

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****For three months period ended 31 March 2021****1. GENERAL INFORMATION**

Kazakhtelecom JSC (the “Company” or “Kazakhtelecom”) was established in June 1994 in accordance with the legislation of the Republic of Kazakhstan.

The Company is incorporated, domiciled and operates in the Republic of Kazakhstan. The legal address of the Company is: 12 Sauran Str., Nur-Sultan, 010000, Republic of Kazakhstan.

The Company is controlled by the Government of the Republic of Kazakhstan through Sovereign Wealth Fund “Samruk-Kazyna” JSC (“Samruk-Kazyna” or the “Parent”), which owns 51% of the Company’s controlling shares. Below is a list of the Company’s shareholders as at 31 March 2021:

	At 31 March 2021 (unaudited)	At 31 December 2020 (audited)
Samruk-Kazyna	51.0%	51.0%
SKYLINE INVESTMENT COMPANY S.A.	24.5%	24.5%
ADR (The Bank of New York – depositor)	9.6%	9.6%
Alatau Capital Invest LLP	3.7%	3.7%
Corporate fund “Development fund”	3.4%	–
United Accumulative Pension Fund JSC	–	3.4%
Other	7.8%	7.8%
	<b>100%</b>	<b>100%</b>

The Company is included in the register of natural monopolists in relation to transit traffic services provided to telecommunication operators, public switch telecommunication network (“PSTN”), connection services provided to third party telecommunication operators, and rental of phone channels to telecommunication operators for connection to PSTN.

The Company and its subsidiaries listed in *Note 2* (hereinafter collectively referred to as the “Group”) have a significant share of the fixed line and mobile communication markets, including local, long-distance intercity and international telecommunication services including CIS and non-CIS countries; leases out lines and provides data transfer services, sells mobile devices and provides other telecommunication services.

**2. BASIS OF PREPARATION**

The interim condensed consolidated financial statements for the three months period ended 31 March 2021 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 2020 and for the year then ended. The interim condensed consolidated financial statements are presented in Kazakhstan tenge, and all amounts are rounded to nearest thousands, 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.

**Foreign currency translation**

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)****2. BASIS OF PREPARATION (continued)****Foreign currency translation (continued)**

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).

Foreign exchange rates are presented in the following table:

	<b>31 March 2021 (unaudited)</b>	<b>31 December 2020 (audited)</b>
US dollar	<b>424.89</b>	420.91
Euro	<b>498.31</b>	516.79
Russian rouble	<b>5.62</b>	5.62

The functional currency of foreign operation KT-IX LLC (Russian Federation) is Russian Roubles. During consolidation the assets and liabilities of foreign operation are translated into tenge at the rate of exchange prevailing at the reporting date and its statement of comprehensive income is translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income.

The following subsidiaries have been included in these interim condensed consolidated financial statements:

	<b>Country of incorporation</b>	<b>Percentage ownership</b>	
		<b>31 March 2021 (unaudited)</b>	<b>31 December 2020 (audited)</b>
Khan Tengri Holding B.V.	Netherlands	<b>100.00%</b>	100.00%
KT-IX LLC	Russia	<b>100.00%</b>	100.00%
KT Cloud Lab LLP	Kazakhstan	<b>100.00%</b>	100.00%
VostokTelecom LLP	Kazakhstan	<b>100.00%</b>	100.00%
Digital Economy Development Center LLP (previously Info-Net Wireless LLP)	Kazakhstan	<b>100.00%</b>	100.00%
Nursat+ LLP	Kazakhstan	<b>100.00%</b>	100.00%
Kcell JSC	Kazakhstan	<b>75.00%</b>	75.00%

**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 2020, except for the adoption of new standards effective as at 1 January 2021. 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 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****New and amended standards and interpretations (continued)***Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*

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

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

These amendments had no impact on the interim condensed consolidated financial statements of the Group as it does not have any interest rate hedge relationships. The Group intends to use the practical expedients in future periods if they become applicable.

**4. RESTATEMENT OF COMPARATIVE INFORMATION****Change in accounting policies**

Certain amounts in the interim condensed consolidated financial statements of comprehensive income for the period ended 31 March 2020 and interim condensed consolidated statements of cash flows for the period ended 31 March 2020 were restated to reflect the effect of changes in the accounting policy as a result of adoption of the IFRIC agenda decision, as described below.

*IFRS Interpretations Committee's agenda decision on cancellable or renewable leases, and related non-removable leasehold improvements*

In November 2019, the IFRS Interpretations Committee published an agenda decision on cancellable or renewable leases, and related non-removable leasehold improvements. The conclusions are summarized below:

*Lease term*

The IFRS Interpretations Committee noted that, in determining the enforceable period of the lease, an entity considers:

- The broader economic and not only the contractual termination payments. For example, if either party has an economic incentive not to terminate the lease such that it would incur a penalty on termination that is more than insignificant, the contract is enforceable beyond the date on which the contract can be terminated;
- Whether each of the parties has the right to terminate the lease without permission of the other party with no more than an insignificant penalty. A lease is no longer enforceable only when both parties have such a right. Consequently, if only one party has the right to terminate the lease without permission from the other party with no more than an insignificant penalty, the contract is enforceable beyond the date on which the contract can be terminated by that party.

If an entity concludes that the contract is enforceable beyond the notice period of a cancellable lease, it should assess whether the lessee is reasonably certain not to exercise the option to terminate the lease.

