the following issues:

- integrated safety and labor protection;
- sustainable development of NC KTZ JSC;
- related to NC KTZ JSC operating activity.

In 2021, the SEPC reviewed and approved the following documents:

- NC KTZ JSC Sustainable development policy;
- reports on the state of integrated safety and labor protection at NC KTZ JSC for 2020, as well as the 1st quarter, 1st half of the year and 9 months of 2021;
- performance reports for 2020, 1st quarter and 9 months of 2020;
- fatality reports;
- report on the implementation of the Comprehensive Action Plan to prevent rolling stock collisions with employees of NC KTZ JSC for 2020-2022;
- SEPC Activity Report at the end of 2020;



Audit Committee

The Audit Committee (AC) helps to establish awareness and prepare recommendations for the Board of Directors on issues of control over ensuring the completeness, accuracy and reliability of the Company's financial statements and the provision of financial and other statements; ensuring the independence and objectivity of the external audit; control over the reliability and efficiency of the risk management and internal control systems; ensuring the development of the corporate governance system; ensuring the independence and objectivity of the internal audit function; control over the practice of performing the compliance function.

After the meeting, the Chairman of the AC informs the Board of Directors about the most important issues considered during the last meeting.



COMPOSITION OF THE AUDIT COMMITTEE AT THE END OF 2021

Full Name	Position
N.Z. Akhanzaripov	Chairman of the Committee Member of the Board of Directors - Non-Executive Director
K. Shomodi	member of the Committee Chairman of the Board of Directors - Non-Executive Director
U. Vokurka	member of the Committee Member of the Board of Directors - Non-Executive Director
J. (I.) McKay	member of the Committee Member of the Board of Directors - Non-Executive Director

PARTICIPATION OF THE COMMITTEE MEMBERS AT THE MEETINGS OF THE COMMITTEE FOR THE REPORTING PERIOD

Full Name	Reporting period	Participation at meetings
Y.A. Kudabayev Chairman of the Committee	01.01.2021-17.06.2021	8/9
N.Z. Akhanzaripov Chairman of the Committee	15.10.2021-31.12.2021	2/2
K. Bokker member of the Committee	01.01.2021-17.06.2021	9/9
L. Freitag member of the Committee	01.01.2021-17.06.2021	9/9
K. Shomodi member of the Committee	15.10.2021-31.12.2021	2/2
J. (I.) McKay member of the Committee	15.10.2021-31.12.2021	2/2
U. Vokurka member of the Committee	15.10.2021-31.12.2021	2/2

THE COMMITTEE ACTIVITIES IN 2021

In 2021, the AC activity was carried out in accordance with the Activity Plan approved by the decision of the Committee dated November 26, 2020 (Minutes No. 10/2020), which was developed taking into account the Activity Plan and Schedule of the Board of Directors of KTZ NC JSC for 2021.

In 2021, 11 AC meetings were held (plan - 8 meetings).

In the reporting year, the AC reviewed and made relevant recommendations on the following issues:

- control over ensuring the completeness, accuracy and reliability of the Company's financial statements and the provision of financial and other statements;
- ensuring the independence and objectivity of the external audit;
- control over the reliability and efficiency of the risk management and internal control systems;

- ensuring the development of the corporate governance system;
- ensuring the independence and objectivity of the internal audit function, as well as monitoring the practice of performing the compliance function.

In 2021, the AC reviewed and approved the following documents:

- amendments and additions to the Anti-Corruption Policy at NC KTZ JSC;
- amendments and additions to the Tax Accounting Policy of NC KTZ JSC;
- Policy for the prevention and settlement of conflicts of interest of officials and employees of NC KTZ JSC;
- Rules for internal control over the disposal and use of insider information of NC KTZ JSC;
- AC Activity Report at the end of 2020;



Performance Appraisal of the Board of Directors

In accordance with the Corporate Governance Code, the Board of Directors, committees and members of the Board of Directors must be evaluated annually. At the same time, the appraisal is carried out with the involvement of an independent professional organization at least once every three years.

The appraisal allows to determine the contribution of the Board of Directors and each of its members to the growth of the long-term value and sustainable development of the Company, as well as to identify areas and recommend measures to improve the activities of the Board of Directors. Appraisal results are taken into account when re-electing or removing members of the Board of Directors.

In 2021, in accordance with the Methodological recommendations for the appraisal of the boards of directors of Samruk-Kazyna JSC organizations, a self-assessment of the the Company's Board of Directors activities based on the results of 2019-2020 was performed for the first time.

As part of the self-assessment of the activities of the Board of Directors, the following activities were carried out:

- surveying of the Board of Directors' members, during which questionnaires were developed and sent to the members of the Board of

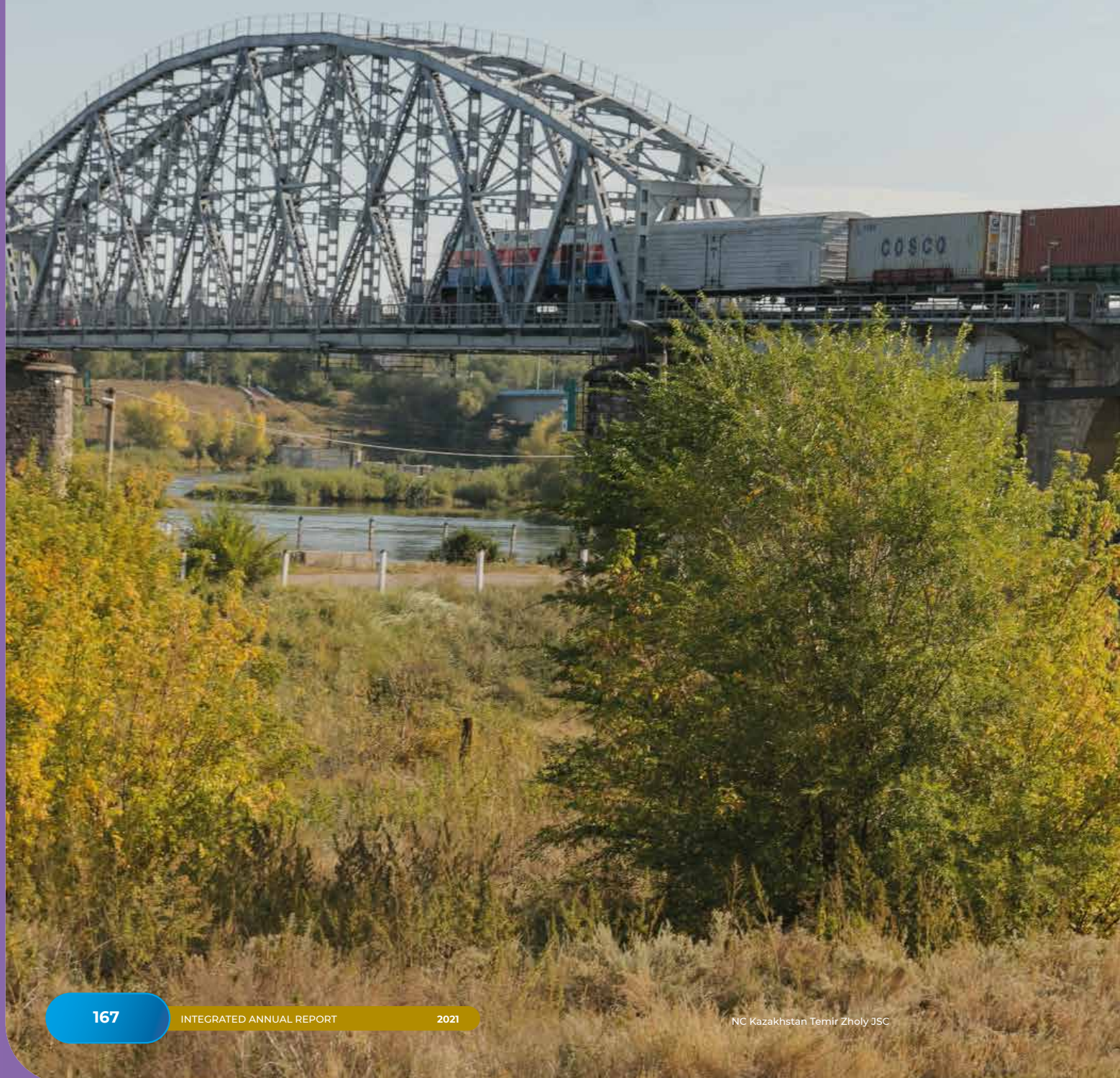
Directors, covering thirteen main components of the activities of the Board of Directors;

- review of documents on corporate governance effective at NC KTZ JSC;
- statistical analysis of the activities of the Board of Directors based on the results of 2019-2020;

interviews of the Chairman of the Board of Directors and the Chairman of the Nomination and Remuneration Committee with each member of the Board of Directors;

- comments on the activities of the Board of Directors and the work of the Chairman of the Board of Directors were received;
- mutual assessment and self-assessment of the competencies of members of the Board of Directors.

The self-assessment results are recorded in the Report on the Self-assessment of the Activities of the Board of Directors of NC KTZ JSC, approved by the decision of the Board of Directors dated April 29, 2021 (Minutes No. 7).



MANAGEMENT BOARD

The Management Board, as a collective executive body that manages the day-to-day activities of the organization and ensures its compliance with the Strategy, Development Plan and decisions made by the Sole Shareholder and the Board of Directors.

The main tasks of the Management Board are the development of proposals for the strategy of the Company, the implementation of the financial and economic policy of the Company, the development of decisions on the most important issues of its current business activities and the coordination of the work of its divisions, improving the efficiency of the control and risk monitoring system, ensuring the rights and legitimate interests of the Sole Shareholder.

The Management Board strives to increase the long-term value and sustainable development of the Company.

Composition of the Management Board

According to the NC KTZ JSC Charter, determination of the number of members, term of office of the Management Board, election of members of the Management Board, as well as their removal are within the competence of the Board of Directors of NC KTZ JSC. The appointment and removal of the Chairman of the Board is within the competence of the Sole Shareholder.

Changes in the composition of the Management Board

The following changes occurred in the composition of the Management Board in 2021:

- S.M. Mynbayev was removed by the decision of the Board of the Fund dated 04/07/2021 (Minutes No. 12/21).
- N.Y. Sauranbayev was appointed the Chairman of the Board of NC KTZ JSC by the decision of the Board of the Fund dated April 12, 2021 (Minutes No. 13/21);
- S.Zh. Keulimzhaev, E.A. Zhangaurov, E.K. Nagaspayev, B.P. Urynbassarov were elected to the Management Board by the decision of the Board of Directors of NC KTZ JSC dated April 29, 2021 (Minutes No. 7),
- S.S. Abdenov, A.Zh. Mukushov, S.K. Kurmanov, D.O. Bimov were removed by the decision of the Board of Directors of NC KTZ JSC dated April 29, 2021 (Minutes No. 7).
- A.M. Akhmetzhanov, S.Zh. Keulimzhayev, B.P. Urynbassarov, Y.Kh. Koyshibayev, E.A. Zhangaurov, E.K. Nagaspayev were elected to the Management Board by the decision of the Board of Directors of NC KTZ JSC dated October 28, 2021 (Minutes No. 12).



At the end of 2021, the Management Board of NC KTZ JSC was represented as follows:

Full Name	Position
N.Y. Sauranbayev	Chairman of the Management Board
K.Y. Almagambetov	member of the Management Board First Deputy Chairman of the Management Board
A.M. Akhmetzhanov	member of the Management Board Deputy Chairman of the Management Board for Transformation and Digitalization
S. Zh. Keulimzhayev	member of the Management Board Deputy Chairman of the Management Board for Corporate Affairs and HR
D.A. Kusherov	member of the Management Board Deputy Chairman of the Management Board for Finance
B.P. Urynbassarov	member of the Management Board Deputy Chairman of the Management Board for Infrastructure - Director of the NC KTZ JSC branch - Directorate of the Backbone Network
M.A. Duzbayeva	member of the Management Board Managing Director for Development
Y.Kh. Koyshibayev	member of the Management Board Deputy Chairman of the Management Board for Logistics
Y.A. Zhangaulov	member of the Management Board Legal Managing Director
Y.K. Nagaspayev	member of the Management Board Procurement Managing Director

NURLAN SAURANBAYEV

Member of the Board of Directors,
Chairman of the Management
Board

Member of the Board of Directors
since 2021.

Year of birth:
1967

Nationality:
Republic of Kazakhstan



Education:

Kazakh State University named after C.M. Kirov, major: Economics.

Employment:

Over the years, he held senior positions in RSE Kazakhstan Temir Zholy, NC KazMunayGas JSC, the position of Managing Director of NWF Samruk-Kazyna JSC, Vice Minister of Industry and New Technologies of the Republic of Kazakhstan, Deputy Minister of Defense of the Republic of Kazakhstan, Head of the Organizing Committee for International Specialized Exhibition EXPO-2017.

From 2017 to 2018 - Akim of the city of Shymkent, South Kazakhstan region.

From 2019 to 2021: Head of the Department of State Control and Organizational and Territorial Work of the Republic of Kazakhstan Presidential Administration.

From April 2021 to present - Chairman of the Management Board of NC KTZ JSC.

KANAT ALMAGAMBETOV

Member of the Management
Board

Member of the Management Board
since 2018.

Year of birth:
1962

Citizenship:
Republic of Kazakhstan



Background:

Almaty Institute of Railway Engineers; Operation of Railways;

Tynyshpayev Kazakh Academy of Transport and Communications; Economics and Management in
Railway Transport.

Professional experience:

His professional path went from the train compiler to the leading positions of RSE Kazakhstan Temir Zholy.

Over the years, he held the positions of director of the branch of the Ak-mola Transportation Department of NC KTZ JSC, Vice President, President of Kaztemirtrans JSC, Managing Director for Transportation Process, Managing Director for Operation of NC KTZ JSC, and Adviser to the President of NC KTZ JSC.

Between 2015 and 2018 - General Director of the KAZLOGISTICS Union of Transport and Logistics Organizations and Associations.

Since December 4, 2018 to the present - Acting First Deputy Chairman of the Management Board NC KTZ JSC.

ANUAR AKHMETZHANOV

Member of the Management Board

Member of the Management Board
since 2021.

Year of birth:
1975

Nationality:
Republic of Kazakhstan



Education:

Karaganda State University named after E.A. Buketov, major: International Economic Relations;
Johns Hopkins University, major: International Finance.

Employment:

Over the years, he held senior positions in OOC KazMunayTeniz JSC, NC KazMunayGas JSC, Samruk-Kazyna Holding JSC, JV KazGerMunai LLP; position of Deputy Akim of the Karaganda region for industry, development of small and medium-sized businesses, industrialization and investment issues; Inspector of the Administration of the President of the Republic of Kazakhstan; Executive Secretary of the Ministry of Defense and Aerospace Industry of the Republic of Kazakhstan, Ministry of Digital Development, Innovation and Aerospace Industry of the Republic of Kazakhstan.

From 2020 to 2021 - First Vice Minister of Digital Development, Innovation and Aerospace Industry of the Republic of Kazakhstan.

From July 2021 to February 2022 - First Deputy Chairman of the Management Board for Transformation and Digitalization of NC KTZ JSC.

From February 2022 to present - Deputy Chairman of the Management Board for Strategy and Digitalization of NC KTZ JSC.

SERIK KEULIMZHAYEV

Member of the Management Board

Member of the Management Board
since 2021.

Year of birth:
1966

Nationality:
Republic of Kazakhstan



Education:

Rostov Medical Institute of the Peoples' Friendship, major: Medical and preventive care, General organization of medical activities.

Auezov South Kazakhstan State University, major: Chemical technology of oil, gas and coal.

Russian Presidential Academy of National Economy and Public Administration, Graduate School of Corporate Management (DBA).

Employment:

Over the years, he worked as the Chief Manager of the consulting company PricewaterhouseCoopers, held senior positions in private companies, NC KazMunayGas JSC.

From April 2021 to February 2022 - Deputy Chairman of the Management Board for Corporate Affairs and HR of NC KTZ JSC.

From February 2022 to present - Chief of Staff of NC KTZ JSC.

DAIR KUSHEROV

Member of the Management Board

Member of the Management Board
since 2018.

Year of birth:
1977

Citizenship:
Republic of Kazakhstan



Background:

Indiana University, Bachelor of Finance;

Kazakh State Academy of Management, specialty: International Economics.

Professional experience:

Over the years, D. Kuserov held the positions of Deputy Director, Director of the Corporate Finance Department of Intergas Central Asia JSC, Financial Director of KazTransOil JSC, Director of the Corporate Finance Department, Managing Director for Economics and Finance, Deputy General Director for Economics and Finance of KazTransGas JSC.

Since December 2018 to February 2022 - Deputy Chairman of the Management Board for Finance of NC KTZ JSC.

Since February 2022 to the present - Managing director for Finance

BAUYRZHAN URYNBASSAROV

Member of the Management Board

Member of the Management Board
since 2021.

Year of birth:
1970

Nationality:
Republic of Kazakhstan



Education:

Almaty Institute of Railway Transport Engineers, major: Organization of transportation and traffic control in railway transport.

Employment:

He began his career as a duty yardmaster for the Kyzyl-Orda railway station track of the West Kazakhstan Railway. Over the years, he held various positions in the railway industry; Managing Director - Chief Engineer of NC KTZ JSC, Managing Director for Operations of NC KTZ JSC; Acting President of Kaztemirtrans JSC, Vice-President, Chief Engineer of NC KTZ JSC.

From 2017 to 2018 - Vice President for NC KTZ JSC Infrastructure Projects;

From 2018 to 2020 - Managing Director for Infrastructure - Director of the branch of NC KTZ JSC - Directorate of the Backbone Network.

From 2020 to 2021 - Deputy Chairman of the Management Board for Infrastructure - Director of the branch of NC KTZ JSC - Directorate of the Backbone Network".

From 2022 to present - Managing Director for Operating Processes of NC KTZ JSC.

MEYRAMKUL DUZBAYEVA

Member of the Management Board

Member of the Management Board
since 2019 to 2022.

Year of birth:
1966

Nationality:
Republic of Kazakhstan



Education:

V.I. Lenin Kazakh Polytechnic Institute;
K.I. Satpayeva Kazakh National Technical University.

Professional experience:

M. Duzbayeva began her career in 1987 as a foreman of the main production facility at Kazzoloto GOK.

Over the years, she held the positions of Deputy Chairman of the Committee for State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan, Executive Director of NC KazakhOil JSC and NC KazMunayGas JSC, Director of the Strategy and Corporate Governance Department of Kazakhstan Holding for State Assets Management Samruk JSC, CEO of commercial companies, Deputy Chairman of the Management Board – member of the Management Board of Atameken NCE RK.

From 2016 to the present - a member of the Presidium of the National Chamber of Entrepreneurs of the Republic of Kazakhstan Atameken National Chamber of Entrepreneurs.

Sine December 2018 to the present, Managing Director of Development of NC KTZ JSC.

YERLAN KOYSHIBAYEV

Member of the Management Board

Member of the Management Board
since 2021.

Year of birth:
1985

Nationality:
Republic of Kazakhstan



Education:

American University in Dubai, Bachelor's degree, major: Finance and Banking;

Kazakh Academy of Transport and Communications, Master's degree, major: Logistics;

Russian Presidential Academy of National Economy and Public Administration, MBA.

Employment:

Over the years, he held the positions of Assistant Minister of Finance of the Republic of Kazakhstan, Director of the Investment Projects Department of Samruk-Kazyna Invest LLP, Vice President of National Center for the Development of Transport Logistics JSC, President of Center for Transport Services JSC.

From 2015 to 2018 - Vice President for Logistics of KTZ Express JSC.

From 2018 to 2019 - Deputy Chairman of the Management Board of
Kazakhstan Industry Development Institute JSC.

From 2019 to 2021 - Deputy Akim of the Kostanay region.

From 2021 - to February 2022 - Deputy Chairman of the Management Board for Logistics of NC KTZ JSC.

From February 2022 to present - Managing Director for Logistics of NC KTZ JSC.

YERSAIYN NAGASPAYEV

Member of the Management Board

Member of the Management Board
since 2021.

Year of birth:
1980

Nationality:
Republic of Kazakhstan



Education:

Karaganda State University named after E.A. Buketov, major: International Economic Relations.

Employment:

Over the years, he held the positions of attaché of the Department of Regional International Projects of the Investment Committee of the Ministry of Foreign Affairs of the Republic of Kazakhstan, attaché of the Embassy of the Republic of Kazakhstan in the Russian Federation (Moscow); Deputy Director of the Department of Transport Policy and International Cooperation of the Ministry of Transport and Communications of the Republic of Kazakhstan; Chief of Staff of the Republican State Enterprise Aktau International Sea Trade Port, Advisor to the Deputy Prime Minister of the Republic of Kazakhstan; Deputy Akim of Kazybek bi district of Karaganda; Akim of the city of Shakhtinsk of Karaganda region; Deputy Akim of Astana for Economics and Finance.

