

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS

For the three months ended 31 March 2024

1. GENERAL INFORMATION

Kcell JSC (the Company) was established as a limited liability partnership (GSM Kazakhstan OJSC Kazakhtelecom LLP) on 1 June 1998 to design, construct and operate a cellular telecommunications network in the Republic of Kazakhstan, using the GSM (Global System for Mobile Communications) standard.

The Company's registered address is Alimzhanova 51, Almaty, the Republic of Kazakhstan.

On 27 August 2012, the Ministry of Justice registered the Company as a Joint Stock Company. Under Kazakhstani law, upon the conversion, retained earnings as at the date of the conversion became share capital of the Company and ceased to be available for distribution to shareholders.

The Group operates 3G, 4G, LTE, 5G licenses.

As at 31 March 2024 and December 2023 the Company is controlled by Kazakhtelecom JSC. Kazakhtelecom JSC is controlled by the Government of the Republic of Kazakhstan through Sovereign Wealth Fund Samruk-Kazyna JSC (Samruk-Kazyna) which owns 79.2% of Kazakhtelecom's controlling shares. Issued shares of the Company are listed on the Kazakhstan Stock Exchange (KASE).

As at 31 March 2024 and 31 December 2023, the shareholders of the Company are presented as follow:

	31 March 2024	31 December 2023
Kazakhtelecom JSC	51.00%	51.00%
Yesenov G.Sh.	14.87%	14.87%
First Heartland Jusan Bank JSC	9.08%	9.08%
Single Accumulative Pension Fund JSC	7.06%	7.06%
Freedom Finance Life JSC	2.85%	1.80%
Kazpost JSC	2.83%	2.36%
Turlov T.R.	2.02%	2.19%
Freedom Finance Global Public Company	1.76%	2.31%
Raiffeisenbank JSC	1.54%	1.54%
Turlov Private Holding Ltd Private Company	1.36%	0.23%
Callabro LLP	0.71%	0.18%
Capitaltau LLP	0.58%	-
Wisdompoint Capital LTD	0.53%	1.05%
Joiq LLP	0.47%	0.54%
Freedom Finance Europe LTD	0.01%	0.28%
Zhasyl Damu JSC	-	2.59%
Freedom Securities Trading Inc.	-	0.66%
Other	3.33%	2.26%
	100.00%	100.00%

As at 31 March 2024 and 31 December 2023, the Company has the following principal subsidiary:

	31 March 2024 (unaudited)	31 December 2023
KazNet Media LLP	100%	100%

The accompanying interim condensed consolidated financial statements include the financial statements of Kcell JSC and its subsidiary (the Group).

The interim condensed consolidated financial statements were authorised for issue by the Chairman of the Management Board on 10 May 2024.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS (continued)

For the three months ended 31 March 2024

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the three months ended 31 March 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2023.

The interim condensed consolidated financial statements are presented in Kazakhstani tenge and all amounts are rounded to the nearest millions, except when otherwise indicated.

Going concern

As of 31 March 2024, the Group's current liabilities exceeded its current assets by 11,190 million tenge. The Group's current liabilities mainly comprise short-term loans and borrowings in the amount of 7,718 million tenge, trade and other payables in the amount of 26,300 million tenge, taxes payable in the amount of 2,032 million tenge and other current financial and non-financial liabilities.

The management believes that the Group will continue its activity in accordance with the principle of going concern, and in making such a judgement, the management took into account current intentions of the Group and its financial position. In particular, the following factor was reviewed in estimating the ability of the Group to continue its activities in accordance with the going concern principle:

- The Group plans to continue generating positive net operating cash flows;
- Effective financial management of net working capital;
- Diversification of funding sources.

Thus, the Group's management believes that the Group will continue its activities accordance with the principle of going concern during the next 12 months from the date of authorization of these financial statements.

Foreign currency translation

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the official rate established by the KASE and published by the National Bank of the Republic of Kazakhstan (the NBRK) at the reporting date. All differences are recognized in the interim condensed consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

The following table summarises the foreign currency exchange rates for tenge:

	31 March 2024	31 December 2023
US dollar	446.78	454.56
Euro	481.81	502.24
Russian ruble	4.84	5.06

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS (continued)

For the three months ended 31 March 2024

3. MATERIAL ACCOUNTING POLICIES

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of new standards effective as of 1 January 2024. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2024, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The transition rules clarify that an entity is not required to provide the disclosures in any interim periods in the year of initial application of the amendments. Thus, the amendments had no impact on the Group's interim condensed consolidated financial statements.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments had no impact on the Group's interim condensed consolidated financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 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 a liability not impact its classification

In addition, a requirement has been introduced whereby an entity must disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments had no impact on the Group's interim condensed consolidated financial statements.

