

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**For the nine months period ended 30 September 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 nine months ended 30 September 2023 the Group acquired license for 5G (*Note 7*).

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

	30 September 2023 (unaudited)	31 December 2022
Kazakhtelecom JSC	51.00%	51.00%
Yessenov G.Sh.	14.87%	-
First Heartland Jusan Bank JSC	9.08%	9.08%
Single accumulative pension fund JSC	7.06%	7.06%
Life Insurance Company FREEDOM FINANCE JSC	4.75%	-
KAZPOST JSC	1.90%	-
Raiffeisenbank JSC	1.54%	1.54%
PIONEER TECHNOLOGIES яS.A.R.L	-	14.87%
AROYGROUP LLP	-	1.39%
EVEREX LLP	-	1.16%
Other	9.80%	13.90%
	100.00%	100.00%

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

	30 September 2023(unaudited)	31 December 2022
KazNet Media LLP	100%	100%

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 authorized for issue by the Chairman of the Management Board on 13 November 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the nine months period ended 30 September 2023

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the nine months ended 30 September 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 September 2023 the Group's current liabilities exceeded current assets by 5,224 million tenge due to acquisition of 5G license and network modernization. Management consider that there are no material uncertainties that may cast significant doubt over this assumption. According to Management 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 other comprehensive income (hereinafter "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

	30 September 2023	31 December 2022
US dollar	474.47	462.65
Euro	503.51	492.86
Russian ruble	4.88	6.43

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the nine months period ended 30 September 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 to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted. Since the amendments to IFRS Practice Note No. 2 provide non-mandatory guidance on the application of the definition of materiality to accounting policy information, the effective date of the amendments is not required.

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

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 nine months period ended 30 September 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 analyze 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 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 September 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
Yessenov G.Sh.	14.87%	29,745,215	-	-
PIONEER TECHNOLOGIES S.A.R.L	-	-	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
Life Insurance Company	4.75%	9,496,099	-	-
FREEDOM FINANCE JSC				
KAZPOST JSC	1.90%	3,800,000	-	-
Raiffeisenbank JSC	1.54%	3,070,664	1.54%	3,070,664
AROYGROUP LLP	-	-	1.39%	2,788,927
EVEREX LLP	-	-	1.16%	2,315,226
Other	9.80%	19,603,982	13.90%	27,795,928
	100.00%	200,000,000	100.00%	200,000,000

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>	Nine months ended	
	30 September 2023	30 September 2022
Profit for the period attributable to equity shareholders	23,570	32,459
Weighted average number of ordinary shares	200,000,000	200,000,000
Earnings per share (tenge), basic and diluted	117.85	162.30

The Group has no dilutive or potentially dilutive securities outstanding.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the nine months period ended 30 September 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 September 2023 and 31 December 2022 is presented below

<i>In millions of tenge</i>	30 September 2023	31 December 2022
Net assets, excluding intangible assets	36,527	95,139
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)	182.64	475.70

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

6. PROPERTY AND EQUIPMENT

During the three and nine-month period ended 30 September 2023, additions to property and equipment totaled to 26,410 million tenge and 50,528 respectively (during three and nine-month period ended 30 September 2022: 3,684 million tenge and 10,830 million tenge, respectively).

During the three and nine-month period ended 30 September 2023, transfer from construction-in-progress to property and equipment amounted to 3,446 million tenge and 6,434, respectively (during three months and nine-month period ended 30 September 2022: 3,942 million tenge and 7,940 million tenge, respectively).

During the three months and nine-month period ended 30 September 2023, the Group recognised depreciation expense in the amount of 3,643 million tenge and 10,455 million tenge respectively (during three and nine-month ended 30 September 2022: 3,564 million tenge and 10,699 million tenge, respectively).

During the three and nine-month period ended 30 September 2023, the Group recognised decrease in changes in estimates in assets retirement obligation in the amount 197 million tenge and 563 million tenge respectively (during three and nine-month period ended 30 September 2022 decrease: 183 million tenge and 457 million tenge, respectively).

As at 30 September 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 nine months period ended 30 September 2023, the Group has written off the fully amortized property and equipment with net book value in the amount of 461 million tenge (during the nine months period ended 30 September 2022 1,070 million tenge).