In 2015 - Chairman of the Board of SEC Astana JSC.

From 2016 to 2020 - Deputy Director for Strategic Development of Novostroy Astana LLP.

From April 2021 to February 2022 - Procurement Managing Director of NC KTZ JSC.

From February 2022 to present - Managing Director for New Projects of NC KTZ JSC.

YERZHAN ZHANGAULOV

Member of the Management Board

Member of the Management Board
since 2021 to 2022.

Year of birth:

1968

Nationality:

Republic of Kazakhstan



Education:

Karaganda State University named after E.A. Buketov, major: Attorney at Law;

Kazakh National Technical University named after K.I. Satpaev, major: Economics.

Employment:

Over the years, he held senior positions in the Office of the Prime Minister of the Republic of Kazakhstan, the Presidential Administration of the Republic of Kazakhstan.

From 2002 to 2017 - Director of the Department of Commercial Contracts and Claims, Advisor to the Vice President, Executive Director for Legal Support, Head of the Legal Service, Managing Director for Legal Support, General Manager for Legal Support - Member of the Management Board, Vice President for Legal Support of NC KazMunayGas JSC.

From 2017 to 2021 - General Director of TsPIA LLP (Center for Legal Research and Analysis LLP).

From April 2021 to February 2022 - Managing Director for Legal Support of NC KTZ JSC.

Since February 2022 - Head of the Legal Service - Director of the Legal Support Department of NC KTZ JSC.

Management Board Activities in 2021

In 2021, 42 meetings of the NC KTZ JSC Management Board were held, at which 358 issues were addressed.

During the reporting period, the Management Board of the Company addressed issues related to the Company's operating activities, implementation of the development strategy, decisions of the Sole Shareholder and the Board of Directors of NC KTZ JSC.

The Management Board addressed 20 issues on concluding transactions in which the Company is interested. Following the results of the issues review by the Management Board of the Company, 57 issues were submitted for consideration by the Board of Directors on the conclusion of major transactions after the decision of the Management Board of the Company, 1 issue was submitted for consideration by the Board of Directors.

Also, in 2021, the Management Board approved 44 internal documents, 29 reports approved by the decision of the Management Board and submitted for consideration by the Board of Directors, among them:

- NC KTZ JSC Sustainable development policy;
- NC KTZ JSC Integrated Annual Report for 2020;
- Report on the implementation of the NC KTZ JSC Development Strategy until 2029;
- Risk Register, Risk Map of NC KTZ JSC;
- The policy of NC KTZ JSC and its subsidiaries for outsourcing services of audit organizations;
- NC KTZ JSC Annual Financial Statements for 2020;
- Report on the state of integrated safety and labor protection for NC KTZ JSC based on the results of 2020, and others.

Remuneration of the Company's Officers

Payment of remuneration to members of the Management Board of NC KTZ JSC based on the results of work for the year is carried out in accordance with the Rules for remuneration and bonuses for executives, employees of the Corporate Ombudsman's Office, employees of the Office of the Corporate Secretary, Internal Audit and Compliance Service approved by the Board of Directors of NC KTZ JSC on July 12, 2017 (Minutes No. 5).

The above Rules are based on the following principles:

- the relationship between remuneration and the performance of tasks that meet the interests of NC KTZ JSC and its Sole Shareholder;
- dependence of the amount of remuneration on the performance of NC KTZ JSC and the performance of employees.

The decision on the payment of remuneration to executives is made by the Board of Directors of NC KTZ JSC.

The procedure for establishing remuneration for members of the Board of Directors is provided for by the Rules for the formation of the composition of the Board of Directors of the Fund approved by the decision of the Management Board of the Fund dated September 26, 2016 (Minutes No. 35/16).

Representatives of the Sole Shareholder and the Chairman of the Management Board as members of the Board of Directors do not receive remuneration.

In 2021, the total remuneration including salaries to the members of the Management Board and the Board of Directors amounted to 807 million tenge.

Engagement with the Sole Shareholder

INFORMATION ABOUT THE PARTICIPATION OF THE PARENT COMPANY IN ANY PLACEMENT

On June 28, 2021, in accordance with the decision of the Board of Directors

of NC KTZ JSC (Minutes No. 4 dated March 19, 2020), the Sole Shareholder made a payment to the authorized capital of NC KTZ JSC by transferring property in the amount of 3,785,900,000 tenge (the rights to use SAP software in accordance with the Sublicense Contract 19-TsDATs/1278-I dated March 15, 2021), 37,859 ordinary shares of NC KTZ JSC were placed within the number of authorized shares at an offering price of 100,000 tenge per share.

As of January 1, 2022:

Number of authorized ordinary shares - 502,040,458;

Number of placed ordinary shares – 496,692,665;

The authorized capital of NC KTZ JSC is 1,086,085,094,000 tenge.

DIVIDENDS

The purpose of the Dividend Policy is to ensure the balance of interests of the Fund and the Company, the predictability and transparency of the approach in determining the amount of dividends, the conditions and procedure for their payment.

The key principles of the Dividend Policy are:

- 1) ensuring guaranteed dividends payment for the Fund's shares to the Fund;
- 2) ensuring the financial stability of the Fund and the Fund's group of companies;
- 3) ensuring financing of the Fund's activities, including financing of new activities and investment projects implemented at the expense of the Fund;
- 4) the need for the Companies to finance development costs, including their investment activities.

During 2019, the Company paid dividends to the Shareholder, declared following the results of 2013 and 2014 in the amount of 16,425 million tenge. During 2020 and 2021, the Company did not declare or pay dividends to the Shareholder.

Earnings per share in the calculation of basic earnings per share is calculated based on the weighted average number of ordinary shares issued during the year. The amounts for ordinary shares and diluted ordinary shares are equal due to the fact that the Company does not have dilutive instruments.



Indicators	2019	2020	2021
(Loss)/Earnings per ordinary share (tenge)	(141)	33	240
Book value of one share (tenge) ²⁶	2 259	2 218	2 470

²⁶The book value of shares is calculated in accordance with KASE requirements.

Engagement of Members of the Board of Directors with the Management Board

In order to successfully implement the Strategy, all management bodies of the Company engage in a spirit of cooperation and maintain a constant dialogue.

During 2021, at the initiative of the members of the Board of Directors and the Management Board, meetings, including with the Heads of subsidiaries, were held regularly. Members of the Board of Directors regularly took part in business meetings organized by the Business Transformation team of the Company and the Fund.

In December 2021, members of the Board of Directors took part in the

III International Industrial Safety Forum, initiated by the Company's Industrial Safety unit. The participation of members of the Board of Directors in such events indicates the interest of top management in labor safety issues.

It should be noted that due to unfavorable epidemiological situation in the country and the world, events with the participation of members of the Board of Directors were held online from time to time.

Financial statements

The financial statements of NC KTZ JSC and its subsidiaries (hereinafter collectively referred to as the Group) comply with the requirements of International Financial Reporting Standards (IFRS) including the requirements of IAS 1 "Presentation of Financial Statements".

The Company regularly reviews, analyzes and identifies amendments to IFRS for their impact on the Group's financial statements.

To ensure the timeliness of the period-closing process, accounting books and the preparation of the Group's statements, the following have been approved and followed: the period-closing regulations, the regulations for the preparation

and formation of operational financial and management reports, the regulations for the consolidation and preparation of the consolidated financial statements of the Group.

The Company has developed a checklist of information disclosed in financial statements under IFRS. When preparing the consolidated financial statements, the Group implemented a process of checking and agreeing information disclosed in the financial statements with the relevant structural divisions and subsidiaries. The Group studies the events and non-routine transactions affecting its consolidated financial statements.

To organize the efficient work of the structural divisions and subsidiaries of the Company to provide information necessary for the preparation of financial statements and conduct an external audit, the Company has approved the Regulations for the preparation of separate and consolidated financial statements of NC KTZ JSC and interaction of NC KTZ JSC with external auditors in the framework of the audit of a separate and consolidated financial statements of NC KTZ JSC.

The consolidated financial statements of the Group shall be approved by the management, preliminarily approved by the Audit Committee of the Board of Directors of the Company, and are subject to subsequent approval by the Board of Directors and the Shareholder.

The 2021 consolidated financial statements were audited by Deloitte LLP.

Annually, the Audit Committee of the Board of Directors of NC KTZ JSC considers the issue of objectivity and independence of the external auditor, as well as the issue of remuneration to be paid to the external auditor. In 2021, Deloitte LLP did not provide non-audit services to the Group.

Deloitte LLP has informed the Audit Committee that it maintains independence vis-à-vis the Group in accordance with the Code of Ethics for Professional Accountants of the Council on International Ethics Standards for Accountants and ethical requirements applicable to the audit of the Group's consolidated financial statements.



You can view the Consolidated Financial Statements of NC KTZ JSC for the year ended December 31, 2020 in the [Consolidated Financial Statements](#) section.



OFFICE OF THE CORPORATE SECRETARY

In accordance with the Regulations on the Corporate Secretary, the position of the Corporate Secretary is introduced in order to ensure that the Company's bodies and officials comply with the rules and procedures of corporate governance that guarantee the implementation of the rights and interests of the Sole Shareholder of the Company.

The Corporate Secretary is accountable for his activities to the Board of Directors of the Company and is independent of the executive body of the Company.

To ensure that the Corporate Secretary performs his functions, the Company has created the Office of the Corporate Secretary. The Office of the Corporate Secretary is a structural subdivision of the Company.

During the reporting period, the Corporate Secretary and employees of the Office of the Corporate Secretary ensured the implementation of a wide range of tasks and functions stipulated by the internal documents of NC KTZ JSC including tasks to ensure the effective operation of the Board of Directors, as well as clear and efficient interaction between the Board of Directors, the Sole Shareholder and the management of NC KTZ JSC.

As part of the implementation of the main functions and tasks in 2021, the Corporate Secretary Office:

1) in terms of the implementation of the Roadmap for improving corporate governance in the Company and its subsidiaries:

- developed and approved comprehensive plans to improve corporate governance in the Company's subsidiaries;
- participated in the development and approval of subsidiaries' Model Articles;
- developed and approved the Rules for the formation of Boards of Directors/Supervisory Boards and the remuneration and claim payments to members of the Board of Directors/Supervisory Boards of subsidiaries;
- approved the lists of documents and critically important issues approved by the Board of Directors;
- in order to introduce consistent approaches and practices in the area of corporate governance, the practice of supervising the activities of corporate secretaries of subsidiaries was introduced across the group of companies with regular meetings to discuss areas of concern in their activities and ways to resolve them.

2) in terms of the implementation of the core functions and tasks:

- centrally organized external independent diagnostics of the Company's corporate governance with the participation of representatives of a consulting company on behalf of the Fund;
- the implementation of the activities of the Plans to improve the corporate governance of the Company was systematically coordinated;
- developed and approved, as instructed by the Fund, an Action Plan for the implementation of the best practices of corporate governance in accordance with the requirements of the Listing Rules of the LSE, AIFC.
- updated the Regulation on the Corporate Secretary and their Staff in order to bring it into compliance with the Policy on Management and Engagement with Subsidiaries;

- as part of the self-assessment of the activities of the Board of Directors, conducted a survey among members of the Board of Directors, analysis of documents in the area of corporate governance, statistical analysis of the activities of the Board of Directors, and drafted a report;

- drafted a report on compliance with the principles and provisions of the Corporate Governance Code of NC KTZ JSC for 2020 and a consolidated report on the activities of the Board of Directors and its committees in an updated format;

- held 17 meetings of the Board of Directors and 39 meetings of its Committees, as well as hearings of the main subsidiaries, business meetings, workshops, including in the format of a videoconference.

It should be noted that the Corporate Secretary activities were positively assessed as part of the process of self-assessment of the activities of the Board of Directors and external independent diagnostics of the Company's corporate governance.



INTERNAL AUDIT SERVICE

The Internal Audit Service is a body of NC KTZ JSC that controls the financial and economic activities of the Group of Companies of NC KTZ JSC, carries out assessment in internal control, risk management, execution of documents in corporate governance and consulting in order to improve the activities of the NC KTZ JSC Group.

The service is directly subordinate to the Board of Directors of NC KTZ JSC and reports to it on its work. Supervision of the activity of the Service is carried out by the Audit Committee.

The Service carries out its activities in accordance with the Regulations on the Internal Audit Service of NC KTZ JSC, approved by the Board of Directors

of NC KTZ JSC on May 3, 2018 (Minutes No. 2), in compliance with the mandatory International Professional Practices Framework (IPPF).

In 2021, the Internal Audit Service completed all of the 16 audit engagement, covering 18 audit entities provided for by the Annual Audit Plan for 2021, approved by the decision of the Board of Directors of KTZ NC JSC dated November 27, 2020 (Minutes No. 21).

The audit covered such key business processes as investment activities in subsidiaries, procurement activities, safety of fixed assets and inventory, receivables management, audit of the implementation of HR processes, information technology and information security, diagnostic of corporate governance was carried out in a subsidiary of Kaztemirtrans JSC, an assessment of the effectiveness of the internal control system and the corporate risk management system at NC KTZ JSC was carried out.

Thus, the resources of the Internal Audit Service were focused on those business processes and activities of NC KTZ JSC and its subsidiaries, which are characterized by risks of high and medium significance according to the Register and Risk Map of NC KTZ JSC. Also, business processes that were not covered by the Risk Map (factor - exposure to risk) were audited to confirm the adequacy of the rating criteria and the correctness of identifying the risk group, as well as to ensure the comprehensive coverage of the audit.



Based on the results of the performed audit engagement, the Internal Audit Service issued appropriate recommendations and ensured the adoption by the audited entities of corrective action plans, the implementation of which is monitored by the Internal Audit Service on an ongoing basis.

In the reporting year, employees of the Internal Audit Service completed advanced training and certification courses in the areas of internal audit and control, accounting, IFRS, management fundamentals and information technology.

The results of the activities of the Internal Audit Service are submitted for consideration by the Board of Directors of NC KTZ JSC on a quarterly basis.

In accordance with the International Standards for the Professional Practice of Internal Auditing, an independent external evaluation of the effectiveness of the activities of the Internal Audit Service was ensured.

According to the Report on the results of an independent external evaluation conducted by KPMG Tax and Advisory LLP, the activities of the Internal Audit Service as a whole comply with the Definition of Internal Audit, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing, as well as internal documents, practices and applicable legislative and regulatory requirements.

The summary evaluation of the compliance of the activities of the Internal Audit Service with the requirements of the International Professional Standards for Internal Auditing was 95%.

In accordance with the Strategic Plan of the Internal Audit Service of NC KTZ JSC for 2022-2024, measures for achieving the Internal Audit Service's mission and set goals and further increase the efficiency of its activities have been mapped out.





CORPORATE OMBUDSMAN

The Ombudsman of the Company is appointed by the Board of Directors.

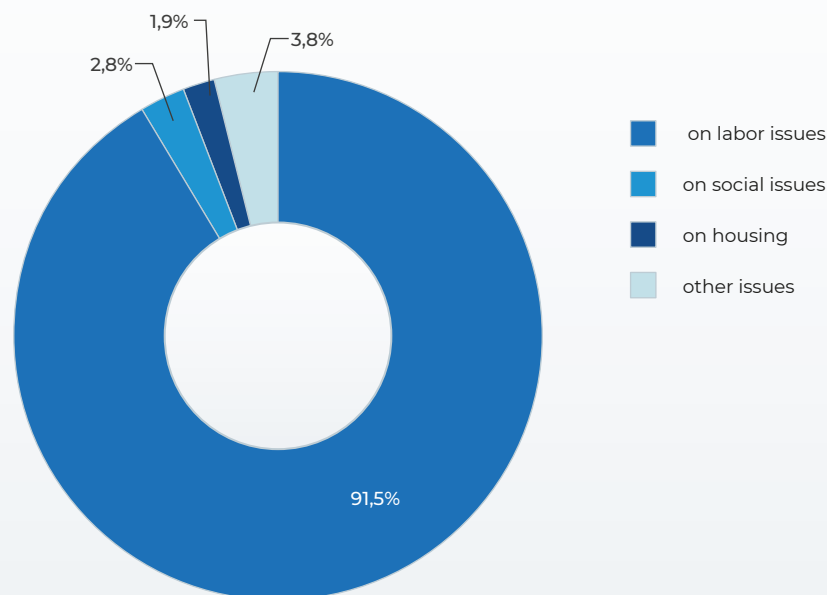
In accordance with the Regulation on the Corporate Ombudsman of NC KTZ JSC, the main functions of the Ombudsman include:

- assistance in the prevention and resolution at the early stages of conflicts between employees, a group of employees, suppliers, customers of the Company and the Company itself, as well as the approval of the principles and rules of the Code of Business Conduct in the Company;
- assistance to the management of the Company and employees involved in the conflict in obtaining the necessary information;
- advising the parties to the conflict on issues related to conflict situations;
- submission to the Board of Directors of the Company and the Personnel and Remuneration Committee of the Board of Directors a report on the results of activities at least once a year;

- making proposals to the Personnel and Remuneration Committee of the Board of Directors on improving the policies and system of corporate management;
- analysis of local acts of the Company governing corporate governance issues in order to prevent conflicts;
- study and implementation of the best world practices of the institution of corporate ombudsmen.

During the reporting period, the Office of the Corporate Ombudsman of NC KTZ JSC received oral and written appeals from 106 persons (including 69 hotline calls), of which 37 were on labor, social and housing issues arising from labor relations and on issues corporate ethics.

APPEALS RECEIVED BY THE CORPORATE OMBUDSMAN OFFICE IN THE REPORTING YEAR, %



Please, notice that there were no appeals on the facts of discrimination in the reporting year.

Of the 106 appeals received, 19 are under review, 87 have been reviewed, of which 3 have been redirected to other business units, 1 has been returned, and 1 has been left without review.

The effectiveness of 82 directly reviewed appeals was 96.5%. 56 appeals were granted.

In order to prevent conflicts, the activity to study and identify factors provoking contradictions in regard to employee - Company, customer - Company and to consult and clarify the current legislation is carried out.

In 2021, this activity was carried out by studying the state of affairs in disciplinary practice, the legality of depriving locomotive drivers of a certificate for the right to drive a locomotive indefinitely when investigating accidents in railway transport, fulfilling the requirements of paragraph 2 of Article 54 of the Labor Code of the Republic of Kazakhstan to limit the possibility of

terminating an employment contract at the initiative of the employer with pregnant women, women with children under 3 years old and single mothers raising children under 14 years old, etc., as well as sending written recommendations and explanations to the Management of the Company and subsidiaries.

In 2021, the Corporate Ombudsman was training on corporate interaction and the development of communication, corporate culture and commitment to the Company's values.





COMPLIANCE SERVICE

In order to assist the Board of Directors of the Company in building and effective functioning of the compliance control system, the Compliance Service has been created in the NC KTZ JSC Group.

The main tasks of the Compliance Service are:

- defining regulatory requirements and assessing compliance risks;
- conducting educational events and trainings for employees of the Company and its subsidiaries on anti-corruption legislation of the Republic of Kazakhstan, ethics and behavior;
- development and implementation of compliance procedures;
- ensuring the proper functioning of channels of confidential information, including the hot line;
- conducting official investigations, as well as developing and ensuring the adoption of corrective measures.

In the reporting year, the Compliance Service implemented the following activities:

4

internal documents on compliance were developed and/or updated

52 188

employees of the Group of Companies were trained on anti-corruption legislation, ethics and conduct

26

applicants for the positions of CEO-1 and CEO-2 of the Company and for the management and executive bodies of subsidiaries were checked for the absence/presence of affiliation and conflicts of interest

227

messages received via the Hot line were reviewed with a feedback to the applicants

8

internal investigations were conducted both by the Compliance Service on its own and as part of working groups

25

proposals and comments were sent to internal documents of the Company

a report on the assessment of corruption risks was drafted, including a map, a register of corruption risks and a Plan for their mitigation for 2022.

In 2021, the Service developed an electronic online training course on the topics of: Anti-Corruption and Code of Ethics and Conduct. The online course is posted in the Distance Learning and Testing System, and it has been tested. As the administrator of the course, the Service assigned it to branches and subsidiaries of the Company.

During the reporting period, 35,165 employees trained on ethics and compliance through the Distance Learning and Testing System (DLTS).