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For the three months ended 31 March 2024

4. SEGMENT INFORMATION

The Group's main operations are concentrated in the Republic of Kazakhstan and are mainly represented by provision of mobile communication services. The Group identifies the segment in accordance with the criteria set in IFRS 8 *Operating Segments* and based on the way the operations of the Group are regularly reviewed by the chief operating decision maker to analyse performance and allocate resources among business units of the Group.

The Group's Chairman of the Management Board has been determined as the chief operating decision-maker (CODM). The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the interim condensed consolidated financial statements prepared in accordance with IFRS. Management has determined a single operating segment being mobile communication services based on these internal reports.

5. SHARE CAPITAL AND EARNINGS PER SHARE

Share capital of the Group is as follows:

	31 March 2024		31 December 2023	
	Share	Number of shares	Share	Number of shares
Kazakhtelecom JSC	51.00%	102,000,000	51.00%	102,000,000
Yesenov G.Sh.	14.87%	29,745,215	14.87%	29,745,215
First Heartland Jusan Bank JSC	9.08%	18,167,753	9.08%	18,167,753
Single Accumulative Pension Fund JSC	7.06%	14,116,287	7.06%	14,116,287
Freedom Finance Life JSC	2.85%	5,699,537	1.80%	3,608,386
Kazpost JSC	2.83%	5,654,739	2.36%	4,727,726
Turlov T.R.	2.02%	4,040,348	2.19%	4,371,680
Freedom Finance Global Public Company	1.76%	3,526,575	2.31%	4,623,103
Raiffeisenbank JSC	1.54%	3,070,664	1.54%	3,070,664
Turlov Private Holding Ltd Private Company	1.36%	2,719,466	0.23%	467,449
Callabro LLP	0.71%	1,415,634	0.18%	365,041
Capitaltau LLP	0.58%	1,160,000	-	-
Wisdompoint Capital LTD	0.53%	1,053,091	1.05%	2,102,447
Joiq LLP	0.47%	933,968	0.54%	1,076,961
Freedom Finance Europe LTD	0.01%	13,718	0.28%	554,293
Zhasyl Damu JSC	-	-	2.59%	5,188,973
Freedom Securities Trading Inc.	-	-	0.66%	1,319,171
Other	3.33%	6,683,005	2.26%	4,494,851
	100.00%	200,000,000	100.00%	200,000,000

The total authorized number of ordinary shares is 200,000,000 shares with a par value of 169 tenge per share, all of which are issued and fully paid.

The calculation of basic and diluted earnings per share is based on the following data:

<i>In millions of tenge</i>	Three months ended	
	31 March 2024	31 March 2023
Profit for the period attributable to equity shareholders	2,798	12,811
Weighted average number of ordinary shares	200,000,000	200,000,000
Earnings per share (tenge), basic and diluted	13.99	64.06

The Group has no dilutive or potentially dilutive securities outstanding.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS (continued)

For the three months ended 31 March 2024

5. SHARE CAPITAL AND EARNINGS PER SHARE (continued)

Additional information disclosed in accordance with KASE requirements

The cost of ordinary shares, calculated in accordance with the requirements of the KASE

According to the requirements of the KASE, the Group has calculated its cost per ordinary share, which was calculated based on the number of ordinary shares outstanding at the reporting date. The cost per ordinary share as at 31 March 2024 and 31 December 2023 is presented below

<i>In millions of tenge</i>	31 March 2024	31 December 2023
Net assets, excluding intangible assets	52,357	47,694
Number of ordinary shares in issue	200,000,000	200,000,000
Cost of ordinary share, calculated in accordance with listing requirements of the KASE (tenge)	261.79	238.47

During the three months ended 31 March 2024 and 2023, the Group did not declare dividends payable.

6. PROPERTY AND EQUIPMENT

During the three months period ended 31 March 2024, additions to property and equipment totaled to 14,114 million tenge (during three months period ended 31 March 2023: 3,831 million tenge).

During the three months period ended 31 March 2024, transfer from construction-in-progress to property and equipment amounted to 8,481 million tenge (during three months period ended 31 March 2023: 1,276 million tenge).

During the three months period ended 31 March 2024, the Group recognised depreciation expense in the amount of 4,759 million tenge (during three months ended 31 March 2023: 3,487 million tenge).

During the three months period ended 31 March 2024, the Group recognised decrease in changes in estimates in assets retirement obligation in the amount 291 million tenge (during three months period ended 31 March 2023 increase: 224 million tenge).

As of 31 March, 2024, the fair value of the investment property equaled to 427 million tenge (31 December 2023: 427 million tenge).

As of 31 March, 2024, the Group made prepayments for certain property and equipment mainly represented by equipment for base stations in the amount of 534 million tenge (31 December 2023: 176 million tenge).

