Annex 1
to Bulletin for absentee voting at
Annual General Meeting of
Shareholders of UKTMP JSC dd.14.07.2022

Ust-Kamenogorsk Titanium and Magnesium Plant JSC
Consolidated Financial Statements
for the Year Ended 31 December 2021
with Independent Auditor's Report

Content

Тел.: +7 727 331 31 34
Факс: +7 727 331 31 35
info@bdokz.com
www.bdokz.com

ТОО "BDO Kazakhstan"
бульвар Бухар Жырау 23
Алматы, Казахстан
A15A0E2

Tel: +7 727 331 31 34
Fax: +7 727 331 31 35
info@bdokz.com
www.bdokz.com

BDO Kazakhstan LLP
23 Bukhar Zhyrau blvrd
Almaty, Kazakhstan
A15A0E2

Independent Auditor's Report

To the President and the Board of Directors of Ust-Kamenogorsk Titanium Magnesium Plant JSC

Opinion

We have audited the consolidated financial statements of Ust-Kamenogorsk Titanium and Magnesium Plant JSC (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, 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 (IFRS).

Basis for Qualified Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Group in accordance with the Code of Ethics of Professional Accountants of the Council of International Ethics Standards for Accountants (ISEC Code) and ethical requirements applicable to our audit of financial statements in Kazakhstan, and we have fulfilled other ethical obligations in accordance with these requirements and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants.

We believe that the audit evidence we have obtained is sufficient and appropriate to warrant the expression of our opinion.

Key Audit Matters

Key audit matters are matters that, in our professional judgment, were the most significant for the audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion hereon, and we do not provide a separate opinion on these matters. These matters were addressed in the context of our audit of the consolidated financial statements as a whole.

We have fulfilled the obligations described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report, including with respect to these matters. Accordingly, our audit included the implementation of procedures developed in response to our risk assessment of material misstatement of the financial statements. The results of our audit procedures, including those performed during the consideration of the matters below, serve as the basis for expressing our audit opinion on the accompanying consolidated financial statements.

Key Audit Matters	How relevant key audit matters were addressed during the audit
Capital expenditures capitalized in property, plant and equipment	
The Group incurred significant capital expenditures during the year that were capitalized into property, plant and equipment, and capital expenditures included several areas with significant judgments and estimates that represented a risk to our audit.	We performed substantive control tests to gain confidence regarding authorization, accuracy and completeness of registration and classification of capital expenditures. We also conducted verification testing of the costs of supporting documentation such as invoices and contracts.
In particular, the appropriateness of the allocation of costs between operating expenses and capital expenditures allocated to property, plant and equipment was a key task for our audit to ensure that costs are allocated appropriately.	We critically evaluated the management's policy on capitalization and management's allocation of costs between operating expenses and capital expenditures allocated to property, plant and equipment to assess the distribution of such costs based on the substance of the core business, confirmed by spot checks and meetings with the planning and finance departments.
Information on capital expenditures capitalized in property, plant and equipment is disclosed in Note 5 to the consolidated financial statements.	
Measurement of rehabilitation liabilities	
We consider this issue to be one of the most important in the audit since the measurement of rehabilitation liabilities requires significant judgment due to the inherent difficulty in assessing future costs. Most of these liabilities are expected to be settled in the long run, which causes uncertainty in their measurement. Measurement of rehabilitation liabilities includes an understanding of legal or constructive obligations regarding the liquidation of each asset based on contractual agreements and relevant local legislation. Measurement of rehabilitation liabilities takes into account the impact of changes in local laws, the management's expected approach to liquidation and the discount rate, along with the effects of changes in inflation rates.	Our procedures for estimating the rehabilitation provision included an analysis of the methodology used by management. We analyzed contractual agreements. We examined the relevant assumptions used by management, such as discount rates and inflation rates, and compared them with the available data recommended for calculations.
Measurement of rehabilitation liabilities is disclosed in Note 16 to the consolidated financial statements; an overview of significant accounting policies and judgments and estimates is disclosed in Note 3 to 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. We assume that the annual report will be presented to us after the date of this audit report.

Our opinion on the consolidated financial statements does cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

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 IFRS 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 consolidated financial reporting process.

Auditors' 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 auditors' 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 skepticism 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 auditors' 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 auditors' 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;
- 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 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 auditors' 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.

The engagement partner on the audit resulting in this independent auditor's report is Talgat Omarov.

Qualified Auditor Talgat Omarov ________________

(Qualification certificate of the auditor No. 0000237 issued by the Qualification Commission for the attestation of auditors of RK on 29.04.1996)

BDO Kazakhstan LLP

State license for audit No. 21030362 issued on 22 October 2021 by the Committee of the Internal State Audit of the Ministry of Finance of the Republic of Kazakhstan.

Talgat Omarov ________________

Director

BDO Kazakhstan LLP

23 Bukhar Zhyrau Avenue, Bostandykskiy District

Almaty, Republic of Kazakhstan

30 April 2022

UST-KAMENOGORSK TITANIUM AND MAGNESIUM PLANT JSC

Consolidated statement of financial position as at 31 December 2021

KZT thousand	Notes	31.12.2021	31.12.2020
Assets			
Non-current assets			
Property, plant and equipment	5	72,702,135	68,869,636
Intangible assets	6	2,243,663	1,150,443
Right-of-use asset	7	330,379	301,688
Deferred tax assets	29	123,553	-
Investments in associate	8	1,717,727	1,100,980
Other non-current assets	9	434,823	867,880
Total non-current assets		**77,552,280**	**72,290,627**
Current assets			
Inventory	10	41,052,694	45,204,057
Receivables	11	22,243,999	17,577,745
Income tax overpayment		324,175	546,647
Value-added tax and other taxes receivable	12	5,238,090	5,637,099
Cash and cash equivalents	13	6,582,036	3,323,707
Total current assets		**75,440,994**	**72,289,255**
Total assets		**152,993,274**	**144,579,882**

UST-KAMENOGORSK TITANIUM AND MAGNESIUM PLANT JSC
Consolidated statement of financial position as at 31 December 2021 (continued)

KZT thousand	Notes	31.12.2021	31.12.2020
Equity and liabilities			
Equity			
Share capital	14	159,988	159,988
Additional paid-in capital	14	1,282,401	1,282,401
Other provisions		(44,521)	(42,631)
Currency translation reserve		10,782,320	9,657,467
Retained earnings		28,398,769	27,257,212
Total		**40,578,957**	**38,314,437**
Non-current liabilities			
Loans	15	10,199,975	11,748,455
Rehabilitation provision	16	902,075	817,574
Lease liabilities	17	155,887	142,215
Employee benefit obligations	18	163,343	90,659
Deferred tax liability	29	4,782,223	5,073,680
Non-current accounts payable	19	45,683	76,908
Total non-current liabilities		**16,249,186**	**17,949,491**
Current liabilities			
Loans	15	31,375,067	26,708,884
Lease liabilities	17	111,283	119,502
Employee benefit obligations	18	25,919	20,241
Short-term payables	19	64,589,286	61,204,020
Taxes payable	20	63,576	263,307
Total current liabilities		**96,165,131**	**88,315,954**
Total liabilities		**112,414,317**	**106,265,445**
Total equity and liabilities		**152,993,274**	**144,579,882**

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

President

A.T. Mamutova

Financial Director

G.B. Umirbekova

UST-KAMENOGORSK TITANIUM AND MAGNESIUM PLANT JSC
Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2021

KZT thousand	Notes	2021	2020
Revenue	21	66,854,736	57,465,010
Cost of sales	22	(54,428,880)	(43,620,270)
Gross profit		**12,425,856**	**13,844,740**
Other operating incomes	23	2,387,651	1,540,905
General and administrative expenses	24	(6,192,922)	(5,426,881)
Sale and distribution expenses	25	(2,231,183)	(2,050,375)
Other operating expenses	26	(1,562,857)	(1,640,525)
Operating profit		**4,826,545**	**6,267,864**
Finance incomes	27	3,281	22,867
Finance costs	28	(2,119,370)	(2,312,926)
Share of associate in performance	8	588,059	198,245
Profit before tax		**3,298,515**	**4,176,050**
Corporate income tax expense	29	(721,215)	(2,134,451)
Profit for the year		**2,577,300**	**2,041,599**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of actuarial losses for defined benefit plans		(1,890)	4,921
Income from foreign exchange difference		1,124,853	3,752,831
Total comprehensive income for the year		**3,700,263**	**5,799,351**
Earnings per share, basic and diluted (KZT per share)			
Ordinary shares	14	1,257	996
Preferred shares	14	1,257	996

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

President

A.T. Mamutova

TMK

Financial Director

G.B. Umirbekova

UST-KAMENOGORSK TITANIUM AND MAGNESIUM PLANT JSC

Consolidated statement of cash flows for the year ended 31 December 2021

KZT thousand	Notes	2021	2020
Cash flows from operating activities			
Sale of finished goods		54,395,410	60,773,711
Other receipts		295,738	239,527
VAT refund from the budget		5,005,875	8,281,495
Interest received		75	22,002
Payments to suppliers and subcontractors		(29,775,290)	(32,180,803)
Salary paid		(6,207,768)	(5,905,272)
Settlements with the budget		(3,967,412)	(5,643,073)
Corporate income tax paid		(1,077,265)	(1,644,401)
Interest paid	15	(1,052,763)	(1,176,615)
Other payments		(2,782,817)	(1,990,920)
Net cash from operating activities		**14,833,783**	**20,775,651**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		17,857	-
Acquisition of property, plant and equipment and intangible assets		(12,122,588)	(13,426,099)
Increase of restricted cash	9	(1,078)	(3,505)
Net cash flows used in investing activities		**(12,105,809)**	**(13,429,604)**
Cash flows from financing activities			
Loans received	15	43,891,167	51,746,079
Repayment of loans	15	(42,175,700)	(58,702,655)
Repayment of lease liabilities	17	(116,800)	(140,970)
Dividends paid, net of withholding tax	14	(1,312,640)	(27,076)
Net cash flows from/(used in) financing activities		**286,027**	**(7,124,622)**
Net change in cash		3,014,001	221,425
Effect of changes in a currency exchange rate on cash and cash equivalents		244,328	11,603
Cash at the beginning of the year	13	3,323,707	3,090,679
Cash at the end of the year	**13**	**6,582,036**	**3,323,707**

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

President

A.T. Mamutova

Financial Director

G.B. Umirbekova

UST-KAMENOGORSK TITANIUM AND MAGNESIUM PLANT JSC
Consolidated statement of changes in equity
for the year ended on 31 December 2021

KZT thousand	Share capital	Additional paid-in capital	Currency translation reserve	Other reserves	Retained earnings	Total
At 1 January 2020	**159,988**	**1,282,401**	**5,904,636**	**(47,552)**	**25,247,986**	**32,547,459**
Profit for the year	-	-	-	-	2,041,599	2,041,599
Other comprehensive income	-	-	3,752,831	4,921	-	3,757,752
Dividends (Note 14)	-	-	-	-	(32,373)	(32,373)
As of 31 December 2020	**159,988**	**1,282,401**	**9,657,467**	**(42,631)**	**27,257,212**	**38,314,437**
Profit for the year	-	-	-	-	2,577,300	2,577,300
Other comprehensive income			1,124,853	(1,890)	-	1,122,963
Dividends (Note 14)	-	-	-	-	(1,435,743)	(1,435,743)
As of 31 December 2021	**159,988**	**1,282,401**	**10,782,320**	**(44,521)**	**28,398,769**	**40,578,957**

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

President

A.T. Mamutova

Financial Director

G.B. Umirbekova

1. General information

Corporate Background

Ust-Kamenogorsk Titanium and Magnesium Plant JSC (hereinafter - the "Company") was registered on 29 September 1995 under the legislation of the Republic of Kazakhstan as an open joint-stock company. The Company was re-registered as a joint-stock company on 5 February 2004.

The Company's principal activity is the production of high-grade titanium sponge, titanium ingots and magnesium of Mg-90 grade for use in aviation and other industries. Since September 2000, the Company independently produces slag to be further processed into the titanium sponge. In October 2010, the plant for the production of titanium ingots and alloys was put into operation. In 1997 the Company's share is officially included in the trading list of shares at the Kazakhstan Stock Exchange (KASE).

The consolidated financial statements include the results of operations of the Company and its fully controlled subsidiaries (hereinafter - the "Group").

The ultimate controlling party of the Group is Johann Dumont, Managing Director of SPECIALTY METALS HOLDING COMPANY.

Subsidiaries

SGOP: On 7 March 2014, the Company became the 100% owner of STM LLC. On 29 April 2014, STM LLC was renamed o Satpaevsk Mining and Processing Plant LLP ("SGOP"). The main activity of SGOP is the exploration and extraction of ilmenite on the Bektemir field located in Eastern Kazakhstan.

SGOP carries out production of ilmenite under License No. 14009949 dated 11 July 2014 and subsoil use contract dated 28 March 2000. The contract was concluded for ten years; in 2011 the parties signed a supplementary agreement to extend the term by six years ahead, until 2018. In 2017, an additional agreement was signed to extend the period until 2025. On 14 February 2022, the Company received a confirmation from the Ministry of Industry and Infrastructural Development of the Republic of Kazakhstan on the commencement of negotiations about the contract prolongation and mining period until 2040, as well as about mining volumes.

UKTMPi: On 19 March 2014, the Company registered a subsidiary - UKTMP International Ltd. under the legislation of the United Kingdom of Great Britain. As of 31 December 2021, the authorized capital of the subsidiary is unpaid. UKTMP International Ltd. during 2021 and 2020 was engaged in the sales of titanium sponges and titanium ingots and purchased the main raw materials for the Company's production of titanium sponges.