Based on the results of the course completion and the subsequent test, the following results were obtained:

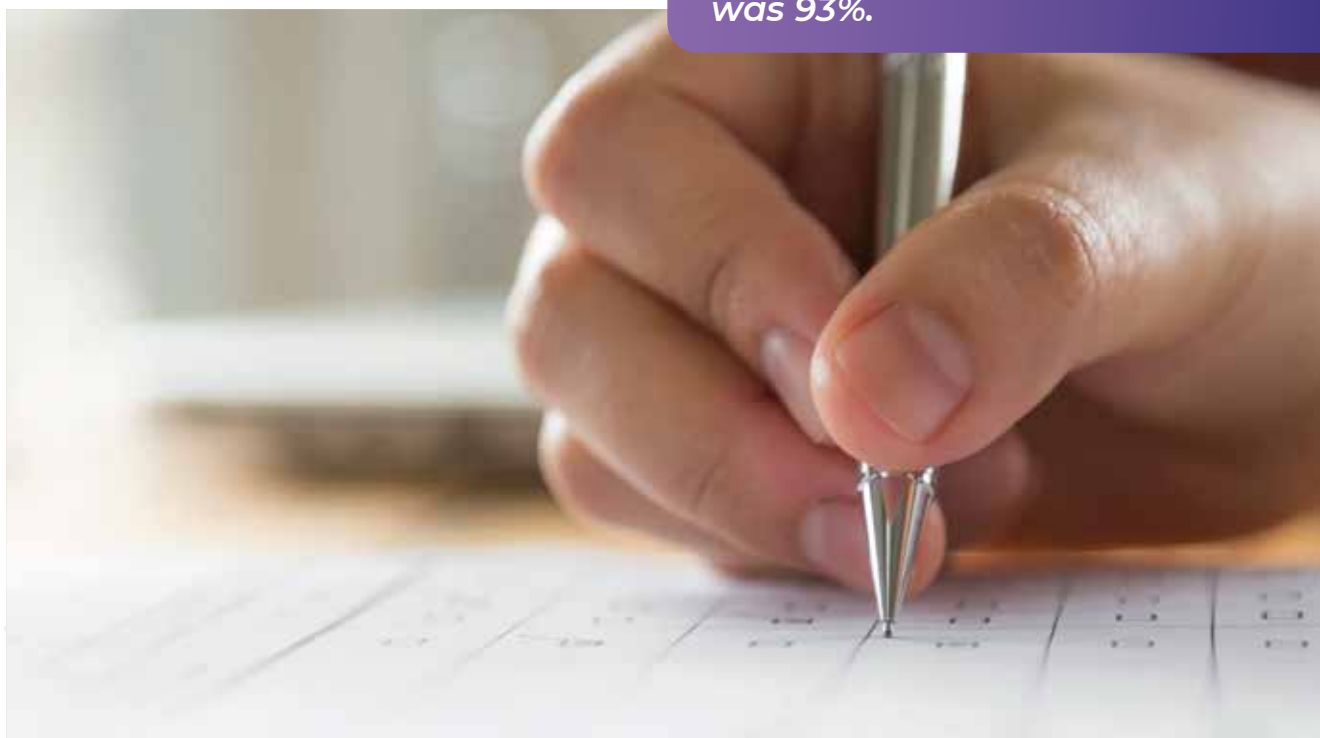
- 17,861 employees in the Anti-Corruption course, with an average test result of 75.2%;
- 17,304 employees in the Code of Ethics and Conduct course, with an average test result of 79.4%.

The work to administer and ensure the proper functioning of the Compliance module in the corporate mobile application was carried out, in terms of updating content and uploading documents and videos.

In 2021, the Service conducted a survey of the degree of satisfaction with the work of the Service among employees of the Company and its subsidiaries (25,567 employees participated in it) according to the following parameters:

- 1) assessment of the quality of consulting and opinions provided by the Compliance Service;
- 2) assessment of the development level of the compliance control system at NC KTZ JSC;
- 3) assessment of the terms for the provision of consultations and opinions by the Service;
- 4) assessment of the availability of information and documents developed by the Service;
- 5) the degree of awareness about the Hot line operation;
- 6) availability and quality of training seminars;

Based on the results of the survey, the satisfaction rating was 93%.





MANAGING CONFLICTS OF INTEREST

In compliance with the Anti-Corruption Law of the Republic of Kazakhstan (hereinafter referred to as the Law), on May 6, 2020 (Minutes No. 7), the Board of Directors of NC KTZ JSC approved a new Policy for the Prevention and Settlement of Conflicts of Interests of Officials and Employees of NC KTZ JSC, which provides for:

- requirements of the Law and internal documents of the Company on ethics and compliance issues;
- basic principles for managing conflicts of interest;
- mechanisms for the timely and complete identification of conflicts of interest;
- procedure and possible measures to resolve conflicts of interest;

- responsibility of officials and employees of the Company for failure to fulfill obligations to prevent conflicts of interest.

At the end of 2021, all necessary measures were taken to prevent potential or actual conflicts of interest of officials and employees of the NC KTZ JSC Group.

In the reporting year, there were no facts of conflict of interest.

CORPORATE ETHICS



In order to form and maintain ethical standards and norms in the Company, the Board of Directors approved the Code of Ethics and Conduct of NC KTZ JSC and its subsidiaries (Minutes No. 14 of September 20, 2019).

The Code of Ethics and Conduct is aimed at improving the corporate culture and provides for the principles of conducting an open and honest business, standards and norms of ethics and behavior based on the declared values, as well as the mission and strategy of the Company.

According to the Code, the Company adheres to the principles of objectivity and honesty when making personnel decisions. To eliminate compliance risks when hiring, evaluating, promoting and dismissing personnel, the Company implements effective control procedures. The Company strives to create such working conditions and climate in the team, where all employees build relationships on mutual respect for each other, behave correctly and professionally. Therefore, the Company does not tolerate any form of discrimination, including discrimination based on religion, race, ethnicity, gender, age and other grounds. The Company prohibits any form of behavior that is offensive, aggressive or hostile.

The provisions of the Code apply to all officers and employees of NC KTZ JSC and its subsidiaries, regardless of their position.

Business partners, customers, suppliers and other third parties who interact with the Company or represent the Company must adhere to the provisions of the Code.

The Code is an open document and is posted for review by interested parties on the corporate website of the Company <http://www.railways.kz>.



The Code defines the following fundamental corporate values by which the Company forms its activities:



SAFETY

We are responsible for the life, health and safety of each of our employees, passengers and freight. This is our top priority. Even the smallest mistake can have a very high cost.

LEADERSHIP

It is important for us to work harmoniously, because we are part of a single system that works for the benefit of each of our clients and the country as a whole. We pass on the knowledge and experience accumulated over the years to the next generation. We respect and value everyone, regardless of the level of position, profession and personal interest.

AMBITION

We meet all difficulties and challenges with dignity; persistently overcome any obstacles on our way, because we know that the well-being of our clients depends on us, whose interests and needs are our main priority.

PRIDE

We devote our whole life to the industry, since we deliver goods that are critical for the population, connect cities and states, and work even in the most remote regions of the country. We are proud of our profession and the fact that our grandfathers and fathers worked on the railway.

RESPONSIBILITY

We provide quality services for all our clients, because we are the flagship in the transport services market. We achieve results even in the most difficult situations, since we are professionals in our field and rely on experience and rich history.

As part of ensuring the implementation of corporate values and standards of conduct provided for by the Code of Ethics and Conduct of NC KTZ JSC and its subsidiaries, the Compliance Service conducted training events for employees of the Company and its subsidiaries in the reporting year.

The total number of employees trained through the DLTS was 35,165 people.

Additionally, more than 17,304 employees of the Company and its subsidiaries were tested for knowledge of the Code. The average score for the Company's subsidiaries was 79.4%.

The results of the Compliance unit activity show the demand for the implemented digital platform for broadcasting the Company's key messages in the area of anti-corruption, ethics and conduct.

On a quarterly basis, the Compliance Service brings to the attention of the NC KTZ JSC Board of Directors information on the compliance with the Code by employees of the Group of Companies of NC KTZ JSC.

ETHICS CONSULTATION MECHANISMS

The Company has developed mechanisms through which employees and others can seek advice on corporate ethics and/or report actual and alleged violations of corporate ethics, human rights, unequal conditions of employment and work, theft, corruption violations committed by employees or officials of the Company, threats to health, safety and the environment.


Regarding these issues, employees of the Company should contact:

- to their immediate, superior manager;
- Head of Compliance Service of NC KTZ JSC;
- via the hotline: 8 800 080 47 47, what's app: 8 771 191 88 16 or by email: nysana@cscck.kz;
- to the office of the Ombudsman of NC KTZ JSC (ombudsman@railways.kz or by phone: +7 (7172) 60-40-31) or the Ombudsman of the Fund (ombudsman@cscck.kz) (on issues of violation of labor rights).

For other interested parties, appeals are accepted:

- via the hot line: 8 800 080 47 47, what's app: 8 771 191 88 16 or by email: nysana@cscck.kz.

In addition, the management of the Company carries out personal reception of individuals and representatives of legal entities in accordance with the reception schedule.

More detailed information about the schedule and procedure for admission can be found on the corporate website of the Company  www.railways.kz, in the Contacts section.

Labor disputes

The Company and its subsidiaries operate conciliation commissions. Conciliation commissions consider individual labor disputes between an employee and an employer before going to court.

The number of conciliation commissions in the Group of the Company amounted to 178 units.

In the reporting year, the number of grievances received from employees amounted to 204 units. (264 units in 2020). 204 grievances were considered by the grievance committees, of which 86 were remedied, 118 were not.

RISK MANAGEMENT AND INTERNAL CONTROL

NC KTZ JSC recognizes the importance of risk management as a key component of the corporate governance system of the Company and its subsidiaries, aimed at timely identification and taking measures to reduce the level of risks that may adversely affect its value and reputation.

The Company has adopted the NC KTZ JSC Risk Management and Internal Control²⁷ Policy, which defines the basic principles and approaches to the organization of the corporate risk management and internal control system in the Company.

The Policy has been developed in accordance with the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and other best practices in the area of risk management and internal control.

The introduction of a Corporate Risk Management System in the Company is carried out as part of the implementation of the recommendations of the Fund in accordance with the COSO model.

The Corporate Risk Management System is designed to provide reasonable assurance that the following goals will be achieved:

- 1) strategic goals;
- 2) operation goals - efficient and effective use of resources, safety of assets;
- 3) goals for the preparation of accurate reporting;
- 4) goals for compliance with applicable laws and internal requirements.

The objectives of the Corporate Risk Management and Internal Control System are:

- 1) improving the risk culture and integrating risk management and internal control into all aspects of the Company's activities;

2) reducing the volatility of performance results by increasing the Company's ability to prevent situations that threaten goals, effectively respond to negative "surprises" and reduce the consequences of such situations, if they occur, to an acceptable level;

3) ensuring that opportunities are taken to increase the value of assets and the profitability of the Company in the long term.

NC KTZ JSC has a business unit responsible for risk management and internal control, which organizes the operation of the risk management system, ensures the development and updating of local regulations in the area of risk management and internal control, provides methodological support to other structural units in terms of identifying and assessing risks, and provides recommendations.

The Company's Internal Control System is an integral part of the corporate governance system and it covers all management levels, all internal processes and operations of the Company. The business unit responsible for risk management and internal control evaluates the design of internal controls of business processes.

The effectiveness of the corporate risk management and internal control system based on the results of the Company's corporate governance diagnostic conducted by PwC in 2021 was BB.

The effectiveness of the corporate risk management system based on the results of the assessment of the effectiveness of the corporate risk management system conducted by the Company's Internal Audit Service in 2021 was BB. This means that the risk management system meets, in all key respects, most of the established criteria, but there is insufficient evidence that the system is operating effectively.

The efficiency of the internal control system based on the results of the assessment conducted by the Internal Audit Service of the Company was BBB in 2021, based on the results of the assessment the Company's internal

²⁷Approved by the decision of the Board of Directors of NC KTZ JSC dated December 18, 2019 (Minutes No. 20)



control meets most of the established criteria in all key respects, but there is no principle and/or it does not function, there is no sufficient evidence that the system is operating effectively.

In 2021, the activities of the Management Board and the Board of Directors of the Company was aimed at further improving the corporate risk management system and bringing it in compliance with the best practices.

The NC KTZ JSC priority is the introduction of risk management and internal control elements into existing business processes, as well as the development of a risk management culture.

NC KTZ JSC is aware of the importance of the current situation caused by the COVID epidemic. The Company may be exposed to the following key risks that may adversely affect its operations and the achievement of strategic goals:

a decrease in the level of freight and passenger traffic due to the instability of the economic situation, market volatility, changes in oil prices and other negative factors caused by the COVID epidemic;

decrease in the level of passenger traffic due to the introduction of quarantine measures (suspension of passenger trains).

The deterioration of economic conditions may lead to a decrease in the volume of services provided for the transportation of goods and passengers by rail, to a decrease in labor productivity, an increase in the cost of goods sold and services rendered, and negatively affect the performance of planned indicators. The company is taking measures to improve the efficiency of its activities, increase transit traffic, as well as to implement anti-crisis measures (additional cost reduction).



Operational risks (traffic safety, labor protection and environmental risks)

The Company is the owner and operator of the railway infrastructure in Kazakhstan, as well as the largest owner and operator of passenger and freight rolling stock and locomotives in Kazakhstan. In this regard, the Company may be exposed to traffic safety risks, including collisions, derailments of rolling stock in freight and/or passenger trains on mainline, station and access tracks and/or during shunting operations with rolling stock at stations, natural disasters. To manage this risk, the Company is implementing measures to strengthen preventive work to organize and ensure the safety of train traffic. As part of occupational injury risk management, the Company implements measures to ensure occupational safety and health, prevent occupational injuries and improve working conditions, and provides compulsory insurance of employees against accidents in the performance of their labor (official) duties.

Currency risk

The Company is mainly exposed to the risk associated with changes in the exchange rate of the US dollar and Swiss franc, due to the fact that the Company attracts borrowings mainly in US dollars and Swiss francs and the weakening (devaluation) of the tenge against the US dollar and against the Swiss franc means an increase the cost of the exchange rate difference. As part of this risk management, the Company monitors changes in USD/KZT, CHF/KZT exchange rates on a daily basis, and other indicators affecting changes in the exchange rate: USD/RUR, USD/EUR rates, oil prices, and raw materials. In order to reduce the impact of foreign exchange risk on the financial result of the Company, the financial market conditions are monitored, the foreign exchange distribution of the temporarily redundant cash is managed, and measures are taken to refinance loans in foreign currency.





Information technology risks

The Company uses telecommunication networks and computer systems to coordinate timetables and other aspects of its rail operations, as well as for accounting, passenger train ticket sales, tracking freight delivery, and many other functions. The equipment and software used by the Company can be potentially damaged as a result of operator error, natural disasters, power outages, sabotage, computer viruses and other circumstances. To reduce the risk of information technology failure and information security breach, in order to comply with the requirements of local acts and corporate policy in information security and protection of official, commercial and other secrets protected by the legislation of the Republic of Kazakhstan, audits are carried out annually in the structural divisions of the Company.

Corruption risks

In order to respond to the manifestations of corruption phenomena and the occurrence of corruption situations, the Company develops and implements anti-corruption protective measures. These activities are aimed at determining regulatory requirements and assessing corruption risks, conducting training events and trainings for the Company's employees on the issues of anti-corruption legislation of the Republic of Kazakhstan. The Company develops and implements procedures that ensure the prevention of corruption, increase the legal literacy and zero tolerance of the Company's employees to corruption in the Company's activities, ensure the proper functioning of confidential information channels, conduct internal investigations, provide timely communication and advice to the Company's officials and employees.





The Group's Internal Control and Risk Management System In Relation to the Process of Preparing Consolidated Financial Statements.

The internal control and risk management system in relation to the separate and consolidated financial statements of NC KTZ JSC covers all levels of management, internal processes and operations carried out by branches, business units and subsidiaries of NC KTZ JSC.

Reliable and efficient operation of the internal control and risk management system in the preparation of financial statements requires the involvement and constant interaction of officials and employees of all levels of NC KTZ JSC and its subsidiaries.

The system of internal control and risk management in relation to the generation of separate and consolidated financial statements of NC KTZ JSC and its subsidiaries has the same main characteristics:

- complexity: the system of internal control and risk management operates in the generation of financial statements of branches and subsidiaries of the Company and control procedures are performed at all levels of the processes of generation of financial statements;
- continuity of operation: the constant and proper operation of the internal control system in the generation of information, which allows timely prevention and detection of any deviations from objectivity;
- responsibility: all subjects of the internal control and risk management system are responsible for the proper implementation of control procedures within their powers, enshrined in the internal and internal regulatory documents of the Company;
- accountability of participants of the internal control system - the quality and timeliness of the fulfillment of tasks and duties by each person involved in the internal control and risk management system is controlled by a senior participant;

- unity of the methodological procedures - a unified approach to the application of standards for all business units, subsidiaries and affiliates;
- self-monitoring/early warning: internal control systems should be self-monitoring. Some systems perform self-monitoring automatically, others require periodic checks. Control systems should be established to provide automatic alerts and not depend on checks or auditing.
- continuous development and improvement - internal control and risk management procedures should be aimed at constant identification of deficiencies and areas for improvement, as well as application of appropriate corrective actions.

The System of Internal Control and Risk Management When Reviewing Financial and Consolidated Statements.

In order to eliminate risks of unreliability and untimely generation of financial statements, it is necessary to develop control procedures for business processes. Control procedures should be documented and provide reasonable risk coverage. Significant business process risks and control procedures are logged into the Risk and Control Matrix.

Thus, in 2021, the Company carried out activities on the generation of Risk Matrices and controls of the main business processes that correspond to the main characteristics of the internal control and risk management system when considering financial and consolidated statements.

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CONSOLIDATED FINANCIAL STATEMENTS





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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Kazakhstan Temir Zholy National Company JSC (the "Company") and its subsidiaries (together - the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Why the matter was determined to be a key audit matter?**How the matter was addressed in the audit?****Assessment of impairment indicators of property, plant and equipment**

The Group's property, plant and equipment, which is mainly represented by infrastructure and rolling stock, comprises 84% of the Group's total assets. Management defined that the Group represents a single cash-generating unit, which required significant management judgement.

As of 31 December 2021, the management of the Group performed the analysis of external and internal impairment indicators that required management to apply significant judgement. As a result of the analysis, the management of the Group did not identify any events or circumstances occurring in 2021 that should be considered as impairment indicators of the Group's single cash-generating unit as of 31 December 2021.

Due to the material amount of property, plant and equipment and the significance of the professional judgements described above and their potential impact on the consolidated financial statements we determined the assessment of impairment indicators of property, plant and equipment to be a key audit matter. Please refer to Notes 4 and 6.

We performed the following procedures:

- > evaluated appropriateness of the management's identification of a single cash-generating unit,
- > evaluated whether the Group analysis of impairment indicators of property, plant and equipment is accurate and complete and in line with the requirements of IAS 36 *Impairment of Assets*,
- > held meetings with management of the Group, examined internal communication to management and Board of Directors minutes in order to evaluate information consistency with the analysis provided by the management and to identify information that potentially might have effect on the impairment indicators analysis,
- > challenged relevance of management's judgement in relation to transit freight turnover,
- > challenged relevance and completeness of factors used by management when analysing the impairment indicators with the assistance of our valuation specialists, where it was necessary,
- > assessed the completeness and adequacy of disclosures in the consolidated financial statements.

Liquidity and the going concern principle

As at 31 December 2021, the Group's current liabilities exceeded its current assets by 194,527 million tenge. Current liabilities include borrowings of 215,809 million tenge payable due within 12 months after the reporting date.

As disclosed in Note 15, the terms of the long-term loans received from EBRD, HSBC France, Sberbank SB JSC and VTB Bank PJSC with a total carrying value of 205,343 million tenge, include certain covenants, whereby non-compliance may

Our audit procedures in respect of the going concern were mainly focused on a critical evaluation of the key assumptions made and conclusions reached by management and included the following:

- > examined the correctness of classification of assets and liabilities as current and non-current,
- > analysed management's evaluation of the going concern principles and their plans to settle current liabilities, assessing the Group's committed and available funding and ensuring that the management's plans appropriately reflect the current and anticipated future trading environment,

Why the matter was determined to be a key audit matter?

result in the loans becoming payable on demand.

Management of the Group concluded that the Group does not meet certain provisions of the Loan Agreement with VTB Bank PJSC, so that, prior to 31 December 2021, management had received letter from the bank waiving the right to consider as a breach the non-compliance with the given provisions of the Loan Agreement. The given matter is disclosed in Note 15.

Due to the above matters, critical judgement is required by management in respect of the sufficiency of the Group's liquid assets and its ability to settle the current obligations in a due course. Management's plans in respect of this matter are disclosed in Notes 2 and 31.

Given the pervasiveness of the effect of the going concern conclusion to the consolidated financial statements, this is considered to be a key audit matter.

How the matter was addressed in the audit?