As at 31 March 2024, the gross carrying value of property and equipment which has been fully depreciated and still in use, was 184,058 million tenge were (as at 31 December 2023: 190,204 million tenge)

During the three months period ended 31 March 2024, the Group has written off the fully amortized property and equipment with gross book value in the amount of 80 million tenge (during three months period ended 31 March 2023: nil tenge)

7. INTANGIBLE ASSETS

As of 31 March 2024, the Group has permits to use of 5G for 3700-3800 MHz radio frequency spectrum in 20 regions out of 20. In a number of regions, frequency spectrum has been received partially totaling 83% across all regions and in progress as of 31 March 2024.

During the three months ended 31 March 2024, the Group acquired intangible assets in the amount of 4,085 million tenge (during three months ended 31 March 2023: 79,595 million tenge).

During the three months ended 31 March 2024, the Group recognized amortization expense in the amount of 5,949 million tenge (during three months ended 31 March 2023: 3,247 million tenge).

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS (continued)

For the three months ended 31 March 2024

7. INTANGIBLE ASSETS (continued)

As at March 2024, the carrying amount of 5G license was 74,132 million tenge (31 December 2023: 75,434 million tenge) and its remaining amortization period was 14 years. As at 31 March 2024, the carrying amount of the 4G license was 11,844 million tenge (31 December 2023: 12,277 million tenge) and its remaining amortization period was 6 years. As at 31 March 2024, the carrying amount of 3G license was 583 million tenge (31 December 2023: 666 million tenge) and its remaining amortization period was 1 year.

As at 31 March 2024, the gross carrying value of intangible assets, which have been fully amortized and still in use, was 39,854 million tenge (31 December 2023: 39,769 million tenge). During the three months period ended 31 March 2024, the Group has written off the fully amortized intangible assets with gross book value in the amount of 210 million tenge (during three months period ended 31 March 2023: nil tenge)

As of 31 March, 2024, the carrying value of digital assets included in development costs amounted to 3,249 million tenge (31 December 2023: 2,634 million tenge).

8. TRADE RECEIVABLES

As at 31 March 2024 and 31 December 2023, trade receivables comprised of the following:

<i>In millions of tenge</i>	31 March 2024 (unaudited)	31 December 2023
Trade receivables from subscribers	25,589	29,568
Trade receivables from interconnect services	2,446	3,322
Trade receivables from dealers and distributors	783	801
Trade receivables from roaming operators	263	439
Trade receivables from related parties (Note 21)	6,025	4,946
Less: allowance for expected credit losses	(6,176)	(4,830)
	28,930	34,246
Less: long-term portion of trade receivables from subscribers	(2,478)	(1,523)
	26,452	32,723

During the three months ended 31 March, movements in the allowance for expected credit losses were as follows:

<i>In millions of tenge</i>	31 March 2024 (unaudited)	31 December 2023
Allowance for expected credit losses at the beginning of the period	(4,830)	(12,915)
Charge for the period	(1,346)	(5,702)
Write-off for the period	-	5,305
Sales of trade receivables	-	7,377
Other	-	1,105
Allowance for expected credit losses at the end of the period	(6,176)	(4,830)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS (continued)

For the three months ended 31 March 2024

9. INVENTORIES

As at 31 March 2024 and 31 December 2023, inventories comprised:

<i>In millions of tenge</i>	31 March 2024 (unaudited)	31 December 2023
Handsets and accessories (at lower of cost and net realizable value)	10,097	7,501
Start packages (at cost)	295	330
SIM-cards (at cost)	121	97
Marketing materials (at cost)	68	147
Other materials (at cost)	861	934
	11,442	9,009

During the three months period ended 31 March 2024, the Group recognised 350 million tenge as an expense (during three months period ended 31 March 2023: nil tenge) for inventories carried at net realisable value, which is recognised within general and administrative expenses.

10. OTHER CURRENT NON-FINANCIAL ASSETS

As at 31 March 2024 and 31 December 2023, other current non-financial assets comprised of the following:

<i>In millions of tenge</i>	31 March 2024 (unaudited)	31 December 2023
Advances paid	3,656	3,497
Prepaid taxes other than income taxes	1,487	2,847
Prepaid expenses	1,234	913
VAT recoverable	674	569
	7,051	7,826

11. CASH AND CASH EQUIVALENTS

As at 31 March 2024 and 31 December 2023, cash and cash equivalents comprised of the following:

<i>In millions of tenge</i>	31 March 2024 (unaudited)	31 December 2023
Bank deposits with original maturity of less than 90 days	3,936	9,143
Cash on current bank accounts	1,413	1,883
Cash on hand	3	5
	5,352	11,031

As of 31 March 2024, short-term bank deposits represent overnight deposits in tenge in Halyk Bank JSC at interest rate 14.25% in the amount of 1,300 million tenge, and deposit in USD at interest rate 3.0% in the amount of 5,9 million USD.