*Useful life of non-removable leasehold improvements*

An entity applies IAS 16 in determining the useful life of non-removable leasehold improvements. If the lease term of the related lease is shorter than the economic life of those leasehold improvements, the entity considers whether it expects to use the leasehold improvements beyond that lease term. If the entity does not expect to do so, then, applying IAS 16, it concludes that the useful life of the non-removable leasehold improvements is the same as the lease term. Since the Group's current practice is in line with this clarification, it will not impact on the interim condensed consolidated financial statements of the Group.

This IFRIC agenda decision should be applied retrospectively and are effective immediately from date of its publication in November 2019.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)****4. RESTATEMENT OF COMPARATIVE INFORMATION (continued)****Change in accounting policies (continued)*****IFRS Interpretations Committee's agenda decision on cancellable or renewable leases, and related non-removable leasehold improvements (continued)****Effect of agenda decision on the Group accounting policy*

The Group re-assessed its accounting for the lease contracts of technical sites with the governmental entities which were previously recognized as short-term leases as the Group applied recognition exemptions for short-term leases as in accordance with paragraph 5 of IFRS 16.

As the Group applies the agenda decision it considers all relevant facts and circumstances that create an economic incentive for the lessee but not only contractual termination penalties, in assessing whether the Group is reasonably certain to extend (or not to terminate) a lease. The Group determined the lease term for technical sites lease contracts with the governmental entities equaled to average useful lives of cellular network stations.

The Group adopted the agenda decision and retrospectively recalculated lease contracts with governmental entities effective as at 1 January 2019, the Group's date of adoption IFRS 16. The right-of-use assets for the leases were recognised based on the carrying amount as if the agenda decision had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The effect of changes in the accounting policy is disclosed below.

<i>In thousands of tenge</i>	<b>As previously reported</b>	<b>Change in accounting policy</b>	<b>Reclassification</b>	<b>Note</b>	<b>As restated</b>
<b>Interim condensed consolidated statement of comprehensive income for the period ended 31 March 2020</b>					
Cost of sales	(78,364,821)	62,370	-	[1]	(78,302,451)
<b>Gross profit</b>	<b>43,477,527</b>	<b>62,370</b>	<b>-</b>		<b>43,539,897</b>
Gain on disposal of property and equipment, net	-	-	6,857	[2]	6,857
Other operating income	-	-	1,107,328	[2]	1,107,328
Other operating expenses	-	-	(63,941)	[2]	(63,941)
<b>Operating profit</b>	<b>30,784,427</b>	<b>62,370</b>	<b>1,050,244</b>		<b>31,897,041</b>
Finance costs	(12,749,788)	(85,948)	-	[1]	(12,835,736)
Gain on disposal of property and equipment, net	6,857	-	(6,857)	[2]	-
Other income	1,107,328	-	(1,107,328)	[2]	-
Other expenses	(63,941)	-	63,941	[2]	-
<b>Profit before income tax</b>	<b>28,754,776</b>	<b>(23,578)</b>	<b>-</b>		<b>28,731,198</b>
Income tax expenses	(7,525,219)	4,716	-	[1]	(7,520,503)
<b>Total comprehensive income for the period, net of tax</b>	<b>21,229,557</b>	<b>(18,862)</b>	<b>-</b>		<b>21,210,695</b>
<b>Earnings per share</b>					
Basic and diluted, profit for the period attributable to ordinary equity holders of the parent, in tenge	1,868.18	(1.71)	-	[1]	1,866.47

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)****4. RESTATEMENT OF COMPARATIVE INFORMATION (continued)****Change in accounting policies (continued)**

*IFRS Interpretations Committee's agenda decision on cancellable or renewable leases, and related non-removable leasehold improvements (continued)*

*Effect of agenda decision on the Group accounting policy (continued)*

<i>In thousands of tenge</i>	As previously reported	Change in accounting policy	Note	As restated
<b>Interim condensed consolidated statement of cash flows for the period ended 31 March 2020</b>				
<b>Cash flows from operating activities</b>				
Profit before tax	28,754,776	(23,578)	[1]	28,731,198
<b>Adjustments for:</b>				
Depreciation of property and equipment and right of use assets	20,011,392	177,132	[1]	20,188,524
Finance costs	12,749,788	85,948	[1]	12,835,736
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>60,541,014</b>	<b>225,788</b>		<b>60,766,802</b>
Changes in other current liabilities	8,185,827	(225,788)		7,960,039
<b>Cash flows from operating activities</b>	<b>52,142,685</b>	<b>-</b>		<b>52,142,685</b>
Interest paid	(13,273,480)	(85,948)	[1]	(13,359,428)
<b>Net cash flows received from operating activities</b>	<b>33,391,182</b>	<b>(85,948)</b>		<b>33,305,234</b>
<b>Cash flows from financing activities</b>				
Repayment of principal portion of lease liabilities	(3,324,459)	85,948	[1]	(3,238,511)
<b>Net cash flows received from financing activities</b>	<b>(3,799,808)</b>	<b>85,948</b>		<b>3,713,860</b>
<b>Net change in cash and cash equivalents</b>	<b>12,364,183</b>	<b>-</b>		<b>12,364,183</b>

- [1] The Group adopted IFRS Interpretations Committee's agenda decision on cancellable or renewable leases, and related non-removable leasehold improvements and restated the comparative information as required by IAS 8.
- [2] Gain on disposal of property and equipment, other income and expenses were reclassified from other non-operating part into separate lines within the operating part in the interim condensed consolidated statement of comprehensive income. Reclassification was made in order to conform with the presentation adopted in the interim condensed consolidated statement of comprehensive income for the period ended 31 March 2021.