- > assessed any mitigating actions available to management to improve the Group's liquidity and going concern position to the extent necessary, including assessing whether such actions are within the control of management,
- > analysed current and expected events and conditions, including financial and operating indicators, which could cast doubts on the Group's ability to continue as a going concern,
- > analysed the most recent cash flow forecast and the management downside scenarios affecting the Group's liquidity and its ability to settle obligations, including the ability to generate a sufficient level of cash flows from operating activities to serve and timely settle its borrowings, as well as the impact of possible exchange rate fluctuations on liabilities and revenue amounts,
- > examined the documents supporting the availability of financing sources, including credit agreements, negotiations with financial institutions, Board of Directors' minutes and Letter of Support from the Shareholder,
- > analysed the terms of the loan agreements and related financial and non-financial covenants,
- > recalculated financial covenants as at reporting date for mathematical accuracy,
- > examined a waiver received from a creditor with respect to non-application of certain provisions as at 31 December 2021,
- > evaluated external matters that could be an indicator of adverse events and conditions, which may impact the Group's operations, and
- > assessed the completeness and adequacy of information disclosed in the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged With Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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



Zhangir Zhilysoyev
General Director
Deloitte LLP

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

Nur-Sultan, Republic of Kazakhstan
15 March 2022

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

(in millions of tenge)

	Notes	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	6	3,038,289	2,836,417
Goodwill	29	15,520	15,520
Intangible assets		16,481	9,931
Investments in joint ventures	7	895	-
Investments in associates	7	26,793	21,218
Deferred tax assets	18	145	81
Other non-current assets	8	164,572	139,363
Total non-current assets		3,262,695	3,022,530
Current assets			
Cash and cash equivalents	9	178,000	155,407
Inventories	10	42,401	37,119
VAT recoverable		34,417	69,005
Trade accounts receivable	11	23,248	11,317
Contract assets		6,644	7,158
Prepaid income tax		3,945	3,974
Other current assets	12	52,680	53,927
		341,335	337,907
Assets held for sale and for distribution to the Shareholder		104	6,760
Total current assets		341,439	344,667
Total assets		3,604,134	3,367,197
EQUITY AND LIABILITIES			
Equity			
Share capital	14	1,086,085	1,082,299
Hedging reserve		(51,997)	(52,820)
Foreign currency translation reserve		9,925	8,788
Retained earnings		214,574	88,858
Equity attributable to the Shareholder		1,258,587	1,127,125
Non-controlling interests		13,855	11,480
Total equity		1,272,442	1,138,605

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

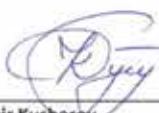
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021 (CONTINUED)
(in millions of tenge)

	Notes	31 December 2021	31 December 2020
Non-current liabilities			
Borrowings	15	1,361,403	1,398,515
Deferred tax liabilities	18	308,300	279,954
Employee benefit obligations	17	37,083	36,669
Lease liabilities	16	34,443	30,687
Other non-current liabilities	21	54,497	41,444
Total non-current liabilities		1,795,726	1,787,269
Current liabilities			
Borrowings	15	215,809	171,664
Trade accounts payable	19	116,531	85,056
Contract liabilities	20	95,310	71,409
Lease liabilities	16	25,355	19,499
Other taxes payable		17,250	30,390
Employee benefit obligations	17	9,100	6,787
Other current liabilities	21	56,611	53,009
		535,966	437,814
Liabilities associated with assets classified as held for sale	13	-	3,509
Total current liabilities		535,966	441,323
Total liabilities		2,331,692	2,228,592
Total equity and liabilities		3,604,134	3,367,197

On behalf of management of the Group:

Nurlan Sauranbayev
Chairman of the Management Board

15 March 2022

Dair Kusherov
Finance Director

15 March 2022

Yelena Stankova
Chief Accountant

15 March 2022

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

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021
(in millions of tenge)

	Notes	2021	2020
Continuing operations			
Revenue and other income			
Revenue from freight transportation	22	1,184,271	1,062,524
Revenue from passenger transportation	22	57,256	38,178
Government grants	5	39,235	25,546
Other revenue	23	47,775	47,086
Total revenue and other income		1,328,537	1,173,334
Cost of sales	24	(980,898)	(885,388)
Gross profit		347,639	287,946
General and administrative expenses	25	(90,777)	(85,898)
Finance income	26	17,847	46,897
Finance costs	26	(126,268)	(167,378)
Foreign exchange loss	31	(11,147)	(52,647)
Share of the profit of associates and joint ventures	7	10,826	11,111
Revaluation to fair value of a previously held interest in a joint venture	29	-	9,035
Gain from the disposal of shares in associates		-	10,000
Asset impairment		(2,065)	(20,399)
Other profit or losses, net		8,688	(1,674)
Profit before income tax		154,743	36,993
Income tax expenses	18	(34,132)	(20,700)
Profit for the year from continuing operations		120,611	16,293
Discontinued operations			
Loss for the year from discontinued operations		-	(188)
Profit for the year		120,611	16,105
Other comprehensive income/(loss) net of income tax:			
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Remeasurement of employee benefit obligations	17	345	2,057
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net fair value profit (loss) on cash flow hedging instruments	14	823	(15,220)
Foreign exchange difference on the translation of foreign operations		1,137	2,327
Other comprehensive income/(loss) for the year		2,305	(10,836)
Total comprehensive income for the year		122,916	5,269
Profit/(loss) for the year attributable to:			
The Shareholder		119,085	16,233
Non-controlling interests		1,526	(128)
		120,611	16,105
Total comprehensive income/(loss) attributable to:			
The Shareholder		121,390	5,396
Non-controlling interests		1,526	(127)
		122,916	5,269
Earnings per share from continuing and discontinued operations, in tenge	27	240	33
Earnings per share from continuing operations, in tenge	27	240	33



On behalf of management of the Group:

Nurlan Sauranbayev
Chairman of the Management Board

15 March 2022

Dair Kuserov
Finance Director

15 March 2022

Yelena Stankova
Chief Accountant

15 March 2022

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

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021
(in millions of tenge)

	Notes	2021	2020
Cash flows from operating activities:			
Profit for the year		120,611	16,105
Income tax expenses recognised in profit or loss, including discontinued operations		34,132	20,894
Adjustments for:			
Depreciation and amortisation		140,846	136,508
Finance costs		126,268	167,851
Asset impairment		2,065	20,391
Finance income		(17,847)	(46,910)
Post-employment benefits and other long-term employee benefit expenses	24,25	6,113	4,553
Share of the profit of associates and joint ventures	7	(10,826)	(11,111)
Foreign exchange loss		11,147	52,614
Reversal of provisions		(1,310)	(5,090)
Gain from the disposal of shares in associates		-	(10,000)
Revaluation to fair value of a previously held interest in a joint venture	29	-	(9,035)
Others		2,058	13,106
Operating income before changes in working capital and other balances		413,257	349,876
Change in trade accounts receivable		(19,372)	(3,092)
Change in inventories		(2,647)	4,677
Change in other current and non-current assets (including long-term VAT recoverable)		10,916	(48,562)
Change in trade accounts payable		20,679	(11,402)
Change in other taxes payable		(12,864)	7,341
Change in other liabilities		25,902	37,907
Change in employee benefit obligations		(3,041)	(3,539)
Cash generated from operations		432,830	333,206
Interest paid		(119,450)	(121,039)
Interest received		8,893	5,718
Income tax paid		(5,706)	(2,068)
Net cash flows from operating activities		316,567	215,817
Cash flows from investing activities:			
Purchase of property, plant and equipment, including advances paid for property, plant and equipment		(256,843)	(203,479)
Proceeds from the sale of property, plant and equipment		3,427	295
Proceeds from the sale of other non-current assets		2,330	4,337
Dividends received from associates and joint ventures		5,743	6,635
Investments acquired in joint ventures		(4,752)	-
Net cash outflow on the acquisition of a subsidiary	29	-	(26,499)
Capital contribution in associates	7	-	(4,120)
Proceeds from the sale of shares in associates		-	10,000
Others		127	813
Net cash flows from investing activities		(249,968)	(212,018)


KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021
(millions of tenge)

	Notes	2021	2020
Cash flows from financing activities:			
Proceeds from borrowings		125,839	186,422
Repayment of borrowings		(156,007)	(154,882)
Repayment of lease liabilities		(12,274)	(10,907)
Distributions paid		-	(1,065)
Bonds early extinguishment premium and fees paid		-	(24,221)
Others		(1,619)	(1,493)
Net cash flows from financing activities		(44,061)	(6,146)
Net increase/(decrease) in cash and cash equivalents		22,538	(2,347)
Cash and cash equivalents at the beginning of the year	9	155,407	151,867
Effect of changes in foreign exchange rates on cash and cash equivalent balances held in foreign currency		64	5,879
Effect of changes in the allowance for expected credit losses		(9)	8
Cash and cash equivalents at the end of the year	9	178,000	155,407
Non-cash transactions:			
Purchase of property, plant and equipment from borrowed funds by direct bank transfer to the supplier	15	27,705	5,729

On behalf of management of the Group:


 Nurjan Sauranbayev
 Chairman of the Management Board
 15 March 2022


 Dair Kusherov
 Finance Director
 15 March 2022


 Yelena Stankova
 Chief Accountant
 15 March 2022

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

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021 (millions of tenge)

	Share capital	Hedging reserve	Foreign currency translation reserve
As at 1 January 2020	1,082,299	(37,600)	6,461
Profit/(loss) for the year	-	-	-
Other comprehensive (loss)/income for the year	-	(15,220)	2,327
Total comprehensive (loss)/income for the year	-	(15,220)	2,327
Other contributions (Note 14)	-	-	-
Other distributions (Note 14)	-	-	-
Disposal of subsidiary (Note 14)	-	-	-
As at 31 December 2020	1,082,299	(52,820)	8,788
As at 1 January 2021	1,082,299	(52,820)	8,788
Profit for the year	-	-	-
Other comprehensive income for the year	-	823	1,137
Total comprehensive income for the year	-	823	1,137
Share issue (Note 14)	3,786	-	-
Other contributions (Note 14)	-	-	-
Disposal of subsidiary (Note 14)	-	-	-
As at 31 December 2021	1,086,085	(51,997)	9,925

On behalf of management of the Group:



Nurlan Sauranbayev
Chairman of the Management Board
15 March 2022



Dair Kusherov
Finance Director
15 March 2022



Yelena Stankova
Chief Accountant
15 March 2022

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

Retained earnings	Shareholder equity	Non-controlling interests	Total equity
78,697	1,129,857	25,647	1,155,504
16,233	16,233	(128)	16,105
2,056	(10,837)	1	(10,836)
18,289	5,396	(127)	5,269
16,686	16,686	-	16,686
(24,814)	(24,814)	-	(24,814)
-	-	(14,040)	(14,040)
88,858	1,127,125	11,480	1,138,605
88,858	1,127,125	11,480	1,138,605
119,085	119,085	1,526	120,611
345	2,305	-	2,305
119,430	121,390	1,526	122,916
-	3,786	-	3,786
6,286	6,286	-	6,286
-	-	849	849
214,574	1,258,587	13,855	1,272,442

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021***(millions of tenge, unless stated otherwise)***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 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, Nur-Sultan 010000, Republic of Kazakhstan.

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

The Group operates the nationwide mainline railway network services to freight and passenger transportation; and operates, maintains and upgrades 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 regulated tariffs differ based on the type of freight transported. The government does not regulate international transit and container freight transportation tariffs.

In November 2020, the Kazakhstan Ministry of the National Economy’s Committee for the Regulation of Natural Monopolies (“CRNM”) approved railway network service tariffs for 2021-2025, introducing differentiated mainline freight transportation tariffs for diesel locomotives on non-electrified track sections and electric locomotives on electrified track sections from 1 January 2021. Locomotive haulage services were divided into diesel and electric traction. The differentiation led to a 13% freight transportation tariff increase for carriages and containers in 2021.

From 1 March 2021, the authorised body, represented by the Ministry of Industry and Infrastructure Development agreed a 7% increase in passenger transportation tariffs for socially important interdistrict routes (2020: 7%).

Operating environment

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

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

Changes in the economic situation may have a significant impact on the Group’s future operating results and financial position (Note 32).

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021***(in millions of Tenge, unless stated otherwise)*

A new coronavirus disease (COVID-19) spread rapidly across the world at the start of 2020 resulting in the World Health Organization's announcement of a pandemic in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. Therefore, the Group may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Group's business largely depends on the duration and the spread of the pandemic on the global and Kazakhstani economies.

Management of the Group continues to follow the development of COVID-19. Many regions of Kazakhstan and other countries introduce restrictions from time to time to contain the spread of the virus, many of which affect, suspend or close down operations.

The restrictions have not had a significant impact on freight traffic in Kazakhstan and other countries, as freight rail traffic has not been suspended.

In the second half of 2020, China introduced a number of quarantine measures in Kazakhstan transit and border areas. Additional quarantine checks and measures have impacted rolling stock capacity on import, export and transit routes. In 2021, the Group introduced a number of temporary freight receipt and transportation bans, except for freight in containers, to China through the Dostyk pass, to reduce the volume of idle freight. The Group and state representatives continue to take measures to restore capacity and continuity on the border with China.

Despite the situation described above, during 2021 there was an increase in the volume of transit freight transportation compared to the same prior period.

The introduction of quarantine in Kazakhstan has had a significant impact on passenger traffic. Depending on the epidemiological situation in the regions passenger and local trains belonging to the subsidiary Passenger Transportation JSC have either been suspended or gradually reintroduced.

Since the start of the pandemic the State has continued to subsidise passenger transportation based on a financing plan despite the suspension of the movement of passenger and local trains.

The Group's management does not expect the pandemic to have a significant impact on the Group's operations going forward.

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 investment to the sector.

According to the Group's strategy until 2029, work was continued in 2021 to improve performance, develop transit traffic 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.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**
*(in millions of Tenge, unless stated otherwise)***2. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS****Statement of compliance**

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

Going concern

The Group's consolidated financial statements have been prepared on a going concern basis. This assumes the sale of assets and settlement of liabilities in the normal course of business for the foreseeable future. As at 31 December 2021, current Group liabilities exceeded its current assets by 194,527 million tenge (31 December 2020: 96,656 million tenge). As at 31 December 2021, current liabilities include borrowings of 215,809 million tenge that are payable within 12 months of the reporting date. In addition, in early 2020, a new coronavirus (COVID-19) spread very rapidly around the world. The impact of these events on the Group's operations is described in Note 1. However, profit for the year ended 31 December 2021 amounted to 120,611 million tenge (2020: 16,105 million tenge), and cash inflows from operating activities amounted to 316,567 million tenge (2020: 215,817 million tenge).

Group management has assessed the Group's needs for cash, as well as its scheduled debt repayments and development plans. Historically, the Group has financed major investment projects using funds from the government and through borrowings, in addition to cash from operating activities. To realise Kazakhstan's transit potential, the Group continues to take measures to attract additional transit traffic and expand its influence on the multimodal transportation market. Management of the Group has been having discussions with investors to refinance borrowings due to be repaid within 12 months of the reporting date. A positive decision from the discussions is recognised as high.

In assessing its going concern status, management also considered the Group's financial position, expected future performance and cash flows from operations, its borrowings, available credit facilities, its capital expenditure commitments, expected tariff growth, foreign currency exchange rates and other risks that Group is facing. Besides that, the Group received Letter of Support from the Shareholder regarding its intent and ability to render the Group continuous ongoing financial and operating support in the foreseeable future. After completing the relevant analysis, taking into account the events described in Note 32 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 in operational existence and settle its liabilities (Note 31) and that the going concern basis is appropriate in preparing these consolidated financial statements.

Basis for measurement

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

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021
*(in millions of Tenge, unless stated otherwise)***Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and entities controlled by it and by the subsidiaries listed in Note 29. The Group's investments in which it has significant influence are accounted for using the equity method. All intragroup transactions, balances, and unrealised gains and losses are eliminated on consolidation.

Functional and presentation currency

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

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

Monetary assets and liabilities denominated in foreign currencies are remeasured to the entity's functional currency at the exchange rate effective at the reporting date with all differences arising from a change in exchange rates subsequent to the transaction date recognised in profit or loss. Non-monetary items carried at fair value and denominated in foreign currencies are remeasured at the rates prevailing at the date when fair value was determined. Non-monetary items measured in terms of historical cost in a foreign currency are not remeasured. Foreign exchange gains or losses in profit or loss are presented separately in the consolidated statement of profit or loss and other comprehensive income.

The following table presents foreign currency exchange rates to tenge:

	31 December 2021	31 December 2020	Weighted average rate for 2021	Weighted average rate for 2020
US\$	431.80	420.91	426.03	412.95
Euros	489.10	516.79	503.88	471.44
Swiss Francs	473.15	477.60	466.13	440.52
Russian Roubles	5.76	5.62	5.79	5.73

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021
(in millions of Tenge, unless stated otherwise)****3. SIGNIFICANT ACCOUNTING POLICIES****Adoption of revised standards and amendments to existing IFRSs effective from 1 January 2021**

The following amendments to Standards became effective from 1 January 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Reform of Basic Interest Rates (Phase 2). The adopted amendments provide a number of temporary exemptions related to the transition to the risk-free interest rate for those preparing financial statements.

The amendment to IFRS 16 “Exemption from assessing whether a COVID-19-related rent concessions is a lease modification” became effective from 1 April 2021 and extends the practical expedient for the lessee for one year, allowing it not to assess the rent concession directly related to COVID-19 as a lease modification. The practical expedient provided by the amendments to IFRS 16, and which became effective from 1 June 2020, was applicable for a decrease in lease payments and affected only payments initially due on or before 30 June 2021. The amendment extends this period until 30 June 2022.

These amendments have not impacted the consolidated financial statements of the Group.

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 2022. 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 IFRS 3 *References to the Conceptual Framework* (effective for annual periods beginning on or after 1 January 2022)
- Amendments to IAS 16 *Property, Plant and Equipment—Proceeds before Intended Use* (effective for annual periods beginning on or after 1 January 2022)
- Amendments to IAS 37 *Onerous Contracts—Cost of Fulfilling a Contract* (effective for annual periods beginning on or after 1 January 2022)
- Annual Improvements to IFRS Standards 2018-2020 Cycle effective for annual periods beginning on or after 1 January 2022 — 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)
- 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)
- 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)

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021
(in millions of Tenge, unless stated otherwise)**

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.

Significant accounting policies**Property, plant and equipment**

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

Subsequent costs

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

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

Construction-in-progress

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

Leases*The Group as lessee*

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

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

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

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021
(in millions of Tenge, unless stated otherwise)**

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

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

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

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

The Group presents lease liabilities in the consolidated statement of financial position as a separate line (Note 16), while right-of-use assets are presented within the same line item as that within which the corresponding underlying assets would be presented if they were owned, i.e. within property, plant and equipment (Note 6) and intangible assets.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its property, plant and equipment items (Notes 6 and 23).

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The acquisition date is the date on which the Group obtains effective control over the acquiree.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021
(in millions of Tenge, unless stated otherwise)**

The cost of the acquisition is measured as the sum of the consideration transferred, measured at fair value at the acquisition date, and the non-controlling interest in the acquiree. For each business combination, the Group decides how to measure the non-controlling interest in the acquiree, either at fair value or at a proportionate share in the acquiree's identifiable net assets. Acquisition-related costs are recognised in general and administrative expenses as they are incurred.

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss.

Goodwill is initially measured at cost, estimated as the excess of the consideration transferred and non-controlling interest recognised and share previously held by the Group over the fair value of the identifiable net assets acquired by the Group and liabilities assumed. If the aggregate amount of the consideration transferred and the non-controlling interest recognised and share previously held by the Group are less than the fair value of the net identifiable assets and liabilities assumed, the difference is recognised in profit or loss for the period.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purposes of impairment testing of goodwill acquired in a business combination, goodwill, from the date the Group acquires a subsidiary, is allocated to the cash-generating units that are expected to benefit from the business combination, whether or not they are attributed other assets or liabilities of the acquired subsidiary to specified units.

The Group assesses whether it has control over an investee when facts and circumstances indicate a change in one of the three components of control.

Borrowing costs

The Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets as part of the cost of that asset.

The Group capitalises borrowing costs on general purpose borrowings to the extent they are used to obtain a qualifying asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the period and used to construct and produce a qualifying asset, other than borrowings received specifically for the purpose of obtaining a qualifying asset. Moreover, if the loan remains outstanding after the relevant qualifying asset is ready for its intended use, then in calculating the capitalisation rate, the loan is included in the general borrowing pool.

Investment income generated on a temporary investment of specific borrowings pending their use on qualifying assets is deducted from borrowing costs eligible for capitalisation.

Borrowing costs also include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. As a result, capitalised borrowing costs denominated in foreign currencies, adjusted for exchange differences, cannot exceed the borrowing costs that would have been capitalised if the borrowing had been denominated in the functional currency. Any excess exchange difference is recognised in profit or loss.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021
(in millions of Tenge, unless stated otherwise)****Inventories**

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

Financial instruments

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

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

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

Wherein:

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

In the current year, the Group did not designate any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are further evaluated for impairment (Note 4).