As at 31 March 2024 and 31 December 2023, cash and cash equivalents were denominated in various currencies as follow:

<i>In millions of tenge</i>	31 March 2024 (unaudited)	31 December 2023
Tenge	2,661	8,901
US dollars	2,653	2,123
Euro	34	2
Russian roubles	3	4
Other currency	1	1
	5,352	11,031

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS (continued)

For the three months ended 31 March 2024

12. BORROWINGS

As at 31 March 2024 and 31 December 2023 borrowings comprised of the following:

<i>In millions of tenge</i>	Currency	Effective interest rate	Maturity date	31 March 2024	31 December 2023
Halyk Bank of Kazakhstan JSC	Tenge	16.75%	March 2027	16,226	–
Bank of China Kazakhstan JSC	Tenge	16.25%	February 2026	13,078	13,000
Halyk Bank of Kazakhstan JSC	Tenge	17.75%	January 2027	12,499	–
Halyk Bank of Kazakhstan JSC	Tenge	17.75%	December 2026	11,639	12,642
Nurbank JSC	Tenge	17.27%	September 2026	10,909	10,909
Halyk Bank of Kazakhstan JSC	Tenge	17.25%	February 2027	9,710	–
Halyk Bank of Kazakhstan JSC	Tenge	18.5%	September 2026	5,756	22,896
Nurbank JSC	Tenge	17.27%	December 2024	4,091	4,091
Halyk Bank of Kazakhstan JSC	Tenge	17.75%	November 2026	3,466	3,466
Halyk Bank of Kazakhstan JSC	Tenge	17.25%	January 2027	3,404	–
Bank of China Kazakhstan JSC	Tenge	10.30%	June 2024	2,017	2,095
Halyk Bank of Kazakhstan JSC	Tenge	18.00%	November 2026	1,775	9,254
First Heartland Jusan Bank JSC	Tenge	11.00%	November 2024	500	512
Halyk Bank of Kazakhstan JSC	Tenge	17.25%	October 2026	–	6,002
				95,070	84,867
Less: non-current portion				(87,352)	(77,514)
				7,718	7,353

The Group's borrowings are denominated in Kazakhstani tenge and represented by unsecured loans. The borrowings have financial and non-financial covenants. Breaches in meeting the covenants would permit the banks to immediately call loans and borrowings. As at 31 March 2024 and 31 December 2023, there have been no breaches of the covenants.

The Group has not entered into any hedging arrangements in respect of its interest rate exposures.

Halyk Bank of Kazakhstan JSC

In September 2023, the Group signed an agreement on non-revolving credit line with JSC Halyk Bank of Kazakhstan with limit of 50,000 million tenge on investments in capital expenditures. In December 2023 the Group signed an addendum to the existing credit line and extended the limit to 90,500 million tenge with a revolving limit of 40,500 million tenge for working capital financing. During the three months period ended 31 March 2024, the Group received tranches within the credit line in the amount of 40,939 million tenge with a repayment period of 36 months and an effective interest rate of 16.75%-17.75%. During 2024, the Group repaid KZT 31,100 million tenge of principal amount.

Nurbank JSC

In September 2023, the Group obtained a loan from Nurbank JSC in the amount of 15,000 million tenge. The effective interest rate on the loan is 17.27% per annum. Maturity date of the loan is 8 September 2026.

First Heartland Jusan Bank JSC

On 10 November 2021, the Group and First Heartland Jusan Bank JSC, one of the shareholders of the Company, signed a credit line agreement in the amount of 60,500 million tenge. On 11 November 2021 two tranches were received from First Heartland Jusan Bank JSC in the amount of 22,000 million tenge and 12,000 million tenge with a nominal interest rate of 11% per annum and 10.7% per annum, respectively. Additionally, on 25 November 2021, third tranche was received from First Heartland Jusan Bank JSC in the amount of 6,500 million tenge with a nominal interest rate of 11% per annum, with a maturity until 10 November 2024.

At the date of initial recognition, the loan was recognized at fair value based on expected cash outflows at a market rate observable for similar instruments of 12.9% at the time the loan was issued. On initial recognition of all three tranches total discount in the amount of 1,260 million tenge was recognised within equity as the additional paid-in capital.

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For the three months ended 31 March 2024

12. BORROWINGS (continued)

Bank of China Kazakhstan JSC

On June 2, 2021, the Group received a loan in the amount of 2,000 million tenge, under a credit line agreement with Bank of China JSC with a maturity of 36 months and a fixed interest rate of 10.3% per annum.

During 2023, the Group received a loan in the amount of 13,000 million tenge, under a credit line agreement with Bank of China JSC with a maturity of 36 months and a fixed interest rate of 16.25% per annum.