Associate

As of 31 December 2021 the Company owns 38.31% (2020:38.31%) interest in Posuk Titanium LLP (hereinafter "Posuk"), incorporated under the legislation of the Republic of Kazakhstan. The main activity of Posuk is the production of titanium ingots and slabs. This investment is accounted for as an investment in an associate.

In November 2014, the plant for the production of titanium ingots and slabs was put into operation. The plant is located on the territory of the Company. In 2015 Posuk LLP started sales of products. Until 2017, Posuk LLP acquired a titanium sponge from the Company and sold the ingots independently.

In 2017, the Company changed its relationship with Posuk associates. According to the terms of the contract, Posuk LLP provides services for the processing of raw materials and the manufacture of finished products - commercial-grade titanium ingots.

The registered office of the Company is located at 070017, Republic of Kazakhstan, East Kazakhstan Region, Ust-Kamenogorsk, Sogrinskaya str., building 223/3.

The total number of employees of the Group as of 31 December 2021 and 2020 were 2,064 people and 2,295 people, respectively.

Address and place of business: 070017, Republic of Kazakhstan, Ust-Kamenogorsk, Sogrinskaya str., building 223/3.

These consolidated financial statements of the Group were approved for release by the President and Financial Director of the Group on 30 April 2022.

2. Basis of preparation

These consolidated financial statements have been prepared under the historical cost model, except for the transactions disclosed in the accounting policies and notes to these consolidated financial statements. The Group prepared its financial statements on the going concern bases.

Statement of conformity

These consolidated financial statements of the Group have been prepared under International Financial Reporting Standards (IFRS) as amended by the Board of International Accounting Standards ("IFRS Board").

The preparation of consolidated financial statements under IFRS requires the use of certain significant accounting estimates, and also requires management to make judgments about assumptions in applying the accounting policies. Areas of application that include an increased level of complexity of the application of assumptions, as well as areas in which the application of estimates and assumptions is material to the Group's consolidated financial statements are disclosed in Note 3.

Functional and presentation currency of consolidated financial statements

The functional currency of each consolidated entity of the Group is the United States dollar, except for the subsidiary SGOP, which operates in the national currency of the Republic of Kazakhstan, Kazakhstan tenge ("tenge"). The decision to transfer the Company to a functional currency denominated in US dollars came into force on 1 September 2015. However, Posuk LLP (associate) made this decision and actively conducted its operations in US dollars from 1 January 2015.

The reporting currency of the Company is the national currency of the Republic of Kazakhstan - Kazakhstan tenge ("tenge").

Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date the fair value was determined.

Non-monetary items measured at historical cost in a foreign currency are not translated.

Currency exchange rates applied by the Group when preparing the consolidated financial statements are as follows:

	Average exchange rate for 2021	Average exchange rate for 2020	31 December 2021	31 December 2020
1 US dollar	381.18 tenge	412.95 tenge	381.18 tenge	420.71 tenge

New standards, interpretations and amendments to existing standards and interpretations

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards and interpretations effective on 1 January 2021. The Group did not earlier apply any standards, interpretations or amendments that were issued but did not enter into force.

The Group first applied the following amendments and clarifications in 2021, but they had no impact on the consolidated financial statements:

Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments

- include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments do not have any impact on the Group's consolidated financial statements, the Group intends to adopt the practical expedients in future periods if necessary.

Covid-19-Related Rent Concessions and Covid-19-Related Rent Concessions beyond 30 June 2021 - Amendments to IFRS 16

On 28 May 2020, the IASB issued an amendment to IFRS 16 Leases - Lease Assignments Related to the Covid-19 Pandemic. The amendment provides an exemption for lessees from the requirements in IFRS 16 to account for lease modifications arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may decide not to analyse whether a Covid-19-related rent concession is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19-related rent concession the same way it would account for the change under IFRS 16 if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but due to the continuing impact of the Covid-19 pandemic, the IASB decided on 31 March 2021 to extend the application of the practical expedient until 30 June 2022.

The amendment is effective for the annual periods beginning on or after 1 April 2021.

The Group does not have any Covid-19-related rent concession but plans to apply the practical expedients during the allowable period, if necessary.

Standards issued but not yet effective

New standards, amendments and interpretations issued but not yet effective as of the date of the issue of the consolidated financial statements of the Group are disclosed below. The Group intends to apply these standards, amendments and interpretations if they are effective and applicable to the Group's activities.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and

disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts. In September 2017, the Board established a Transition Resource Group (TRG) for IFRS 17 to analyse implementation-related questions. The TRG met four times and while no further meetings have been scheduled, the TRG submission process remains open for stakeholders to send in questions they believe meet the TRG submission criteria. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts,

covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods starting on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17. This standard does not apply to the Group.

Classification of Liabilities as Current or Noncurrent - Amendments to IAS 1

In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of liability not impact its classification.

These amendments are effective for the annual reporting periods beginning on or after 01 January 2023 and are applied retrospectively. The Group analyses the effect of these amendments on the current classification of liabilities and the necessity of revising the terms of the effective loan agreements.

Reference to the Conceptual Framework - Amendments to IFRS 3

In May 2020, the IASB issued amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately.

At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments are effective for the annual reporting periods beginning on or after 01 January 2022 and are applied prospectively.

Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16

In May 2020 the IASB issued the amendment prohibiting entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment effective for the annual reporting periods beginning on or after January 1 2022 must be applied retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

It is expected that the amendments will not significantly affect the Group.

Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.
The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments enter into force for annual periods beginning on or after 01 January 2021. The Group will apply these amendments to non-fulfilled contracts as of the beginning of the annual reporting period in which the Group first applies the amendments.

IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter

As a part of the 2018-2020 annual improvements cycle the ISAB issued the amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

An entity applies the amendment for annual reporting periods beginning on or after 01 January 2022. Earlier application is permitted.

IFRS 9 Financial Instruments Fees in the '10 per cent' test for derecognition of financial liabilities

As a part of the 2018-2020 annual improvements cycle the ISAB issued the amendment to IFRS 9 Financial Instruments. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

An entity applies the amendment for annual reporting periods beginning on or after 01 January 2022. Earlier application is permitted. The Company will apply the amendment for financial liabilities that have been modified or replaced at or after the beginning of the annual reporting period in which it first applies the amendment.

It is expected that the amendments will not significantly affect the Group.

IAS 41 Agriculture - Taxation in fair value measurements

As a part of the 2018-2020 annual improvements cycle the ISAB issued the amendment to IFRS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 01 January 2022. Earlier application is permitted.

It is expected that the amendments will not significantly affect the Group.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual periods beginning on or after 01 January 2023 and apply to changes in accounting policies and accounting estimates that occur on or after the beginning of that period.

Early application is permitted provided that this is disclosed.

It is expected that the amendments will not significantly affect the Group.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, which provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are effective for annual periods beginning on or after 01 January 2023, with earlier application permitted. As the amendments to IFRS 2 provide a Practical Statement on the application of the definition of 'material' to the accounting policy information, it is not required to specify the effective date of the amendments.

The Group is currently assessing the impact the amendments may have on the Group's accounting policy disclosures.

Significant accounting policies

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is or contains a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement. To assess whether the right to control the use of an identified asset is transferred under this contract, the Group applies the definition of a lease under IFRS 16.

<u>Group as a lessee</u>

The Group recognizes the right-of-use asset and the lease liability at the commencement date. The right-of-use asset is initially measured at cost, being the initial measurement of the lease liability, adjusted for lease payments made on or before the commencement date, plus initial direct costs incurred and estimated costs to dismantle and remove the underlying asset, restore the underlying asset or site on which it is located, less any lease incentives received.

Under subsequent accounting, the right-of-use asset is depreciated on a straight-line basis from the commencement date until the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the original cost of the right-of-use asset reflects the Group's exercise of a purchase option. In such cases, the right-of-use asset is depreciated over the useful life of the underlying asset, which is determined using the property, plant and equipment approach. In addition, the value of the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain reassessments of the lease liability.

The lease liability is initially measured at the present value of the lease payments outstanding at the inception of the lease, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, using the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate based on interest rates from various external sources and makes certain adjustments to take into account the terms of the lease and the type of leased asset.

Lease payments included in the measurement of a lease liability include:

- Fixed payments, including essentially fixed payments;
- Variable lease payments that depend on an index or rate initially estimated using the index or rate at the inception date;
- Amounts expected to be paid by the lessee under liquidation value guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise the option, the lease payments over the additional lease term arising on the renewal option if the Group is reasonably certain to exercise the renewal option and penalties for premature termination unless it is reasonably certain that the Group will not terminate the lease prematurely.

The lease liability is measured at amortized cost using the effective interest method. It is reassessed if future lease payments are altered because of changes in index or rates, if the Group's estimate of the amount to be paid under a residual value guarantee changes, if the Group changes its estimate of whether it will exercise a call option, a lease renewal option or a lease termination option, or if a lease payment that is substantially fixed is revised.

When the lease liability is renegotiated in this manner, an adjustment is made to the carrying amount of the right-of-use asset or charged to profit or loss if the carrying amount of the right-of-use asset was previously reduced to zero.

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value and short-term assets. The Group recognizes lease payments made under such leases as an expense on a straight-line basis over the lease term.

Consolidation principles

The consolidated financial statements include the statements of the Company and entities controlled by the Company (subsidiaries), as of 31 December of each year. An entity is considered controlled if the entity:

- has authority over the investee
- has rights/carries risks to variable results of activity of the organization-object of investments, and may use its powers to influence the income from participation in the investee.

The company assesses whether it has control over the investee if facts and circumstances indicate that there has been a change in one or more of the three controls listed above.

If the Company does not own the majority of the voting shares of the investee, then it has authority concerning the investee if the Company has sufficient voting rights to enable it to single-handedly manage the significant activities of the investee. In assessing whether the Company has sufficient voting rights to have the authority to influence the investment entity, the Company considers all relevant facts and circumstances, including:

- the percentage of voting shares of the Company compared to the percentage and distribution of votes of other holders
- potential voting rights owned by the Company, other holders of votes to other parties;
- rights arising from other contractual agreements; and

- any additional facts and circumstances indicating that the Company has or is not able to currently manage significant activities at the time when it is necessary to make a management decision, including the distribution of votes at previous meetings of participants.

Consolidation of a subsidiary begins when the Company gains control of the subsidiary and ceases when control is lost. In particular, the financial results of subsidiaries acquired or disposed of during the year are included in profit or loss from the moment the Company obtains control until the date on which the Company ceases to control this subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the provisions of the applicable accounting policies into line with those of the Group.

All intra-group assets and liabilities, equity, profit, loss and cash flow on transactions between the enterprises of the Group are eliminated upon consolidation.

Investments in associates and joint ventures

An associate is an entity being significantly influenced by the Group and which is neither a subsidiary nor a share in a joint venture. Significant influence implies the right to participate in decision-making regarding the financial and economic policies of the organization but does not imply control or joint control about such a policy.

The results of operations of the associate are included in these financial statements using the equity method.

Using the equity method, investments in an associate are initially recognized in the consolidated statement of financial position at cost and subsequently adjusted for the Group's share of the profit or loss and other comprehensive income of the associate. If the Group's share in the losses of the associate exceeds the Group's share in the enterprise (including any shares that form part of the Group's net investment in the associate), the Group ceases to recognize its share in further losses. Additional losses are recognized only if the Group, by law or under business standards, must recover the corresponding share of losses or if the Group made payments on behalf of the associate.

Investments in an associate are accounted for using the equity method, starting from the date that the organization becomes an associate. The excess of the acquisition cost of the investment over the Group's share in the fair value of identifiable assets and liabilities at the acquisition date constitutes goodwill, which is included in the carrying amount of such investments. If the Group's share in the net fair value of the identifiable assets and liabilities acquired exceeds the acquisition cost of the investment after remeasurement the amount of such excess is immediately recognized in profit or loss in the period in which the investment is acquired.

Recognition of the impairment of the Group's investment in an associate is determined under IAS 36. If necessary, the carrying amount of an investment (including goodwill) is tested for impairment under IAS 36 in full by comparing its recoverable amount (the highest value of the value in use and fair value minus costs of disposal) with its carrying amount. The recognized impairment loss does not apply to any asset (including goodwill) that is included in the carrying amount of the investment. An impairment loss recovery is recognized under IAS 36 if the recoverable amount of the investment subsequently increases.

The Group ceases to use the equity method when the entity ceases to be an associate. If the Group retains an interest in a former associate that represents a financial asset, that interest is measured at fair value at that date, and the fair value of the investment is considered to be fair value at the time of initial recognition under IFRS 9. The difference between the carrying amount of the associate at the date that the equity method is discontinued and the fair value of all remaining interests and all proceeds from the disposal of part of the interest in the associate or joint venture is taken into account in determining the profit or loss from the sale of the associate. Besides, accounting for the amounts previously recognized in other comprehensive income in respect of the disposal of the associate is carried out by the Group in the same manner as would be necessary if the associate sold their respective assets and liabilities independently. Accordingly, if the gain or loss previously recognized by such an associate in other comprehensive income is reclassified to profit or loss on disposal of the related assets or liabilities, the Group reclassifies profit or loss from equity to profit or loss (in the order of reclassification adjustment) at the time of disposal such an associated organization.

The Group applies IFRS 9, including impairment requirements, to long-term investments in an associate that are not subject to the equity method and that form part of the net investment in the investee. Besides, when applying IFRS 9 to long-term investments, the Group does not take into account adjustments to the carrying amount of long-term investments required by IAS 28 (for example, adjusting the carrying amount of long-term investments as a result of the distribution of losses of an investee or impairment testing under IAS 28).