7. INTANGIBLE ASSETS

During the three and nine-month ended 30 September 2023, the Group acquired intangible assets in the amount of 384 million tenge and 93,977 million tenge, respectively (during three and nine-month ended 30 September 2022: 2,682 million tenge and 7,401 million tenge, respectively). During the nine months ended 30 September the Group purchased and paid license of 5G for the total amount 78,035 million tenge.

During the three and nine-month ended 30 September 2023, the Group recognized amortization expense in the amount of 7,440 million tenge and 14,931 million tenge, respectively (during three and nine-month ended 30 September 2022: 3,288 million tenge and 8,773 million tenge, respectively).

As at 30 September 2023, the carrying amount of 3G license was 750 million tenge (31 December 2022: 1,000 million tenge) and its remaining amortization period was 3 years. As at 30 September 2023, the carrying amount of the 4G license was 12,711 million tenge (31 December 2022: 14,011 million tenge) and its remaining amortization period was 8 years.

As at 30 September 2023, the gross carrying value of intangible assets, which have been fully amortized and still in use, was 37,990 million tenge (31 December 2022: 39,792 million tenge). During the nine months period ended 30 September 2023, the Group has written off the fully amortized intangible assets with gross book value in the amount of 919 million tenge (during nine months period ended 30 September 2022: 2,983tenge).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the nine months period ended 30 September 2023

8. TRADE RECEIVABLES

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

<i>In millions of tenge</i>	30 September 2023 (unaudited)	31 December 2022
Trade receivable from subscribers	30,069	35,363
Trade receivables from related parties (Note 21)	6,769	5,650
Trade receivable from interconnect services	5,838	1,838
Trade receivables from roaming operators	1,811	358
Trade receivables from dealers and distributors	614	574
Less: allowance for expected credit losses	(15,701)	(12,915)
	29,400	30,868
Less: long-term portion of trade receivable from subscribers	(1,011)	(4,345)
	28,389	26,523

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

<i>In millions of tenge</i>	30 September 2023 (unaudited)	30 September 2022 (unaudited)
Allowance for expected credit losses at the beginning of the period	(12,915)	(6,651)
Charge for the period	(2,786)	(3,385)
Allowance for expected credit losses at the end of the period	(15,701)	(10,036)

9. INVENTORIES

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

<i>In millions of tenge</i>	30 September 2023 (unaudited)	31 December 2022
Handsets and accessories (at lower of cost and net realizable value)	9,983	7,407
Start packages (at cost)	416	235
SIM-cards (at cost)	166	108
Marketing materials (at cost)	85	42
Other materials (at cost)	43	188
	10,693	7,980

During the nine month-period ended 30 September 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 September 2023 and 31 December 2022, other current non-financial assets comprised of the following:

<i>In millions of tenge</i>	30 September 2023 (unaudited)	31 December 2022
Advances paid	8,974	1,858
VAT recoverable	1,676	3,738
Prepaid expenses	1,203	1,090
Prepaid taxes other than income taxes	515	211
	12,368	6,897

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the nine months period ended 30 September 2023

11. CASH AND CASH EQUIVALENTS

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

<i>In millions of tenge</i>	30 September 2023 (unaudited)	31 December 2022
Bank deposits with original maturity of less than 90 days	3,342	36,134
Cash on current bank accounts	823	10,111
Cash on hand	4	3
	4,169	46,248

As of 30 September 2023, short-term bank deposits represent in tenge in Halyk Bank JSC at interest rate 16% in the amount of 3,000 million tenge and overnight deposit in USD at interest rate 3.0% in the amount of 719 thousand USD, deposit in First Heartland Jýsan Bank JSC in USD at interest rate 2.0% in the amount of 2 thousand USD.

