

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

**For the six months ended 30 June 2023**

### 1. GENERAL INFORMATION

Kcell JSC (the “Company”) was established as a limited liability partnership (GSM Kazakhstan OAO 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 and LTE licenses. During the six months ended 30 June 2023 the Group acquired license for 5G (Note 7).

On 13 December 2012, the Company successfully completed its offering of Global Depository Receipts at the London Stock Exchange and common shares at the Kazakhstan Stock Exchange. On 14 June 2021, the Group officially completed delisting of Global Depository Receipts (GDR) on LSE and Astana International Exchange (AIX).

As at 30 June 2023 and 31 December 2022 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 51% of Kazakhtelecom’s controlling shares.

As at 30 June 2023 and 31 December 2022, the shareholders of the Company are presented as follow:

	<b>30 June 2023 (unaudited)</b>	31 December 2022
Kazakhtelecom JSC	<b>51.00%</b>	51.00%
PIONEER TECHNOLOGIES ҰС.А.Р.Л	<b>14.87%</b>	14.87%
First Heartland Jusan Bank JSC	<b>9.08%</b>	9.08%
Single accumulative pension fund JSC	<b>7.06%</b>	7.06%
Raiffeisenbank JSC	<b>1.54%</b>	1.54%
KAZPOST JSC	<b>1.94%</b>	–
Life Insurance Company FREEDOM FINANCE JSC	<b>1.68%</b>	–
AROYGROUP LLP	–	1.39%
EVEREX LLP	–	1.16%
Other	<b>12.83%</b>	13.90%
	<b>100.00%</b>	100.00%

As at 30 June 2023 and 31 December 2022, the Company has the following principal subsidiary:

	<b>30 June 2023(unaudited)</b>	31 December 2022
KazNet Media LLP	<b>100%</b>	100%

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2023

### 1. GENERAL INFORMATION (Continued)

The accompanying interim condensed consolidated financial statements include the financial statements of Kcell JSC and its subsidiary (further referred to as “the Group”).

The interim condensed consolidated financial statements were authorised for issue by the Chairman of the Management Board on 31 August 2023.

### 2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 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 2022.

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these interim condensed consolidated financial statements. The interim condensed consolidated financial statements are presented in Kazakhstani tenge (“tenge”) and all amounts are rounded to the nearest millions, except when otherwise indicated.

#### Going concern

The interim condensed consolidated financial statements have been prepared on a going concern basis, which assumes continuation of the course of business, realization of assets and settlement of liabilities in the normal course of business.

At 30 June 2023 the Group’s current liabilities exceeded current assets by 29,000 million tenge due to acquisition of 5G license. However, the Management consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate and sufficient resources and credit facilities to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

#### 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

	<b>30 June 2023</b>	31 December 2022
US dollar	<b>454.13</b>	462.65
Euro	<b>495.68</b>	492.86
Russian ruble	<b>5.22</b>	6.43

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the six months ended 30 June 2023****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****New and amended standards and interpretations**

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 2022, except for the adoption of new standards effective as at 1 January 2023. 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 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group. *IFRS 17 Insurance Contracts*

In May 2017, the IASB issued *IFRS 17 Insurance Contracts* (IFRS 17), 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* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

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.

This standard had no impact on the Group's interim condensed consolidated financial statements. .

*Definition of Accounting Estimates - Amendments to IAS 8*

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual periods beginning on or after January 1, 2023, and apply to changes in accounting policies and estimates that occur on or after the start of that period. Early application is permitted subject to disclosure of that fact. The amendments had no impact on the Group's interim condensed consolidated financial statements.