**Reclassification in disclosure (Note 23 Revenue from contracts with customers)**

<i>In thousands of tenge</i>	As previously reported	Reclassification	Note	As restated
<b>Revenue from contracts with customers</b>				
<i>Mobile connection</i>				
Data transfer services	44,531,324	16,162,722	[1]	60,694,046
Rendering of fixed line and wireless phone services	54,335,943	(16,162,722)	[1]	38,173,221
	<b>121,842,348</b>	<b>-</b>		<b>121,842,348</b>

- [1] The Group changed its approach to the allocation of bundled services to data transfer services and rendering of fixed line and wireless phone services. Reclassification was made in order to conform with the presentation adopted in the disclosure *Revenue from contracts with customers* for the period ended 31 March 2021.

All the disclosure amounts within the comparative information were changed respectively.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)****5. SEGMENT INFORMATION**

For management purposes, the Group represents business units based on the organizational structure of the Group and has reportable operating segments as follows:

- Rendering fixed-line telecommunication services by business units of Kazakhtelecom JSC, Vostoktelecom LLP and KT Cloud Lab LLP;
- Rendering mobile telecommunication services in GSM and LTE standards by business units of Khan Tengri Holding B.V. and Kcell JSC.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. 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.

The following tables disclose revenue and profit information for the Group's operating segments for the three months period ended 31 March 2021 and 2020.

**For the three months ended 31 March 2021 (unaudited)**

<i>In thousands of tenge</i>	Fixed line	Mobile tele- communi- cation services in GSM and LTE standards	Other	Elimina- tions and adjustments	Group
<b>Revenue from contracts with customer</b>					
Sales to external customers	57,180,540	79,306,387	466,173	-	136,953,100
Inter-segment	9,492,440	4,079,468	87,123	(13,659,031)	-
<b>Total revenue from contracts with customers</b>	<b>66,672,980</b>	<b>83,385,855</b>	<b>553,296</b>	<b>(13,659,031)</b>	<b>136,953,100</b>
<b>Financial results</b>					
Depreciation and amortisation	(9,760,689)	(19,683,350)	(7,769)	371,262	(29,080,546)
Finance costs	(6,207,119)	(5,781,738)	-	411,868	(11,576,989)
Finance income	582,329	554,151	-	(389,027)	747,453
Dividends income	31,802	-	-	(31,802)	-
Share in profits of associates	-	-	343,622	-	343,622
Gain from reversal of impairment on non-financial assets	4,299	96,657	-	-	100,956
Impairment losses on financial assets	(164,858)	(334,033)	11,432	(3,383)	(490,842)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)****5. SEGMENT INFORMATION (continued)**

For the three months ended 31 March 2020 (unaudited)

<i>In thousands of tenge</i>	Fixed line	Mobile tele- communication services in GSM and LTE standards	Other	Elimina- tions and adjustments	Group
<b>Revenue from contracts with customer</b>					
Sales to external customers	49,721,146	72,033,731	87,471	-	121,842,348
Inter-segment	9,093,641	2,408,751	52,890	(11,555,282)	-
<b>Total revenue from contracts with customer</b>	<b>58,814,787</b>	<b>74,442,482</b>	<b>140,361</b>	<b>(11,555,282)</b>	<b>121,842,348</b>
<b>Financial results</b>					
Depreciation and amortisation	(9,411,330)	(17,628,200)	(7,592)	108,349	(26,938,773)
Finance costs	(6,985,695)	(6,272,472)	-	422,431	(12,835,736)
Finance income	763,924	335,285	3	(229,113)	870,099
Share in profit of associates	-	-	212,102	-	212,102
Impairment losses on non-financial assets	154,275	(473,181)	-	-	(318,906)
Impairment losses on financial assets	(591,075)	(537,250)	(1,765)	(3,682)	(1,133,772)

The following table presents assets and liabilities information for the Group's operating segments as at 31 March 2021 and 31 December 2020, respectively:

<i>In thousands of tenge</i>	Fixed line	Mobile tele- communication services in GSM and LTE standards	Other	Eliminations and adjustments	Group
<b>Operating assets</b>					
<b>As at 31 March 2021 (unaudited)</b>	<b>756,110,119</b>	<b>707,529,475</b>	<b>4,173,453</b>	<b>(366,658,263)</b>	<b>1,101,154,784</b>
As at 31 December 2020 (audited)	750,627,968	724,829,686	3,943,053	(363,974,533)	1,115,426,174
<b>Operating liabilities</b>					
<b>As at 31 March 2021 (unaudited)</b>	<b>317,867,499</b>	<b>263,826,104</b>	<b>659,068</b>	<b>(25,487,717)</b>	<b>556,864,954</b>
As at 31 December 2020 (audited)	323,183,472	296,030,213	639,868	(22,967,376)	596,886,177

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)****6. PROPERTY AND EQUIPMENT**

During the three months period ended 31 March 2021, the Group acquired property and equipment for KZT 12,204,328 thousand (unaudited) (during the three months period ended 31 March 2020: KZT 10,546,580 thousand (unaudited)).