Revenue recognition

Sales of goods

The Group's operations are related to the production of titanium sponge, titanium ingots and magnesium Mg-90 grade. Sales are recognized at the moment of passing control of the goods, i.e. when the goods are delivered to the buyer, the buyer has complete freedom of action concerning the goods and when there is no unfulfilled obligation that may affect the acceptance of the goods by the buyer. Delivery is deemed to have been made when the goods have been delivered to a specific place, the risks of wear and loss are passed to the buyer and the buyer accepted the goods under the contract, the validity of the acceptance provisions has expired or the Group has objective evidence that all acceptance criteria have been met.

Accounts receivable are recognized when the goods are delivered, as at this point the reimbursement is unconditional because the due date is due only to the passage of time.

The terms of delivery of products are determined by specific sales contracts with customers, usually under the incoterms classification.

Sales of services

The Group provides a fixed-fee service. Revenue from the provision of services is recognized in the reporting period when the services were provided. Under fixed-fee contracts, revenue is recognized based on the volume of services provided before the end of the reporting period, in proportion to the total volume of services provided, as the buyer simultaneously receives and consumes benefits.

Financing components

The Group does not intend to conclude agreements in which the period between the transfer of the promised goods or services to the buyer and payment by the buyer exceeds one year. Therefore, the Group does not adjust transaction prices for the effect of the time value of money.

Contract balances

Trade receivables

Accounts receivable represent the Group with the right to compensation, which is unconditional (i.e. the moment when such compensation becomes payable is due only to the passage of time).

Contractual obligation

An obligation under a contract is an obligation to transfer to the customer goods or services for which the Group has received consideration from a buyer. If the buyer pays the consideration before the Group transfers the goods or services to the buyer, the Group recognizes the obligation under the contract at the time of payment or at the time when the payment becomes payable (whichever comes first). Contractual obligations are recognized as revenue when the Group fulfils its contractual obligations.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is or contains a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement. To assess whether the right to control the use of an identified asset is transferred under this contract, the Group applies the definition of a lease under IFRS 16.

Group as a lessee

The Group assesses whether the contract as a whole or its components is a lease at the time of its conclusion. The Group recognizes a right-of-use asset and a corresponding lease liability for all leases in which it is a lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and low-value asset leases (such as tablets, personal computers, office furniture and phones). For these leases, the Group recognizes lease payments as operating expenses on a straight-line basis over the lease term, unless another method of allocating expenses more closely matches the distribution of economic benefits from leased assets over time.

The lease liability is initially measured at the present value of the lease payments, discounted at the rate outlined in the lease that was not paid at the effective date of the lease. If this rate cannot be determined, the Group uses the rate of raising additional borrowed funds.

Lease payments included in the measurement of a lease obligation include:

- Fixed rental payments (including substantially fixed payments), net of any incentive payments for leases receivable;
- Amounts expected to be paid by the lessee under liquidation value guarantees;
- The strike price of the purchase option, if there is sufficient confidence that the lessee will exercise the option;
- Payment of fines for terminating the lease, if the lease term reflects the potential exercise of the option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

After the start date of the lease, the lease liability is measured by increasing the carrying amount by the amount of interest on the lease obligation (using the effective interest method) and reducing the carrying amount by the amount of the lease payments made.

The Group reassesses the lease liability (and makes an appropriate adjustment to the corresponding right-of-use asset) whenever:

- the lease term has changed or a significant event or change has occurred in the circumstances that led to a change in the assessment of the exercise of the purchase option, in which case the lease obligation is remeasured by discounting the revised lease payments using the revised discount rate;
- the lease payments are changed due to changes in the index or rate or a change in the expected payment at the guaranteed residual value, and in these cases, the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the change in lease payments is a result of a change in the floating interest rates, in this case, the revised discount rate is used);
- the lease is modified and the change in the lease is not taken into account 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 the revised discount rate at the effective date of the modification.

The Group did not make any adjustments during the periods presented.

The right-of-use asset includes an initial assessment of the relevant lease obligation, lease payments made on or before the day the lease comes into force, minus any incentive lease payments received and initial direct costs. Subsequently, they are measured at historical cost less accumulated amortisation and impairment losses.

If the Group should dismantle or liquidate the leased asset, restore the occupied area on which it is located, or restore the underlying asset to the condition required by the lease terms, the provision is recognized and measured under IAS 37. Costs related to right-of-use assets are included in the corresponding right-of-use asset unless these costs are associated with the creation of inventories.

Right-of-use assets are amortized over the shorter of the two periods: the lease term or the useful life of the underlying asset. If the lease transfers ownership of the underlying asset or the value of the right-of-use asset reflects the Group's intention to acquire, the corresponding asset in the form of a right to use is amortized over the useful life of the underlying asset. Depreciation commences on the date the lease commences.

Right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether an asset is impaired in the form of a right of use and takes into account any impairment losses that are identified as described in the property, plant and equipment policy.

Group as a lessor

Leases in which the Group is a lessor are classified as finance or operating leases. In cases where, according to the terms of the lease, the tenant transfers almost all the risks and benefits associated with the right of ownership, the lease is classified as a financial lease. All other leases are classified as operating leases.

Operating lease income is recognized on a straight-line basis over the lease term. Initial direct costs associated with the approval of the terms of the operating lease and its execution are included in the carrying amount of the asset leased and are charged to expenses on a linear basis over the lease term.

Segment information

Segment information is compiled under internal reporting to the Group President, who is responsible for operational decisions. A segment is subject to separate disclosure if its revenue, income or assets comprise at least ten per cent of total revenue, total income or total assets of all operating segments.

Property, plant and equipment

Recognition and subsequent evaluation

Property, plant and equipment are carried at cost less accumulated depreciation and provision for impairment (where necessary). The acquisition cost consists of the purchase price, including import duties and non-refundable acquisition taxes, minus trade discounts and refunds, and any costs directly related to the delivery of the asset to the place and bringing it into working condition for the intended purpose.

The cost of acquiring property, plant and equipment manufactured or constructed economically includes the cost of the materials spent, production work performed and part of the production overhead.

Subsequent costs are either included in the carrying amount of the asset or recorded as a separate asset only if the Group is likely to derive economic benefits from the operation of the asset and its value can be measured reliably. The carrying amount of the replaced part is written off. All other repair and maintenance costs are charged to profit or loss for the reporting period as incurred.

The gain or loss on disposal of property, plant and equipment in the amount of the difference in the consideration received and their carrying amount is recognized in profit or loss for the year as part of other operating income or expenses.

Depreciation costs

Depreciation of property, plant and equipment is charged from the date of their installation and their readiness for use or in respect of assets created within the Group, from the date of completion and readiness of the asset for use. Wear is based on the value of the asset less the estimated residual value. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted as necessary.

Depreciation of property, plant and equipment, except for the main metallurgical equipment, is generally recognized in profit or loss on a straight-line basis over the estimated useful lives of each asset of property, plant and equipment, as this most closely reflects the expected consumption pattern of future economic benefits recognized in the asset.

The following useful lives are used to calculate depreciation on a straight-line basis:

	Useful life (years)
Buildings	15-50
Machinery and equipment	5-15
Transport	3-10

Depreciation on basic metallurgical equipment is charged using the production method to write off the actual cost of the property, plant and equipment minus residual value.

The residual value of an asset is an estimate of the amount that the Group would currently be able to obtain from the sale of the asset, less costs to sell, on the assumption that the age of the asset and its technical condition is already at the end of their useful lives. The Group proceeds from the assumption that the residual value of property, plant and equipment is mostly insignificant, and neglects it when calculating depreciable value. At the same time, based on the characteristics of property, plant and equipment and analysis of the possibilities for their disposal after the end of their useful life, the Group may decide to create a residual value for certain property, plant and equipment.

Impairment

At the end of each reporting period, management determines whether there is any indication of impairment of property, plant and equipment. If at least one such indicator is identified, management estimates the recoverable amount, which is determined as the higher of the two values: fair value less costs to sell the asset and value in use. The carrying amount of an asset is reduced to a recoverable amount; an impairment loss is recognized in profit or loss for the year. An impairment loss for an asset recognized in previous reporting periods is reversed (if necessary) if there has been a change in the estimates used to determine the value in use of the asset or its fair value less costs to sell.

Intangible assets

Subsoil use rights and other intangible assets

Subsoil use rights are measured at cost less accumulated amortization and any accumulated impairment losses. The cost of acquiring subsoil use rights includes the cost of subsoil use rights and capitalized expenses. Other intangible assets acquired by the Group and have a finite useful life are carried at cost less accumulated amortization and impairment losses. Subsequent costs are capitalized in the cost of a particular asset only if they increase the future economic benefits embodied in that asset.

Amortisation

Amortization is calculated based on the cost of the asset less its estimated residual value.

For intangible assets, amortization is usually calculated from the moment the assets are ready for use and recognized in profit or loss for the period in a linear manner over the respective useful lives since this method most accurately reflects the expected nature of the enterprise's consumption of future economic benefits from these assets.

The expected useful lives of intangible assets in the reporting and comparative periods were as follows:

- Subsoil use rights: 32 years
- Software: 7 - 11 years

At the end of each reporting year, amortization methods, useful lives and residual values are reviewed for the need to review them and, if necessary, are reviewed.

Financial instruments

Financial assets and liabilities are recorded in the statement of financial position of the Group when the Group becomes a party to an agreement in respect of the relevant financial instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) increase or decrease the fair value of financial assets or financial liabilities upon initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized in profit or loss.

Financial assets

Transactions on the acquisition or sale of financial assets on standard terms are recorded in the financial statements and derecognized at the date of the transaction. Acquisition or sale transactions on standard terms represent the purchase or sale of financial assets requiring the delivery of assets within the period established by the rules or agreements adopted in the relevant market.

All recognized financial assets are subsequently fully measured either at amortized cost or at fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments for which both conditions are satisfied must subsequently be measured at amortized cost:

- a financial asset is held in the framework of a business model, the purpose of which is to hold financial assets to obtain cash flows stipulated by the contract, and
- the contractual terms of the financial asset stipulate receipt of cash flows on specified dates, which are solely payments against the principal amount of the debt and interest on the outstanding portion of the principal amount of the debt.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- a financial asset is held in the framework of a business model, the purpose of which is achieved both by obtaining the cash flows stipulated by the contract and by selling financial assets; and
- the contractual terms of the financial asset determine the receipt of cash flows, which are solely payments against the principal amount of the debt and interest on the outstanding portion of the principal amount of the debt.

By default, all other financial assets are measured at fair value through profit or loss (FVTPL).

Notwithstanding the foregoing, the Group may, at initial recognition of a financial asset, classify it, without the right of subsequent reclassification, as follows:

- make a decision, without the right of its subsequent cancellation, to submit subsequent changes in the value of equity instruments in other comprehensive income subject to certain criteria (see paragraph (iii) below); and

- the Group may classify, without the right of a subsequent cancellation, an investment in a debt instrument that meets the criteria for amortized cost or FVTPL, such as FVTPL, if such a classification excludes or significantly reduces the likelihood of accounting mismatch (see paragraph (iv) below).

(i) The amortized cost and effective interest method

The effective interest method is a method for calculating the amortized cost of a debt instrument and the distribution of interest income over the relevant period.

For financial assets other than acquired or created credit-impaired financial assets (i.e., assets that are credit-impaired at initial recognition), the effective interest rate is the discount rate on expected future cash receipts (including all payments received or made on the debt instrument, which are an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding the expected credit losses for the expected period until the debt instrument is paid off or (if applicable) for a shorter period to the carrying amount at the time the debt instrument was initially recognized. For credit-impaired financial assets acquired or created, the effective interest rate adjusted for credit risk is calculated by discounting the expected future cash flows, including expected credit losses, to the amortized cost of the debt instrument at the time it is initially recognized.

The amortized cost of a financial instrument is the amount at which the financial asset is measured at initial recognition, minus payments against the principal amount of the debt, plus the accumulated amortisation calculated using the effective interest method, the difference between the stated initial amount and the amount payable upon occurrence maturity adjusted for the loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for provisions for potential losses).

Interest income is recognized using the effective interest method for debt instruments that are subsequently measured at amortized cost and FVTOCI. Interest income on financial assets, other than acquired or created credit-impaired financial assets, is calculated by applying the effective interest rate to the gross carrying amount of the financial asset, excluding financial assets that subsequently become credit-impaired (see below). Interest income on financial assets that subsequently become credit-impaired is recognized by applying the effective interest rate to the amortized cost of the financial asset. If in subsequent reporting periods the credit risk of credit-impaired financial assets is reduced so much that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial instrument.

For acquired or created credit-impaired financial assets, the Group recognizes interest income by applying the effective interest rate, adjusted for credit risk, to the amortized cost of the financial asset from the date of initial recognition. The calculation is not made on a gross basis, even if the credit risk on financial assets is reduced so that the financial asset is no longer credit-impaired.
Interest income is recognized in profit or loss and included in Financial Income.

Impairment of financial assets

The Group recognizes a provision for expected credit losses on trade receivables. Expected credit losses should be updated at each reporting date to reflect changes in credit risk since the initial recognition of the relevant financial instrument.

The Group always recognizes expected credit losses (ECLs) for the entire term of trade receivables. The expected credit losses from such financial assets are estimated using the provision matrix based on the experience of the occurrence of credit losses in the Group, adjusted for factors specific to the borrower, general economic conditions and an assessment of both current and forecasted development of conditions as of the reporting date.

For other financial instruments, the Group recognizes expected credit losses for the entire term if there is a significant increase in credit risk from the date of initial recognition. However, if at the reporting date there is no significant increase in the credit risk of a financial instrument from the date of initial recognition, the Group shall estimate the allowance for losses on this financial instrument in the amount equal to 12-month expected credit losses.

Expected credit losses over the entire term are the expected credit losses arising from all possible defaults over the expected life of the financial instrument. 12-month expected credit losses, on the other hand, are part of the expected credit losses for the entire period, which are the expected credit losses that arise due to defaults on a financial instrument that are possible within 12 months after the reporting date.