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

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide 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 had no impact on the Group's interim condensed consolidated financial statements, but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

*Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12*

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Group's interim condensed consolidated financial statements.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2023

### 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:

	30 June 2023		31 December 2022 года	
	Share	Number of shares	Share	Number of shares
Kazakhtelecom JSC	51.00%	102,000,000	51.00%	102,000,000
PIONEER TECHNOLOGIES S.A.R.L.	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
Raiffeisenbank JSC	1.54%	3,070,664	1.54%	3,070,664
KAZPOST JSC	1.94%	3,882,130	-	-
Life Insurance Company				
FREEDOM FINANCE JSC	1.68%	3,355,162	-	-
AROYGROUP LLP	-	-	1.39%	2,788,927
EVEREX LLP	-	-	1.16%	2,315,226
Other	12.83%	25,662,789	13.90%	27,795,928
	<b>100.00%</b>	<b>200,000,000</b>	<b>100.00%</b>	<b>200,000,000</b>

The total authorized number of ordinary shares is 200,000,000 shares with a per 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>	Six months ended	
	30 June 2023	30 June 2022
Profit for the period attributable to equity shareholders	17,880	19,357
Weighted average number of ordinary shares	200,000,000	200,000,000
<b>Earnings per share (tenge), basic and diluted</b>	<b>89.40</b>	<b>96.79</b>

The Group has no dilutive or potentially dilutive securities outstanding.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2023

### 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 30 June 2023 and 31 December 2022 is presented below

<i>In millions of tenge</i>	<b>30 June 2023</b>	31 December 2022
Net assets, excluding intangible assets	<b>26,929</b>	95,139
Number of ordinary shares in issue	<b>200,000,000</b>	200,000,000
<b>Cost of ordinary share, calculated in accordance with listing requirements of the “KASE” (tenge)</b>	<b>134.65</b>	475.70

During the six months ended 30 June 2023 and 2022, the Group did not declare dividends payable.

### 6. PROPERTY AND EQUIPMENT

During the three and six-month period ended 30 June 2023, additions to property and equipment totaled to 22,880 million tenge and 24,118 respectively (during three and six-month period ended 30 June 2022: 4,086 million tenge and 7,146 million tenge, respectively).

During the three and six-month period ended 30 June 2023, transfer from construction-in-progress to property and equipment amounted to 1,712 million tenge and 2,988, respectively (during three months and six-month period ended 30 June 2022: 1,901 million tenge and 3,998 million tenge, respectively).

During the three months and six-month period ended 30 June 2023, the Group recognised depreciation expense in the amount of 3,325 million tenge and 6,812 million tenge respectively (during three and six-month ended 30 June 2022: 3,518 million tenge and 7,135 million tenge, respectively).

During the three and six-month period ended 30 June 2023, the Group recognised decrease in cost of property and equipment due to changes in estimates in assets retirement obligation in the amount of 122 million tenge and 366 million tenge respectively (during three and six-month period ended 30 June 2022 decrease: in cost of property and equipment due to changes in estimates in assets retirement obligation in the amount of 293 million tenge and 274 million tenge, respectively).

As at 30 June 2023, the gross carrying value of property and equipment which has been fully depreciated and still in use, was 187,964 million tenge were (as at 31 December 2022: 182,092 million tenge)

During the six months period ended 30 June 2023, the Group has written off property and equipment with net book value in the amount of 387 million tenge (during the six months period ended 30 June 2022: nil tenge).

### 7. INTANGIBLE ASSETS

During the three and six-months ended 30 June 2023, the Group acquired intangible assets in the amount of 13,998 million tenge and 93,593 million tenge, respectively (during three and six-month ended 30 June 2022: 3,580 million tenge and 4,719 million tenge, respectively). During the six months ended 30 June 2023 the Group purchased and paid license of 5G for the total amount 78,035 million tenge.

During the three and six-months ended 30 June 2023, the Group recognized amortization expense in the amount of 4,245 million tenge and 7,491 million tenge, respectively (during three and six-month ended 30 June 2022: 2,839 million tenge and 5,485 million tenge, respectively).