During the three months period ended 31 March 2021, the Group disposed property and equipment with net book value of KZT 251,434 thousand (unaudited) (during three months period ended 31 March 2020: KZT 175,701 thousand (unaudited)).

During the three months period ended 31 March 2021, the Group recognised increase in changes in estimates in assets retirement obligation for KZT 20,135 thousand (unaudited) (during the three months period ended 31 March 2020: nil (unaudited)).

During the three months period ended 31 March 2021, the Group recognized depreciation expense amounting to KZT 18,892,907 thousand (unaudited) (during three months period ended 31 March 2020: KZT 16,526,667 thousand (unaudited)).

As at 31 March 2021 and 31 December 2020, assets under construction represented by equipment for installation for base transmission stations, mobile switch servers and other telecommunication equipment and services works.

As at 31 March 2021, the gross carrying value of property and equipment which has been fully depreciated and still in use was KZT 412,545,022 thousand (as at 31 December 2020: KZT 404,178,863 thousand).

As at 31 March 2021, advances paid for non-current assets in the amount of KZT 3,526,477 thousand mainly represented by advances paid for installation of base stations, construction and delivery of fixed assets (as at 31 December 2020: KZT 3,237,280 thousand).

**Impairment test**

The coronavirus (COVID-19) outbreak has affected many countries and resulted in significant volatility in financial and commodity markets around the world. There is already evidence that the virus has significantly impacted the global economy (*Note 32*). The Group's management analyzed external and internal sources of information, including the current and future impact of the COVID-19 pandemic on the Group and on macroeconomic environment, and did not observe any significant negative impacts on the Group's business, financial conditions and results of operations. During 2021, the Group did not identify impairment factors for all CGUs related with Covid-19 impact, except certain items of property and equipment as described below.

During the three months period ended 31 March 2021, the Group recognized an impairment gain in the amount of KZT 100,078 thousand (unaudited) (as at 31 March 2020: KZT 320,790 thousand (unaudited)) for property and equipment and KZT 37 thousand (unaudited) for construction-in-progress (as at 31 March 2020: KZT nil (unaudited)), which represented the write-down of certain assets to the recoverable amount as a result of technological obsolescence and damage. Impairment was recognized in the interim condensed consolidated statement of comprehensive income as an operating expense.

**7. INTANGIBLE ASSETS**

During the three months period ended 31 March 2021, the Group acquired intangible assets for KZT 1,823,947 thousand (unaudited) (during three months period ended 31 March 2020: KZT 879,690 thousand (unaudited)).

During the three months period ended 31 March 2021, the Group recognized amortization expense amounting to KZT 6,951,896 thousand (unaudited) (during three months period ended 31 March 2020: KZT 6,750,256 thousand (unaudited)).

As at 31 March 2021 the gross carrying value of intangible assets, which have been fully amortized and still in use was KZT 65,542,154 thousand (unaudited) (as at 31 December 2020: KZT 57,814,037 thousand).



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)****8. INVESTMENTS IN ASSOCIATES**

The following associates have been included in these interim condensed consolidated financial statements:

<i>In thousands of tenge</i>	Primary activities	Country of incorporation	31 March 2021 (unaudited)		31 December 2020 (audited)	
			Carrying amount	Ownership share	Carrying amount	Ownership share
QazCloud LLP	IT services	Kazakhstan	3,326,579	49%	2,982,957	49%
			<b>3,326,579</b>		<b>2,982,957</b>	

Movements in investments in associates for the three months ended 31 March 2021 and 2020 are as follows:

<i>In thousands of tenge</i>	QazCloud LLP	Total
<b>At 31 December 2019 (audited)</b>	2,218,889	2,218,889
Share in profit of associates	212,102	212,102
<b>At 31 March 2020 (unaudited)</b>	2,430,991	2,430,991
<b>At 31 December 2020 (audited)</b>	2,982,957	2,982,957
Share in profits of associates	343,622	343,622
<b>At 31 March 2021 (unaudited)</b>	<b>3,326,579</b>	<b>3,326,579</b>

**Investments in QazCloud LLP**

Based on the decision of the Board of Directors of Kazakhtelecom JSC, on 17 of August 2016, Kazakhtelecom JSC and Samruk-Kazyna Business Service LLP signed the agreement of purchase and sale of 51% interest of Kazakhtelecom JSC in the charter capital of QazCloud LLP.

On 25 July 2017, the Board of Directors of Kazakhtelecom JSC approved a decision to make an additional investment contribution to the charter capital of QazCloud LLP in the amount of KZT 1,973,960 thousand.

On 15 November 2017, 27 April 2018, 29 April 2019 and 30 December 2019 the Group made contributions to the charter capital of QazCloud LLP in the amount of KZT 986,980 thousand, KZT 563,000 thousand, KZT 200,000 thousand and KZT 223,980 thousand, respectively.

On 5 November 2020, the Board of Directors of Kazakhtelecom JSC approved a decision to make an additional investment contribution to the charter capital of QazCloud LLP in the amount of KZT 529,392 thousand.

On 9 December 2020, the Group made contributions to the charter capital of QazCloud LLP in the amount of KZT 529,392 thousand. The additional contributions to the charter capital of QazCloud LLP did not lead to the change in share of interest of the Group as the second participant, Samruk-Kazyna Business Service LLP, also made the contributions to the charter capital of QazCloud LLP according to its share.