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

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

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

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021
(in millions of Tenge, unless stated otherwise)****Non-current assets held for sale**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable within 12 months since classification date and the asset (or disposal group) is available for immediate sale in its present condition. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

When the non-current asset ceased to be classified as held for sale, the Group includes any required adjustment to the carrying amount of the asset in profit or loss from continuing operations in the period in which the classification criteria are no longer met. If the disposal group or non-current asset that ceases to be classified as held for sale is a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture or an associate, the Group amends retrospectively the financial statements for the periods since classification as held for sale.

Equity*Share capital*

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

Consideration received for common shares yet to be legally registered is recognised as additional paid-in capital until they are registered, when any proceeds are transferred to share capital.

Other contributions

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

Other distributions

Distributions are recognised in equity when the Group has irrevocably committed to transfer cash or non-monetary assets to its Shareholder/Ultimate Shareholder free of charge and the amount of the commitment can be reliably measured. Distributions are recognised in equity net of any related deferred tax effects, where appropriate.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021***(in millions of Tenge, unless stated otherwise)*

At the inception of a hedge relationship, an entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of financial instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. A gain or loss relating to the ineffective portion is recognised immediately in profit or loss for the reporting period, and is included in the 'finance costs' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item.

Hedge accounting is discontinued when:

- a) the Group revokes the hedging relationship,
- b) the hedging instrument expires or is sold, terminated, or exercised, or
- c) it no longer qualifies for hedge accounting.

Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Government grants

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

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

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

Revenue

The Group recognises revenue to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is recognised less VAT and rebates.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021
(in millions of Tenge, unless stated otherwise)
Revenue from freight transportation services

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

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

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

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

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

As at 31 December 2021 and 2020, the Group has no obligations to counterparties associated with provision of discounts.

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

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

During 2021, the Group concluded that additional charges related to the transportation process and other revenue from freight transportation are recognised over time.

Revenue from passenger transportation services

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

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

Other income

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

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

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

Sale and lease back transactions

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements in compliance with IFRSs requires Group management to make judgements and use estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on historical experience and other factors that are considered to be relevant, events or actions may mean that actual results ultimately differ from those estimates.

Critical judgements in applying accounting policies

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

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Subsidiaries are those entities controlled by the Group. The Group controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. Losses are attributed to non-controlling interests in full, even if this results in a debit balance ("deficit") (Note 29).

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

Loans at a rate below the market interest rate

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

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

Assets classified as held for sale

The Kazakhstan Government approved the "Comprehensive Privatisation Plan for 2016-2020" and "Comprehensive Privatisation Plan for 2021-2025" (the "Plans"), in 2015 and 2020, respectively. Under the Plans, management of the Group approves the subsidiaries, associates and joint ventures of the Group to be disposed of. IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* requires management judgement regarding the high probability of the sale of an asset. As at 31 December 2021, the management of the Group reviewed the status of implementation of the Plans and concluded that there are no disposal groups held for sale that meet IFRS 5 criteria. As at 31 December 2020, the management of the Group classified certain assets and liabilities as disposal groups held for sale related to the entities that meet IFRS 5 criteria (Note 13).

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

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

Assessment of impairment indicators of property, plant and equipment

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

The assessment of whether there is an indication of assets impairment is based on a number of factors, such as a change in 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 of 31 December 2021, the Group performed the analysis of the above external and internal impairment indicators of property, plant and equipment, in particular changes in interest rates, an analysis of the achievement of actual indicators versus budgeted indicators, as well as an analysis of the transit freight turnover and changes in the exchange rate of tenge to the Swiss franc, as the transit tariff is set in Swiss franc.

The assessment of whether each of the external and internal factors is an indicator of impairment requires significant management judgment. Management's key judgment is that the market demonstrates a favorable environment for growth of transit freight turnover.

The management of the Group did not identify any events that occurred in 2021 that could be considered as an indicator of the impairment of the single CGU as of 31 December 2021.

Accounting treatment of financing arrangements with Industrial Development Fund JSC

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

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

Industrial Development Fund JSC finances the construction of the carriages, but is limited in its ability to direct the subsequent use of and obtain all of the remaining benefits from the asset. Accordingly, the Group recognises the obligation to Industrial Development Fund JSC as a financial liability (borrowing) according to IFRS 9 *Financial Instruments* and recognises passenger carriages and work-in-progress as property, plant and equipment items and construction in progress in accordance with IFRS 16.103 *Leases* (Note 3).

Since financing was provided at preferential interest rates and the terms were provided exclusively to finance the upgrade of the Passenger Transportation JSC passenger carriage fleet based on a Kazakhstan Government Resolution, the Group considers these transactions as transactions with the ultimate Shareholder and recognises fair value adjustments of the loans received at below market rate through equity within retained earnings as other contributions (Notes 14 and 15).

Key sources of estimation uncertainty

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

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

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

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

The management assesses the recoverability of goodwill annually as of 31 December or every time when impairment indicators of the single CGU appear.

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For the analysis of goodwill impairment, the management has used the detailed calculation of value in use of the single cash-generating unit performed in the prior period as of 31 December 2020, considering the below criteria is met:

- the assets and liabilities making up the Group CGU;
- prior year detailed calculation of value in use resulted in substantial margin and the management ensured that there are no circumstances that result in decrease of the headroom as of 31 December 2021;
- based on the analysis of events occurred since the most recent calculation of value in use and circumstances changed, the likelihood that a current recoverable amount determination would be less than the current carrying amount of the unit is remote.

To analyze the above factors, the management ensured that the key operating indicators for 2021 exceed budget and analyzed the impact of the most sensitive assumptions, such as:

- transit freight transportation volume – the market demonstrates a favorable environment for the growth of transit; and
- discount rate (WACC) – there have been no significant changes in the inputs used to calculate discount rate.

Management concluded that the recoverable amount of the goodwill exceeds its carrying amount as of 31 December 2021.

The Group performed a sensitivity analysis and concluded that when using the following justifiably possible changes in the key assumptions on an individual basis, while keeping other parameters constant, the fair value of property, plant and equipment, intangible assets and goodwill will be equal to its carrying value:

- *Transit freight transportation volumes* – A decrease of the volumes by 9.84% compared to calculation;
- *Discount rate (WACC)* – An increase of the discount rate from 11.46% to 12.65%.

With more significant changes in external or internal impairment indicators or simultaneous adverse impact of several factors, the analysis of external or internal indicators may result in the need to recognise impairment in the future.

Recoverability of VAT

As at each reporting date, the Group assesses the recoverability of VAT on international transportation sales. It cannot charge VAT onwards to these customers, and accordingly can only recover the amount in question from the tax authorities. To assess VAT recoverability, the Group considers information from its internal tax department on projected VAT collection, correspondence with the tax authorities and historical recovery experience. Actual VAT amounts recovered could differ materially from Group estimates, which could affect future operating results significantly. As at 31 December 2021, VAT recoverable of 34,417 million tenge was classified as current assets. The Group expects that the given amount will be reimbursed by the tax authorities during 2022.

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

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

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

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

Taxation

Kazakhstan legislative acts and regulations are not always clearly written. Instances of inconsistent opinions between local, regional and national tax authorities are possible. Where additional taxes are imposed by the tax authorities, fines and interest applied are significant; fines are generally assessed at 80% of additional taxes accrued, and interest is assessed at 12.19% of additional accruals or overdue taxes. As a result, fines and interest can exceed the amount of additional accrued taxes.

Because of the uncertainties disclosed above, the ultimate amount of taxes, fine and interest, if any, imposed may be in excess of the amount expensed to date and accrued as at 31 December 2021. Any difference between the estimated amount and the actual amount paid, if any, could have a significant impact on future operating results.

Significant increase in credit risk

The Group recognises an allowance for expected credit losses for financial instruments in the amount equal to 12-month expected credit losses for stage 1 assets, or lifetime expected credit losses for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

The Group also recognises an expected credit losses allowance under financial guarantee agreements for 12 months or lifetime, depending on the change in credit risk since initial recognition. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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For the purpose of internal credit risk management, the Group considers the following to be a default, as past experience has shown that a financial asset that meets one of the following criteria is generally non-recoverable:

- overdue: more than 90 days overdue on the counterparty's obligations (except when the Group has reasonable and substantiated information demonstrating that it is more appropriate to use the default criterion with a long delay in payment);
- downgrade of the external credit rating of the counterparty to the default "D";
- inability to fulfil obligations as a result of financial difficulties of the counterparty (suspension of interest accrual or decrease in the interest rate on the financial asset, write-off of the principal amount, extension of maturity of the financial asset, restructuring, leading to a decrease or write-off of the loan amount or debt forgiveness, etc.); or
- Information generated internally or obtained from external sources indicates that the debtor is unlikely to make full payments to creditors, including the Group (not taking into account the collateral held by the Group).

5. SEGMENT INFORMATION

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

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

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

	For the year ended 31 December 2021					Total
	Freight transportation	Passenger transportation	Reportable segments	Others	Consolidation	
Key operating indices						
Revenue and other income						
Transportation revenue from third parties	1,184,271	57,256	1,241,527	-	-	1,241,527
Transportation revenue from intersegment transactions	1,129	58,371	59,500	-	(59,500)	-
Government grants	-	39,235	39,235	-	-	39,235
Other income from third parties	33,334	3,022	36,356	11,419	-	47,775
Other income from intersegment transactions	27,519	629	28,148	6,292	(34,440)	-
Total revenue and other income	1,246,253	158,513	1,404,766	17,711	(93,940)	1,328,537
Cost of sales	(932,063)	(127,798)	(1,059,861)	(13,121)	92,084	(980,898)
Gross profit	314,190	30,715	344,905	4,590	(1,856)	347,639
General and administrative expenses	(78,238)	(10,737)	(88,975)	(3,171)	1,369	(90,777)
Finance income	18,026	1,803	19,829	977	(2,959)	17,847
Finance costs	(120,040)	(4,783)	(124,823)	(3,178)	1,733	(126,268)
Foreign exchange (loss)/gain	(11,776)	577	(11,199)	(24)	76	(11,147)
Share of the profit of associates and joint ventures	10,826	-	10,826	-	-	10,826
Asset impairment	(1,075)	(375)	(1,450)	(785)	170	(2,065)
Other profit and losses, net	8,323	256	8,579	109	-	8,688
Profit/(loss) before income tax	140,236	17,456	157,692	(1,482)	(1,467)	154,743
Income tax expense	(32,660)	(4,284)	(36,944)	(11)	2,823	(34,132)
Profit/(loss) for the year from continuing operations	107,576	13,172	120,748	(1,493)	1,356	120,611
Other key segment information						
Capital expenditure	344,865	183	345,048	238	11,854	357,140
Depreciation of property, plant and equipment	130,643	8,643	139,286	1,694	(5)	140,975

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	For the year ended 31 December 2020					Total
	Freight transportation	Passenger transportation	Reportable segments	Others	Consolidation	
Key operating indices						
Revenue and other income						
Transportation revenue from third parties	1,062,524	38,178	1,100,702	-	-	1,100,702
Transportation revenue from intersegment transactions	10,959	2,644	13,603	-	(13,603)	-
Government grants	-	25,546	25,546	-	-	25,546
Other income from third parties	33,750	2,676	36,426	10,660	-	47,086
Other income from intersegment transactions	3,759	393	4,152	5,277	(9,429)	-
Total revenue and other income	1,110,992	69,437	1,180,429	15,937	(23,032)	1,173,334
Cost of sales	(816,821)	(75,034)	(891,855)	(15,253)	21,720	(885,388)
Gross profit/(loss)	294,171	(5,597)	288,574	684	(1,312)	287,946
General and administrative expenses	(74,536)	(8,673)	(83,209)	(3,365)	676	(85,898)
Finance income	48,898	1,591	50,489	697	(4,289)	46,897
Finance costs	(163,096)	(4,736)	(167,832)	(3,440)	3,894	(167,378)
Foreign exchange (loss)/gain	(53,303)	226	(53,077)	74	356	(52,647)
Share of the profit of associates and joint ventures	11,111	-	11,111	-	-	11,111
Revaluation to fair value of interest previously belonging to a joint venture	9,035	-	9,035	-	-	9,035
Gain from the disposal of share in associates	500	-	500	9,500	-	10,000
Asset (impairment)/ impairment reversal	(19,879)	23,570 ¹	3,691	(331)	(23,759)	(20,399)
Other profit and losses, net	7,101	(8,961)	(1,860)	373	(187)	(1,674)
Profit/(loss) before income tax	60,002	(2,580)	57,422	4,192	(24,621)	36,993
Income tax (expense)/benefit	(20,723)	2,268	(18,455)	(168)	(2,077)	(20,700)
Profit/(loss) for the year from continuing operations	39,279	(312)	38,967	4,024	(26,698)	16,293
Other key segment information						
Capital expenditure	218,406	248	218,654	561	3,122	222,337
Depreciation of property, plant and equipment	126,298	7,875	134,173	2,240	(8)	136,405

Geographical information of the Group

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

Customer location	2021	2020
Kazakhstan	1,291,832	1,137,941
Russia	23,576	22,127
Others	13,129	13,266
	1,328,537	1,173,334

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

¹ Asset (impairment)/impairment reversal includes a reversal of impairment for advances for non-current assets paid within the Group of 23,805 million tenge, which were returned

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6. PROPERTY, PLANT AND EQUIPMENT

	Rail track infrastructure	Buildings and constructions	Machinery and equipment
Carrying value as at 1 January 2020	1,133,479	315,806	252,898
Additions	1	169	3,765
Lease additions	-	107	37,728
Acquisition of subsidiary	-	10,979	3,516
Disposals	(133)	(633)	(1,781)
Disposal of subsidiary	-	(10,911)	(9,187)
Depreciation charge	(36,702)	(7,672)	(36,828)
Depreciation on disposal	100	84	1,712
Impairment reversal/(impairment)	27	(611)	222
Transfer to assets held for sale	-	(9,482)	(5,844)
Other movements and transfers ²	60,678	23,486	35,680
Carrying value as at 31 December 2020	1,157,450	321,322	281,881
Cost	1,442,279	379,336	505,516
Accumulated depreciation and impairment	(284,829)	(58,014)	(223,635)
Carrying value as at 31 December 2020	1,157,450	321,322	281,881
Including:			
Right-of-use assets:			
Cost	-	1,868	37,728
Accumulated depreciation and impairment	-	(330)	(9,039)
Carrying value	-	1,538	28,689
Property, plant and equipment that are subject to operating lease (Group as the lessor)	-	141	37

² Other movements and transfers also include transfers to/from inventories

Vehicles	Land	Others	Construction-in-progress	Total
886,664	1,770	14,678	174,667	2,779,962
30,780	18	136	141,470	176,339
7,559	-	-	-	45,394
8,697	2,837	209	1,079	27,317
(15,045)	(4)	(522)	(60)	(18,178)
(32)	(2)	(87)	-	(20,219)
(52,803)	-	(2,400)	-	(136,405)
2,514	-	517	-	4,927
(44)	-	65	(408)	(749)
(17)	(650)	(140)	-	(16,133)
58,246	-	1,721	(185,649)	(5,838)
926,519	3,969	14,177	131,099	2,836,417
1,425,022	3,969	29,389	142,844	3,928,355
(498,503)	-	(15,212)	(11,745)	(1,091,938)
926,519	3,969	14,177	131,099	2,836,417
17,449	-	7,241	-	64,286
(3,289)	-	(1,086)	-	(13,744)
14,160	-	6,155	-	50,542
46,847	-	-	-	47,025

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	Rail track infrastructure	Buildings and constructions	Machinery and equipment
Carrying value as at 1 January 2021	1,157,450	321,322	281,881
Additions	55	701	6,430
Lease additions	-	122	-
Disposals	(4,296)	(506)	(2,425)
Depreciation charge	(37,139)	(7,957)	(36,940)
Depreciation on disposal	4,076	317	2,323
(Impairment)/impairment reversal	(618)	(13)	(131)
Other movements and transfers ³	86,303	(8,551)	15,764
Carrying value as at 31 December 2021	1,205,831	305,435	266,902
Cost	1,511,717	371,214	525,167
Accumulated depreciation and impairment	(305,886)	(65,779)	(258,265)
Carrying value as at 31 December 2021	1,205,831	305,435	266,902
including:			
Right-of-use assets:			
Cost	-	1,925	37,728
Accumulated depreciation and impairment	-	(506)	(18,900)
Carrying value	-	1,419	18,828
Property, plant and equipment that are subject to operating lease (Group as the lessor)	-	184	5

³ Other movements and transfers also include transfers to/from inventories

Vehicles	Land	Others	Construction-in-progress	Total
926,519	3,969	14,177	131,099	2,836,417
31,575	-	89	274,437	313,287
42,552	-	-	-	42,674
(4,733)	(8)	(419)	-	(12,387)
(56,858)	-	(2,081)	-	(140,975)
4,546	-	389	-	11,651
(268)	-	4	(834)	(1,860)
128,371	(1)	278	(232,682)	(10,518)
1,071,704	3,960	12,437	172,020	3,038,289
1,619,960	3,960	29,474	183,870	4,245,362
(548,256)	-	(17,037)	(11,850)	(1,207,073)
1,071,704	3,960	12,437	172,020	3,038,289
59,990	-	7,614	-	107,257
(6,991)	-	(1,857)	-	(28,254)
52,999	-	5,757	-	79,003
24,225	-	-	-	24,414

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As at 31 December 2021, construction-in-progress mainly consists of project costs to build the Zhezkazgan-Beineu and Siding 19-Dostyk railways, a ferry complex at the Kuryk port and other railway reconstruction infrastructure.

As at 31 December 2021 and 2020, Group property, plant and equipment with a carrying amount of 19,577 million tenge and 14,264 million tenge, respectively, was used as collateral for specific borrowings.

For the year ended 31 December 2021, the Group recognised depreciation expenses on right-of-use assets of 14,410 million tenge (2020: 12,848 million tenge).

For the years ended 31 December 2021 and 2020, capitalised borrowing costs amounted to 4,794 million tenge and 1,626 million tenge, respectively. The Group's average capitalisation rate varies between 2.08% and 10.78% (2020: between 6.58% and 10.56%).

As at 31 December 2021 and 2020, the cost of the Group's fully depreciated property, plant and equipment in use was 337,592 million tenge and 317,460 million tenge.

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7. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Associate	Core activity
United Transport and Logistics Company - Eurasian Rail Alliance JSC (UTLC ERA JSC)	Domestic and international rail transportation and freight forwarding
Transtelecom JSC	Telecommunication services
Chinese-Kazakhstan International Logistics Company in Lianyungang	International multimodal transportation
Others	
Total investment in associates	
Joint ventures	
KIF Warehouses LLP	Warehouse operations and supporting transport operations
Total investment in joint ventures	

Main country of operation / country of registration	31 December 2021		31 December 2020	
	Carrying amount	Ownership interest	Carrying amount	Ownership interest
Russian Federation	12,312	33.33%	8,874	33.33%
Republic of Kazakhstan	11,239	25%	9,945	25%
People's Republic of China	3,242	49%	2,399	49%
	-	40-47%	-	40-47%
	26,793		21,218	
Republic of Kazakhstan	895	50%	-	-
	895		-	

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

	2021	2020
Associates		
As at 1 January	21,218	16,164
Foreign exchange difference on translation of foreign operations	1,144	1,299
Charter capital contributions	-	4,120
Share of profit	10,893	10,860
Impairment	-	(16,215)
Fair value of guarantees issued	-	268
Dividends to be received	(6,462)	(4,364)
Fair value of the remaining interest on loss of control of subsidiary Transtelecom JSC	-	9,086
As at 31 December	26,793	21,218
Joint ventures		
As at 1 January	-	17,389
Acquisitions	962	-
Share of (loss)/profit	(67)	251
Carrying amount of investments in Logistic System Management B.V. as at the date of the loss of joint control and receipt of control (Note 29)	-	(14,670)
Dividends to be received	-	(2,970)
As at 31 December	895	-

In March 2021, the Group, represented by its subsidiary KTZ Express JSC, entered into an agreement to purchase from third parties a 50% interest in KIF Warehouses LLP. The transaction value was 11,908,897 US\$ (5,162 million tenge), including security withheld by the Group according to the agreement. One of the transaction conditions was to terminate the previous warehouse lease agreement between KTZ Express JSC and KIF Warehouses LLP, for which a provision of 4,200 million tenge was created due to the high probability of an outflow of economic benefits. The Group concluded the transaction in June 2021. The share in net assets as at the purchase date amounted to 962 million tenge. The Group considered the difference between the fair value of net assets and transferred interest as the repayment of an already accrued lease agreement liability. As a result of the purchase, the Group acquired joint control and classified the investment in KIF Warehouses LLP as an investment in a joint venture.