As at 30 June 2023, the carrying amount of 3G license was 917 million tenge (31 December 2022: 1,000 million tenge) and its remaining amortization period was 3 years. As at 30 June 2023, the carrying amount of the 4G license was 13,578 million tenge (31 December 2022: 14,011 million tenge) and its remaining amortization period was 8 years.

As at 30 June 2023, the gross carrying value of intangible assets, which have been fully amortized and still in use, was 39,792 million tenge (31 December 2022: 39,792 million tenge). During the six months period ended 30 June 2023, the Group has written off the fully amortized intangible assets with gross book value in the amount of nil tenge (during six months period ended 30 June 2022 2,983 million tenge).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2023

### 8. TRADE RECEIVABLES

As at 30 June 2023 and 31 December 2022, trade receivables comprised of the following:

<i>In millions of tenge</i>	<b>30 June 2023 (unaudited)</b>	31 December 2022
Trade receivable from subscribers	<b>34,907</b>	35,363
Trade receivable from interconnect services	<b>3,538</b>	1,838
Trade receivables from roaming operators	<b>241</b>	358
Trade receivables from dealers and distributors	<b>1,947</b>	574
Trade receivables from related parties ( <i>Note 21</i> )	<b>5,661</b>	5,650
Less: allowance for expected credit losses	<b>(15,195)</b>	(12,915)
	<b>31,099</b>	30,868
Less: long-term portion of trade receivable from subscribers	<b>(1,207)</b>	(4,345)
	<b>29,892</b>	<b>26,523</b>

During the six months ended 30 June movements in the allowance for expected credit losses were as follows:

<i>In millions of tenge</i>	<b>30 June 2023 (unaudited)</b>	<b>30 June 2022 (unaudited)</b>
Allowance for expected credit losses at the beginning of the period	(12,915)	(6,651)
Charge for the period	(2,280)	(1,795)
<b>Allowance for expected credit losses at the end of the period</b>	<b>(15,195)</b>	<b>(8,446)</b>

### 9. INVENTORIES

As at 30 June 2023 and 31 December 2022, inventories comprised:

<i>In millions of tenge</i>	<b>30 June 2023 (unaudited)</b>	<b>31 December 2022</b>
Handsets and accessories (at lower of cost and net realizable value)	9,668	7,407
Start packages (at cost)	511	235
Marketing materials (at cost)	71	42
SIM-cards (at cost)	174	108
Other materials (at cost)	141	188
	<b>10,565</b>	<b>7,980</b>

During the six month-period ended 30 June 2023 and 2022, The Group has not recognized an expense on inventories carried at net realizable value.

### 10. OTHER CURRENT NON-FINANCIAL ASSETS

As at 30 June 2023 and 31 December 2022, other current non-financial assets comprised of the following:

<i>In millions of tenge</i>	<b>30 June 2023 (unaudited)</b>	<b>31 December 2022</b>
Advances paid	4,998	1,858
VAT recoverable	-	3,738
Prepaid expenses	846	1,090
Prepaid taxes other than income taxes	1,815	211
	<b>7,659</b>	<b>6,897</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2023

### 11. CASH AND CASH EQUIVALENTS

As at 30 June 2023 and 31 December 2022, cash and cash equivalents comprised of the following:

<i>In millions of tenge</i>	30 June 2023 (unaudited)	31 December 2022
Bank deposits with original maturity of less than 90 days	3,571	36,134
Cash on current bank accounts	3,153	10,111
Cash on hand	4	3
	<b>6,728</b>	<b>46,248</b>

As of 30 June 2023, short-term bank deposits represent overnight deposits in tenge in Halyk Bank JSC at interest rate 15.75 % in the amount of 3,550 million tenge, in Citibank Kazakhstan JSC at interest rate 6.5% in the amount of 2,5 million tenge, deposit in First Heartland Jýsan Bank JSC at interest rate 14.85 % in the amount of 10 million tenge and deposit in USD at interest rate 2.0% in the amount of 20 thousand USD.