The table below provides a summarized financial information on the Group's investment in QazCloud LLP on the basis of an assessment of the fair value:

<i>In thousands of tenge</i>	31 March 2021 (unaudited)	31 December 2020 (audited)
Non-current assets	5,058,677	4,364,015
Current assets, including	7,729,055	7,033,758
<i>Cash and cash equivalents</i>	3,365,705	4,589,503
Non-current liabilities, including	(2,215,910)	(970,186)
<i>Non-current financial liabilities</i>	(889,143)	(881,229)
Current liabilities, including	(3,782,884)	(4,339,919)
<i>Current financial liabilities</i>	(2,620,761)	(2,711,217)
<b>Equity</b>	<b>6,788,938</b>	<b>6,087,668</b>
Share of the ownership – 49%	3,326,579	2,982,957
<b>Carrying amount of the investment of the Group</b>	<b>3,326,579</b>	<b>2,982,957</b>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)****8. INVESTMENTS IN ASSOCIATES (continued)****Investments in QazCloud LLP (continued)**

<i>In thousands of tenge</i>	<b>31 March 2021 (unaudited)</b>	<b>31 March 2020 (unaudited)</b>
Revenue from contracts with customers	5,022,933	1,010,792
Depreciation and amortization	(421,490)	(211,258)
Finance income	12,360	18,818
Finance costs	(90,213)	(29,095)
Income tax expense	(175,318)	(108,215)
<b>Profit for the period</b>	<b>701,270</b>	<b>432,861</b>
<b>Total comprehensive income</b>	<b>701,270</b>	<b>432,861</b>
<b>Share of the Group in profit for the period</b>	<b>343,622</b>	<b>212,102</b>

**9. IMPAIRMENT TESTING****Goodwill**

Goodwill is tested by the Group for impairment annually as at 31 December and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill is based on value-in-use calculations. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual consolidated financial statements for the year ended 31 December 2020.

The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment.

As at 31 March 2021 there were no indicators for impairment of all CGUs, including those CGUs to which goodwill was allocated, therefore, management has not updated any of impairment calculations.

**10. OTHER NON-CURRENT FINANCIAL ASSETS**

As at 31 March 2021 and 31 December 2020, other non-current financial assets comprised:

<i>In thousands of tenge</i>	<b>31 March 2021 (unaudited)</b>	<b>31 December 2020 (audited)</b>
Loans to employees	1,921,658	2,060,858
Long-term accounts receivable	1,480,173	2,421,066
Cash restricted in use	43,243	43,243
Other	251,247	264,012
	<b>3,696,321</b>	<b>4,789,179</b>

As at 31 March 2021 and 31 December 2020, the Group's other non-current financial assets were denominated in the following currencies:

<i>In thousands of tenge</i>	<b>31 March 2021 (unaudited)</b>	<b>31 December 2020 (audited)</b>
Tenge	3,653,078	4,745,936
US dollars	43,243	43,243
	<b>3,696,321</b>	<b>4,789,179</b>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)****10. OTHER NON-CURRENT FINANCIAL ASSETS (continued)**

As at 31 March 2021, the long-term accounts receivable represented by special agreements with customers for the purchase of contract phones for KZT 1,480,173 thousand (as at 31 December 2020: KZT 2,421,066 thousand). These long-term accounts receivable were discounted as at market interest rates of 10% per annum (2020: 10% per annum).

Loans to employees are interest free loans provided for the period from 1 to 15 years. These loans were discounted as at the issue date using market interest rates of 9.6% per annum to 19.1% (2020: from 9.6% to 19.1% per annum). Repayment of long-term loans to employees is made through withholding of amounts due from employees' salaries. Loans are secured by employees' real estate properties.

**11. TRADE RECEIVABLES**

As at 31 March 2021 and 31 December 2020, trade receivables comprised:

<i>In thousands of tenge</i>	<b>31 March 2021 (unaudited)</b>	<b>31 December 2020 (audited)</b>
Trade receivables	<b>48,055,820</b>	40,847,311
	<b>48,055,820</b>	40,847,311
Less: allowance for expected credit losses	<b>(4,917,258)</b>	(6,135,606)
	<b>43,138,562</b>	34,711,705

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

<i>In thousands of tenge</i>	<b>31 March 2021 (unaudited)</b>	<b>31 March 2020 (unaudited)</b>
Allowance for expected credit losses at the beginning of the period	<b>(6,135,606)</b>	(4,950,893)
Charge for the period (Note 31)	<b>(462,846)</b>	(1,073,140)
Write-off for the period	<b>1,681,194</b>	72,864
<b>Allowance for expected credit losses at the end of the period</b>	<b>(4,917,258)</b>	(5,951,169)

**12. OTHER CURRENT FINANCIAL ASSETS**

As at 31 March 2021 and 31 December 2020, other current financial assets comprised:

<i>In thousands of tenge</i>	<b>31 March 2021 (unaudited)</b>	<b>31 December 2020 (audited)</b>
Bank deposits	<b>3,399,500</b>	3,399,500
Loans to employees	<b>1,321,397</b>	1,502,112
Restricted cash	<b>920,317</b>	920,317
Due from employees	<b>271,199</b>	364,405
Other accounts receivable	<b>2,901,993</b>	2,341,581
	<b>8,814,406</b>	8,527,915
Less: allowance for expected credit losses	<b>(4,927,827)</b>	(4,901,841)
	<b>3,886,579</b>	3,626,074

As at 31 March 2021 and 31 December 2020, the Group does not have bank deposits with initial maturity of more than 3 (three) months but less than 12 (twelve) months, except deposit placed in Eximbank Kazakhstan JSC.