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

<i>In millions of tenge</i>	30 September 2023 (unaudited)	31 December 2022
Tenge	3,814	26,876
US dollars	351	19,206
Euro	3	117
Russian rubles	-	48
Other	1	1
	4,169	46,248

12. BORROWINGS

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

<i>In millions of tenge</i>	Currency	Effective interest rate	Maturity date	30 September 2023 (unaudited)	31 December 2022
JSC "Halyk Bank of Kazakhstan"	Тенге	20,10%	September 8, 2026	31,712	-
JSC "Halyk Bank of Kazakhstan"	Тенге	20,40%	June 30, 2026	21,157	-
JSC "Nurbank"	Тенге	18,70%	September 8, 2026	15,000	-
Bank of China	Тенге	18,70%	February 23, 2026	13,076	-
Bank of China	Тенге	10,90%	June 2, 2024	2,005	2,033
JSC «First Heartland Jusan Bank»	Тенге	11,60%	November 10, 2024	530	40,208
JSC VTB Bank	Тенге	11,90%	October 15, 2023	-	5,002
				83,480	47,243
Less: long term part				(80,407)	(41,646)
				3,073	5,597

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 September 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the nine months period ended 30 September 2023**

12. BORROWINGS (continued)*JSC "Halyk Bank of Kazakhstan"*

During nine months period ended 30 September 2023 the Group obtained loans in the amount of 21,157 and 30,750 million tenge with a repayment period of 36 months and a fixed interest rate of 18.75% and 18.50% per annum respectively within the framework of a credit line agreement in JSC "Halyk Bank of Kazakhstan"

Nurbank JSC

In September 2023 the Group obtained a loan from Nurbank JSC for 15,000 million tenge. The interest rate of the loan is 17,27% per annum. Maturity date of the loan is 08 September 2026.

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 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 with the fixed interest rate of 17,25% within the same credit line agreement.

First Heartland Jusan Bank JSC

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.

VTB Bank JSC

On September 08, 2023, the Group repaid the debt in the amount of 40,000 million tenge, the balance of the debt as of September 30, 2023 is 500 million tenge at a rate of 11% per annum, with a repayment period until November 10, 2024. 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 7th 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the nine months period ended 30 September 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>	Total
Cost	
As at 1 January 2022 (audited)	30,238
Modification	2,485
As at 30 September 2022	32,723
As at 1 January 2023	33,316
Additions	6,567
Modification	233
Cancellation	(158)
As at 30 September 2023	39,958
Accumulated depreciated	
As at 1 January 2022	(13,295)
Depreciation charge	(3,486)
As at 30 September 2022	(16,781)
As at 1 January 2023	(18,232)
Depreciation charge	(4,295)
Cancellation depreciation	(5)
As at 30 September 2023	(22,532)
Net book value	
As at 31 December 2022	15,084
As at 30 September 2023	17,436

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

<i>In millions of tenge</i>	30 September 2023 (unaudited)	30 September 2022 (unaudited)
At the beginning of the year	17,837	20,129
Interest expenses	2,532	2,149
Payments	(6,889)	(5,699)
Additions	6,567	2,485
Modification	233	-
Cancelations	(208)	-
At the end of the period	20,072	19,064
Short-term	6,615	14,507
Long-term	13,457	4,557

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the nine months period ended 30 September 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 September		For nine months ended 30 September	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2023 (unaudited)
Depreciation expense of right-of-use assets	1,380	1,069	4,295	3,486
Interest expense on lease liabilities	987	858	2,532	2,149
	2,367	1,927	6,827	5,635

14. TRADE PAYABLES

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

<i>In millions of tenge</i>	30 September 2023 (unaudited)	31 December 2022
Trade payables to third parties	30,970	31,529
Trade payables to related parties (Note 21)	2,901	3,220
	33,871	34,749

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

<i>In millions of tenge</i>	30 September 2023 (unaudited)	31 December 2022
Tenge	12,952	33,127
EURO	20,493	1,393
US Dollars	426	87
Other currencies	-	142
	33,871	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 September 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 September 2023, financial guarantee obligation equaled to 66 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).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the nine months period ended 30 September 2023

16. PROVISIONS

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

<i>In millions of tenge</i>	30 September 2023 (unaudited)	31 December 2022
Legal claims on contractual liabilities	672	3,484
Contractual liabilities	595	201
Other provisions	114	-
	1,381	3,685

17. GOVERNMENT GRANTS

<i>In millions of tenge</i>	30 September 2023 (unaudited)	30 September 2022 (unaudited)
Government grants as at 1 January	11,268	7,925
Received during the period	6,118	4,851
Released to the consolidated statement of comprehensive income	(2,546)	(1,768)
Government grants as at 30 September	14,840	11,008
Government grants: current portion	2,045	2,237
Government grants: non-current portion	12,795	8,771

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 nine months ended 30 September 2023 and the nine months ended 30 September 2022 in the amount of 6,118 million tenge and 4,851 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 recognized in profit or loss on a systematic basis over the useful life of the asset.