As at 30 June 2023 and 31 December 2022, cash and cash equivalents were denominated in various currencies as follow:

<i>In millions of tenge</i>	30 June 2023 (unaudited)	31 December 2022
Tenge	4,636	26,876
US dollars	1,972	19,206
Euro	85	117
Russian rubles	33	48
Other	2	1
	<b>6,728</b>	<b>46,248</b>

### 12. BORROWINGS

As at 30 June 2023 and 31 December 2022 borrowings comprised of the following:

<i>In millions of tenge</i>	Currency	Effective interest rate	Maturity date	30 June 2023 (unaudited)	31 December 2022
First Heartland Jusan Bank JSC	Tenge	11,70%	10 November 2024	40,406	40,208
Bank of China Kazakhstan JSC	Tenge	10,70%	1 June 2024	15,093	2,033
Halyk Bank of Kazakhstan JSC	Tenge	18,75%	30 June 2026	3,088	-
Halyk Bank of Kazakhstan JSC	Tenge	18,75%	22 June 2026	2,000	-
VTB Bank JSC	Tenge	11,90%	15 October 2023	-	5,002
				<b>60,587</b>	<b>47,243</b>
Less: non-current portion				<b>(54,087)</b>	<b>(41,646)</b>
				<b>6,500</b>	<b>5,597</b>

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 30 June 2023 and 31 December 2022 there have been no breaches of the covenants.

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

#### *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.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the six months ended 30 June 2023****12. BORROWINGS (continued)**

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.

*VTB Bank JSC*

On 28 October 2020 the Group obtained loan in the amount of 6,000 million tenge within the credit line agreement with VTB Bank JSC with maturity till October 2023 at interest rate 10.7% per annum. On 31 March 2021 the Group signed an additional agreement with VTB Bank JSC to increase the amount of the credit line from 6,000 million tenge to 7,000 million tenge, and obtained 1,000 million tenge with a maturity until 15 October 2023 and an interest rate of 10.7% per annum. On 1 March 2022, the Group partially repaid principal in the amount of 2,000 million tenge.

On 7<sup>th</sup> June 2023 the Group fully repaid the loan of 5,000 million tenge, as of 30 June 2023 there is no any loans within VTB Bank JSC.

*Bank of China Kazakhstan JSC*

During 2019 and 2020, the Group obtained loan in the amount of 5,000 million and 6,000 million tenge, respectively, within credit line agreement with Bank of China Kazakhstan JSC with a repayment period of 36 months and a fixed interest rate of 10.5% per annum. On 14 October 2020 the Group has signed addendum to loan agreement with Bank of China JSC to decrease interest rate from 10.5% to 10.3% per annum under credit line agreement. The change in the interest rate does not represent a substantial modification in accordance with IFRS 9 and thus, it did not lead to the derecognition of the original liability. Consequently, in 2020 the Group recognized finance income in the amount of 33 million tenge as a result of change in the interest rate. The loan is secured by the financial guarantee provided by Kazakhtelecom JSC, the Parent. The Group considers the financial guarantee provided by the parent to be an integral part of the loan, and therefore does not recognize the guarantee received separately in its interim condensed consolidated financial statements.

On 2 June 2021 the Group obtained additional tranche in the amount of 2,000 million tenge from Bank of China JSC within the same credit line agreement.

During 2022, the Group partially repaid principal in the amount of 11,000 million tenge.

In June 2023 the Group obtained additional tranche in the amount of 13,000 million tenge from Bank of China JSC within the same credit line agreement.

*Halyk bank of Kazakhstan JSC*

In June 2023 the Group obtained two loans from Halyk Bank of Kazakhstan for 2,000 million tenge and 3,080 million tenge. The interest rate of both loans is 18,75% per annum. Maturity date of the first loan is 22 June 2026, the second is 30 June 2023.