Derecognition of financial assets

The Group ceases to recognize financial assets only in case of termination of contractual rights to cash flows on them or in case of transfer of a financial asset and related risks and benefits to another organization. If the Group does not transfer and does not retain all the main risks and benefits of owning the asset and continues to control the transferred asset, then it continues to reflect its share in the asset and the possible obligations associated with it for the possible payment of the respective amounts. If the Group retains practically all the risks and benefits of owning a transferred financial asset, the Group recognizes the financial asset and reflects the funds received upon transfer as a secured loan.

Upon derecognition of a financial asset measured at amortized cost, the difference between the carrying amount of the asset and the amount of consideration received and receivable is recognized in profit or loss.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial liabilities measured at amortized cost

Financial liabilities are measured at amortized cost using the effective interest method.

The effective interest method is used to calculate the amortized cost of a financial liability and the distribution of interest expenses during the relevant period. The effective interest rate is the discount rate of expected future cash payments (including all payments received or made on a debt instrument that are an integral part of the effective interest rate, transaction costs and other premiums or discounts) for the expected term of the financial liability or (if applicable) at a shorter period to the carrying amount of the financial liability.

Derecognition of financial liabilities

The Group ceases to recognize financial liabilities only if they are repaid, cancelled or the claim has expired. The difference between the carrying amount of a financial liability that is derecognised and the consideration paid or receivable is recognized in profit or loss.

The exchange of debt instruments between the borrower and the lender with significantly different conditions should be accounted for as repayment of the initial financial obligation and recognition of a new financial obligation. Similarly, the Group records a significant change in the terms of an existing liability or part thereof as a repayment of the original financial liability and recognition of a new liability. The conditions are considered to be significantly different if the present value of cash flows under the new conditions, including commission payments minus the received commission, discounted at the original effective interest rate, differs by at least 10 per cent from the discounted present value of the remaining cash flows on the initial financial liability. If the change in conditions is not material, the difference between (1) the carrying amount of the obligation before the change in the terms and (2) the present value of cash flows after the change in the terms is recognized in profit or loss as profit or loss from changes in contractual terms in other profit or loss.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or creation of assets that take a significant amount of time to prepare for their planned use or sale are included in the cost of such assets until they are ready for their planned use or sale.

Income received as a result of the temporary investment of the borrowed funds until they are spent on the acquisition of qualifying assets is deducted from the cost of loans that are allowed for capitalization.

All other borrowing costs are recognized in profit or loss as incurred.

Inventory

Inventories are recorded at a lower of cost and net realizable value. When stocks are put into production and otherwise disposed of, they are valued using the FIFO method. The cost of finished goods and work in progress includes the cost of raw materials and supplies, labour costs of production workers and other direct costs, as well as the corresponding share of production overhead (calculated based on the normative use of production capacities), and does not include borrowed costs. Net selling price is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs that must be borne for sale.

Value-added tax

Value-added tax (VAT) arising from the sale is payable to the tax authorities upon shipment of goods and the provision of services. VAT paid on the purchase of goods and services can be set off against VAT payable upon receipt of a tax invoice from the supplier. Tax legislation allows for the payment of VAT on a net basis. Accordingly, VAT on sales and acquisitions is recorded in the statement of financial position on a net basis. Reimbursable VAT is classified as a long-term asset if it is not expected to be paid back within a year after the reporting period.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits in bank deposits and other short-term highly liquid investments with an initial maturity of no more than three months. Cash and cash equivalents are carried at amortized cost using the effective interest method. Restricted cash balances are excluded from cash and cash equivalents to compile a cash flow statement. Cash balances with a restriction on the exchange or use to repay liabilities effective for at least twelve months after the reporting date are included in other non-current assets.

Share capital

Ordinary shares are classified as equity. Additional costs directly attributable to the issue of new shares are recognized in equity as deductions from the proceeds net of taxes.

Dividends

Dividends are recognized as a liability and deducted from equity at the end of the reporting period only if they are declared and approved before the end of the reporting period inclusively. Information on dividends is disclosed in the financial statements if they were recommended before the end of the reporting period, and also recommended or declared after the end of the reporting period, but before the date of approval of the financial statements for the issue.

Provisions

Provisions are recognized if the Group, as a result of a certain event in the past, has legal or contingent liabilities, for the settlement of which it is highly probable that an outflow of resources will be required and which can be estimated in monetary terms with a sufficient degree of reliability. Provisions are not recognized for future operating losses.

Rehabilitation provision

Rehabilitation provision is recognized when it is probable that commitment will arise and that a reasonable estimate of their amounts can be made. Rehabilitation costs include the costs of dismantling or demolishing infrastructure, cleaning the environment, and monitoring emissions. Provision for estimated rehabilitation costs is established and allocated to the value of property, plant and equipment in the reporting period in which the obligation arises from the corresponding fact of waste generation based on the net present value of estimated future costs. The rehabilitation provision does not include any additional obligations that are expected to arise in the event of future violations or damage. Costs are estimated based on a rehabilitation plan. Estimated cost amounts are calculated annually as they are used, taking into account known changes, for example, updated estimated amounts and revised asset life or established operating life, with official reviews conducted regularly.

Although the exact final amount of the required costs are not known, the Group estimates its costs based on a feasibility study and engineering studies under the current technical rules and standards for the implementation of rehabilitation work.

Employee benefits

Long-term employee benefits

The Group offers its employees' benefits payable upon termination of employment (lump-sum retirement benefits, retirement burial allowance) and other long-term employee benefits (provision of material assistance to employees in the event of disability, on the occasion of an anniversary or close relations' death) under the provisions of the collective contract.

The right to receive remuneration payable upon termination of employment is usually granted depending on the remaining term of employment until retirement and whether the employee has a minimum length of service.

Post-employment benefits are non-funded defined benefit plans and are measured under the revised IAS 19 Employee Benefits. Actuarial and investment risks for non-funded defined benefit plans lie with the Group.

When evaluating non-funded defined benefit plans, the benefits due to employees for their services in the current and previous periods is initially determined and actuarial assumptions are made. Then, the discounted value of the defined benefit pension plan liabilities and the value of current services are determined using the projected unit credit method.

Amortization or "cancellation" of the discount used to determine the net present value of the provisions is recognized in the financial expenses for the period.

The Group recognizes in profit or loss:

- the cost of services provided in the current period;
- the cost of any services of previous periods and profit or loss arising in the calculation of the obligations of the plan; and
- the net interest on the defined benefit obligation.

The Group recognizes actuarial gains or losses on remeasurement of net employee benefits upon completion of employment as part of other comprehensive income.

The right to receive other long-term employee benefits depends on the employee having a minimum length of service. The assessment of other long-term employee benefits is carried out during the employee's labour activity according to the methodology used in calculating non-funded defined benefit plans. For other long-term employee benefits, the Group recognizes the value of current and past services, the net interest on the net liability, actuarial gains and losses (remeasurement of the net liability) in profit or loss. Actuarial gains and losses include both the effect of changes in actuarial assumptions and the effect of the experience of differences between actuarial assumptions and actual data.

Actuarial assumptions include demographic assumptions (employee mortality rate, employee turnover rate, disability and early dismissal) and financial assumptions (discount rate, future wage rate, remuneration level). The most significant assumptions used in accounting for defined benefit plans and other long-term benefits are the discount rate, the level of future wages, and the average turnover rate. The discount rate is used to determine the present value of future liabilities, and each year the cancellation of the discount on such liabilities is charged to the profit or loss account for the year as interest expense. The Group uses market yield rates for government bonds with similar conditions as discount rates.

Such obligations are valued annually by independent qualified actuaries.

Labour costs and related deductions

Salary costs, pension contributions, contributions to the social insurance fund, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued as the employees of the Group carry out the corresponding work. On behalf of its employees, the Group pays pension and severance payments provided for by the legal requirements of the Republic of Kazakhstan. Such payments are expensed as incurred. When employees retire, the Group's financial liabilities cease, and all subsequent payments to retired employees are made by a single accumulative pension fund.

Under the requirements of the legislation of the Republic of Kazakhstan, the Group withholds pension contributions from employee salaries. Also, according to the amendments and additions made to the pension legislation of the Republic of Kazakhstan from 1 January 2014, the Group at its own expense bears the costs associated with the payment of compulsory professional pension contributions in favour of workers employed in work with harmful (especially harmful) working conditions. The Group transfers the indicated types of pension contributions to the single accumulative pension fund of Kazakhstan. When workers retire, all payments are made by the above pension fund.

Income tax

In these consolidated financial statements, income tax is recorded under the legislation of the Republic of Kazakhstan, effective or practically effective at the end of the reporting period. Income tax expenses include current and deferred taxes and are recognized in profit or loss for the year if they should not be included in other comprehensive income or directly in equity due to transactions that are also recorded in this or another period in other comprehensive income or directly in equity.

Current tax represents the amount that is expected to be paid to or reimbursed from the state budget concerning taxable profit or loss for the current and past periods. Taxable profits or losses are based on estimates if the financial statements are authorized before filing relevant tax returns. Other taxes, other than income tax, are recognized as operating expenses.

Deferred income tax is calculated using the balance sheet liability method for tax losses carried forward to future periods and temporary differences arising between the tax base of assets and liabilities and their carrying amount in the financial statements. Under the exemption for initial recognition, deferred taxes are not recognized for temporary differences arising on the initial recognition of an asset or liability for transactions that are not related to business combinations, if they do not affect accounting or taxable profit.

The carrying amount of deferred tax is calculated at tax rates that are effective or substantially effective at the end of the reporting period and which are expected to be applied during the reversal of temporary differences or the use of tax losses carried forward. Deferred tax assets concerning deductible temporary differences and deferred tax losses are recognized only when there is a high probability of future taxable profit that can be reduced by such deductions.

The Group controls the reversal of temporary differences relating to taxes on dividends of joint ventures and associates or income from their sales. The Group does not recognize deferred tax liabilities for such temporary differences unless management expects a reversal of temporary differences in the foreseeable future.

Earnings per share

Preferred shares qualify as shares participating in profits. Earnings per share are determined by dividing the profit or loss by the weighted average number of shares participating in the earnings outstanding during the reporting year.

3. Significant judgments in applying the Group's accounting policies

The Group uses estimates and makes assumptions that affect the reported assets and liabilities during the next financial year. Estimates and judgments are subject to ongoing critical analysis and are based on past management experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. Management also makes certain judgments, apart from those requiring estimates, in the process of applying accounting policies.

Judgments that have the most significant effect on the amounts recognized in the consolidated financial statements and estimates that could necessitate a material adjustment to the carrying amount of assets and liabilities over the next year include the following:

Inventory valuation

Inventories are recorded at a lower of cost and net realizable value. The Group makes allowances for the impairment of inventories based on the results of regular inventories and management reviews of illiquid, obsolete and other inventories whose net realizable value is lower than cost.

The provision is recognized in profit or loss for the year. Management believes that the allowance for impairment losses formed on 31 December 2021, and 31 December 2020, is sufficient and represents the best estimate of management for impaired inventories (Note 10).

Subsoil use contract

The validity period of the main subsoil use contract of SGOP related to the mining of ilmenite ore has been extended until 2025. The management of the Group expects that the contract will be extended until the end of the useful life of the field, which is expected in 2045. The Ministry of Industry and Infrastructural Development of the Republic of Kazakhstan permitted negotiations on amending the ilmenite ores exploration and development contract at the Bektemir field in East-Kazakhstan oblast in terms of contract prolongation until 2040 and on mining volumes increase.

In these consolidated financial statements, depreciation expenses, the carrying amount of property, plant and equipment and the rehabilitation provision was recognized on the assumption that the subsoil use contract will be extended until the end of the useful life of the field. Management believes that it has the right to extend the subsoil use contract under the terms of the contract and applicable subsoil use legislation.

Functional currency definition

As stated in Note 2, the functional currency of each of the consolidated entities of the Group is the currency of the primary economic environment in which the entity operates. The main economic environment in which the company operates is usually the environment in which the company mainly receives and spends its cash. In determining its functional currency, the management of the company considers various factors: (i) the currency that dominates the determination of sales prices, and the competitive forces and regulatory documents that determine sales prices, (ii) the currency in which the financing of the company is mainly expressed, and profit from operating activities, (iv) aspects of the autonomy of a foreign enterprise from the reporting company and the level of transactions between them, as well as other factors under IAS 21 The Effect of Changes in Foreign Exchange Rates.

When the above factors are mixed and the functional currency is not obvious, management uses its professional judgment to determine the functional currency that most reliably represents the economic impact of the underlying operations, events and conditions. First of all, management takes into account the currency, competitive forces and regulatory documents that have the greatest impact on selling prices and operating costs, followed by consideration of the currency that is most appropriate for the financing of the company, and the currency in which profit from operating activities is expressed, as well as the degree of autonomy and company independence. The latter factors are intended to provide additional evidence in determining the functional currency. The indicators for determining the functional currency are mixed. However, management applied judgment and determined that the functional currency for the Companies is the US dollar (Note 2) since most of the investment and funding sources are in that currency.

Management understands that the bulk of the Company's operating expenses is expressed in Kazakhstan tenge. However, taking into account the Company's exposure to the influence of the international titanium market, management believes that the US dollar best reflects the currency that has the greatest impact on the Company's operations. If management identified Kazakhstan tenge as a functional currency, the results, operating activities and financial position of the Group would differ significantly.

Provisions for financial assets

The Group creates provisions for expected credit losses on trade receivables. In assessing expected credit losses in respect of trade receivables, the Group applied the simplified approach provided by the standard and calculated expected credit losses for the entire life of the specified financial instruments. The Group used a valuation reserve model, which was prepared to take into account experience with credit losses, adjusted for factors specific to borrowers and general economic conditions.