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Summary financial information on significant associates as at and for the year ended 31 December 2021

	2021			
	Chinese-Kazakhstan International Logistics Company in Lianyungang	Aktau Marine North Terminal LLP	Transtelecom JSC	United Transportation and Logistics Company – Eurasian Railway Alliance JSC
Current assets	5,060	873	42,524	47,302
Non-current assets	25,152	38,399	156,379	48,348
Total assets	30,212	39,272	198,903	95,650
Current liabilities	1,058	15,625	52,501	25,338
Non-current liabilities	357	43,068	110,340	33,375
Total liabilities	1,415	58,693	162,841	58,713
Total net assets/(liabilities)	28,797	(19,421)	36,062	36,937
Ownership interest	49%	40%	25%	33.33%
Net assets/(liabilities) attributable to the Group	14,111	(7,768)	9,016	12,312
Accumulated impairment	(10,869)	-	-	-
Net assets/(liabilities) attributable to the Group, inclusive of impairment	3,242	(7,768)	9,016	12,312
Accumulated unrecognised loss	-	(7,768)	-	-
Adjustment to the carrying amount of investments in a change to investee net assets (fair value adjustment of the concessional loan from another shareholder)	-	-	2,223	-
Carrying amount of investment	3,242	-	11,239	12,312
Income	3,705	3,642	83,947	375,449
Profit/(loss) and total comprehensive income/(loss) for the year	183	(831)	5,176	28,528
Recognised share of the Group in profit	90	-	1,294	9,509

years ended 31 December:

2020					
Chinese-Kazakhstan International Logistics Company in Lianyungang	Aktau Marine North Terminal LLP	Transtelecom JSC	United Transportation and Logistics Company – Eurasian Railway Alliance JSC	Aktobe Rail and Section Mill Plant LLP	Continental Logistics LLP
3,499	490	38,946	39,100	-	-
24,365	40,114	137,794	32,562	-	-
27,864	40,604	176,740	71,662	-	-
574	9,996	44,599	22,945	-	-
212	49,199	101,254	22,095	-	-
786	59,195	145,853	45,040	-	-
27,078	(18,591)	30,887	26,622	-	-
49%	40%	25%	33.33%	-	-
13,268	(7,436)	7,722	8,874	-	-
(10,869)	-	-	-	-	-
2,399	(7,436)	7,722	8,874	-	-
-	(7,436)	-	-	-	-
-	-	2,223	-	-	-
2,399	-	9,945	8,874	-	-
3,631	2,343	65,175	285,367	29,481	1,355
2,086	(6,340)	2,364	24,062	(11,154)	10,361
1,022	-	591	8,021	-	1,226

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8. OTHER NON-CURRENT ASSETS

	31 December 2021	31 December 2020
Advances paid for property, plant and equipment	104,054	104,341
VAT recoverable	43,797	33,367
Investment property	8,629	8,733
Others	1,027	249
Less: allowance for non-recoverable VAT	(10,380)	(19,169)
Less: allowance for advances for property, plant and equipment	(4,362)	(4,630)
Total other non-financial assets	142,765	122,891
Restricted cash	13,737	11,512
Loans issued	6,146	-
Loans to employees	2,178	3,203
Bank loans of commercial banks and other credit institutions, and other debt securities	1,262	1,158
Long-term trade accounts receivable (Note 11)	47	54
Others	1,663	1,124
Less: allowance for expected credit losses on loans paid	(2,349)	-
Less: allowance for expected credit losses on other non-current financial assets	(877)	(579)
Total other financial assets	21,807	16,472
	164,572	139,363

In 2021, as a result of the transfer of carriages and wheel pairs to the share capital of subsidiary WagonService JSC, the Group, represented by subsidiary Passenger Transportation JSC, wrote off 9,101 million tenge of non-offsettable recoverable VAT against previously created allowance.

In January 2021, the Group recognised a loan provided to Vostokmashzavod JSC following its disposal (Note 13). According to agreement terms, interest of 14% will be accrued from 1 January 2024. The principal and interest will be paid quarterly, starting from January and April 2024, respectively, until full repayment in October 2025.

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

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

	31 December 2021	31 December 2020
Locomotive supplies	68,036	64,654
Rail purchases	21,356	9,501
Diesel locomotive supplies	4,996	15,891
Freight wagon supplies	3,000	3,100
Construction of a ferry complex at Kuryk port	2,244	7,261
Others	4,422	3,934
	104,054	104,341

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9. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Short-term tenge bank deposits	128,371	116,993
Short-term Russian Rouble bank deposits	597	900
Cash in tenge current bank accounts	30,653	18,977
Cash in US\$ current bank accounts	13,098	10,258
Cash in Russian Rouble current bank accounts	2,482	2,013
Cash in Euro current bank accounts	1,667	5,469
Cash in bank accounts in other currencies	1,158	813
Petty cash	5	6
Less: allowance for expected credit losses on cash and cash equivalents	(31)	(22)
	178,000	155,407

As at 31 December 2021, the weighted average interest rate on cash in current accounts was 1.75% in tenge and 1.92% in other currencies (31 December 2020: 0.19% in tenge and 0.93% in other currencies).

Short-term tenge and foreign currency bank deposits are opened for three months and less, depending on the Group's cash needs. As at 31 December 2021, the weighted average interest rate on short-term bank deposits was 9.18% in tenge and 8% in other currencies (31 December 2020: 8.48% and 3%, respectively).

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 its cash and cash equivalents credit risk as at 31 December 2021 is low.

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

10. INVENTORIES

	31 December 2021	31 December 2020
Track structure materials	11,050	7,801
Materials and supplies	10,995	11,449
Fuel and lubricants	9,401	6,718
Spare parts	7,129	7,329
Construction materials	1,278	1,509
Production in progress	117	198
Others	3,463	2,572
	43,433	37,576
Less: allowance for inventories	(1,032)	(457)
	42,401	37,119

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11. TRADE ACCOUNTS RECEIVABLE

	31 December 2021	31 December 2020
Trade accounts receivable	28,541	12,460
Less: allowance for expected credit losses	(5,246)	(1,089)
	23,295	11,371
Current portion of trade accounts receivable	23,248	11,317
Long-term portion of trade accounts receivable (Note 8)	47	54
	23,295	11,371

As at 31 December 2021, trade accounts receivable that arose as a consequence of contracts with customers amounted to 26,031 million tenge (31 December 2020: 11,668 million tenge), expected credit losses on trade accounts receivable amounted to 3,060 million tenge (31 December 2020: 835 million tenge).

12. OTHER CURRENT ASSETS

	31 December 2021	31 December 2020
Other taxes prepaid	41,874	42,157
Advances paid	6,777	6,498
Prepaid expenses	1,223	1,107
Others	4,598	4,229
Less: allowance for the impairment of advances paid and other current non-financial assets	(6,034)	(5,570)
Total other non-financial assets	48,438	48,421
Claims, interest and fines	1,721	2,235
Amounts due from employees	1,664	1,750
Others	2,973	2,631
Less: allowance for expected credit losses on other current financial assets	(2,116)	(1,110)
Total other financial assets	4,242	5,506
	52,680	53,927

13. DISPOSAL GROUP NON-CURRENT ASSETS, ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE**Vostokmashzavod JSC**

On 30 December 2020, the Group, represented by its subsidiary Repair Corporation Kamkor LLP, entered into a purchase agreement with a third party to dispose of Vostokmashzavod JSC shares. The Group classified Vostokmashzavod JSC assets and liabilities as at 31 December 2020 in the disposal group as held for sale at the lower of carrying amount and fair value less costs to sell. On 8 January 2021, the Group completed the share sale transaction and lost control over the subsidiary.

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The assets and liabilities in the separate financial statements of Vostokmashzavod JSC as at the disposal date and 31 December 2020 are presented as follows:

	8 January 2021	31 December 2020
Assets		
Property, plant and equipment	5,466	5,466
Investment property	35	35
Inventories	664	664
Trade accounts receivable	28	28
Other current assets	463	463
Total assets	6,656	6,656
Liabilities		
Borrowings	5,529	-
Trade accounts payable	1,915	1,409
Deferred tax liabilities	1,031	1,031
Other taxes	536	536
Contracts liabilities	347	131
Employee benefit obligations	34	34
Other liabilities	588	368
Total liabilities	9,980	3,509
Net liabilities disposed of	(3,324)	-

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

	2021
Advance received	100
Net liabilities disposed of	3,324
Interests of non-controlling shareholders disposed of	(849)
Adjustment to the fair value of loans due and accounts receivable from the former subsidiary	(2,575)
Result of the disposal of Vostokmashzavod JSC	-

As at the disposal date, Vostokmashzavod JSC had outstanding loans and accounts payable to the Group of 5,529 million tenge and 938 million tenge, respectively. As part of the transaction to purchase an interest in Vostokmashzavod JSC, the buyer guaranteed to repay the amounts due. For this reason, as a result of the disposal, the Group recognised loans due (Note 8) and accounts receivable at their fair value of 3,251 million tenge and 641 million tenge, respectively, reflecting the adjustment to fair value in the reconciliation above. As a result, the disposal of the subsidiary in 2021 did not impact the Group's financial result.

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(in millions of Tenge, unless stated otherwise)****14. EQUITY**

As at 31 December 2021 and 2020, share capital was presented as follows:

	No. of shares authorised for issue	No. of shares issued and paid for	Share capital, millions of tenge
As at 1 January 2020	502,040,458	496,654,806	1,082,299
As at 31 December 2020	502,040,458	496,654,806	1,082,299
Shares issued	-	37,859	3,786
As at 31 December 2021	502,040,458	496,692,665	1,086,085

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

Contributions*Share issuance*

During 2021, the Group issued 37,859 shares that were paid by intangible assets of 3,786 million tenge by the Shareholder.

Other contributions

In 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 (2020: 4,172 million tenge) (Note 18).

Hedging reserve

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

For the year ended 31 December 2021, the effective portion of 823 million tenge was recorded in the hedging reserve in other comprehensive income as net hedging instrument profit (2020: 15,220 million tenge as a net loss).

Other distributions

In March 2020, the Group, represented by its subsidiary KTZ Express JSC, in accordance with the Ultimate Shareholder's decree, transferred a 100% interest in the subsidiary Khorgos-Eastern Gate FEZ MC JSC to the Almaty region municipality free of charge and recorded a disposal of net assets of 24,809 million tenge in other distributions.

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In December 2018, the Kazakhstan Government and the Sole Shareholder charged the Group to provide financing a construction of a Children's Centre in Turkestan. As a consequence, the Group accepted the irrevocable commitment to finance the construction of a Children's Centre in Turkestan and as a result recognised a distribution to the Shareholder in the amount of estimated construction costs of 5,300 million tenge. In June 2020, due to the increase in the cost of construction of the Children's Centre in Turkestan, the Group recognised an additional liability of 5 million tenge.

Disposal of subsidiaries

In January 2021, following the loss of control over the subsidiary Vostokmashzavod JSC, the Group recognised the disposal of a non-controlling interest of 849 million tenge.

In January 2020, as a result of the loss of control over the subsidiary Transtelecom JSC, the Group recognised the disposal of a non-controlling interest of 14,040 million tenge.

15. BORROWINGS

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

	31 December 2021		31 December 2020	
	Amount	Weighted average effective interest rate (%)	Amount	Weighted average effective interest rate (%)
<i>Fixed interest rate borrowings</i>				
Loans received	240,890		244,623	
- in tenge	164,644	7.51	182,047	7.84
- in US\$	-	-	461	2.88
- in Euros	76,246	6.57	62,115	6.57
Debt securities issued	1,158,930		1,147,976	
- in tenge	468,570	10.81	467,713	10.81
- in US\$	396,207	6.95	386,652	6.95
- in Swiss Francs	207,321	3.42	209,047	3.42
- in other currencies	86,832	8.75	84,564	8.75
<i>Variable interest rate borrowings</i>				
Loans received	124,017		124,817	
- in tenge	13,066	12.39	16,459	10.43
- in Russian Roubles	110,951	11.00	108,358	7.49
Debt securities issued	53,375		52,763	
- in tenge	53,375	9.92	52,763	8.12
	1,577,212		1,570,179	
Current portion of borrowings	215,809		171,664	
Non-current portion of borrowings	1,361,403		1,398,515	
	1,577,212		1,570,179	

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The following borrowings presented on discounted basis, excluding debt securities, should be repaid as follows:

	31 December 2021	31 December 2020
During the year	23,743	153,980
1-2 years	8,269	7,272
2-3 years	148,969	8,014
3-4 years	9,627	38,367
4-5 years	11,390	9,472
Over 5 years	162,909	152,335
	364,907	369,440

Loans received*Halyk Bank Kazakhstan JSC*

In January 2021, the Group, represented by the Company, within the framework of the credit line agreement with Halyk Bank Kazakhstan JSC from 26 February 2015, made an early repayment of the loan in the amount of 25,000 million tenge.

HSBC France

In 2021, the Group, represented by its subsidiary KTZ-Freight Transportation LLP, under the Master Framework Agreement with HSBC France, together with HSBC Bank PLC and HSBC Kazakhstan, and with the support of the COFACE export-credit agency, dated 31 May 2012 to finance the purchase of freight and passenger locomotives for a total of 880,877,000 Euros and its addendums, borrowed 64,063,394 Euros (31,790 million tenge) (including the COFACE premium). Loan interest is paid semi-annually at EUR CIRR + 0.4% margin, which is fixed at each tranche date. Principal is repaid semi-annually until full repayment in 2031.

Bank VTB PJSC

In December 2021, the Group, represented by the Company, to repay a loan from Moscow Credit Bank PJSC, within the framework of the credit agreement with Bank VTB PJSC, borrowed 19,400,000,000 Russian Roubles (112,714 million tenge). Loan interest is repaid quarterly at the "key rate of the Russian Central Bank + 2.75%". Principal is due to be repaid in a lump sum in December 2024 (Note 32).

Industrial Development Fund JSC

In 2021, the Group, represented by its subsidiaries Passenger Transportation JSC and Tulpar Wagon Construction Plant LLP entered into trilateral purchase and finance lease agreements with Industrial Development Fund JSC, which is under the common control of the Ultimate Shareholder, to renew its passenger carriage fleet for 13,125 million tenge. Interest is repaid annually at 1.5%. Principal is due to be repaid in annual instalments until full repayment in 2041. The principal repayment grace period is 6 years.

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As disclosed in Note 4, the Group accounts for the financial liabilities under the above agreements as borrowings.

Borrowings were obtained at the rates below market and the fair value of the borrowings was calculated based on market interest rates of 10.78%. The Group recognised the adjustment to fair value at 7,857 million tenge net of the deferred tax effect of 1,571 million tenge through equity in retained earnings as other contributions (Note 14).

Debt securities issued

As at 31 December, debt securities issued include:

	Repayment date	Exchanges	2021	2020
Debt securities, by price				
6.95% Eurobonds (105.521%)* in US\$	10 July 2042	LSE/KASE	396,207	386,652
11.5% Bonds (100%) in tenge	3 October 2034	KASE	308,433	308,433
3.638% Eurobonds (100%) in Swiss Francs	20 June 2022	SIX Swiss Exchange	89,208	90,036
8.75% Eurobonds (100%) in Russian Roubles	7 June 2022	MOEX	86,832	84,563
3.25% Eurobonds (100%) in Swiss Francs	5 December 2023	SIX Swiss Exchange	79,713	80,016
	15 November 2024			
9.25% Bonds (100%) in tenge		KASE	76,831	76,831
Inflation rate + 2.52% (9.92%) Bonds (100%) in tenge	25 April 2026	KASE	53,376	52,763
	12 September 2034			
11.5% Bonds (100%) in tenge		KASE	41,380	41,380
3.25% Eurobonds (104.238%) in Swiss Francs	5 December 2023	SIX Swiss Exchange	38,400	38,996
11% Bonds (100%) in tenge	23 July 2027	KASE	26,184	26,184
2% Bonds (100%) in tenge	20 August 2034	KASE	15,741	14,885
Total debt securities issued			1,212,305	1,200,739
Current portion of debt securities issued			192,066	17,684
Long-term portion of debt securities issued			1,020,239	1,183,055
			1,212,305	1,200,739

The fair value of borrowings is presented in Note 31.

Credit agreements and breaches of credit agreements

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

According to finance lease agreements with Industrial Development Fund JSC, which the Group accounts for as borrowings, the Group is obliged to comply with certain non-financial covenants, which have been met as at 31 December 2021.

* Percentages in brackets represent the cost of issuing bonds/Eurobonds from par value (at premium/with discount or at par)

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EBRD loan agreements include certain financial covenants, such as Adjusted Debt to Adjusted EBITDA, Adjusted Debt to Equity and Interest Coverage Ratios (based on Adjusted EBITDA). These terms have been met as at 31 December 2021.

In accordance with arrangements with HSBC France regarding financial and non-financial covenants, the Group should comply with the covenant that the Company has any two of three corporate ratings (S&P, Fitch, Moody's) of at least BB. As at 31 December 2021, this covenant was met.

The credit agreement with SB Sberbank JSC stipulates certain financial covenants, such as debt to EBITDA and interest coverage ratios calculated quarterly based on data from the subsidiary Kedentransservice JSC. As at 31 December 2021, these covenants had been met.

Within the framework of the credit agreement with Bank VTB PJSC, which stipulates compliance with specific financial covenants, such as net debt to EBITDA, interest coverage ratios and coverage ratios (including (a) ratio of total debtors' EBITDA to the Group EBITDA; (b) ratio of total debtors' revenue to the Group revenue; (c) the ratio of the total carrying amount of debtors' assets to the carrying amount of the Group assets) calculated on the basis of consolidated Group data, starting from 31 December 2021 and quarterly thereafter. As at 31 December 2021, these financial covenants had been met. At the same time, on 30 December 2021, the Group received a waiver from Bank VTB PJSC waiving the right to consider as a breach the non-compliance with cross-default and insolvency terms of the loan agreement, if the value of the assets of any Group entity is less than its liabilities (taking into account contingent and prospective liabilities).

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Reconciliation of changes in liabilities and cash flows from financing activity

	2021	
	Borrowings and debt securities issued	Lease liabilities (Note 16)
As at 1 January	1,570,179	50,186
Changes due to cash flows from financing activities		
Loan principal payments	(156,007)	-
Proceeds from borrowings	125,839	-
Lease liability payments	-	(12,274)
Total changes due to cash flows from financing activities	(30,168)	(12,274)
Other changes		
Effect of changes in foreign currency exchange rates	10,528	(103)
Cash flow hedging	(823)	-
Acquisition of property, plant and equipment through loans	27,705	-
New lease agreements	-	21,411
Subsidiary acquisition	-	-
Adjustment to the fair value of loans received from the Shareholder/Ultimate Shareholder at rates lower than market (Note 14)	(7,857)	-
Interest costs and discount amortisation, including capitalised	123,093	7,414
Interest paid	(113,757)	(7,056)
Other changes	(1,688)	220
Total other changes attributable to liabilities	37,201	21,886
As at 31 December	1,577,212	59,798

2020			
Total	Borrowings and debt securities issued	Lease liabilities (Note 16)	Total
1,620,365	1,486,106	26,563	1,512,669
(156,007)	(153,289)	-	(153,289)
125,839	176,422	-	176,422
(12,274)	-	(10,786)	(10,786)
(42,442)	23,133	(10,786)	12,347
10,425	59,558	(339)	59,219
(823)	15,252	-	15,252
27,705	5,729	-	5,729
21,411	-	45,418	45,418
-	-	1,037	1,037
(7,857)	(20,858)	-	(20,858)
130,507	122,288	6,879	129,167
(120,813)	(114,321)	(6,325)	(120,646)
(1,468)	(6,708)	(12,261)	(18,969)
59,087	60,940	34,409	95,349
1,637,010	1,570,179	50,186	1,620,365

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16. LEASE LIABILITIES

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

	2021		2020	
	Lease payments	Present value of lease payments	Lease payments	Present value of lease payments
Up to one year	27,269	25,355	20,671	19,499
2-5 years inclusive	36,592	22,857	39,386	28,255
Over 5 years	55,996	11,586	12,911	2,432
Total	119,857	59,798	72,968	50,186
Less future finance costs	(60,059)	-	(22,782)	-
Present cost of lease liabilities	59,798	59,798	50,186	50,186
Less amounts due within 12 months		(25,355)		(19,499)
Amount due after 12 months		34,443		30,687

Lease agreements with Industrial Development Fund JSC*Open wagons*

In November 2020, the Group, represented by its subsidiary Kaztemirtrans JSC, entered into an agreement to lease 1,000 open wagons with a total value of 23,330 million tenge and at interest of 15% per annum, of which 10% per annum is subsidised by the State. The grace period for the principal is 2 years. The Group acts as the lessee.