13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group's right of use assets are represented by buildings and constructions. Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

<i>In millions of tenge</i>	Total
Cost	
As at 1 January 2023 (audited)	33,316
Additions	2,270
Modification	29,735
Cancellation	(333)
As at 31 December 2023	64,988
Additions	386
Modification	1,714
As at 31 March 2024	67,088
Accumulated depreciated	
As at 1 January 2023	(18,232)
Depreciation charge	(5,599)
Cancellation	5
As at 31 December 2023	(23,826)
Depreciation charge	(1,490)
As at 31 March 2024	(25,316)
Net book value	
As at 31 December 2023	41,162
As at 31 March 2023	41,772

Set out below are the carrying amounts of lease liabilities and the movements during the period:

<i>In millions of tenge</i>	31 March 2024 (unaudited)	31 March 2023 (unaudited)
At the beginning of the year	43,557	17,837
Interest expenses	578	602
Payments	(2,271)	(3,577)
Additions	386	3,297
Modification	1,714	-
At the end of the period	43,964	18,159
Short-term	5,368	6,209
Long-term	38,596	11,950

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For the three months ended 31 March 2024

13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

The following amounts are recognised in profit or loss:

<i>In millions of tenge</i>	31 March 2024 (unaudited)	31 March 2023 (unaudited)
Depreciation expense of right-of use assets	1,490	1,224
Interest expense on lease liabilities	578	634
Total amount, recognized in profit or loss	2,068	1,858

14. TRADE PAYABLES

As at 31 March 2024 and 31 December 2023, trade payables comprised of the following:

<i>In millions of tenge</i>	31 March 2024 (unaudited)	31 December 2023
Trade payables to third parties	26,929	43,868
Trade payables to related parties (Note 21)	5,302	4,467
	32,231	48,335
Less: long-term portion of trade payables	(5,931)	(7,339)
	26,300	40,996

As at 31 March 2024 and 31 December 2023, the Group's trade payables were denominated in the following currencies:

<i>In millions of tenge</i>	31 March 2024 (unaudited)	31 December 2023
EUR	18,259	21,251
Tenge	12,554	25,481
US Dollars	1,243	1,561
Other currencies	175	42
	32,231	48,335

15. FINANCIAL GUARANTEE OBLIGATIONS

On 27 November 2020 the Group issued the financial guarantee on loan agreement of Kazakhtelecom JSC obtained from Development Bank of Kazakhstan JSC in the amount of 18,266 million tenge. The financial guarantee has maturity till 19 December 2024. The Group initially recognised the financial guarantee at fair value in the amount of 592 million tenge through retained earnings in equity. As at 31 March 2024, financial guarantee obligation equaled to 28 million tenge, which represents the initial amount less the cumulative amount of income recognised in accordance with IFRS 15 (31 December 2023: 44 million tenge).

16. PROVISIONS

As at 31 March 2024 and 31 December 2023 amount of provisions comprised of the following:

<i>In millions of tenge</i>	31 March 2024 (unaudited)	31 December 2023
Fines and penalties on contractual obligations	5,240	2,062
	5,240	2,062

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For the three months ended 31 March 2024

17. GOVERNMENT GRANTS

<i>In millions of tenge</i>	31 March 2024 (unaudited)	31 March 2023
Government grants as at 1 January	18,137	11,268
Received during the period	3,687	3,268
Released to the consolidated statement of comprehensive income	(1,463)	(849)
Government grants as at 31 March	20,361	13,687
Government grants: current portion	4,273	3,857
Government grants: non-current portion	16,088	9,830

In 2021 the Government approved the changes to the Rules for the assignment of frequency bands, radio frequencies, operation of radio-electronic means and high-frequency devices (“the Rules”), based on which the Group is eligible for government grants in form of 90% reduction in the annual fee for use of radio frequencies from 1 January 2020 till 1 January 2025. The government grants are subject to conditions, namely financing of the projects related to broadband internet in rural and urban areas. If the financing of the projects related to broadband internet is lower than the amount of the tax incentive received, the Group should pay the annual fee equal for use of radio frequencies to the amount of unfulfilled obligations to the authorities.

The funds released as a result of reduction in the annual fee for use of radio frequencies for 2023 in the amount of 10,615 million tenge, were used by the Group for the purchase and construction of broadband internet. Government grants related to assets are recognized as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset. As of 31 March 2024, the balance of deferred income recognized was equal to 20,361 million tenge (As of 31 December 2023: 18,137 million tenge), and part of the government grants released to the profit and loss over the period necessary to match the related depreciation charges equals to 1,463 million tenge.

As of 31 March 2024, there are no unfulfilled conditions or contingencies attached to these grants.