The Group believes that there is a significant increase in credit risk if contractual payments are past 30 days. It is also considered that a default occurs on a financial asset if payments under the agreement are overdue for 90 days. However, in certain cases, the Group may conclude that a default occurred on a financial asset if internal or external information indicates that it is unlikely that the Group will receive the full amount of the remaining payments stipulated by the contract, without taking into account the credit enhancement mechanisms held by the Company. So, as of 31 December, 2021 and 2020, provisions for expected credit losses were established for KZT 204,056 thousand and KZT 199,117 thousand respectively (Note 11).

Rehabilitation provision

Following environmental legislation, the Group has a legal obligation to rehabilitate the environment after operations and decommission its mining assets and waste polygons and restore a landfill site after its closure. Rehabilitation provision is recognized for future rehabilitation and at the end of their useful lives. The provision is formed based on the net present value of land rehabilitation costs as the obligation arises as a result of past activities.

The rehabilitation provision is determined based on interpretation by the Group of the current environmental legislation of the Republic of Kazakhstan, supported by a feasibility study and engineering studies under current standards and rehabilitation methods and works. The provision is estimated based on current legal and design requirements, the level of technology and prices. Since the actual rehabilitation may differ from their estimates due to changes in environmental requirements and interpretations of legislation, technologies, prices and other conditions, and these costs will be incurred in the distant future, the carrying amount of the provision is regularly reviewed and adjusted to account for such changes.

The rehabilitation provision is reviewed at each reporting date and adjusted to reflect the best estimate under IFRIC 1 Changes in Existing Decommissioning, Rehabilitation and Similar Liabilities.

Significant judgments in making such estimates include an estimate of the discount rate and the timing of the cash flows. The discount rate is applied to the face value of the work that management expects to spend on land rehabilitation in the future. Accordingly, management's accounting estimates made at current prices are increased using the expected inflation rate of 2021: 8.7% (2020: 7.5%) and discounted prices using the average market cost of borrowings. The discount rate reflects current market assessments of the time value of cash, as well as the risks of liabilities that were not considered in the best estimates of costs. The discount rate used by the Group to calculate the provision as of 31 December 2021 was 12.8% (2020: 8.73% to 9.1%). As of 31 December 2021, the carrying amount of the rehabilitation provision amounted to KZT 902,075 thousand (2020: KZT 817,574 thousand) (Note 16).

Tax laws compliance

The tax legislation of the Republic of Kazakhstan is subject to varying interpretations and is changing. At the same time, management's interpretation of the provisions of tax legislation as applied to the Group's activities may be challenged by the relevant regional or state authorities, which have the legal right to impose fines and penalties. It is likely that tax accounting for transactions that have not been called into question in the past may be challenged in the future. The tax period remains open for review by the tax authorities over the next five calendar years. Under certain circumstances, reviews may cover longer periods. Even though the management of the Group is based on its interpretation of tax legislation, it believes that tax liabilities are correctly recorded in these consolidated financial statements.

4. Segment information

Operating segments are separate components that carry out business activities that can generate revenue and be related to expenses, the operating results of which are regularly reviewed by the top management body, and for which there is separate financial information. The top management body may be represented by one person or a group of persons who allocate resources and evaluate the results of the Group. The functions of the top management body of the Group are performed by the President of the Company.

(a) Description of operating segments

The group operates within the following main operating segments:

- Segment "Sponge Titanium"
- Segment “Titanium alloys and ingots”
- Other segments: other activities not material to the Group as a whole.

(b) Factors used by the management to determine reportable segments

The segments of the Group are strategic business units that produce various products with different added value and target different customers. They are managed separately since each business unit requires its own sales market and in-house technologies.

(c) Measurement of profit or loss, assets and liabilities of operating segments

The top management body evaluates the performance of each segment based on gross profit under IFRS financial statements.

Mutual settlements between segments are included in the assessment of the performance of each segment. Information on sales proceeds to third parties provided to the top management body is prepared based on the same accounting principles that were used in preparing the statement of profit or loss and other comprehensive income.

The Group does not provide information on the assets and liabilities of the segment since such information is not regularly submitted to the top management body for consideration.

Segment information for the reportable segments for the year ended 31 December 2021 is presented as follows:

In thousand tenge	Titanium sponge	Titanium ingots and alloys	Other	Excluded inter-segment settlement	Total
Revenue	31,075,888	34,083,876	1,694,972	-	66,854,736
Inter-segment revenue	14,384,191	-	-	(14,384,191)	-
Segment revenue	**45,460,079**	**34,083,876**	**1,694,972**	**(14,384,191)**	**66,854,736**
Gross profit	**21,406,548**	**3,175,918**	**2,227,581**	**(14,384,191)**	**12,425,856**
Reconciliation					
Other operating incomes					2,387,651
General and administrative expenses					(6,192,922)
Sale and distribution expenses					(2,231,183)
Other operating expenses					(1,562,857)
Finance incomes					3,281
Finance costs					(2,119,370)
Share of associate in performance					588,059
Profit before tax					**3,298,515**
Income tax expenses					(721,215)
Profit for the year					**2,577,300**
Depreciation and amortization	3,103,150	3,284,470	163,335	-	6,550,955

Segment information for the reportable segments for the year ended 31 December 2020 is presented as follows:

KZT thousand	Titanium sponge	Titanium ingots and alloys	Other	Excluded inter-segment settlement	Total
Revenue	22,925,786	33,230,289	1,308,935	-	57,465,010
Inter-segment revenue	13,570	-	-	(13,570)	-
Segment revenue	**22,939,356**	**33,230,289**	**1,308,935**	**(13,570)**	**57,465,010**
Gross profit	**4,774,260**	**8,873,216**	**210,834**	**(13,570)**	**13,844,740**
Reconciliation					
Other operating incomes					1,540,905
General and administrative expenses					5,426,881
Sale and distribution expenses					(2,050,375)
Other operating expenses					(1,640,525)
Finance incomes					22,867
Finance costs					(2,312,926)
Share of results of associate					198,245
Profit before tax					**4,176,050**
Income tax expenses					(2,134,451)
Profit per year					**2,041,599**
Depreciation and amortization	2,369,364	3,434,325	135,277	-	5,938,966

Geographical information

Below is information on sales revenue to customers and long-term segment assets by their geographical location:

	Revenue from sales to customers[1]		Non-current assets	
	2021	**2020**	**31.12.2021**	**31.12.2020**
USA	10,711,485	15,467,732		
Korea	13,924,561	11,049,276		
China	16,617,000	9,874,713		
France	14,885,622	8,002,648		
Switzerland	279,745	1,898,598		
United Kingdom	1,434,811	756,501	134,266	96,376
Kazakhstan	657,400	439,755	76,802,156	71,578,392
Other	8,344,112	9,975,787	615,858	615,859
Total	**66,854,736**	**57,465,010**	**77,552,280**	**72,290,627**

The location of customers is determined by the country of registration. Posuk is an associate incorporated in the Republic of Kazakhstan (Note 8).

In 2021, revenue for KZT 31,454,737 thousand were received from two customers, which accounted for 66% of the total revenue (2020: revenue for KZT 18,762,801 thousand was received from two customers, which account for 33% of the total revenue).

5. Property, plant and equipment

Fully amortised property, plant and equipment as of 31 December 2021 equalled KZT 21,966,538 thousand (31 December 2020: KZT 19,081,592 thousand).

Construction in progress as of 31 December 2021 is presented by the reconstruction and repair of buildings, structures and equipment. Upon completion of the work, these assets are transferred to the categories "buildings" and "Plant, machinery and equipment".

As of 31 December 2021, shop No. 14 and related equipment for the production of titanium ingots and alloys with a carrying amount of KZT 8,774,139 thousand (2020: KZT 8,754,178 thousand) were pledged as collateral for loans received by the Group from Development Bank of Kazakhstan JSC (Note 15). The carrying value of the pledged collateral as of 31 December 2021 increased due to the equipment and shop modernisation.

KZT thousand	Land	Buildings and structures	Machinery and equipment	Vehicles	Construction in progress	Total
Carrying amount at 01 January 2020	**1,037,137**	**14,689,787**	**28,471,825**	**2,594,023**	**9,950,624**	**56,743,396**
Cost	1,037,137	20,486,088	71,015,667	4,426,004	9,988,068	106,952,964
Accumulated depreciation	-	(5,796,301)	(42,543,842)	(1,831,981)	-	(50,172,124)
Impairment allowance	-	-	-	-	(13,444)	(13,444)
2020						
Additions	15,713	242,352	3,206,700	509,638	8,857,632	12,832,035
Changing in accounting estimates	-	178,651	-	-	-	178,651
Movements	-	836,411	1,644,740	3,410	(2,484,561)	-
Disposals	-	-	(2,292)	(5,509)	(1,972)	(9,773)
Depreciation costs	-	(682,088)	(4,792,465)	(386,646)	-	(5,861,199)
Effect of translation to a reporting currency	104,013	1,361,549	1,421,428	249,367	1,850,169	4,986,526
Carrying amount at 31 December 2020	**1,156,863**	**16,626,662**	**29,949,936**	**2,964,283**	**18,171,892**	**68,869,636**
Cost	1,156,863	23,678,832	81,570,816	5,467,893	18,227,297	130,101,701
Accumulated depreciation	-	(7,052,170)	(51,620,880)	(2,503,610)	-	(61,176,660)
Impairment allowance	-	-	-	-	(55,405)	(55,405)
2021						
Additions	7,172	753,995	1,315,464	246,410	10,522,257	12,845,298
Changes in accounting estimates	-	40,323	-	-	-	40,323
Movements	-	1,655,517	2,270,086	11,337	(3,936,940)	-
Disposals	(15,298)	(341,297)	(804,486)	(70,870)	(175,434)	(1,407,385)
Depreciation	-	(1,259,987)	(4,639,251)	(506,099)	-	(6,405,337)
Depreciation charged on disposals	-	3,719	803,796	47,326	-	854,841
Effect of translation to a reporting currency	29,228	515,154	959,171	63,193	(3,661,987)	(2,095,241)
Carrying amount at 31 December 2021	**1,177,965**	**17,994,086**	**29,854,716**	**2,755,580**	**20,919,788**	**72,702,135**
Cost	1,177,965	26,419,747	86,588,581	5,787,706	20,976,637	140,950,636
Accumulated depreciation	-	(8,425,661)	(56,733,865)	(3,032,126)	-	(68,191,652)
Impairment allowance	-	-	-	-	(56,849)	(56,849)

6. Intangible assets

KZT thousand	Subsoil use rights	Software	Total
Carrying amount at 01 January 2020	**377,983**	**401,316**	**779,299**
Cost	462,249	688,019	1,150,268
Accumulated amortisation	(84,266)	(286,703)	(370,969)
Carrying amount at 01 January 2020	**377,983**	**401,316**	**779,299**
Additions	-	415,768	415,768
Amortisation	(14,445)	(63,322)	(77,767)
Effect of translation to a reporting currency	-	33,143	33,143
Carrying amount at 31 December 2020	**363,538**	**786,905**	**1,150,443**
Cost	462,249	1,170,066	1,632,315
Accumulated amortisation	(98,711)	(383,161)	(481,872)
Carrying amount at 31 December 2020	**363,538**	**786,905**	**1,150,443**
Additions	-	1,127,665	1,127,665
Disposals	-	(4,916)	(4,916)
Amortisation	(14,445)	(131,173)	(145,618)
Amortisation charged on disposals	-	4,916	4,916
Effect of translation to a reporting currency	-	111,173	111,.173
Carrying amount at 31 December 2021	**349,093**	**1,894,570**	**2,243,663**
Cost	462,249	2,423,999	2,886,248
Accumulated amortisation	(113,156)	(529,429)	(642,585)
Carrying amount at 31 December 2021	**349,093**	**1,894,570**	**2,243,663**

7. Right-of-use asset

Right-of-use assets are presented as follows:

KZT thousand	Right-of-use asset
Carrying amount at 1 January 2020	**179,873**
2020	
Additions	204,564
Amortisation	(97,189)
Effect of translation to a reporting currency	14,440
Carrying amount at 31 December 2020	**301,688**
Additions	145,264
Amortisation	(117,839)
Effect of translation to a reporting currency	1,266
Carrying amount on 31 December 2021	**330,379**
As of 31 December 2021	
Historical cost	562,872
Accumulated amortisation	(232,493)
As of 31 December 2020	
Historical cost	407,414
Accumulated amortisation	(105,726)

8. Investments in associate

The table below summarizes the movements in the carrying amount of investments in associates:

			2021		2020	
KZT thousand	Core activity	Activity location	Current cost	Ownership interest	Current value	Ownership interest
Associate						
Posuk Titanium LLP	Titanium slabs production	Kazakhstan	1,717,727	38.31%	1,100,980	38.31%
			1,717,727		**1,100,980**	

The table below summarizes the movements in the carrying amount of investments of the Group in associate:

KZT thousand	Posuk Titanium LLP
Carrying amount on 31 December 2019	**817,914**
Share in profit for the year	198,245
Translation of a reporting currency	84,821
Carrying amount at 31 December 2020	**1,100,980**
Share in profit for the year	588,059
Translation of a reporting currency	28,688
Carrying amount at 31 December 2021	**1,717,727**

Posuk Titanium LLP

The Group exercises significant influence over Posuk Titanium LLP based on interest in charter capital and having one out of three representatives in the Supervisory Committee of this entity.