As of 30 September 2023 the balance of deferred income recognized was equal to 14,840 million tenge (31 December 2022: 11,268 million tenge), and part of the government grants released to the profit and loss over the nine month ended 30 September 2023 necessary to match the related depreciation charges equals to 2,546 million tenge (nine month ended 30 September 2022: 1,768 million tenge).

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

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For the nine months period ended 30 September 2023

18. REVENUE FROM CONTRACTS WITH CUSTOMERS

<i>In millions of tenge</i>	For the three months ended 30 September		For the nine months ended 30 September	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Voice and data services	42,622	44,000	121,058	123,608
Sale of handsets and equipment	5,599	11,909	22,271	35,838
Value added services	5,302	1,749	14,777	4,846
Other	1,767	46	4,633	136
	55,290	57,704	162,769	164,428
Over time	49,691	45,749	140,498	128,454
At a point of time	5,599	11,955	22,271	35,974
	55,290	57,704	162,769	164,428

As at 30 September 2023 and 31 December 2022, the contract liabilities in the amount of 7,463 million tenge excluding VAT and 5,645 million tenge, respectively, were represented by short-term advanced received to render voice and data services.

19. COST OF SALES

<i>In millions of tenge</i>	For the three months ended 30 September		For the nine months ended 30 September	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Depreciation and amortization	13,581	6,801	28,619	19,679
Cost of SIM-card and handsets	4,462	10,250	18,998	30,030
Interconnect fees and expenses	4,152	4,675	12,074	14,331
Personnel costs	3,493	3,229	11,056	9,836
Transmission services	3,442	2,757	10,387	8,020
Fees for use of frequency range	3,615	1,881	9,130	5,615
Repair and maintenance	3,512	2,173	8,768	6,321
Electricity	1,786	967	4,122	3,303
Network sharing agreement	1,281	1,077	3,702	2,803
Mobile service tax	544	643	1,504	1,809
Content provider expense	619	–	1,140	–
Security and safety	75	44	258	198
Materials	41	83	94	124
Other	1,159	510	2,716	1,539
	41,762	35,090	112,568	103,608

20. INCOME TAX EXPENSE

<i>In millions of tenge</i>	For the three months ended 30 September		For the nine months ended 30 September	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Current income tax expense ¹	(544)	4,003	6,989	11,236
Tax expense / Deferred income (benefit)	2,893	(835)	(1,320)	(450)
	2,349	3,168	8,309	10,786

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the nine months period ended 30 September 2023
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 September 2023, the Group recognized an allowance for expected credit losses in the amount of 329 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.

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

<i>In millions of tenge</i>	For the three months ended 30 September		For the nine months ended 30 September	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Sales of goods and services				
Entities of Samruk Kazyna group	101	54	270	153
Entities of Kazakhtelecom group	3,254	3,395	9,466	10,509
State owned entities	128	59	328	161
	3,484	3,508	10,064	10,823
Purchases of goods and services				
Entities of Samruk Kazyna group	162	128	432	378
Entities of Kazakhtelecom group	7,223	6,355	20,881	18,866
State owned entities	18	35	67	91
	7,403	6,518	21,380	19,335
Finance expense				
Other Shareholders	660	1,223	3,072	3,602

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the nine months period ended 30 September 2023

21. RELATED PARTY DISCLOSURES (continued)

<i>In millions of tenge</i>	30 September (unaudited)	31 December 2022
Trade receivables (Note 8)		
Entities of Samruk Kazyna Group	238	100
Entities of Kazakhtelecom Group	6,246	5,472
Government entities	285	78
	6,769	5,650
Trade payables (Note 14)		
Entities of Samruk Kazyna Group	67	34
Entities of Kazakhtelecom Group	2,828	3,186
Government entities	6	-
	2,901	3,220
Borrowings (Note 12)		
Other Shareholders	530	40,208
Cash and deposit accounts		
Other shareholders	1	10,244