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**For the six months ended 30 June 2023**

**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>	<b>Total</b>
<b>Cost</b>	
<b>As at 1 January 2022 (audited)</b>	30,238
Modification	2,702
<b>As at 30 June 2022</b>	<b>32,940</b>
<b>As at 1 January 2023</b>	33,316
Additions	5,922
Modification	625
Cancellation	(154)
<b>As at 30 June 2023</b>	<b>39,709</b>
<b>Accumulated depreciated</b>	
<b>As at 1 January 2022</b>	(13,295)
Depreciation charge	(2,417)
<b>As at 30 June 2022</b>	<b>(15,712)</b>
<b>As at 1 January 2023</b>	(18,232)
Depreciation charge	(2,915)
Cancellation depreciation	5
<b>As at 30 June 2023</b>	<b>(21,142)</b>
<b>Net book value</b>	
<b>As at 31 December 2022</b>	15,084
<b>As at 30 June 2023</b>	<b>18,567</b>

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

<i>In millions of tenge</i>	<b>30 June 2023 (unaudited)</b>	30 June 2022 (unaudited)
<b>At the beginning of the year</b>	<b>17,837</b>	20,129
Interest expenses	1,545	1,291
Payments	<b>(4,405)</b>	(3,763)
Additions	<b>5,922</b>	2,702
Modification	<b>625</b>	–
Cancelations	<b>(150)</b>	–
<b>At the end of the period</b>	<b>21,374</b>	20,359
Short-term	<b>6,571</b>	5,251
Long-term	<b>14,803</b>	15,108

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2023

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

The following amounts are recognised in profit or loss:

<i>In millions of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2023	2022	2023	2023
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Depreciation expense of right-of-use assets	1,354	1,193	2,915	2,417
Interest expense on lease liabilities	602	656	1,545	1,291
	<b>1,956</b>	1,849	<b>4,460</b>	3,708

### 14. TRADE PAYABLES

As at 30 June 2023 and 31 December 2022, trade payables comprised of the following:

<i>In millions of tenge</i>	30 June 2023 (unaudited)	31 December 2022
Trade payables to third parties	33,944	31,529
Trade payables to related parties (Note 21)	5,336	3,220
	<b>39,280</b>	34,749

As at 30 June 2023 and 31 December 2022, the Group's trade payables were denominated in the following currencies:

<i>In millions of tenge</i>	30 June 2023 (unaudited)	31 December 2022
Tenge	13,854	33,127
US Dollars	329	87
Other currencies	25,097	1,535
	<b>39,280</b>	34,749

### 15. FINANCIAL GUARANTEE OBLIGATION

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 30 June 2023 and 31 December 2022, the Group measured financial guarantee obligation at the higher of the amount of the loss allowance determined in accordance with IFRS 9 Financial Instruments and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with IFRS 15 Revenue from Contracts with Customers. As at 30 June 2023, financial guarantee obligation equaled to 92 million tenge, which represents the initial amount less the cumulative amount of income recognised in accordance with IFRS 15 (31 December 2022: 155 million tenge).

### 16. PROVISIONS

As at 30 June 2023 and 31 December 2022 amount of provisions comprised of the following:

<i>In millions of tenge</i>	30 June 2023 (unaudited)	31 December 2022
Legal claims on contractual liabilities	3,772	3,484
Other provisions	1,075	201
	<b>4,847</b>	3,685

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**For the six months ended 30 June 2023**

**17. GOVERNMENT GRANTS**

<i>In millions of tenge</i>	<b>30 June 2023 (unaudited)</b>	<b>30 June 2022 (unaudited)</b>
<b>Government grants as at 1 January</b>	<b>11,268</b>	7,925
Received during the period	<b>4,078</b>	3,234
Released to the consolidated statement of comprehensive income	<b>(1,697)</b>	(1,179)
<b>Government grants as at 30 June</b>	<b>13,649</b>	9,980
Government grants: current portion	<b>2,237</b>	2,237
Government grants: non-current portion	<b>11,412</b>	7,743

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 the six months ended 30 June 2023 and the six months ended 30 June 2022 in the amount of 4,078 million tenge and 3,234 million tenge, respectively, 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 30 June 2023 the balance of deferred income recognized was equal to 13,649 million tenge ( 31 December 2022: 11,268 million tenge), and part of the government grants released to the profit and loss over the six month ended 30 June 2023 necessary to match the related depreciation charges equals to 1,697 million tenge (six month ended 30 June 2022: 1,179 million tenge).