Summary of financial information as of 31 December 2021 and 2020 and reconciliation of the carrying amounts of Group's investment in the associate is as follows:

	Posuk Titanium LLP	
KZT thousand	**31.12.2021**	**31.12.2020**
Non-current assets	17,248,238	17,594,513
Current assets	3,167,594	1,838,082
Non-current liabilities	(14,571,884)	(15,272,615)
Current liabilities	(1,360,192)	(1,286,110)
Equity	**4,483,756**	**2,873,870**
Ownership interest	38.31%	38.31%
Current cost of investment as of 31 December	**1,717,727**	**1,100,980**

Profit or loss and other comprehensive income of associate for the year is disclosed below:

	Posuk Titanium LLP	
KZT thousand	**2021**	**2020**
Revenue	5,442,959	4,318,218
Profit from continued operations for the year	**1,517,093**	**732,160**
Other comprehensive income	-	-
Total comprehensive income	**1,517,093**	**732,160**
Dividends	-	-
As a reference		
Administrative expenses	(647,992)	(397,671)
Finance costs	(468,207)	(614,883)
Other income/(expense)	69,017	(159,812)
Income tax expenses	(77,963)	(653,700)

9. Other non-current assets

KZT thousand	31.12.2021	31.12.2020
Restricted deposits, KZT	40,510	39,432
Accrued interest	2,006	-
Total non-current financial assets	**42,516**	**39,432**
Prepayment for property, plant and equipment	392,307	828,448
Total other non-current assets	**434,823**	**867,880**

Restricted deposits are intended for the accumulation of funds for the rehabilitation of land located under waste polygons and sludge dumps.

Prepayments for property, plant and equipment mainly relate to the acquisition of equipment to modernise the existing property, plant and equipment.

10. Inventory

KZT thousand	31.12.2021	31.12.2020
Work in progress	19,822,644	20,743,359
Raw and material	15,757,207	22,693,109
Finished goods	5,870,986	2,155,624
Less: Provision for obsolete and slow-moving inventories and write-off to the net cost of sale	(398,143)	(388,035)
	41,052,694	**45,204,057**

Movements in provision for obsolete and slow-moving inventories and write-of to the net cost of sale are as follows:

KZT thousand	2021	2020
As of 1 January	(388,035)	(121,233)
Recovery/(accrual) for the year	-	(254,229)
Translation of the reporting currency	(10,108)	(12,573)
As at 31 December	**(398,143)**	**(388,035)**

11. Receivables

Receivables as of 31 December 2021 and 2020 are presented as follows:

KZT thousand	31.12.2021	31.12.2020
Trade receivables	19,843,630	15,304,912
Less: provision for expected credit losses	(204,056)	(199,117)
Total financial assets	**19,639,574**	**15,105,795**
Advances paid to suppliers	2,128,031	1,917,224
Customs duties receivable	26,153	115,635
Other receivables	544,245	530,708
Less: provision for expected credit loss	(94,004)	(91,617)
Total accounts receivable	**22,243,999**	**17,577,745**

Trade receivables are denominated in the following currencies:

KZT thousand	31.12.2021	31.12.2020
KZT	15,375,255	25,104
RUB	269,785	-
USD	3,994,534	15,080,691
Total	**19,639,574**	**15,105,795**

Provision for expected credit losses related to trade receivables is provided as follows:

KZT thousand	2021	2020
Provision on 1 January	(199,117)	(235,357)
Utilized	-	54
Reporting currency translation	(4,939)	36,186
As at 31 December	**(204,056)**	**(199,117)**

Provision for expected credit losses related to trade receivables is as follows:

KZT thousand	2021	2020
Provision on 1 January	(91,617)	(39,987)
Accrued	-	(47,483)
Reporting currency translation	(2,387)	(4,147)
As of 31 December	**(94,004)**	**(91,617)**

Group's exposure to credit risk related to trade receivables is presented below:

	Trade and other receivables						
		Overdue payments					
KZT thousand	Unexpired	Up to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	180 to 365 days	Total
December 31, 2020							
Estimated total gross book value at default	15,092,909	422	3,447	24	-	8,993	15,105,795

	Trade and other receivables						
		Overdue payments					
KZT thousand	Unexpired	Up to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	180 to 365 days	Total
December 31, 2021							
Estimated total gross book value at default	19,079,633	50,392	438,908	2,406	1,015	67,220	19,639,574

12. Value-added tax and other taxes receivable

Value-added tax and other taxes receivable as of 31 December 2021 and 2020 comprised the following:

KZT thousand	31.12.2021	31.12.2020
VAT receivable	5,039,479	5,621,071
Other taxes overpaid	198,611	16,028
	5,238,090	**5,637,099**

13. Cash and cash equivalents

Cash and cash equivalents as of 31 December 2021 and 2020 are presented below:

KZT thousand	31.12.2021	31.12.2020
Current bank account, USD	6.415154	2,296,519
Current bank account, KZT	138,621	999,270
Current bank account, GBP	4,459	5,806
Current bank account, EUR	8,884	10,045
Current bank account, other currency	8,837	190
Cash-on-hand	6,081	11,877
	6,582,036	**3,323,707**

14. Share capital and additional paid-in capital

	31.12.2021		31.12.2020	
	Number of shares	Cost in KZT thousand	Number of shares	Cost in KZT thousand
Ordinary shares (par value - KZT 140 per share)	971,190	135,967	971,190	135,967
Ordinary shares (par value - KZT 20 per share)	971,190	19,424	971,190	19,424
Preferred shares (par value - KZT 20 per share)	107,910	2,158	107,910	2,158
Total share capital at a par value	**2,050,290**	**157,549**	**2,050,290**	**157,549**
Hyperinflation adjustment		2,439		2,439
Total share capital		**159,988**		**159,988**

As of 31 December 2021 and 2020, the total number of authorised and issued ordinary shares equalled 1,942,380 pieces. All issued ordinary shares are paid in full. Each ordinary share provides one vote.

As of 31 December, 2021 and 2020 the total number of authorised and issued preferred shares equalled 107,910 pieces. All issued preferred shares are paid in full.

The structure of ordinary shareholders is as follows:

Holder's name	31.12.2021	31.12.2020
SPECIALTY METALS COMPANY	47.2%	47.2%
New Asia Investment Group Limited	10.0%	10.0%
METALCAPITAL INVESTMENTS PTE. LTD	9.0%	9.0%
METAL RESOURCE & TECHNOLOGY PTE. LTD	8.0%	8.0%
NEW METAL INVESTMENTS PTE. LTD	8.0%	8.0%
Kolur Holding AG	6.8%	6.8%
Other	11.0%	11.0%
Total	**100%**	**100%**

The preferred shares rank ahead of the ordinary shares in the event of the Company's liquidation. The preferred shares give the holders the right to participate in general shareholders' meetings without voting rights except in instances where decisions are made concerning re-organisation and liquidation of the Company, and restrictions of the rights of preferred shareholders are proposed.

Preferred shares dividends are set at KZT 5 per share. Preferred shares dividends should not be declared in the amount, which is below an amount declared for ordinary shareholders. If preferred shares' dividends are not repaid in full within three months from the moment of their payment period termination, the preferred shareholders obtain the right to vote until such time that the dividends are paid.

Dividends declared and paid during the year were as follows:

	2021		2020	
KZT thousand	Ordinary shares	Preferred shares	Ordinary shares	Preferred shares
Dividends payable at 1 January	3,862	40,167	4,235	34,561
Dividends declared during the year	1,359,666	76,077		32,373
Dividends paid during the year	(1,250,383)	(62,257)	(373)	(26,703)
Translation to a reporting currency	-	(824)	-	(64)
Dividends payable at 31 December	**113,145**	**53,163**	**3,862**	**40,167**

Additional paid-in capital represents funds invested by SPECIALTY METALS COMPANY, the Company's majority shareholder under Contract No. 04/006-96 dated 28 November 1996 and Contract No. 04/037-97 dated 8 July 1997 between SPECIALTY METALS COMPANY and the Government of the Republic of Kazakhstan.

Under Kazakhstan legislation, the Company's distributable provisions are determined based on the Company's statutory financial statements prepared in line with Kazakhstan Accounting Principles. As of 31

December 2021, the Group had retained earnings, including the profit for the current year, of KZT 28,337,370 thousand (2020: KZT 27,257,212 thousand).

Earnings per share and share book value

Basic earnings per share are calculated as the ratio of profit or loss for the year to the weighted average number of ordinary shares outstanding during the year, excluding treasury shares. The Company does not have ordinary shares with a potential dilutive effect, therefore, diluted earnings per share are the same as basic earnings per share.

For the years ended 31 December 2021 and 2020, basic and diluted earnings per share were:

	2021	2020
Profit for the year due to ordinary shareholders, KZT thousand	2,441,653	1,934,146
Profit for the year due to preferred shareholders, KZT thousand	135,647	107,453
Profit for the year	**2,577,300**	**2,041,599**
Weighted average number of ordinary shares outstanding	1,942,380	1,942,380
Weighted average number of preferred shares outstanding	107,910	107,910
Basic and diluted earnings per preferred share, KZT per share	1,257	996
Basic and diluted earnings per preferred share, KZT per share	1,257	996

Book value of ordinary shares

Under the requirements of the Listing Rules of Kazakhstan Stock Exchange JSC (KASE), it is necessary to disclose the book value of the share at the date of the report, calculated as the total amount of assets less intangible assets and the total amount of liabilities divided by the total number of shares.

Book value per ordinary share of the Company calculated based on the KASE requirements for the parent of the Group is presented below:

KZT thousand	2021	2020
Total assets of the Group	152,993,274	144,579,882
Intangible assets	(2,243,663)	(1,150,443)
Total liabilities of the Group	(112,414,317)	(106,265,445)
Charter capital for preferred shares	(2,158)	(2,158)
Total net assets for ordinary shares	**38,333,136**	**37,161,836**
Ordinary shares for calculating book value of shares	1,942,380	1,942,380
Book value of ordinary share, KZT	**19,735**	**19,132**

Calculation of the book value of a preferred share:

	2021	2020
Charter capital for preferred shares (KZT thousand)	2,158	2,158
Total number of preferred shares (pieces)	107,910	107,910
Book value of preferred shares (KZT)	20	20

15. Loans

At 31 December 2021 and 2020 borrowings received were as follows:

KZT thousand	Currency	31.12.2021	31.12.2020
Societe Generale Corporate and Investment Banking	US Dollars	23,090,999	20,637,630
Development Bank of Kazakhstan JSC	US Dollars	12,054,516	13,555,909
Banque Cantonale Vaudoise	US Dollars	6,426,848	4,260,788
Interests payable	US Dollars	2,679	3,012
Less current portion of long-term loans		(10,199,975)	(11,748,455)
Current portion		**31,375,067**	**26,708,884**

Credit line from Societe Generale

In May 2013, the Company signed an agreement with Societe Generale Corporate and Investment Banking ("Societe Generale") on the provision of a credit line for the total amount of USD 25 million. In 2017 the terms of financing within the credit line were revised, which resulted in a credit line assigned for financing and purchase of pre-sales goods from affiliate UKTMPI and other suppliers acceptable by Societe Generale (plus transportation).

As of 31 December 2021, the Company used USD 24,160 thousand (2020: USD 25,771 thousand).

In February 2015 the affiliate UKTMP concluded an agreement with Societe Generale concerning the provision of a credit line for a total amount of USD 20 million, in 2018 the total amount was revised and it equalled USD 5 million.

As of 31 December 2021, the affiliate UKTMPI has utilized USD 29,332 (2020: USD 23,284 thousand).

The interest rate under the credit line agreement is accepted under the terms of the agreement.

Collateral under credit line from Societe Generale is goods purchased using the funds received within the credit line, other financing-related funds, and claims arising under contracts that were financed using this credit line funds.

Development Bank of Kazakhstan

On 17 January 2014, the Company signed an agreement with the Development Bank of Kazakhstan JSC on the provision of a credit line for the total amount of USD 52,297 thousand to refinance an investment loan from Ardor (UK) Ltd. amounting to USD 52,297 thousand. The funds under this limit were received for USD 51,554 thousand. In June 2016 a supplementary agreement was concluded, according to which the maturity of the load was set to January 2028.

The grace period for repayment of the principal amount under limit 1 is 24 months from the date of signing the agreement.

The interest rate under the loan from Development Bank Kazakhstan was accepted under the terms of the credit agreement

The collateral under these credit lines is shop No. 14 which produces titanium ingots, and other assets related to this workshop (Note 5).

According to the agreement, the Group undertakes to comply with the following financial covenants:

- The ratio of financial debt, excluding short-term accounts payable, and own capital not more than 3.6;
- The volume of export earnings is not less than KZT 26 billion;
- The ratio of debt, excluding short-term accounts payable, and earnings before tax, interests, depreciation and amortization (EBITDA indicator) in 2018-2028, is not more than 4.5.
- ICR (EBITDA/interest payable) - not less than 1.5.

The Group fulfilled all financial covenants as of 31 December 2021 and as of 31 December 2020.

Banque Cantonale Vaudoise

In February 2015, the subsidiary UKTMP International Ltd signed an agreement with Banque Cantonale Vaudoise ("BCV") to provide a credit line totalling USD 30 million, including:

- Sub-limit 1 for the financing of documentation ("Sub-limit 1") for USD 20 million. To be repaid within 45 days.
- Sub-limit 2 for the financing of goods transit ("Sub-limit 2") for USD 20 million. To be repaid within 60 days.
- Sub-limit 3 for the financing of storage costs ("Sub-limit 3") for USD 30 million. To be repaid within 120 days.
- Sub-limit 4 for the financing of UKTMK supplies ("Sub-limit 4") for USD 20 million. To be repaid within 90 days.
- Sub-limit 5 for the financing of settlements between the companies ("Sub-limit 5") for USD 20 million. To be repaid within 90 days.

The interest rate under the credit line agreement is applied under the contractual terms of the agreement.

As of 31 December 2021, the Company has utilised the amount of USD 14,888 thousand (2020: USD 10,128 thousand) under these credit lines.