18. REVENUE FROM CONTRACTS WITH CUSTOMERS

<i>In millions of tenge</i>	For the three months ended 31 March	
	2024 (unaudited)	2023 (unaudited)
Voice and data services	41,843	41,938
Sale of goods and equipment	8,124	9,568
Value added services	5,332	3,600
Other	1,733	2,028
	57,032	57,134
Over time	48,908	47,566
At point of time	8,124	9,568
	57,032	57,134

As at 31 March 2024 and 31 December 2023, the contract liabilities in the amount of 8,745 million tenge and 9,861 million tenge, respectively, were represented by deferred revenue.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS (continued)

For the three months ended 31 March 2024

19. COST OF SALES

In millions of tenge	For the three months ended 31 March	
	2024 (unaudited)	2023 (unaudited, restated)*
Depreciation and amortization	11,634	7,859
Cost of handsets, SIM-card and scratch card sales	6,996	7,191
Personnel costs	4,529	3,889
Fees for use of frequency range	4,424	2,538
Interconnect fees and expenses	3,225	3,685
Transmission services	3,667	3,450
Repair and maintenance	2,862	2,192
Electricity	1,734	1,123
Network sharing agreement	1,718	1,188
Mobile service tax	509	544
Security and safety	86	90
Materials	50	23
Other	1,155	1,156
	42,589	34,928

* The group revised its judgement in relation to certain buildings, software, and server equipment concluding that they relate to production costs by nature. amortization expenses in the amount of 774 million tenge was reclassified from general and administrative expenses to cost of sales in comparative period to comply with current year presentation.

20. INCOME TAX EXPENSE

In millions of tenge	For the three months ended 31 March	
	2024 (unaudited)	2023 (unaudited)
Current income tax expense	1,044	4,475
Deferred income tax benefit	(257)	–
	787	4,475

21. RELATED PARTY DISCLOSURES

Parties are generally considered to be related if one party has the ability to control the other party, is under common control, 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 Group's primary transactions with related parties are consulting services, technical assistance and operational support, transmission rent, roaming and interconnect.

As at 31 March 2024, the Group recognized an allowance for expected credit losses in the amount of 480 million tenge in respect of receivables from related parties (31 December 2023: 429 million tenge).

Parent (Kazakhtelecom JSC) is controlled by the Government of the Republic of Kazakhstan through Sovereign Wealth Fund Samruk-Kazyna JSC (Samruk-Kazyna) which owns 79.2% of Kazakhtelecom's controlling shares (Note 1). Governmental entities include entities under common control and associates of the Government of the Republic of Kazakhstan.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS (continued)

For the three months ended 31 March 2024

21. RELATED PARTY DISCLOSURES (continued)

Related party transactions were made on terms agreed between parties that may not necessarily be at market rate. Sales and purchases with related parties for three months ended 31 March 2024 and 2023, and the balances with related parties as at 31 March 2024 and 2023, were as follows:

<i>In millions tenge</i>	For the three months ended 31 March	
	2024 (unaudited)	2023 (unaudited)
Sales of goods and services		
Entities of Samruk Kazyna Group	148	76
Entities of Kazakhtelecom Group	6,348	3,049
Government entities	81	99
	6,577	3,224
Purchases of goods and services		
Entities of Samruk Kazyna Group	158	140
Entities of Kazakhtelecom Group	12,883	6,300
Government entities	145	5
Subsidiaries		7
	13,186	6,452
Finance expense		
Other shareholders	14	1,107
<i>In millions of tenge</i>	31 March 2024 (unaudited)	31 December 2023
Trade receivables (Note 8)		
Entities of Samruk Kazyna Group	324	259
Entities of Kazakhtelecom Group	5,135	4,327
Government entities	566	360
	6,025	4,946
Trade payables (Note 13)		
Entities of Samruk Kazyna Group	54	35
Entities of Kazakhtelecom Group	5,243	4,427
Government entities	5	5
	5,302	4,467
Borrowings (Note 11)		
Other Shareholders	500	512
Cash and deposit accounts		
Other shareholders	107	-

Compensation to key management personnel

For the three months ended 31 March 2024 and 2023, the total compensation to key management personnel included in the accompanying consolidated statement of comprehensive income under general and administrative expenses was 632 million tenge and 656 million tenge, respectively. Compensation to key management personnel consists of wages fixed in the employment agreement, as well as remuneration based on the performance for the year

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS (continued)

For the three months ended 31 March 2024

22. FINANCIAL INSTRUMENTS

Fair value

The fair value of non-current financial assets is estimated using discounted cash flow based on deposit rates currently available to the Group with similar terms and average maturities. The fair value of non-current financial liabilities is estimated using discounted cash flow based on credit rates currently available to the Group with similar terms and average maturities.