As at 31 March 2021 and 31 December 2020, the allowance for expected credit losses includes a provision in the amount of KZT 3,399,500 thousand accrued on a deposit placed in Eximbank Kazakhstan JSC due to the liquidation of the bank.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)****12. OTHER CURRENT FINANCIAL ASSETS (continued)**

Restricted cash represents cash on the accounts with KazInvestBank JSC and Eximbank Kazakhstan JSC for KZT 420,863 thousand and KZT 499,454 thousand, respectively, which are assessed as unlikely to be recovered due to the revocation of banking licenses. Allowance for expected credit loss was recorded for the whole amount of this cash.

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

<i>In thousands of tenge</i>	<b>31 March 2021 (unaudited)</b>	<b>31 March 2020 (unaudited)</b>
<b>Allowance for expected credit losses at the beginning of the period</b>	<b>(4,901,841)</b>	<b>(4,820,587)</b>
Charge for the period (Note 31)	<b>(29,494)</b>	<b>(59,164)</b>
Write-off for the period	<b>3,508</b>	<b>-</b>
<b>Allowance for expected credit losses at the end of the period</b>	<b>(4,927,827)</b>	<b>(4,879,751)</b>

**13. FINANCIAL ASSETS AT AMORTIZED COST**

As at 31 March 2021 financial assets at amortised cost in the amount of KZT 5,969,502 thousand (31 December 2020: KZT 18,923,399 thousand) were represented by short-term discount notes of National Bank of the Republic of Kazakhstan ("NBRK") denominated in tenge. In 2021 the Group acquired additional NBRK notes at purchase price of KZT 8,939,014 thousand. As of 31 March 2021, short-term NBRK discount notes were redeemed for a total amount of KZT 21,591,838 thousand of nominal value and interest income of KZT 408,161 thousand (for the three months ended 31 March 2020: nil). For the three month period ended 31 March 2021 the Group recognised interest income in the amount of KZT 107,088 thousand.

Subsequently, on 14 April 2021, the NBRK notes with nominal value in the amount of KZT 3,000,000 thousand was fully redeemed.

The Group recognized the financial assets at amortized cost as the contractual cash flows are solely principal and interest and the financial assets are held within a business model for collecting contractual cash flows.

As at 31 March 2021 financial assets at amortised cost comprised of the following:

<i>In thousands of tenge</i>	<b>Maturity date</b>	<b>Yield to maturity</b>	<b>Nominal value</b>	<b>31 March 2021 (unaudited)</b>	<b>31 December 2020 (audited)</b>
NBRK note	13 January 2021	8.92%	10,000,000	-	9,968,318
NBRK note	15 January 2021	9.41%	4,000,000	-	3,984,591
NBRK note	22 January 2021	9.85%	3,000,000	-	2,982,294
NBRK note	22 January 2021	9.85%	2,000,000	-	1,988,196
NBRK note	14 April 2021	8.89%	3,000,000	<b>2,989,806</b>	-
NBRK note	28 April 2021	8.88%	3,000,000	<b>2,979,696</b>	-
				<b>5,969,502</b>	<b>18,923,399</b>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)****14. CASH AND CASH EQUIVALENTS**

As at 31 March 2021 and 31 December 2020, cash and cash equivalents comprised:

<i>In thousands of tenge</i>	<b>31 March 2021 (unaudited)</b>	<b>31 December 2020 (audited)</b>
Cash on current bank accounts	73,032,927	84,060,922
Deposits with less than 90 days' maturity from the date of opening	24,819,302	10,325,020
Cash on hand	13,774	46,002
	<b>97,866,003</b>	<b>94,431,944</b>
Less: allowance for expected credit losses	<b>(3,863)</b>	<b>(3,412)</b>
<b>Total cash and cash equivalents</b>	<b>97,862,140</b>	<b>94,428,532</b>

Cash on current bank accounts earn interest at the rates ranging from 0.1% to 8.00% per annum (2020: from 0.1% to 7.25% per annum).

As at 31 March 2021, short-term deposits for KZT 24,819,302 thousand were placed for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and earned interest at the rate of up to 8.50% per annum (as at 31 December 2020: KZT 10,325,020 thousand with a rate of up to 8.50%).