Collateral under the credit line from BCV is goods purchased using the funds received within the credit line, other financing-related funds, and claims arising under contracts that were financed using this credit line funds

Reconciliation of net liabilities

Below the table is the analysis of net liability and changes in liabilities of the Group, that arose as a result of financial activity:

KZT thousand	2021	2020
Balance at 1 January	38,457,339	40,835,838
Received in cash	43,891,167	51,746,079
Accrued interest	2,033,401	2,205,110
Interest paid	(1,052,763)	(1,176,615)
Principal repaid	(42,175,700)	(58,702,655)
Translation to reporting currency	421,598	3,549,582
Balance at 31 December	**41,575,042**	**38,457,339**

16. Rehabilitation provision

Following environmental legislation, the Group has a legal obligation to rehabilitate the environment after operations and decommission its mining assets and waste polygons and restore a landfill site after its closure. Movements in rehabilitation provision are as follows:

KZT thousand	31.12.2021	31.12.2020
As at 1 January	817,574	562,169
Changes in estimates charged to:		
Property, plant and equipment	(137,813)	178,651
Provision for the year	178,136	30,326
Use of provision	-	(17,021)
Unwinding of discount	46,181	63,449
Effect of translation to a reporting currency	(2,003)	-
As at 31 December	**902,075**	**817,574**

Description of provisions, including main estimates and assumptions, are included in Note 3.

17. Lease liabilities

Lease liabilities as of 31 December 2021 and 31 December 2020 are provided below:

KZT thousand	31.12.2021	31.12.2020
Long-term portion of the liabilities	155,887	142,215
Short-term portion of the liabilities	111,283	119,502
Total	**267,170**	**261,717**

Changes in the value of liabilities are presented as follows:

KZT thousand	2021	2020
As at 1 January	261,717	176,812
Inflow for the period	145,264	204,564
Unwinding of discount on liabilities	17,268	24,158
Outflow for the period	(116,800)	(140,970)
Effect of translation to reporting currency	(40,279)	(2,847)
As at 31 December	**267,170**	**261,717**

The following is information on the cost of expenses recognized in the consolidated statement of comprehensive income:

KZT thousand	2021	2020
Amortization of right-of-use assets	117,839	97,189
Amortization of discount on liabilities	17,268	24,158
	135,107	**121,347**

18. Employee benefit obligations

Employee benefit obligations under various plans to be paid under collective agreements concluded between the Company and employees.

As of 31 December pension plan obligations with set payments included:

	2021			2020		
KZT thousand	Current	Non-current	Total	Current	Non-current	Total
Post-employment benefits	13,050	97,558	110,608	6,288	46,914	53,202
Other long-term employee benefits	12,869	65,785	78,654	13,953	43,745	57,698
Total employee benefit obligations	**25,919**	**163,343**	**189,262**	**20,241**	**90,659**	**110,900**

The movement of the current liabilities for the years ended 31 December 2021 and 2020 is presented below:

KZT thousand	Post-employment benefits	Other long-term employee benefits	Total
Total liabilities at 1 January 2020	**65,443**	**89,638**	**155,081**
Discount cancellation fees	4,157	6,300	10,457
Payments made	(12,143)	(8,863)	(21,006)
Current services cost	666	1,325	1,991
Actuarial revaluation recognised in other comprehensive income	(4,921)	-	(4,921)
Actuarial revaluation recognised in profit or loss	-	(30,702)	(30,702)
Total liabilities at 31 December 2020	**53,202**	**57,698**	**110,900**
Discount cancellation fees	2,925	2,881	5,806
Payments made	(13,665)	(18,770)	(32,435)
Current services cost	640	1,147	1,787
Past services cost	65,143	3,808	68,951
Actuarial revaluation recognised in other comprehensive income	2,363	-	2.,363
Actuarial revaluation recognised in profit or loss	-	31,890	31,890
Total liabilities at 31 December 2021	**110,608**	**78,654**	**189,262**

Discount cancellation fees were included in finance costs (Note 28).

Total pension plan obligations with the established payments and other long-term employee benefits recognised in profit or loss are presented below:

KZT thousand	2021	2020
Cost of sales	80,800	(22,762)
General and administrative expenses	21,828	(5,949)
Reported in profit or loss for the year	**102,628**	**(28,711)**

Remeasurement of post-employment benefit liabilities includes the following:

KZT thousand	2021	2020
Experience-based adjustments	23,864	1,532
Gain/(loss) from change in demographic assumptions	(1,785)	(9,603)
Loss from change in financial assumptions	(19,716)	3,150
Total	**2,363**	**(4,921)**

The calculation of the Group's liabilities was prepared based on published mortality statistics and actual data on the number, age, gender and length of service of employees and pensioners, and statistics on changes in the number of employees.

Other key assumptions at the date of the consolidated statement of financial position, are as follows:

KZT thousand	2021	2020
Discount rate	10.24%	7.8%
Future salary growth	5.48%	5.60%
Average staff turnover rate	18.82%	16.90%

The analysis of defined post-employment benefit obligations sensitivity to changes in key assumptions on 31 December 2021 is as follows:

KZT thousand	Increase/(decrease) in post-employment benefit liabilities
Discount rate	
Increase by 20%	106,271
Decrease by 20%	116,489
Future salary growth rate	
Increase by 20%	119,840
Decrease by 20%	105,960
Average staff turnover rate	
Increase by 20%	103,006
Decrease by 20%	112,702

19. Accounts payable

KZT thousand	31.12.2021	31.12.2020
Long-term accounts payable	45,683	76,908
Total non-current accounts payable	**45,683**	**76,908**
Payables to suppliers and contractors	62,327,670	59,722,320
Dividends payable	166,308	44,029
Other financial accounts payable	15,516	10,740
Total current financial accounts payable	**62,509,494**	**59,777,089**
Advances received	949,384	297,950
Provision for unused vacations	471,263	414,664
Salaries payable	335,789	268,425
Mandatory pension contributions payable	218,308	147,501
Other payables	105,048	298,391
Total current accounts payable	**64,589,286**	**61,204,020**

Non-current accounts payable represents a discounted amount of the payables for the acquisition of land plots. Repayment of the payables is performed by equal instalments over 10 years.

Change in provision for vacations is as follows:

KZT thousand	2021	2020
1 January	**414,664**	524,946
Accrued	793,456	754,062
Utilized	(736,857)	(864,344)
31 December	**471,263**	**414,664**

Financial accounts payable of the Group are denominated in the following currencies:

KZT	31.12.2021	31.12.2020
USD	56,364,460	55,907,631
KZT	5,136,020	3,197,052
RUB	985,545	559,262
EURO	69,152	190,052
Total financial accounts payable	**62,555,177**	**59,853,997**

20. Taxes payable

KZT thousand	31.12.2021	31.12.2020
Income tax withheld at source	13,776	80,132
Personal income tax	9,870	71,443
Social tax	39,930	66,207
Other taxes	-	45,525
Total taxes payable	**63,576**	**263,307**

21. Revenue

Group revenue arises from contracts with customers that are mainly fulfilled at a point in time.

KZT thousand	2021	2020
Titanium Ingots	34,083,876	33,230,289
Titanium sponge	31,075,888	22,925,786
Magnesium Mg-90	1,281,637	985,677
Vanadium	220,323	98,085
Master alloy	193,012	210,579
Other	-	14,594
Total revenue	**66,854,736**	**57,465,010**

22. Cost of sales

KZT thousand	2021	2020
Raw and materials	21,946,253	14,937,110
Electrical power	8,800,555	8,122,315
Chemicals, fuel and other materials	8,149,112	7,547,731
Salary and corresponding taxes	6,348,443	6,158,196
Depreciation and amortisation	5,513,453	5,934,436
Ingots manufacture services	5,453,976	4,776,992
Repair and maintenance	478,860	400,389
Other expenses	532,875	250,794
Changes in inventories of finished goods and work in progress	(2,794,647)	(4,507,693)
Total cost of sales	**54,428,880**	**43,620,270**

23. Other operating incomes

KZT thousand	2021	2020
Income from the sale of materials and provision of services	658,272	743,088
Leases	438,105	243,844
Income from losses recovery	-	93,923
Income from sales of titanium scrap	923,913	31,879
Income from disposal of property, plant and equipment	18,688	-
Foreign exchange difference	61,290	-
Other incomes	287,383	428,171
Total other operating income	**2,387,651**	**1,540,905**

24. General and administrative expenses

KZT thousand	2021	2020
Salary and corresponding taxes	2,233,381	2,049,368
Third party services	1,210,952	865,772
Depreciation and amortisation	780,730	579,207
Financial aid and social support	354,175	105,308
Inventory	227,823	114,888
Advisory and audit services	179,074	511,918
Taxes other than on income tax	160,659	290,220
Mandatory insurance	114,104	120,252
Bank services	91,239	39,223
Fines, penalties	78,714	26,619
Financial assistance	74,200	61,842
Electrical power	66,763	19,240
Business trips	51,383	45,024
Maintenance of social infrastructure expenses	50,813	26,916
Medical services	49,409	70,129
Vehicles maintenance costs	33,395	18,402
Social infrastructure VAT	32,329	41,872
Research and development	-	36,770
Communication services	14,507	8,804
Environmental costs	14,394	24,959
Other expenses	374,878	370,148
	6,192,922	**5,426,881**

25. Selling and distribution expenses

KZT thousand	2021	2020
Transportation services	1,900,748	1,780,476
Packaging	86,116	46,578
Customs export duties	38,741	6,171
Other expenses	205,578	217,150
Total selling expenses	**2,231,183**	**2,050,375**

26. Other operating expenses

KZT thousand	2021	2020
Cost of sale of materials and provision of services	529,297	509,290
Loss from disposal of property, plant and equipment	350,419	1,671
Impairment of inventories	-	254,229
Impairment of advances issued	-	47,483
Cost of sale of titanium scrap	47,302	9,929
Foreign exchange gain/(loss), (net)	7,158	474,281
Other expenses	628,681	343,642
Total other operating expenses	**1,562,857**	**1,640,525**

27. Finance incomes

KZT thousand	2021	2020
Interest income on deposits	3,281	22,867
Total finance income	**3,281**	**22,867**

28. Finance costs

KZT thousand	2021	2020
Interest expense:		
- Development Bank of Kazakhstan	1,052,155	1,176,213
- Credit line from Societe Generale	819,244	605,060
- Credit line from Banque Cantonale Vaudoise	162,002	423,837
Cancellation of present value discount on:		
- rehabilitation provision	46,181	63,449
- right of use	17,268	24,158
- non-current accounts payable	16,714	9,752
- employee benefit obligations	5,806	10,457
Total finance costs	**2,119,370**	**2,312,926**

29. Corporate income tax

Corporate income tax expenses reported in profit or loss for the year comprise the following:

KZT thousand	2021	2020
Corporate income tax	1,048,320	1,527,705
Adjustments of past periods' income tax	87,905	-
Deferred income tax	(415,010)	606,746
Total income tax expenses	**721,215**	**2,134,451**

Reconciliation of income tax expense with the amount of accounting profit multiplied by the applicable tax rate

KZT thousand	2021	2020
Profit before tax	3,298,515	4,176,050
Statutory tax rate	20%	20%
Estimated income tax expense at the statutory rate	659,703	835,210
Tax effect of items not deductible or assessable for taxation purposes:		
Adjustments of past periods' income tax	87,905	-
Share in non-taxable profit of associate	(117,612)	(39,649)
Non-deductibles	91,219	1,338,890
Income tax expenses for the year	**721,215**	**2,134,451**

The current income tax rate applicable to the majority of the Group's profits for 2021 and 2020 is 20%.

Deferred tax balances, calculated by applying the statutory tax rates in effect at the date of the respective consolidated statements of financial position to the temporary differences between the tax bases of assets and liabilities and the amounts reported in the consolidated financial statements, comprise the following:

KZT thousand	31.12.2021	31.12.2020
Deferred tax liabilities		
Rehabilitation provision	180,415	163,515
Property, plant and equipment and intangible assets	18,509	-
Lease liabilities	28,399	38,679
Inventory	316,515	29,111
Receivables	39,043	5,313
Taxes payable	72,522	22,132
Accrued liabilities related to employees	37,852	22,180
Provision for vacations	94,253	80,478
Interests payable	536	3,145
	788,044	**364,553**
Less: deferred tax assets offset against deferred tax liabilities	(664,491)	(364,553)
Deferred tax assets	**123,553**	**-**
Deferred tax liabilities		
Property, plant and equipment and intangible assets	5,405,510	5,391,034
Right-of-use asset	41,204	47,199
	5,446,714	**5,438,233**
Less: deferred tax assets offset against deferred tax liabilities	(664,491)	(364,553)
Deferred tax liabilities	**4,782,223**	**5,073,680**
Total net deferred tax liabilities	**4,658,670**	**5,073,680**

	2021	2020
Net deferred tax liability as of the beginning of the year	5,073,680	4,051,694
Reported in the other comprehensive income	-	606,746
Reported in profit or loss	(415,010)	415,240
Net deferred tax liabilities as of the end of the year	**4,658,670**	**5,073,680**

30. Balances and transactions with related parties

Parties are generally considered to be related if the parties are under common control, or if one party can control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Company's major shareholders are disclosed in Note 14.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding as of 31 December 2021 and 31 December 2020 are detailed below.

On 31 December 2021, the outstanding balances with related parties were as follows:

KZT thousand	Notes	Shareholders	Associate (Posuk)
Accounts payable		-	(1,466,290)
Dividends payable	14	166,308	-

Main related party transactions for the year ended 31 December 2021 were as follows:

KZT thousand	Notes	Shareholders	Associate (Posuk)
Sale of services		-	623,638
Services received		-	(5,327,786)
Dividends	14	1,435,743	-

On 31 December 2020, the outstanding balances with related parties were as follows:

KZT thousand	Notes	Shareholders	Associate (Posuk)
Accounts payable		-	(879,211)
Dividends payable	14	(44,029)	-

Main related party transactions for the year ended 31 December 2020 were as follows:

KZT thousand	Notes	Shareholders	Associate (Posuk)
Sale of services		-	373,649
Services received		-	(4,776,992)
Dividends	14	(32,373)	-

Key management personnel consist of three employees as of 31 December 2021 (2020: three employees). Total compensation to key management personnel for the years ended 31 December 2021 and 2020 amounted to KZT 103,366 thousand and 97,976 KZT thousand accordingly.