In 2021, the Group received 1,000 open wagons under the agreement and recognised right-of-use assets of 20,467 million tenge for 20 years and a lease liability of 11,369 million tenge for 15 years.

Flat wagons

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

In 2021, within the framework of the agreement, the Group received 957 flat wagons and recognised right-of-use assets of 22,085 million tenge for 32 years and a lease liability of 9,920 million tenge for 15 years.

As at 31 December 2021, interest calculations are based on effective interest rates of between 2.5% and 21.69% (31 December 2020: 2.5%-19.48%).

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

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

17. EMPLOYEE BENEFIT OBLIGATIONS**Post-employment defined employee benefits and other long-term employee benefits**

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

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

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

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

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

Post-employment defined employee benefits:

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

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Other long-term employee benefits:

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

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

	31 December 2021	31 December 2020
Non-current portion of employee benefit obligations	37,083	36,669
Current portion of employee benefit obligations	9,100	6,787
Total liabilities as at the end of the year	46,183	43,456

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

	2021	2020
Total liabilities at the beginning of the year	43,456	44,379
Current service cost	1,335	2,026
Past service cost	619	123
Interest cost	4,474	4,046
Actuarial gain on other long-term employee benefits	(315)	(1,642)
Total expenses recognised in profit or loss	6,113	4,553
Actuarial revaluation recognised in other comprehensive income:	(345)	(2,057)
- change in financial assumptions	326	(484)
- experience-based adjustments	(353)	(1,475)
- change in demographic assumptions	(318)	(98)
Payments made for the year	(3,041)	(3,540)
Acquisition of a subsidiary	-	158
Disposal of subsidiaries	-	(37)
Total liabilities as at the end of the year	46,183	43,456

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

	2021	2020
Cost of sales (Note 24)	5,558	4,198
General and administrative expenses (Note 25)	555	355
Total recognised in profit or loss for the year	6,113	4,553

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The Group's obligations were estimated based on published statistical data regarding mortality and actual Group data concerning employee and pensioner headcount, age, gender and years of service, and turnover, as well as expectations that all employees granted with early retirement option under the Rules No. 1, will exercise when reach minimum age, i.e. 5 years before the official retirement age. Average longevity after the retirement age for acting and former retired employees is 14.3 years for men and 18.4 years for women.

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

	2021	2020
Discount rate	10.4%	10.3%
Expected annual growth in material aid in the future	4.2% (average)	4.2% (average)
Expected annual minimum salary growth in the future	5.3% (average)	4.6% (average)
Expected annual future growth in rail ticket cost	5.6% (average)	7.1% (average)

According to an actuarial sensitivity analysis, the maximum increase in employee benefit obligations is 6.5% caused by an inflation rate increase of 1%.

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

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

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

18. CORPORATE INCOME TAX

Corporate income tax expenses for the years ended 31 December included:

	2021	2020
Current income tax expenses	6,678	1,247
Adjustment of income tax for prior years	62	(6)
Income tax paid withheld	681	687
Deferred income tax expense	28,947	15,373
Change in unrecognised deferred tax assets, including for tax losses carried forward	(2,236)	3,399
	34,132	20,700

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

	2021	2020
Profit before tax from continuing operations	154,743	36,993
Official tax rate	20%	20%
Theoretical tax expense at the official rate	30,949	7,399
Tax effect of non-deductible expenses for tax calculation purposes, and other effect:		
Adjustment of income tax for prior years	62	(6)
Non-deductible expenses	5,357	9,908
Change in unrecognised deferred tax assets, including for tax losses carried forward	(2,236)	3,399
Income tax expense recognised in profit or loss (attributable to continuing operations)	34,132	20,700

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

	31 December 2021	31 December 2020
Deferred tax assets:		
Tax losses carried forward	105,420	110,322
Financial guarantee contract liability	5,991	6,426
Accounts receivable	5,307	5,482
Accrued employee liabilities	4,624	4,017
Discount on loan accounts receivable	1,650	1,939
Others	8,536	10,319
	131,528	138,505
Less: deferred tax assets offset against deferred tax liabilities	(131,383)	(138,424)
Deferred tax assets	145	81
Deferred tax liabilities:		
Property, plant and equipment and other non-current assets	(381,908)	(360,712)
Fair value adjustment to borrowings received from the Shareholder/Ultimate Shareholder at rates below market	(57,766)	(57,650)
Others	(9)	(16)
	(439,683)	(418,378)
Less: deferred tax liabilities offset against deferred tax assets	131,383	138,424
Deferred tax liabilities	(308,300)	(279,954)
Total net deferred tax liabilities	(308,155)	(279,873)
	2021	2020
Net deferred tax liabilities as at the beginning of the year	(279,873)	(254,467)
Recognised in profit or loss	(26,711)	(18,772)
Recognised in equity (Note 14)	(1,571)	(4,172)
Transfer to disposal group liabilities classified as held for sale (Note 13)	-	1,031
Acquisition of a subsidiary	-	(3,560)
Recognised in investments in associates	-	67
Net deferred tax liabilities as at the end of the year	(308,155)	(279,873)

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The Group has not recognised deferred tax assets relating to the portion of tax losses carried forward. Management believes it is improbable that there will be sufficient taxable income available in the future against which any such deferred tax assets can be utilised. As at 31 December 2021, the total tax effect of unrecognised tax losses carried forward amounted to 19,785 million tenge (31 December 2020: 22,021 million tenge). These tax losses carried forward expire in 10 years from the date they were incurred.

19. TRADE ACCOUNTS PAYABLE

	31 December 2021	31 December 2020
Accounts payable for services provided	56,208	55,475
Accounts payable for the supply of property, plant and equipment	29,336	9,230
Accounts payable for inventories received	26,287	17,062
Other accounts payable	4,700	3,289
	116,531	85,056

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

	2021	2020
Tenge	105,782	72,429
US\$	4,634	7,308
Euros	3,995	3,864
In other currencies	2,120	1,455
	116,531	85,056

The average turnover period for accounts payable is 37 days (2020: 41 days).

20. CONTRACT LIABILITIES

	31 December 2021	31 December 2020
Advances received on contracts with customers	82,920	63,265
Deferred income	12,390	8,144
	95,310	71,409

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 67,411 million tenge (2020: 59,753 million tenge).

Contract liabilities as at 31 December 2021 will be recognised as revenue within 12 months after the reporting date.

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21. OTHER LIABILITIES

	31 December 2021	31 December 2020
Deferred income (government grants)	24,427	4,312
Provisions for unused vacation and other employee benefits	23,265	20,223
Provisions	4,291	11,550
Advances received	701	1,041
Others	3,336	2,547
Total other non-financial liabilities	56,020	39,673
Financial guarantee contract liabilities	29,953	32,132
Obligatory pension contributions, social insurance contributions and obligatory medical insurance contributions	9,696	6,908
Salary payable	7,563	6,516
Others	7,876	9,224
Total other financial liabilities	55,088	54,780
	111,108	94,453
Current portion of other liabilities	56,611	53,009
Non-current portion of other liabilities	54,497	41,444
	111,108	94,453

As disclosed in Note 28, the Group has provided financial guarantees to banks on loans received by Nursultan Nazarbayev International Airport JSC and Aktobe Rail and Section Mill Plant LLP and an associate Transtelecom JSC, and has recognised obligations under financial guarantee agreements. As at 31 December 2021, liabilities under financial guarantee agreements amounted to 15,476 million tenge for Nursultan Nazarbayev International Airport JSC, 13,953 million tenge for Aktobe Rail and Section Mill Plant LLP and 524 million tenge for Transtelecom JSC (31 December 2020: 15,635 million tenge for Nursultan Nazarbayev International Airport JSC, 14,829 million tenge for Aktobe Rail and Section Mill Plant LLP and 1,668 million tenge for Transtelecom JSC).

Provisions include provisions for agreements under which as at 31 December 2021, there is a high probability that an outflow of resources embodying economic benefits will be required to settle the liabilities. Provisions were recognised through other profit or losses.

As at 31 December 2021 and 2020, other financial liabilities were primarily denominated in tenge.

22. REVENUE

In 2021 and 2020, revenue from freight transportation included:

	2021	2020
Revenue from contracts with customers:		
International (transit) routes	425,755	372,582
Domestic routes	342,125	307,437
International (export) routes	191,782	189,792
International (import) routes	134,718	118,807
Additional charges related to the transportation process	44,495	34,926
Other revenue from freight transportation	45,396	38,980
	1,184,271	1,062,524

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Revenue from freight transportation is recognised over time.

In 2021 and 2020, revenue from passenger transportation included:

	2021	2020
Revenue from contracts with customers:		
Passenger transportation	49,580	32,959
Other revenue from passenger transportation	7,676	5,219
	57,256	38,178

Revenue from passenger transportation of 1,001 million tenge, attributable to portion of other revenue from passenger transportation, was recognised at a point in time (2020: 629 million tenge), and 56,255 million tenge was recognised over time (2020: 37,549 million tenge).

23. OTHER REVENUE

	2021	2020
Revenue from the sale of goods and provision of other services	33,679	30,694
Revenue from fines	5,754	3,575
Revenue from the lease of wagons	4,742	9,693
Revenue from the lease of other property, plant and equipment	3,600	3,124
	47,775	47,086

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

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

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

Revenue of 15,543 million tenge is recognised at a point in time (2020: 11,845 million tenge), and of 23,890 million tenge – over time (2020: 22,424 million tenge).

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	2021	2020
Staff costs, including taxes, contributions and provisions for unused vacations	337,482	286,794
Repairs and maintenance	152,310	146,476
Depreciation and amortisation	135,666	131,350
Fuel and lubricants	133,907	115,474
Work and services of a production nature	59,596	50,947
Electricity	51,200	49,584
Materials and supplies	44,400	40,271
Property tax and other taxes than social tax and social contributions	25,217	24,995
Employee benefit expenses and other long-term employee benefits (Note 17)	5,558	4,198
Utilities and building maintenance	4,269	3,986
Telecommunication services	2,931	3,099
Other costs	28,362	28,214
	980,898	885,388

25. GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020
Staff costs, including taxes, contributions and provisions for unused vacation	53,202	47,694
Property tax and other taxes other than social tax and social contributions	9,168	10,940
Depreciation and amortisation	5,030	5,045
Various third party services	2,564	1,058
Consulting, audit and legal services	1,973	2,848
Expenses to hold celebrations and cultural and mass events	1,532	936
Lease expenses	1,157	1,315
Business trip expenses	947	649
Utilities and building maintenance	857	730
Telecommunication services	645	655
Employee benefit expenses and other long-term employee benefits (Note 17)	555	355
Banking services	464	434
Expenses to maintain social sphere facilities	432	1,310
Insurance	407	355
Materials	313	657
Repairs and maintenance	192	357
(Recovery)/accrual of allowances for expected credit losses of accounts receivable and impairment of short-term advances paid	(171)	541
Other expenses	11,510	10,019
	90,777	85,898

26. FINANCE INCOME AND COSTS

	2021	2020
Finance income		
Interest on cash and cash equivalents	10,379	6,679
Guarantees issued	2,218	2,695
Interest rate subsidies on financial liabilities	2,176	29,558
Other financial income	3,074	7,965
	17,847	46,897

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Finance costs	2021	2020
Interest costs and loan discount amortisation	118,260	120,554
Lease interest expenses	7,414	6,879
Bonds early extinguishment premium and fees paid	-	24,221
Expected credit losses on guarantees issued	-	12,757
Other finance costs	594	2,967
	126,268	167,378

27. EARNINGS PER SHARE

Basic earnings per share are calculated using the weighted average number of common shares issued during the year. Basic and diluted per share data are the same, as there are no dilutive instruments outstanding. During 2021 and 2020, the Company had no outstanding antidilutive instruments.

	2021	2020
Weighted average of common shares	496,674,099	496,654,806
Profit for the year attributable to the Shareholder (million tenge)	119,085	16,233
Earnings per common share (tenge)	240	33
Profit for the year from continuing operations, attributable to the Shareholder (million tenge)	119,085	16,421
Earnings per common share from continuing operations (tenge)	240	33
Net assets excluding intangible assets, goodwill and non-controlling interests	1,226,586	1,101,674
Quantity of common shares in circulation (registered)	496,692,665	496,654,806
Carrying amount of one share (tenge)⁵	2,470	2,218

28. FINANCIAL AND CONTINGENT LIABILITIES

Investment liabilities

As at 31 December 2021, the Group had liabilities, including under lease agreements with Industrial Development Fund JSC to purchase long rails and freight and passenger electric locomotives, freight and passenger diesel locomotives for a total of 1,613,814 million tenge (2020: 1,679,287 million tenge).

Liabilities under lease agreements with Industrial Development Fund JSC

In August 2017, the Group, represented by its subsidiary KTZ Express JSC, entered into lease agreements with Industrial Development Fund JSC to lease 1,995 platform cars for 33,264 million tenge for 15 years and interest rate of 15% per annum, 10% of which is subsidised by the State. The grace period for the principal is 5 years. The Group acts as a lessee. As at 31 December 2021, 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 waggons to the actually delivered quantity as at 31 December 2021 in the amount of 6,402 million tenge.

⁵ Carrying amount of shares is calculated in accordance with KASE requirements.

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In November 2020, the Group, represented by its subsidiary KTZ Express JSC, entered into an agreement to lease 2,000 platform cars for 51,692 million tenge, for 15 years and interest rate of 15% per annum, 10% of which is subsidised by the State. The grace period for the principal is 2 years. The Group acts as a lessee. As at 31 December 2021, the commitment for the undelivered platform cars was 26,958 million tenge.

Other contractual liabilities

As at 31 December 2021, the Group, represented by its subsidiary KTZ Express JSC, had an agreement dated 28 December 2015 in place to provide freight handling and freight storage services in the future with its associate Aktau Marine North Terminal LLP, Sberbank SB JSC and Inter Port Development PTE LTD. The agreement stipulates that the Group has to acquire a minimum volume of freight storage services for 10 years and make substantial payments for those services.

Management of the Group believes that the service period under the Agreement with Aktau Marine North Terminal LLP has not yet commenced, because the Group has not been notified about the commencement date of commercial operations and service period, and the parties have not begun executing the obligations under the Agreement. Management of the Group believes that as at 31 December 2021, the outflow of resources embodying economic benefits under this Agreement is not highly probable.

Contingent liabilities*Litigation*

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

Contingent liabilities related to the Kazakhstan tax system

Due to the uncertainties inherent in the Kazakhstan tax system, the ultimate amount of taxes, fines and late payment interest may exceed the amount expensed as at 31 December 2021 and 2020. It is not possible to determine the value of any unasserted claims that may be charged, if any, or the likelihood of any unfavourable outcome.

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

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

Guarantees

As at 31 December 2021, guarantees were presented as follows:

Creditor	Purpose of the guarantee	Guarantee issue date	Guarantee period	Guarantee amount, million tenge
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	18,008
Development Bank of Kazakhstan JSC	Execute the obligations of Nursultan Nazarbayev International Airport JSC to finance its modernisation	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	3,066
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	7,487

Note 21 discloses the carrying value of these guarantees.

As at 31 December 2021 and 2020, there were no cases of using the financial guarantees listed above.

To avoid non-compliance with respect to obligations to its creditors, prior to year-end, the Group received a waiver related to the non-application of financial covenants as at 31 December 2021 under the financial guarantee contract with Development Bank of Kazakhstan JSC.

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29. SUBSIDIARIES

Information on the composition of the Group is provided below:

Subsidiary ⁶	Activities	Country	Ownership interest, %	
			31 December 2021	31 December 2020
1. Kaztemirtrans JSC	Freight wagon operation	Kazakhstan	100	100
2. Passenger Transportation JSC	Passenger transportation	Kazakhstan	100	100
3. KTZ-Freight Transportation LLP	Freight transportation and locomotive haulage	Kazakhstan	100	100
4. KTZ Express JSC	Multimodal transportation	Kazakhstan	100	100
	Freight forwarding services, handling rolling stock, terminal services	Kazakhstan		
5. Kedentransservice JSC			100	100
6. Temirzholsu JSC	Utilities	Kazakhstan	100	100
7. Militarised Railway Security LLP	Security	Kazakhstan	100	100
8. Aktau Sea Commercial Port National Company JSC ⁷	Vessel loading and unloading work, vessel servicing	Kazakhstan	100	100
	Freight transshipment and vessel servicing	Kazakhstan		
9. Port Kuryk LLP			100	100
	Bond issues to finance KTZ	Russian		
10. KTZ Finance LLC	Group projects and operations	Federation	100	100
11. KTZ-Passenger Locomotives LLP	Locomotive rolling stock services	Kazakhstan	100	-
12. Remlocomotive JSC	Rolling stock production	Kazakhstan	-	100
13. Kamkor Repair Corporation LLP	Machinery production	Kazakhstan	-	100

The subsidiary Kaztemirtrans JSC was reorganised in 2021 by merging the subsidiaries Remlocomotive JSC and Repair Corporation Kamkor LLP to it.

The subsidiary KTZ-Passenger Locomotives was established in 2021 through a spin off from KTZ-Freight Transportation LLP.

During 2020, the Group acquired control over the Group's joint venture Logistic System Management B.V. by purchasing 50% from the second partner (a third party). The net cash payment for the purchase amounted to 26,499 million tenge. The acquisition was accounted for using the acquisition method. At the acquisition date, the Group's previously held interest in net assets of the joint venture was 14,670 million tenge and its remeasurement to fair value amounted to 9,035 million tenge. The excess of purchase price and fair value of the previously held interest over the fair value of net identifiable assets as at the acquisition date amounted to 15,520 million tenge and was recorded as goodwill. In November 2020, Logistic System Management B.V. transferred a 100% interest in its subsidiary Kedentransservice JSC to the Group's direct ownership. In May 2021, Logistic System Management B.V. was liquidated.

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

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

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30. RELATED PARTY TRANSACTIONS

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

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

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

		Shareholder	Associates	Joint ventures in which the Group is a partner	Companies making up the Shareholder group	Other related parties [*]
Amounts due from related parties for goods, services and non-current assets	2021	-	4,748	-	356	5
	2020	-	488	-	1,726	4
<i>including allowances for expected credit losses and impairment of advances paid</i>	2021	-	(35)	-	(23)	-
	2020	-	(85)	-	(21)	-
Amounts due to related parties for goods, services and non-current assets	2021	-	19,425	-	2,722	2,437
	2020	-	15,707	-	3,802	4,626
Restricted cash	2021	-	-	-	-	117
	2020	-	-	-	-	117
Loans received	2021	128,769	-	-	-	72,720
	2020	126,093	-	-	-	65,920
Lease liabilities	2021	48	27,012	-	-	27,291
	2020	225	37,994	-	-	5,571

^{*} Other related parties include other commercial entities under common control of the ultimate Shareholder.

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Related party transactions for the years ended 31 December are presented as follows:

		Shareholder	Associates	Joint ventures in which the Group is a partner	Companies making up the Shareholder group	Other related parties ⁸
Sale of goods, services and non-current assets	2021	-	133,393	-	7,822	689
	2020	5	99,207	15,135	5,183	499
Recovered/ (accrued) allowances for expected credit losses and impairment of advances paid	2021	-	55	-	(3)	-
	2020	-	4,036	-	54	-
Purchase of goods, services and non-current assets	2021	-	28,983	-	7,623	1,487
	2020	-	110,619	43	3,661	1,664
Receipt of loans	2021	-	-	-	-	13,125
	2020	-	-	-	-	35,714
Repayment of loans received	2021	1,175	-	-	-	1,077
	2020	1,175	-	-	-	1,077
New lease agreements (Group as lessee)	2021	-	25	-	-	21,289
	2020	-	45,417	-	-	-
Lease payments	2021	197	15,319	-	-	2,298
	2020	345	12,620	-	-	557
Finance income	2021	-	1,144	-	-	158
	2020	-	2,289	-	-	205
Finance expenses	2021	9,576	4,311	-	-	8,331
	2020	9,402	12,447	-	-	9,017
Dividends due	2021	-	6,462	-	-	-
	2020	-	4,364	2,734	-	-
Share capital contribution	2021	3,786	-	-	-	-
	2020	-	-	-	-	-

As at 31 December 2021, the Group has borrowings from Industrial Development Fund JSC and Development Bank of Kazakhstan JSC for a total of 72,720 million tenge (Note 15).

As at 31 December 2021 and 2020, the Group issued guarantees on certain borrowings of an associate, other related and third parties to ensure the execution of bank obligations (Notes 21 and 28).

As at 31 December 2021, Group 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%.

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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 15 persons for the year ended 31 December 2021 (31 December 2020: 15 persons). Total compensation to key management personnel included in personnel costs in the consolidated statement of profit or loss and other comprehensive income comprised 807 million tenge for the year ended 31 December 2021 (2020: 602 million tenge). Compensation to key management personnel mainly consists of contractual salary costs and bonuses based on operational results.

31. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to the Shareholder by optimising debt and equity balance. The Group's overall strategy remains unchanged from 2020.

There are no mandatory minimum capital requirements for the Group.

The Group's equity structure includes net debt (loans, debt securities and lease liabilities less cash and cash equivalents) and Group's equity (which comprises share capital, foreign currency translation and cash flow hedge reserves, retained earnings and non-controlling interests).

Financial risk management objectives

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

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Market risk

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

Interest rate risk

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

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

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

	31 December 2021		31 December 2020	
	Interest rate increase / (decrease) in basis points ⁹	Effect on pre-tax profit/equity	Interest rate increase / (decrease) in basis points ⁹	Effect on pre-tax profit/equity
Tenge borrowings	125/(25)	(788)/158	100/(25)	(665)/166
Russian Rouble borrowings	125/(25)	(1,380)/276	100/(25)	(1,084)/271

Currency risk

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

A significant portion of the Group's short-term and long-term foreign currency debt is denominated in US\$. A change in the tenge value against the US\$, or any other foreign currency in which debt is denominated will result in a foreign exchange gain or loss. During 2021, the Group incurred a foreign exchange loss of 11,147 million tenge, of which a major portion is attributable to borrowing as disclosed in Note 15 (2020: 52,647 million tenge).

⁹ 1 basis point 0.01%

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

	31 December 2021			31 December 2020		
	Exchange rate increase/ (decrease)	Effect on pre- tax profit	Direct effect on equity	Exchange rate increase / (decrease)	Effect on pre- tax profit	Direct effect on equity
US\$	13%/	(49,117)/		14%/	(53,045)/	
	(10%)	37,782	-	(11%)	41,678	-
	13%/	(8,393)/		14%/	(6,852)/	
Euros	(10%)	6,456	-	(11%)	5,384	-
	13%/	(25,393)/		15%/	(28,587)/	
Russian Roubles	(13%)	25,393	-	(15%)	28,587	-
	13%/		(26,952)/	14%/		(29,267)/
Swiss Francs	10%	(102)/79	20,732	(11%)	(83)/65	22,995
	13%/			14%/		
In other currencies	(10%)	200/(154)	-	(11%)	87/(68)	-

On 7 August 2015, the Group began cash flow hedging to decrease the risk of a change in the tenge equivalent of revenue denominated in Swiss Francs. Eurobonds issued on 20 June 2014 on the Swiss Stock Exchange are used as hedging instruments. The hedged item is revenue from transit traffic in Swiss Francs. As a result of hedging, in 2021 an effect of 823 million tenge was recognised in other comprehensive income (2020: 15,220 million tenge).

Credit risk

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

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

As at 31 December 2021, cash and cash equivalents are mainly held in Halyk Bank JSC with a credit rating of BB+ 'stable' (71% of cash and cash equivalents).

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

In addition, the Group is exposed to credit risk on financial guarantees provided to banks. The maximum risk of the Group in this regard is equal to the maximum amount that the Group will be obliged to pay in the event of claims for guarantees disclosed in Note 28.

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Liquidity risk

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

As at 31 December 2021, the Group has also credit lines available in Halyk Bank JSC and Citibank of Kazakhstan JSC with undrawn balances totalling 72,954 million tenge (31 December 2020: 36,389 million tenge).

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

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

	Up to 1 month	1-3 months	3 months– 1 year	1-5 years	Over 5 years	Total
2021						
<i><u>Interest-free</u></i>						
Accounts payable	114,487	2,043	1	-	-	116,531
Other liabilities	7,563	9,696	5,883	1,993	-	25,135
<i><u>Interest-bearing</u></i>						
Borrowings	15,847	9,461	280,869	838,401	1,974,796	3,119,374
Lease liabilities	2,401	6,479	18,389	36,592	55,996	119,857
Financial guarantees	-	479	2,326	30,152	54,875	87,832
	140,298	28,158	307,468	907,138	2,085,667	3,468,729
2020						
<i><u>Interest-free</u></i>						
Accounts payable	82,710	1,910	436	-	-	85,056
Other liabilities	6,516	6,908	5,088	4,136	-	22,648
<i><u>Interest-bearing</u></i>						
Borrowings	2,856	21,784	239,269	821,983	2,043,631	3,129,523
Lease liabilities	4,463	3,126	13,082	39,386	12,911	72,968
Financial guarantees	-	4,168	7,995	46,141	64,686	122,990
	96,545	37,896	265,870	911,646	2,121,228	3,433,185

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

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

	Up to 1 month	1-3 months	3 months – 1 year	Over 1 year	Unspecified maturity ¹⁰	Total
2021						
<i>Interest-bearing:</i>						
Short-term deposits	128,941	-	-	-	27	128,968
Interest on short-term deposits	453	-	-	-	-	453
Other assets	2	-	-	-	-	2
Cash and cash equivalents	17,577	-	-	-	4	17,581
Loans issued	-	-	-	6,326	2,349	8,675
<i>Interest-free:</i>						
Cash and cash equivalents	31,482	-	-	-	-	31,482
Restricted cash	-	-	235	13,737	-	13,972
Trade accounts receivable	22,147	1,074	27	47	5,246	28,541
	200,602	1,074	262	20,110	7,626	229,674
2020						
<i>Interest-bearing:</i>						
Short-term deposits	117,874	-	-	-	19	117,893
Interest on short-term deposits	23	-	-	-	-	23
Other assets	-	-	1	-	-	1
Cash and cash equivalents	3,336	-	-	-	3	3,339
<i>Interest-free:</i>						
Cash and cash equivalents	34,197	-	-	-	-	34,197
Restricted cash	-	-	127	11,512	-	11,639
Trade accounts receivable	11,081	196	40	54	1,089	12,460
	166,511	196	168	11,566	1,111	179,552

Fair value of financial instruments

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

¹⁰ The amounts with unspecified maturities represent the amounts, which were provided for expected credit losses

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

Cash and cash equivalents

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

Financial assets and liabilities

For assets and liabilities maturing within 12 months, the carrying value approximates fair value due to the relatively short-term maturity of these financial instruments.

For financial assets and liabilities maturing in over 12 months, the fair value represents the present value of estimated future cash flows discounted at year-end market rates.

Borrowings

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

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

As at 31 December 2021 and 2020, the fair value of financial assets and financial liabilities, except for loans issued, borrowings and debt securities was not significantly different from carrying value. The carrying value and fair value of loans issued, borrowings, debt securities (bonds) and other financial assets as at 31 December is presented as follows:

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans issued	3,797	5,299	-	-
Other financial assets	15,031	15,031	12,608	12,608
Borrowings	364,907	359,599	369,440	354,281
Debt securities	1,212,305	1,330,260	1,200,739	1,405,563

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

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

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
Total	-	20,229	101	20,330
Financial liabilities recognised 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
Total	1,330,260	359,599	-	1,689,859

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The table below provides an analysis of financial instruments as at 31 December 2020, broken down into the fair value hierarchy levels.

	Level 1	Level 2	Level 3	Total
<i>Financial assets</i>				
Other financial assets at amortised cost	-	12,507	-	12,507
Other financial assets at fair value through profit of loss	-	-	101	101
Total	-	12,507	101	12,608
<i>Financial liabilities recognised at amortised cost:</i>				
- debt securities	1,366,896	-	-	1,366,896
- debt securities from related parties	38,667	-	-	38,667
- bank loans	-	268,796	461	269,257
- loans from related parties	-	85,024	-	85,024
Total	1,405,563	353,820	461	1,759,844

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.

During 2021 and 2020, there were no transfers between the hierarchy levels.

32. EVENTS AFTER THE REPORTING DATE
Operating environment

At the start of January 2022, Kazakhstan witnessed mass protests, which turned into mass unrest. From 5 to 19 January 2022, a state of emergency was declared across the country. During the protests internet access was restricted across Kazakhstan, bank operations and transactions were suspended, the stock and commodity exchanges were closed and flights were cancelled. From 5 January 2022 due to closure of railway lines, the movement of trains at some stations had been suspended. From 11 January 2022, the Group has fully ensured the stability of freight and passenger traffic. The situation in Kazakhstan stabilised and was 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 trading and operations and its internal controls.

On 24 January 2022, the Shareholder approved an action plan (the "Plan"), which was developed in pursuance of the assignment by the President of Kazakhstan on the subject of reforming all areas of activity of the Shareholder and its portfolio companies, including the Group. The Plan reflects the implementation of systematic measures to change the personnel policy, the procurement system, initiatives to increase the corporate social responsibility by the Shareholder and its portfolio companies, support business, improve the processes of the compliance service, new approaches to dividend and investment policy, privatization of assets and development of human capital. The Group has started to implement the Plan.

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In February 2022, the tenge depreciated significantly against major foreign currencies amid the external geopolitical situation driven by escalating tensions in the region. 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 13.5% 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. However, there is uncertainty related to the future development of the geopolitical risks and their impact on the overall economy of the Republic of 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. Thus far, 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.

Early repayment of long-term loans

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 and 5,064 million tenge, respectively. On 14-15 March 2022 the Group made an early repayment of VTB Bank PJSC principal in the amount of 9,980,000,000 Russian Roubles (44,553 million tenge) and interest in the amount of 567,623,219 Russian Roubles (2,509 million tenge).

7

ADDITIONAL INFORMATION



About the Report

This Integrated Annual Report of NC KTZ JSC for 2021 is aimed at familiarizing our stakeholders with information about the results of the Company's activities, including achievements in the area of sustainable development.

In the reporting year, the Company continued the practice of disclosing information in an integrated format. The Report is drafted in accordance with GRI Standards (Global Reporting Initiative).

The report covers all subsidiaries and affiliates of the Company and reflects indicators for the period from January 1 to December 31, 2021 inclusive, as well as previous periods and projected values in order to reflect the dynamic of changes in indicators.

All Sustainability Reports are available on the Company's website:
<https://www.railways.kz/articles/sustainable-development/sustainability-report>.

The 2020 Sustainability Report was approved in June 2021 and posted on the website.

This Report was approved by the decision of the Board of Directors of NC KTZ JSC dated June 14, 2022.

Stakeholder Engagement

In order to better understand the needs of the state, business and the population, provide effective feedback and respect the interests of stakeholders, the Company seeks to build a dialogue with all stakeholders based on the principles of transparency.

The stakeholder engagement system is focused on achieving sustainable development goals and aligning the interests of all stakeholders.

The Company finds its social responsibility in being a reliable partner for stakeholders and is guided by the following principles for identifying and selecting stakeholders.

RELIANCE

stakeholders that are largely reliant on the Company's activities

STRATEGIC PARTNERS

stakeholders, cooperation with which is important in view of the Company's strategic prospects

TENSION

stakeholders that require the most active response

INFLUENCE

stakeholders that have a high degree of influence on the activities and performance of the Company.



When interacting with suppliers when purchasing goods, works and services, the Company applies requirements to suppliers to take the necessary measures and comply with the regulatory legal acts of the Republic of Kazakhstan on safety, fire safety, labor protection and the environment.

The Company has adopted the corporate standard for Safety management in the performance of work by contractors at NC KTZ JSC and its subsidiaries, which provides for:

- inclusion in contracts of contractors' obligations for compliance with the requirements of legislative and local acts of the Company;
- holding a kick-off meeting with contractors;
- conducting an introductory briefing on safety and labor protection with the contractors' personnel;
- ensuring monitoring of compliance by the contractors' personnel with the requirements of legislative and local acts of the Company.

Stakeholders were identified based on independence criteria, group interests and degree of influence.

The report discloses information generated in accordance with identified stakeholder expectations.

SUBSTANTIAL TOPICS AND THEIR TEXTUAL ORDER

In order to form the Report, the Company conducted a survey of stakeholders to determine the materiality of the aspects through an online survey.

The survey was conducted based on the classification of GRI Standards topics and topics identified as material in the previous reporting periods.

Taking into account the specifics of the Company, for the convenience of passing the online survey of stakeholders, the questionnaire was developed in 4 languages: Kazakh, Russian, English, and Chinese.

The survey was conducted among internal and external stakeholders to assess aspects of sustainable development. Based on the results of the answers, the Materiality Matrix was formed for aspects of sustainable development.

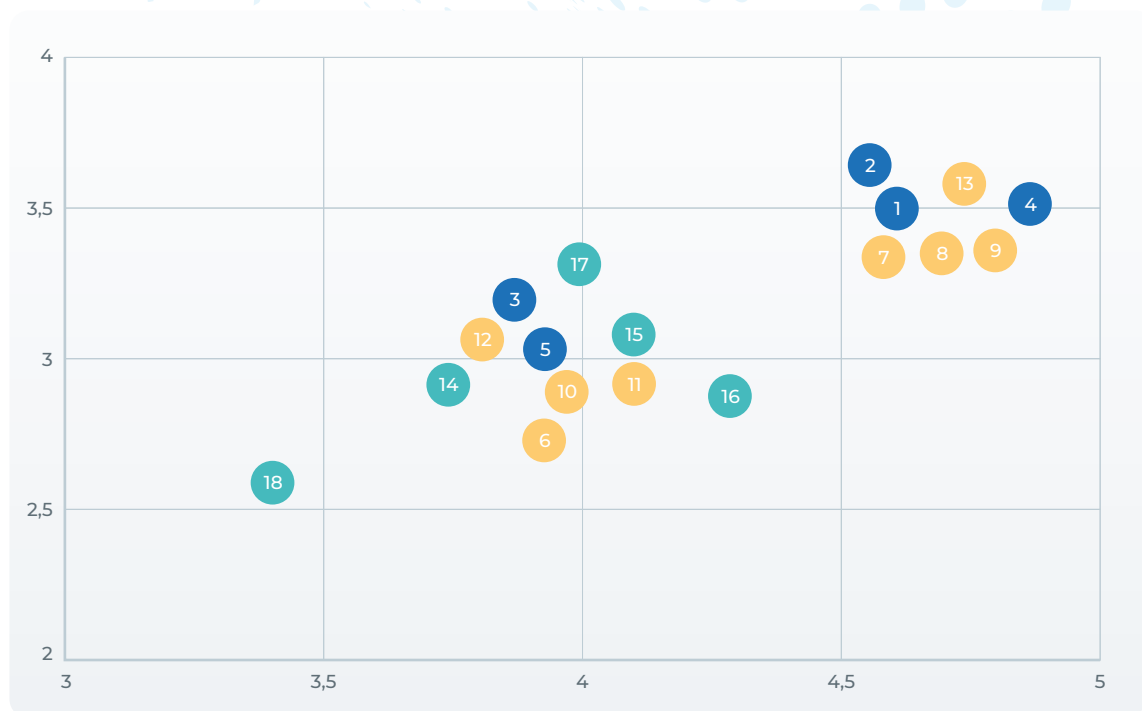
The Materiality Matrix provides a visual representation of the topics of sustainable development that are significant both for the Company and for stakeholders.

The horizontal axis shows the assessment of the materiality of the aspects for the stakeholders; the vertical axis shows the assessment of the materiality of the aspects for the Company. The topics that received the highest rating of significance for stakeholders and for the Company (upper part of the matrix) were recognized as the most significant and are disclosed in this Report.

Substantial topics are highlighted in the Report by 



Key Aspects Matrix



ECONOMIC INDICATORS

1. The materiality of information about the economic performance of the Company
2. The materiality of information about customers' satisfaction
3. The materiality of information about indirect economic impact of the Company on the regions of presence
4. The materiality of information about Company's procurement practice
5. The materiality of information about the relationship with the regulatory authority

SOCIAL INDICATORS

6. The materiality of information about the relationship between employees and management
7. The materiality of information on prevention of corruption
8. The materiality of information about Health and Safety
9. The materiality of information on the provision of a recruitment package to employees
10. The materiality of information about complaints mechanisms about labor practices
11. The materiality of information about training and professional growth
12. The materiality of information about non-discrimination
13. The materiality of information about transportation safety

ENVIRONMENTAL INDICATORS

14. The materiality of information on the efficiency of energy consumption within the Company
15. The materiality of information on the Company's compliance with environmental obligations
16. The materiality of information on environmental protection expenditures and investments
17. The materiality of information on reducing emissions of greenhouse gases and other pollutants
18. The materiality of information on compliance with legislative and regulatory requirements

LIST OF SUBSTANTIAL TOPICS

Standards and guidelines

The information presented in this report is formed in accordance with the GRI (Global Reporting Initiative) Standards, the requirements of the legislation of the Republic of Kazakhstan, the internal requirements and regulations of the Company itself, as well as in accordance with international corporate governance practices.

External assurance

This Report has not been independently verified. In the future, the Company plans to introduce a similar reporting verification practice.

The correctness of the data included in the Report is ensured by the existing accounting and information collection systems, as well as by the current internal control procedures.

At the same time, while preparing this Report, a number of relevant inquiries about the impact of the Company on such aspects as the economy, environment and society were sent to subsidiaries and affiliates. After receiving the information, a draft Report was formed, which was agreed with all interested structural divisions of the Company in accordance with the internal regulations. Before publication, this Report will be submitted to the Management Board of the Company and the Board of Directors of the Company to be agreed and approved.

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GLOSSARY

NC KTZ JSC	National Company Kazakhstan Temir Zholy Joint-Stock Company
Fund	National Welfare Fund Samruk-Kazyna Joint-Stock Company
GDP	gross domestic product - a macroeconomic indicator that reflects the market value of all finished goods and services (i.e. intended for direct consumption, use or application) produced per year in all economy sectors on the territory of the state for consumption, export and accumulation, regardless of national affiliation of used factors of production
Freight turnover	economic indicator of transport operation (an indicator of the volume of freight transportation), equal to the product of the mass of freight transported for a certain time by the distance of transportation. Freight turnover is measured in ton-kilometers
Lost Time Injury Frequency Rate	defines the number of cases of loss of working time, related to the total hours worked in a department or enterprise for a year, and normalized to 1 million people/hour
KR	Kazakhstan Railways
BRN	backbone railway network
CBDP	cross-border division points
Operating income	income of the enterprise from its core activity, equal to the difference between the net revenue (revenue minus the cost) and expenses on the core activity (the latter include direct and operating expenses) or, equivalently, between gross profit and operating expenses
Passenger turnover	indicator of the volume of passenger traffic in passenger-kilometers, calculated as the product of the number of passengers by the distance of transportation
Running track miles	the sum of the lengths of all running tracks (first, second, third, and etc.)
Mass media	mass media
FER	fuel and energy resources
Energy output	indicator of reduction in specific costs of fuel and energy resources per unit of output (work)
Route miles	the length of railway lines between stations, excluding such tracks as the second running, station, etc.
EBITDA	an analytical indicator equal to the amount of profit before interest, taxes, depreciation and accrued amortization.
EBITDA margin	a measure of a company's profitability, calculated as the ratio of EBITDA and revenue
TEU	twenty-foot equivalent unit
GRI	Global Reporting Initiative
OSJD	Organisation for Cooperation Between Railways
IUR	International Union of Railways
APRA UIC	Asia-Pacific Regional Assembly of the International Union of Railways
EEU	Eurasian Economic Union
SCO	Shanghai Cooperation Organization
ACS EDT	Automated control system "Energy Dispatch Traction"
LCL	less than container load
CCTT	International Coordinating Council on Trans-Eurasian Transportation
KPI	key performance indicators

Consumer goods	consumer goods
UTLC ERA	United Transport and Logistics Company Joint Stock Company - Eurasian Railway Alliance
TITR	Trans-Caspian International Transport Route
CIT	corporate income tax
Inventories	inventories
G&A Costs	general and administrative costs
ROACE	Return On Average Capital Employed
NOPAT	after-tax operating income
NAV	Net Asset Value
IPS	Integrated Planning System
TMD	main motive-power depots
TD	transfer motive-power depot
IT	information technologies
SSC	Shared Service Center
EDS	electronic digital signature
IFTMIN	electronic message about the shipment for the consignment
DPC	Data Processing Center
SCB	signaling, centralization and blocking devices
PPE	personal protective equipment
IS IS	Industrial Safety Integrated System
II	inventory items
HR KPI	key performance indicators of personnel management
BSS	Bounded Supervisor Score
MSL	minimum salary level
UPSF	Unified Pension Savings Fund
USIC	International Railway Sports Association
SHD	Sudden Health Decline
RTD	Regulatory and Technical Documentation
EP	Environment Protection
SMW	Solid Municipal Waste
ESG	environmental, social, and corporate governance
LSE	London Stock Exchange
AIFC	Astana International Financial Center
NRC	Nomination and Remuneration Committee
SFC	Strategy and Finance Committee
SEPC	Safety and Environmental Protection Committee
AC	Audit Committee

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**We invite all interested parties to participate in the
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