The tables below represents fair value hierarchy of assets and liabilities of the Group. Disclosure of quantitative information of fair value hierarchy of financial instruments as at 31 March 2024 and 31 December 2023 is as follows:

<i>In millions of tenge</i>	Date of valuation	Price quotation on active market (Level 1)	Significant observable in-puts (Level 2)	Significant unobservable in-puts (Level 3)	Total
Assets for which fair values are disclosed					
Short-term trade receivables	31 March 2024	-	-	26,452	26,452
Long-term trade receivables	31 March 2024	-	-	2,478	2,478
Other current financial assets	31 March 2024	-	-	1,565	1,565
Liabilities for which fair values are disclosed					
Borrowings	31 March 2024	-	-	95,070	95,070
Trade payables	31 March 2024	-	-	32,231	32,231
Financial guarantee obligation	31 March 2024	-	-	28	28

<i>In millions of tenge</i>	Date of valuation	Price quotation on active market (Level 1)	Significant observable in-puts (Level 2)	Significant unobservable in-puts (Level 3)	Total
Assets for which fair values are disclosed					
Financial assets at amortized cost	31 December 2023	-	-	-	-
Short-term trade receivables	31 December 2023	-	-	32,723	32,723
Long-term trade receivables	31 December 2023	-	-	1,523	1,523
Other current financial assets	31 December 2023	-	-	2,167	2,167
Liabilities for which fair values are disclosed					
Borrowings	31 December 2023	-	-	84,867	84,867
Trade payables	31 December 2023	-	-	48,335	48,335
Financial guarantee obligation	31 December 2023	-	-	44	44

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS (continued)

For the three months ended 31 March 2024

22. FINANCIAL INSTRUMENTS (continued)

Fair values (continued)

As at 31 March 2024 and 31 December 2023, the carrying amounts of the Group's financial assets and liabilities presented as follow:

<i>In millions of tenge</i>	Carrying amount 31 March 2024	Fair value 31 March 2024	Unrecognised gain/(loss)	Carrying amount 31 December 2023	Fair value 31 December 2023	Unrecognised gain/(loss)
Financial assets						
Cash and cash equivalents	5,352	5,352	-	11,031	11,031	-
Financial assets at amortized cost	-	-	-	-	-	-
Short-term trade receivables	26,452	26,452	-	32,723	32,723	-
Long-term trade receivables	2,478	2,478	-	1,523	1,523	-
Other current financial assets	1,565	1,565	-	2,167	2,167	-
Financial liabilities						
Borrowings	95,070	94,264	806	84,867	85,776	(909)
Trade payables	32,231	32,231	-	48,335	48,335	-
Financial guarantee obligation	28	28	-	44	44	-
Total unrecognised change in unrealised fair value			806			(909)

23. COMMITMENTS AND CONTINGENT LIABILITIES

Operating environment

Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy will largely depend on these reforms, as well as on the effectiveness of the Government's actions in the area of economy, financial and monetary policy.

Capital commitments

The Group generally enters into contracts for the completion of construction projects and purchase of equipment. As at 31 March 2024, the Group had contractual commitments totaling 51,976 million tenge, excluding VAT (as at 31 December 2023: 61,832 million tenge, excluding VAT), which includes capital expenditures in respect new technical regulation described below.

Technical regulations

Order No. 91 of the Committee of the National Security dated 20 December 2016 on approval of the Technical Regulations General Requirements to the Telecommunication Equipment in Ensuring Conducting of Operative Search Measures, Collection and Storage of Subscribers' Information was published on 7 February 2017 and came into force on 8 February 2018 (Technical Regulation of 27 July 2021 No. 85). According to the new regulations, there are additional requirements to the telecommunication equipment that include expansion of technical capabilities of equipment to conduct operative search activities, collection and storage of subscribers' information (ORA).

As of 31 December 2023, the Group integrated new SHC for the total amount of 4,964 million tenge since 2018. The Group gradually plans the modernization and expansion of licensed and port capacity of SHC in accordance with the cellular development plan including 5G and expects that the expected amount of capital expenditures related to modernization and expansion will be 16,167 million tenge by 2032.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS (continued)**For the three months ended 31 March 2024**

23. COMMITMENTS AND CONTINGENT LIABILITIES (continued)**Taxation**

Tax legislation and regulatory framework of the Republic of Kazakhstan are subject to constant changes and allow for different interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Penalties are generally 80% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of the Republic of Kazakhstan multiplied by 1.25. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review.

Management believes that as at 31 March 2024 its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these consolidated financial statements.

Government grant related to frequency fee

The Group has submitted consolidated report on expenditures used to finance broadband projects access to the Internet in urban and rural areas included capital and operational costs that are necessary for the provision of broadband Internet access services in urban and rural settlements throughout the territory of the Republic of Kazakhstan. Management believes that there are no unfulfilled conditions or contingencies attached to these grants.

In case if, based on the results of the audited information, the fact of non-fulfilment by the telecom operator of obligations to allocate at least released funds from the reduction of the corresponding fee rate to finance broadband Internet access projects in urban and rural areas is confirmed, the authorized body in the field of communications not earlier than one year after of the year following the reporting year, recalculates the amount of the annual fee for the use of frequency fee for the reporting year, which should be proportional to the unfulfilled volume of financial obligations for this reporting year.