Compensation to key management personnel

For the three and nine months ended 30 September 2023, the total amount of key management remuneration included in the accompanying consolidated statement of comprehensive income under general and administrative expenses is 323 million tenge and 1,498 million tenge, respectively (for the three and nine months ended 30 September 2022: 343 million tenge and 1,259 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 nine months period ended 30 September 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 September 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
Assets for which fair values are disclosed					
Short-term trade receivables	30 September 2023	-	-	28,389	28,389
Long-term trade receivables	30 September 2023	-	-	1,011	1,011
Other current financial assets	30 September 2023	-	-	1,740	1,740
	30 September 2023	-	-		
Liabilities for which fair values are disclosed					
Borrowings	30 September 2023	-	-	83,480	83,480
Trade payables	30 September 2023	-	-	33,871	33,871
Due to employees	30 September 2023	-	-	6,866	6,866
Financial guarantee obligation	30 September 2023	-	-	66	66

<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	30 September 2023	14,897	-	-	14,897
Short-term trade receivables	30 September 2023	-	-	26,523	26,523
Long-term trade receivables	30 September 2023	-	-	4,345	4,345
Other current financial assets	30 September 2023	-	-	800	800
Liabilities for which fair values are disclosed					
Borrowings	30 September 2023	-	-	43,142	43,142
Trade payables	30 September 2023	-	-	34,749	34,749
Due to employees	30 September 2023	-	-	5,708	5,708
Financial guarantee obligation	30 September 2023	-	-	155	155

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the nine months period ended 30 September 2023

22. FINANCIAL INSTRUMENTS (continued)

Fair values

As at 30 September 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 September 2023	Fair value 30 September 2023	Unrecognized gain/(loss)	Carrying amount 31 December 2022	Fair value 31 December 2022	Unrecognized gain/(loss)
Financial assets						
Cash and cash equivalents	4,169	4,169	-	46,248	46,248	-
Financial assets at amortized cost	-	-	-	14,833	14,897	64
Short-term trade receivables	28,389	28,389	-	26,523	26,523	-
Long-term trade receivables	1,011	1,011	-	4,345	4,345	-
Other current financial assets	1,740	1,740	-	800	800	-
Financial liabilities						
Borrowings	83,480	82,847	633	47,243	43,142	4,101
Trade payables	33,871	33,871	-	34,749	34,749	-
Due to employees	6,866	6,866	-	5,708	5,708	-
Financial guarantee obligation	66	66	-	155	155	-
Total unrecognised change in unrealised fair value			633			4,165

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. 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 nine months period ended 30 September 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 September 2023, the Group had contractual commitments for total 60,228 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.

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 September 2023, the Group integrated new SHC for the total amount of 4,612 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 22,027 million tenge by 2023.

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 September 2023 it has adequately interpreted relevant legislation and that it is probable that the Group's tax positions will be sustained, except as provided and 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the nine months period ended 30 September 2023

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

On September 13, 2023, a Settlement Agreement was signed between the Group and Amdocs on voluntary enforcement of the arbitration award in order to reduce payments, as well as risks associated with the execution of the award.

On 15 September 2023, the Group made a payment to Amdocs in the amount of US\$6 million (KZT 2,763 million) as payment of the full amount of compensation under the Settlement Agreement. As at 30 September 2023, the Group recovered the provision for arbitration proceedings in respect of Amdocs in the amount of KZT 1,175 million. As at 30 September 2023 the balance of the provision are null (31 December 2022: KZT 3,485 million).

Upon payment of the full amount of the settlement, pursuant to the Settlement Agreement, all claims and all outstanding obligations in respect of the dispute between the Group and Amdocs shall be deemed to be fully settled/discharged.

24. SUBSEQUENT EVENTS

During October 2023, the Group attracted financing from Halyk Bank of Kazakhstan in the amount of 7,570 million tenge for 36 months at 18% per annum and repaid the loan for a total amount of 14,597 million tenge.

In October 2023, the Group received permission to use radiofrequency spectrum on 5G in an additional 5 regions of Kazakhstan. Currently, the Group has permits to use radio frequency spectrum in 18 out of 20 regions.