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents comprise the following at 31 March 2021 and 31 December 2020:

<i>In thousands of tenge</i>	<b>31 March 2021 (unaudited)</b>	<b>31 December 2020 (audited)</b>
Cash on current bank accounts	73,032,927	84,060,922
Deposits with less than 90 days' maturity from the date of opening	24,819,302	10,325,020
Cash on current bank accounts attributable to disposed group (Note 28)	113,258	280,634
Cash on hand	13,774	46,002
	<b>97,979,261</b>	<b>94,712,578</b>
Less: allowance for expected credit losses	<b>(3,863)</b>	<b>(3,412)</b>
<b>Total cash and cash equivalents</b>	<b>97,975,398</b>	<b>94,709,166</b>

As at 31 March 2021 and 31 December 2020, cash and cash equivalents were denominated in the following currencies:

<i>In thousands of tenge</i>	<b>31 March 2021 (unaudited)</b>	<b>31 December 2020 (audited)</b>
US dollars	77,709,015	79,699,144
Tenge	19,179,767	13,491,284
Euro	856,536	1,116,469
Russian roubles	115,919	120,751
Other	903	884
	<b>97,862,140</b>	<b>94,428,532</b>

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

<i>In thousands of tenge</i>	<b>31 March 2021 (unaudited)</b>	<b>31 March 2020 (unaudited)</b>
Allowance for expected credit losses at the beginning of the period	<b>(3,412)</b>	<b>(19,332)</b>
Reversal/(charge) for the period (Note 31)	<b>(451)</b>	<b>14,023</b>
<b>Allowance for expected credit losses at the end of the period</b>	<b>(3,863)</b>	<b>(5,309)</b>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)****15. EQUITY****Authorised and issued shares**

	Number of shares		In thousands of tenge		Total issued shares
	Common shares	Preferred non-voting shares	Common shares	Preferred non-voting shares	
At 31 December 2019	10,922,876	1,213,653	10,922,876	1,213,653	12,136,529
At 31 December 2020	10,922,876	1,213,653	10,922,876	1,213,653	12,136,529
At 31 March 2021	10,922,876	1,213,653	10,922,876	1,213,653	12,136,529

**Treasury shares**

	Number of shares		In thousands of tenge		Total
	Common shares	Preferred non-voting shares	Common shares	Preferred non-voting shares	
At 31 December 2019 (audited)	216,852	914,868	3,052,617	4,012,997	7,065,614
Treasury shares reacquired	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-
At 31 December 2020 (audited)	216,852	914,868	3,052,617	4,012,997	7,065,614
Treasury shares reacquired	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-
At 31 March 2021 (unaudited)	216,852	914,868	3,052,617	4,012,997	7,065,614

**Shares issued less reacquired shares**

As at 31 March 2021 and 31 December 2020, number of common and preferred shares issued net of reacquired shares was 10,706,024 and 298,785 shares, respectively.

**Preferred shares**

Holders of preferred shares are entitled to receive annual cumulative dividends of 300 tenge per share, and not less than the amount of the dividends per share paid to holders of common shares. Payment of preferred shares dividends does not require a resolution of Kazakhtelecom JSC shareholders meeting. The discounted value of future cash flows of annual cumulative dividends is recorded as a financial liability as at 31 March 2021 in the amount of KZT 814,868 thousand (31 December 2020: KZT 814,868 thousand). This liability has been included in non-current liabilities as a debt component of preferred shares.

**Dividends**

The preferred shares earn a non-discretionary dividend of 300 tenge per share in accordance with the Company's charter documents. Preferred shares are considered to be compound financial instruments, and accordingly the liability and equity components are presented separately in the interim condensed consolidated statement of financial position. Dividends in the amount of KZT 22,409 thousand were accrued as at 31 March 2021 (at 31 March 2020: KZT 22,409 thousand) and are recorded as interest expenses in the interim condensed consolidated statement of comprehensive income (Note 26).

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)****16. EQUITY (continued)**

Movements in dividends payable for the periods ended 31 March were as follow:

<i>In thousands of tenge</i>	<b>31 March 2021 (unaudited)</b>	<b>31 March 2020 (unaudited)</b>
<b>Dividends payable at the beginning of the period</b>	<b>17,577</b>	<b>1,598,354</b>
Interest on debt component of preferred shares (Note 26)	<b>22,409</b>	<b>22,409</b>
Dividends paid to equity holders of the Parent	<b>(4)</b>	<b>(1,580,782)</b>
<b>Dividends payable at the end of the period (Note 20)</b>	<b>39,982</b>	<b>39,981</b>

**Other reserves**

According to the Company's Charter, the Company created a reserve capital equal to 15% of the authorized share capital. This reserve capital was created through appropriation of the retained earnings. There were no movements in the reserve capital at 31 March 2021 and at 31 December 2020.

**Foreign currency translation reserve**

The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of the subsidiaries, whose functional currency is not tenge and whose financial statements are included in these interim condensed consolidated financial statements in accordance with the accounting policy disclosed in Note 2.

**Earnings per share**

Basic earnings per share are calculated by dividing net profit for the year attributable to common equity holders of the Parent (after adjusting for the after-tax amount of dividends on preferred shares) by the weighted average number of common and preferred shares outstanding during the year.

Diluted earnings per share are equal to basic earnings per share, as the Group does not have any dilutive potential common shares.