As of 30 June 2023 there are no unfulfilled conditions or contingencies attached to these grants.

**18. REVENUE FROM CONTRACTS WITH CUSTOMERS**

<i>In millions of tenge</i>	<b>For the three months ended 30 June</b>		<b>For the six months ended 30 June</b>	
	<b>2023 (unaudited)</b>	2022 (unaudited)	<b>2023 (unaudited)</b>	2022 (unaudited)
Voice and data services	<b>26,435</b>	41,532	<b>71,991</b>	79,608
Sale of handsets and equipment	<b>7,824</b>	13,410	<b>17,392</b>	23,929
Value added services	<b>10,039</b>	1,359	<b>12,049</b>	3,097
Other	<b>6,048</b>	90	<b>6,048</b>	90
	<b>50,346</b>	56,391	<b>107,480</b>	106,724
Over time	<b>42,522</b>	42,891	<b>90,088</b>	82,705
At a point of time	<b>7,824</b>	13,500	<b>17,392</b>	24,019
	<b>50,346</b>	56,391	<b>107,480</b>	106,724

As at 30 June 2023 and 31 December 2022, the contract liabilities in the amount of 7,857 million tenge excluding VAT and 5,645 million tenge, respectively, were represented by short-term advanced received to render voice and data services.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**For the six months ended 30 June 2023**

**19. COST OF SALES**

<i>In millions of tenge</i>	<b>For the three months ended 30 June</b>		<b>For the six months ended 30 June</b>	
	<b>2023</b> <b>(unaudited)</b>	2022 (unaudited)	<b>2023</b> <b>(unaudited)</b>	2022 (unaudited)
Cost of SIM-card and handsets	<b>7,345</b>	11,609	<b>14,536</b>	19,780
Depreciation and amortization	<b>7,953</b>	6,503	<b>15,038</b>	12,878
Interconnect fees and expenses	<b>4,237</b>	4,527	<b>7,922</b>	9,656
Personnel costs	<b>3,674</b>	3,466	<b>7,563</b>	6,607
Transmission services	<b>3,495</b>	2,591	<b>6,945</b>	5,263
Repair and maintenance	<b>3,064</b>	2,163	<b>5,256</b>	4,148
Fees for use of frequency range	<b>2,977</b>	1,904	<b>5,515</b>	3,734
Electricity	<b>1,213</b>	1,064	<b>2,336</b>	2,336
Network sharing agreement	<b>1,233</b>	929	<b>2,421</b>	1,726
Content provider expense	<b>521</b>	–	<b>521</b>	–
Mobile service tax	<b>416</b>	605	<b>960</b>	1,166
Security and safety	<b>93</b>	81	<b>183</b>	154
Materials	<b>30</b>	32	<b>53</b>	41
Other	<b>401</b>	668	<b>1,557</b>	1,029
	<b>36,652</b>	36,142	<b>70,806</b>	68,518

**20. INCOME TAX EXPENSE**

<i>In millions of tenge</i>	<b>For the three months ended 30 June</b>		<b>For the six months ended 30 June</b>	
	<b>2023</b> <b>(unaudited)</b>	2023 (unaudited)	<b>2023</b> <b>(unaudited)</b>	2022 (unaudited)
Current income tax expense	<b>3,058</b>	4,731	<b>7,533</b>	7,233
Deferred income (benefit)/ tax expense	<b>(1,573)</b>	14	<b>(1,573)</b>	385
	<b>1,485</b>	4,745	<b>5,960</b>	7,618