Antitrust investigation

Order of the Agency for the Protection and Development of Competition of the Republic of Kazakhstan dated June 15, 2022

In accordance with the Order of the Agency for the Protection and Development of Competition of the Republic of Kazakhstan for the city of Almaty (hereinafter referred to as the APDC) No. 42-OD dated 15 June 2022 (hereinafter referred to as the Order), an investigation was initiated against Kcell JSC on the grounds of a violation provided for in Article 174 (1) of the Entrepreneurial Code of the Republic of Kazakhstan. Initial audited period per was from January 1, 2020 to 12 September 2022. The subject of investigation is the establishment of factual data confirming or refuting the commission of a violation by Kcell JSC, expressed in maintaining a monopoly high price.

During February 2024 the Group participated in the preliminary Court hearings related to its appeal to the Specialized Inter-District Administrative Court of Almaty.

On 18 March 2024, the Specialized Inter-district Administrative Court of Almaty issued a final ruling to return Kcell's administrative claim on the basis of article 138.2.11 of the Administrative Procedure Code, deeming it is not a subject to consideration in the order of administrative proceedings. On 26 March 2024, Kcell appealed the court's ruling. On 06 May 2024, the Board of Appeals of the Almaty court considered the Company's private complaint against the decision of the Specialized Inter-district Administrative Court of Almaty of 11 March 2024 and rules to uphold the contested decision. The Company has the right to file a cassation appeal.

Order of the Agency for the Protection and Development of Competition of the Republic of Kazakhstan dated December 21, 2023.

In accordance with the Order of the Agency for the Protection and Development of Competition of the Republic of Kazakhstan for the city of Almaty No.38-OD dated 21 December 2023 an investigation was initiated against Kcell JSC. The subject of investigation is the susception of coordinated actions with competitors to set and maintain prices for communication services during May-July 2023. The Company started the appealing process.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS**For the three months ended 31 March 2024**

23. COMMITMENTS AND CONTINGENT LIABILITIES (continued)**Antitrust investigation**

Order of the Agency for the Protection and Development of Competition of the Republic of Kazakhstan dated December 21, 2023. (continued)

The Republican antimonopoly office was expected to respond by 6 February 2024. A response has been received denying the complaint. On 15 February 2024, an administrative claim was filed with the Almaty Specialized Inter-District Administrative Court seeking to invalidate and cancel the request. Currently, preparations for the court hearing are underway. The date of the next hearing has not yet been set.

Furthermore, on 6 March 2024, an administrative complaint was filed with the Agency for competition protection and development seeking to invalidate Order No.38-OD of 21 December 2023 illegal and to cancel the investigation. The antimonopoly authority refused to satisfy Kcell's complaint. The Company has filed an administrative claim. The case is being prepared by the court.

Notifications of the Mobile Telecom-Service LLP

During the three months ended 31 March 2024 Mobile Telecom-Service LLP (MTS) sent an official notification to Kcell with request to pay the fine in the connection of non-fulfilment of obligations by Kcell for 2023 under the network sharing agreement. The Group and MTS identified disagreements regarding interpretation of the terms of the fine calculation. Currently the Group is undergoing a pre-trial dispute resolution procedure.

In addition, during the period ended 31 March 2024 MTS notified the Group of a critical failure that occurred in three regions (Aktau, Atyrau, Aktobe) where the Group is responsible for the construction and upgrading of sites. In the Agreement, Critical Failure is defined as a failure to meet the deadlines for the launch of more than 60% of the sites in the region and a failure to eliminate such violation within three months. Should Kcell fail to eliminate the critical failure in the regions of Aktau, Atyrau, and Aktobe by 31 March 2024, then in accordance with the terms of the Agreement, MTS will have the right to withdraw from the Agreement in those regions and obligate Kcell to pay compensation equal to the amount of network construction costs in the region where the violation occurred. On 15 March 2024, Kcell notified MTS that the Critical Failure in the Aktau region had been resolved. On 31 March 2024, Kcell notified MTS that the Critical Failure in the Aktau and Atyrau regions had been resolved, as well.

24. SUBSEQUENT EVENTS

In the period from April 1 to May 10, 2024 inclusive, the Group attracted financing from JSC Halyk Bank of Kazakhstan in the amount of 1,000 million tenge, for a period of 36 months at 16.75%. Repayment of loans from Halyk Bank of Kazakhstan JSC amounted to a total amount of 19,070 million tenge at rates of 17.75%-18.50% per annum.

Loan from Nurbank JSC in the amount of 15,000 million tenge was also repaid for a period of 36 months at a rate of 17.27% per annum. During the same period, the Group attracted financing from Nurbank JSC in the amount of 15,000 million tenge for a period of 36 months at a rate of 15.52% per annum.

The Group approved a bond program totaling 70,000 million tenge at the Astana International Exchange (Astana International Exchange JSC). As part of this program, the Group placed the first tranche of bonds with a nominal value of 15,000 million tenge with a floating interest rate (base rate of the National Bank plus 1%, interest rate at the time of issue of the interim financial statements is 15.75%) for a period of 36 months.