31. Financial instruments goals and policies of financial risk management

The Group's principal financial instruments include loans, cash and cash equivalents, deposits, receivables and payables, and lease liabilities. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk and credit risk. The Group also monitors market and liquidity risks arising from all of its financial instruments.

Credit risk

The Group is exposed to credit risk, which is the risk that one party of a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises from financial receivables, restricted cash, bank deposits and cash and cash equivalents. The carrying amount of restricted cash, financial receivables, bank deposits, and cash and cash equivalents represents the maximum exposure to credit risk.

Cash is placed with financial institutions having at the moment of account opening minimum default risk. Besides, the Group analyses the external ratings of financial institutions.

The Group has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. Customers that do not meet the Group's requirements concerning creditworthiness may enter into transactions with the Group only on a prepayment basis.

Though the rates of receivables repayment are subject to the impact of economic factors, the Group's management believes that there is no significant risk of loss over the provisions for receivables impairment already accrued.

The following table shows the balances of cash, short-term and long-term deposits (Notes 9; 13) with banks at the reporting date using the Moody's credit rating designations:

		Rating			
Banks	**Location**	**2021**	**2020**	**31.12.2021**	**31.12.2020**
Jysan Bank	Kazakhstan	B-	B-	6,586,643	2,995,800
Halyk Bank	Kazakhstan	BB	BB	9,641	1,634
RBK Bank	Kazakhstan	B2	-	350	-
Societe Generale	United Kingdom	Aa2	Aa2	8,400	8,597
Fairwinds is a bank	United Kingdom	-	Aa3	-	337,787
Banque cantonale vaudoise	United Kingdom	Aa2	Aa2	13,437	7,444
				6,618,471	**3,351,262**

Liquidity risk

Liquidity risk is associated with the possibility that the Group will encounter difficulties in raising funds to fulfil its financial obligations. Liquidity risk may arise as a result of the inability to quickly realize a financial asset at a cost approximating its fair value.

Liquidity requirements are regularly monitored and management monitors the availability of funds in an amount sufficient to fulfil obligations as they arise.

The following table provides information as of 31 December 2021 and 2020 on contractual undiscounted payments on the Company's financial obligations by the maturity dates of these obligations.

KZT thousand	On-demand and less than 1 month	1 to 6 months	6 to 12 months	1 to 3 years	Over 3 years	Total
31 December 2021						
Loans	-	18,731,842	11,359,023	7,369,315	8,813,700	46,273,880
Lease liabilities	5,390	5,390	33,843	129,358	57,262	231,243
Financial accounts payable	151	56,737,070	5,658,079	147,565	14,187	62,557,052
	5,541	**75,474,302**	**17,050,945**	**7,646,238**	**8,885,149**	**109,062,175**
31 December 2020						
Loans		15,502,426	12,850,383	7,699,755	9,113,181	45,165,745
Lease liabilities	6,44	30,219	36,733	211,576	8,141	292,713
Financial accounts payable		55,283,306	4,474,676	97,600	715	59,856,297
	6,044	**70,815,951**	**17,361,792**	**8,008,931**	**9,122,037**	**105,314,755**

Market risk

The Group is exposed to market risks arising from open positions in interest rates and currencies, which in turn are subject to general and specific market fluctuations. The Group manages market risks by periodically assessing potential losses that may arise as a result of adverse changes in the market, as well as by setting appropriate requirements for profitability and collateral.

Currency risk

Currency risk arises when future currency proceeds or recognised assets and liabilities are denominated in a currency that is not the Group's functional currency.

Since the change of functional currency dated 01 September 2015 (Note 2), the Group has been exposed to currency risk mainly in respect of loans and receivables to suppliers and contractors denominated in KZT. Such risk arises as a result of sale and purchase transactions made in currencies other than the functional currency. The main risks arising from the Group's financial instruments are liquidity risk, currency risk and credit risks.

The table below summarises the total amounts of monetary assets and liabilities denominated in foreign currency causing exposure to currency risk:

	KZT	USD	EURO	RUB	GBP	Total
31 December 2021						
Assets	401,842	21,484,726	123	256	2,707	21,889,654
Liabilities	(2,700,888)	(79,461,920)	(68,447)	(734,350)	-	(82,965,605)
	(2,299,046)	**(57,977,194)**	**(68,324)**	**(734,094)**	**2.707**	**(61,075,951)**
	KZT	**USD**	**EURO**	**RUB**	**GBP**	**Total**
31 December 2020						
Assets	1,075,683	17,377,210	10,045	190	5,806	18,468,934
Liabilities	(3,433,950)	(94,389,789)	(190,052)	(559,262)	-	(98,573,053)
	(2,358,267)	**(77,012,579)**	**(180,007)**	**(559,072)**	**5,806**	**(80,104,119)**

Given that the Company's functional currency is the US dollar, on 31 December 2021, if USD had weakened/strengthened by 20% against KZT with all other variables held constant, profit for the year would have been KZT 367,847 thousand lower/higher (2020: KZT 377,323 thousand).

The Group is exposed to the risk of changes in prices for titanium sponges, titanium ingots and magnesium as a result of changes in market conditions.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. To maintain or adjust the capital structure, the Group may adjust the dividends paid to shareholders, return capital to shareholders or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital based on the gearing ratio. This ratio is determined as net borrowed funds divided by the total equity amount. Net borrowings are estimated as the total amount of borrowings (including 'short-term borrowings' and 'long-term borrowings' recorded in the statement of financial position) less cash and cash equivalents. Total capital is determined as 'total equity recorded in the consolidated statement of financial position plus net borrowings. In 2021, the Group's strategy provided for the support of gearing ratio at the level of 40% to 80% (2020: 40%-80%).

32. The fair value of financial instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments within the fair value hierarchy.

If a fair value measurement uses observable inputs that require significant adjustment, it is categorised within Level 3. The significance of the inputs used is assessed for the fair value measurement in its entirety.

Assets and liabilities not measured at fair value but for which fair value disclosure is made

All assets and liabilities not measured at fair value but for which fair value disclosures are made are categorised within Level 3 of the fair value hierarchy.

The fair value measurements in Level 3 of the fair value hierarchy were performed using discounted cash flow techniques. The fair value of floating rate derivatives that are not quoted in the active market was estimated as equal to their carrying amount. The fair value of fixed interest rate instruments that are not quoted in the active market is based on the discounted cash flow method applying current interest rates in the borrowings market for new instruments with similar credit risk and remaining maturity.

Financial assets carried at amortized cost

The fair values of instruments with a floating interest rate approximate their carrying amounts. Fair value measurements of assets carried at amortised cost relate to Level 3. The estimated fair value of unquoted fixed interest rate instruments is based on the discounted cash flow method applying current interest rates for new instruments with similar credit risk and remaining maturity. The applied discount rates depend on the credit risk on the part of a counter agent.

Liabilities carried at amortized cost

The fair value of other liabilities is defined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturity, for which market quotations are not available, was estimated based on expected discounted cash flows applying current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ('liabilities repayable on demand') is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. The discount rates used to vary and depend on the maturity date and the currency of the obligation.

Presentation of financial instruments by measurement category

Following IFRS 9, Financial Instruments, the Group classifies/allocates its financial assets into the following categories: (a) financial assets measured at fair value through profit or loss; (b) financial assets measured through other comprehensive income and (c) financial assets measured at amortised cost.

Financial assets at fair value through profit or loss have two subcategories:

(i) assets carried at fair value through profit or loss on a mandatory basis, and (ii) assets carried as such upon initial recognition or subsequently. All financial assets of the Group at the end of the reporting period are included at amortised cost. All of the Group's financial liabilities are carried at amortised cost. Fair value approximates their carrying amount.

33. Commitments and contingencies

Operating environment

In Kazakhstan, economic reforms and the development of legal, tax and administrative infrastructure that meets the requirements of a market economy are continuing. The future stability of the Kazakhstan economy will largely depend on the progress of these reforms, as well as on the effectiveness of measures taken by the Government in the field of economics, financial and monetary policy.

Transfer pricing controls

Transfer pricing controls in Kazakhstan have a very wide range and apply to any transactions that are directly or indirectly related to international transactions, regardless of whether the parties to the transactions are related or not. The Transfer Pricing Act requires that all taxes applicable to transactions be based on market prices determined on an arm's length basis.

The new transfer pricing law in Kazakhstan entered into force on 01 January 2019. The new law is not clearly expressed and some of its provisions have little experience in the application. Moreover, the law does not provide detailed instructions that are under development.

As a result, the application of the law on transfer pricing to various types of transactions is not clearly expressed due to the uncertainties associated with the Kazakhstan law on transfer pricing. There is a risk that the position of the tax authorities may differ from the position of the Group, which may lead to additional taxes, penalties and interest as of 31 December 2021.

Management believes that, as of 31 December 2021, its interpretation of the applicable transfer pricing legislation is appropriate and it is probable that the transfer pricing position of the Group will be confirmed.

Taxation

Kazakhstan's tax laws and regulations are subject to ongoing changes and varying interpretations. There are frequent cases of differences of opinion between local, regional and republican tax authorities, including approaches to recognition of income, expenses and other items in the financial statements under IFRS. The currently applicable system of fines and penalties for detected offences based on the laws in force in Kazakhstan is very severe. Due to the uncertainty inherent in the Kazakhstan tax system, the potential amount of taxes, penalties and interest, if any, may exceed the amount allocated to current expenses and accrued on 31 December 2021.

Management believes that, as of 31 December 2021, its interpretation of the applicable law is appropriate and it is probable that the tax position of the Group will be confirmed unless provisions are accrued or disclosed in these consolidated financial statements.

Environmental protection

The application of environmental regulation in the Republic of Kazakhstan is evolving and the enforcement posture of government authorities is periodically being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, the financial impact of those is recognised immediately in the financial statements. Thus, since the Ecological Code of the Republic of Kazakhstan was adopted, decommissioning funds representing special accounts for accumulating funds for the waste polygon retirement actions and environmental impact monitoring after their closure has been created in 2008.

The Group's management believes it is currently in compliance with all effective local environmental laws and regulations. However, Kazakhstan's environmental laws and regulations may change in the future. The Group's management is unable to predict the timing or extent to which these environmental laws and regulations may change. Such change, if it occurs, may require the Group to update technology to meet the higher standards.

Litigations

From time to time and in the normal course of business, claims against the Group may be received. Based on its estimates and both internal and external professional advice, management believes that no material losses will be incurred.

Management believes that as of the date of issue of the financial statements, there are no pending lawsuits or other claims, the results of which could have a material effect on the operating activities or financial position of the Group and which should be disclosed in the financial statements of the Group.

Capital expenditure commitments

On 31 December 2021, the Group has contractual capital expenditure commitments in the total amount of KZT 653,000 thousand (31 December 2020: KZT 410,030 thousand) The Group has already allocated the necessary resources concerning these commitments. The management of the Group believes that future net income and funding will be sufficient to cover these or similar commitments

34. Events after the reporting period

In February 2022 the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan decided to start negotiations on amendments and additions to the Contract for the exploration and production of ilmenite ores at the Bektemir deposit in the East Kazakhstan region in terms of extending the contract term and production period until 2040, as well as increasing production volumes.

There have been important geopolitical events in Kazakhstan and Russia/Ukraine since the reporting date. To date, these events have not had a material impact on the Group's operations. Management is unable to predict the effect of future events, if any, on the Group's financial position or results of operations. Management will continue to monitor the potential impact of the abovementioned events and will take all necessary steps to prevent adverse effects on the business.

(a) January events in Kazakhstan

On 2 January 2022 protests triggered by rising fuel prices started in the Mangistau region of Kazakhstan and further spread to other regions of Kazakhstan. The protesters put forward several social and economic demands. Although the Government responded to the demands, including a reduction in fuel prices, the rallies subsequently escalated into riots in the city of Almaty and the southern regions of the country.

In this connection, on 5 January 2022, a state of emergency was imposed in the country until 19 January 2022, with restrictions on means of communication and on the movement of citizens and transport, including railway and air traffic.

To date, the situation in all regions of the country has stabilised and the state of emergency has been lifted. The functionality of communal facilities and life support systems have been restored and restrictions on means of communication and movement have been lifted.

b) Events in Ukraine

On 24 February, the President of Russia announced the recognition of the independence of the Luhansk People's Republic and the Donetsk People's Republic and Russian troops were sent to the territory of Ukraine. In response to Russia's actions, the US, the European Union and several other states imposed sanctions against Russia, including disconnecting several Russian financial institutions from SWIFT.

Due to the sharp devaluation of the Russian rouble, the exchange rate of the tenge started to correct. To date, the National Bank of Kazakhstan has taken several steps to support the stability of the Kazakhstan financial system.

Part of the Group's exports are transported through Russia and, accordingly, there are risks associated with both transit through Russia and delivery of goods by sea. The Group constantly monitors the situation with sanctions against Russia and their potential impact on the transportation of finished products.

As of the date of these financial statements, there are no restrictions on the Group's activities related to the delivery of products to end customers.

Currently, the Group's financial position has not been impacted by the events in Ukraine. The majority of the Group's revenues are received in US dollars and financing is also raised in US dollars, creating a natural hedge against foreign exchange risks. Accordingly, fluctuations in the national currency exchange rate do not have a significant impact on the Group's financial results.