**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 30 June 2023, the Group recognized an allowance for expected credit losses in the amount of 328 million tenge in respect of receivables from related parties (31 December 2022: 237 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 51% of Kazakhtelecom's controlling shares (*Note 1*). Governmental entities include entities under common control and associates of the Government of the Republic of Kazakhstan.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2023

### 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 30 June 2023 and 2022, and the balances with related parties as at 30 June 2023 and 2022, were as follows:

<i>In millions of tenge</i>	For the three months ended 30 June		For the six months ended 30 June	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
<b>Sales of goods and services</b>				
Entities of Samruk Kazyna group	93	54	169	99
Entities of Kazakhtelecom group	3,163	3,395	6,212	7,114
State owned entities	101	55	200	101
	<b>3,358</b>	<b>3,504</b>	<b>6,581</b>	<b>7,314</b>
<b>Purchases of goods and services</b>				
Entities of Samruk Kazyna group	131	132	270	250
Entities of Kazakhtelecom group	7,358	6,232	13,657	12,511
State owned entities	44	34	50	57
	<b>7,533</b>	<b>6,398</b>	<b>13,977</b>	<b>12,818</b>
<b>Finance expense</b>				
Other Shareholders	1,305	1,207	2,412	2,410

<i>In millions of tenge</i>	30 June (unaudited)	31 December 2022
<b>Trade receivables (Note 8)</b>		
Entities of Samruk Kazyna Group	208	100
Entities of Kazakhtelecom Group	5,205	5,472
Government entities	248	78
	<b>5,661</b>	<b>5,650</b>
<b>Trade payables (Note 14)</b>		
Entities of Samruk Kazyna Group	55	34
Entities of Kazakhtelecom Group	5,277	3,186
Government entities	5	-
	<b>5,336</b>	<b>3,220</b>
<b>Borrowings (Note 12)</b>		
Other Shareholders	40,406	40,208
<b>Cash and deposit accounts</b>		
Other shareholders	19	10,244

### Compensation to key management personnel

For the three and six months ended 30 June 2023, the total amount of key management remuneration included in the accompanying consolidated statement of comprehensive income under general and administrative expenses is 656 million tenge and 1,175 million tenge, respectively (for the three and six months ended 30 June 2022: 284 million tenge and 916 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.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**For the six months ended 30 June 2023**

**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 represent fair value hierarchy of assets and liabilities of the Group. Disclosure of quantitative information of fair value hierarchy of financial instruments as at 30 June 2023 and 31 December 2022 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
<b>Assets for which fair values are disclosed</b>					
Short-term trade receivables	30 June 2023	–	–	29,892	29,892
Long-term trade receivables	30 June 2023	–	–	1,207	1,207
Other current financial assets	30 June 2023	–	–	683	683
<b>Liabilities for which fair values are disclosed</b>					
Borrowings	30 June 2023	–	–	57,259	57,259
Trade payables	30 June 2023	–	–	39,280	39,280
Financial guarantee obligation	30 June 2023	–	–	92	92

<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
<b>Assets for which fair values are disclosed</b>					
Financial assets at amortized cost	31 December 2022	14,897	–	–	14,897
Short-term trade receivables	31 December 2022	–	–	26,523	26,523
Long-term trade receivables	31 December 2022	–	–	4,345	4,345
Other current financial assets	31 December 2022	–	–	800	800
<b>Liabilities for which fair values are disclosed</b>					
Borrowings	31 December 2022	–	–	43,142	43,142
Trade payables	31 December 2022	–	–	34,749	34,749
Financial guarantee obligation	31 December 2022	–	–	155	155

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

For the six months ended 30 June 2023

**22. FINANCIAL INSTRUMENTS (continued)**

**Fair values (continued)**

As at 30 June 2023 and 31 December 2022, the carrying amounts of the Group's financial assets and liabilities presented as follow:

<i>In millions of tenge</i>	Carrying amount 30 June 2023	Fair value 30 June 2023	Unrecognised gain/(loss)	Carrying amount 31 December 2022	Fair value 31 December 2022	Unrecognised gain/(loss)
<b>Financial assets</b>						
Cash and cash equivalents	6,728	6,728	-	46,248	46,248	-
Financial assets at amortized cost	-	-	-	14,833	14,897	64
Short-term trade receivables	29,892	29,892	-	26,523	26,523	-
Long-term trade receivables	1,207	1,207	-	4,345	4,345	-
Other current financial assets	683	683	-	800	800	-
<b>Financial liabilities</b>						
Borrowings	60,587	57,259	3,328	47,243	43,142	4,101
Trade payables	39,280	39,280	-	34,749	34,749	-
<b>Total unrecognised change in unrealised fair value</b>			<b>3,328</b>			<b>4,165</b>

**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.

**Events in Ukraine**

The events in Ukraine has had a significant negative impact on the global economic outlook. In response to the offensive, extensive sanctions have been imposed on Russia that largely exclude the country from the international financial markets and significantly curtail trade in goods. These sanctions are intended to have a negative economic impact on the Russian Federation.

Possible future effects on the measurement of individual assets and liabilities due to war in Ukraine are being analyzed on an ongoing basis. It is not yet possible to assess with certainty how the Group will be indirectly affected, in particular by the impact on the global economy. The overall economic outlook has deteriorated significantly as a result of the extensive sanctions and limitations on trade in goods. Based on experience so far, the Group expects the events in Ukraine to only impact business to a limited extent going forward.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the six months ended 30 June 2023**

---

**23. COMMITMENTS AND CONTINGENT LIABILITIES (continued)****Capital commitments**

The Group enters into contracts for the completion of construction projects and purchase of telecommunication equipment. As at 30 June 2023, the Group had contractual commitments for total 58,175 million tenge, excluding VAT (unaudited) (as at 31 December 2022: 17,811 million tenge, excluding VAT), which includes capital expenditures in respect to new technical regulation described below.

**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 30 June 2023 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 condensed interim consolidated financial statements or otherwise disclosed in these condensed interim 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.

**New 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 (new 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 (hereinafter – "ORA").

As of 30 June 2023 the Group partially implemented modernization and expansion of license and port capacity for the total amount of 4,612 million tenge since 2018. The Group plans to complete expansion in full till 2025 and expect that total amount of capital expenditures in respect to modernization and expansion will be equaled to 7,755 million tenge.

**Arbitration against Amdocs companies**

Amdocs-Kazakhstan LLP and Amdocs Software Solutions LLC (jointly referred to as "Amdocs") was to develop, implement and deliver the Convergent Billing System to Kcell under Master Agreement dated April 2014 between TeliaSonera AB and Amdocs Software System Ltd ("Master Agreement"), and Supply Agreement, including Addendums (further as "Supply Agreement").

Kcell and Amdocs are currently negotiating the voluntary execution of the Arbitration Award in order to reduce the payments as well as risks associated with enforcement of the award. During or six months the Group accrued additional provision for arbitration against Amdocs in the amount of 288 million tenge. As of 30 June 2023, the balance of provision for arbitration against Amdocs is equal to 3,772 million tenge (31 December 2022: 3,484 million tenge).



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the six months ended 30 June 2023**

---

**24. SUBSEQUENT EVENTS**

In July 2023 the Group obtained five loans from Halyk Bank of Kazakhstan for operational needs in the total amount 16,077 million tenge. The interest rate of five loans are 18,75% per annum. The maturity date of loans are July 2026.

On August 2, 2023, the Group received a letter from First Heartland Jusan Bank JSC with a request to carry out full early release under the Loan Agreement until August 25, 2023, due to the fact that the Group became an affiliate of First Heartland Jusan Bank JSC.