The following tables reflects profit and share data used in the basic and diluted earnings per share computations:

<i>In thousands of tenge</i>	<b>31 March 2021 (unaudited)</b>	<b>31 March 2020 (unaudited)</b>
<b>Net profit</b>	<b>23,818,960</b>	<b>20,528,475</b>
Interest on preferred shares (Note 26)	<b>22,409</b>	<b>22,409</b>
<b>Net profit for calculating of basic and diluted earnings per share</b>	<b>23,841,369</b>	<b>20,550,884</b>
Weighted average number of common and preferred shares for calculation of basic and diluted earnings per share	<b>11,004,809</b>	<b>11,010,577</b>
<b>Basic and diluted earnings per share, tenge</b>	<b>2,166.45</b>	<b>1,868.18</b>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)****15. EQUITY (continued)****Additional information disclosed in accordance with Kazakhstan Stock Exchange (KASE) requirements**

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

Below is the cost of one ordinary share, calculated in accordance with the requirements of the KASE:

<i>In thousands of tenge</i>	<b>31 March 2021 (unaudited)</b>	<b>31 December 2020 (audited)</b>
Total assets	1,101,154,784	1,115,426,174
Less: intangible assets, including goodwill	364,627,884	369,756,125
Less: total liabilities	556,864,954	596,886,177
Less: preferred shares issued net of reacquired shares	298,785	298,785
<b>Net assets for calculation of cost of ordinary share in accordance with listing requirements of KASE</b>	<b>179,363,161</b>	<b>148,485,087</b>
Number of ordinary shares	10,706,024	10,706,024
<b>Cost of ordinary share, calculated in accordance with listing requirements of KASE (in tenge)</b>	<b>16,753</b>	<b>13,869</b>

Another requirement for disclosure is the amount of the dividends payable to owners of preferred non-voting shares, preferred non-voting shares in the equity and debt component of preferred non-voting shares, divided by number of preferred non-voting shares. At the same time, according to the methodology of KASE, the dividend payable on preferred shares, which are not paid due to the lack of up-to-date information about the shareholders, their payment details, are not taken into account. As at 31 March 2021, this indicator amounted to 3,727 tenge (as at 31 December 2020: 3,727 tenge).

**16. BORROWINGS**

As at 31 March 2021 and 31 December 2020, borrowings comprised:

<i>In thousands of tenge</i>	<b>Weighted average effective interest rate</b>	<b>31 March 2021 (unaudited)</b>	<b>Weighted average effective interest rate</b>	<b>31 December 2020 (audited)</b>
Borrowings with a fixed interest rate of 7.12% to 12.59% per annum	10.24%	186,427,945	10.99%	181,449,097
Bonds with a fixed interest rate of 11.84% to 11.86% per annum	11.85%	158,230,877	11.85%	180,952,977
		<b>344,658,822</b>		<b>362,402,074</b>

Borrowings are repayable as follows:

<i>In thousands of tenge</i>	<b>31 March 2021 (unaudited)</b>	<b>31 December 2020 (audited)</b>
<b>Current portion of borrowings</b>	<b>23,996,843</b>	<b>46,111,485</b>
Maturity between 1 and 2 years	28,983,063	28,978,947
Maturity between 2 and 5 years	194,221,410	187,254,778
Maturity over 5 years	97,457,506	100,056,864
<b>Total non-current portion of borrowings</b>	<b>320,661,979</b>	<b>316,290,589</b>
<b>Total borrowings</b>	<b>344,658,822</b>	<b>362,402,074</b>



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)****16. BORROWINGS (continued)**

As at 31 March 2021 and 31 December 2020, loans represented by the following:

<b>Borrowings</b>	<b>Maturity date</b>	<b>Currency</b>	<b>Effective interest rate</b>	<b>31 March 2021 (unaudited)</b>	<b>31 December 2020 (audited)</b>
Halyk Bank of Kazakhstan JSC	21 May 2027	Tenge	12.20%	<b>65,928,228</b>	68,609,396
Development Bank of Kazakhstan JSC (Note 30)	30 June 2032	Tenge	7.95%-8.41%	<b>26,228,029</b>	25,762,791
Halyk Bank of Kazakhstan JSC	22 February 2024	Tenge	11.88%	<b>22,291,761</b>	15,223,348
Development Bank of Kazakhstan JSC (Note 30)	19 December 2024	Tenge	7.12%-9.30%	<b>22,248,394</b>	23,651,673
Halyk Bank of Kazakhstan JSC	30 June 2023	Tenge	12.18%	<b>13,008,089</b>	13,008,089
Alfa Bank JSC	5 January 2024	Tenge	11.29%	<b>12,299,600</b>	-
Bank of China Kazakhstan JSC	20 August 2022	Tenge	11.71%	<b>11,060,668</b>	11,059,412
VTB Bank JSC	15 October 2023	Tenge	11.37%	<b>7,005,349</b>	6,005,330
Eurasian Development Bank JSC	20 June 2024	Tenge	12.59%	<b>6,357,827</b>	18,129,058
<b>Total</b>				<b>186,427,945</b>	181,449,097

As at 31 March 2021 and 31 December 2020 the Group's borrowings have fixed interest rates.

During three months period ended 31 March 2021, the Group made repayment of principal amount for KZT 2,607,048 thousand and interest amount for KZT 2,017,059 thousand under the credit line agreements concluded with the Halyk Bank JSC with the maturity in 21 May 2027.

During three months period ended 31 March 2021, the Group made repayment of principal amount for KZT 1,319,689 thousand and interest amount for KZT 537,444 thousand under the credit line agreements concluded with the Development Bank of Kazakhstan JSC with the maturity in December 2024.

On 23 April 2020, the Group obtained loan in the amount of KZT 15,000,000 thousand within credit line agreement with Halyk Bank of Kazakhstan JSC with a maturity of 36 months and a fixed interest rate of 11.5% per annum. On 14 July 2020 interest rate of loan was decreased from 11.5% to 11.2% per annum under credit line agreement. The change in the interest rate from does not represent a substantial modification as 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 KZT 115,579,541 thousand as a result of change in the interest rate. On 24 February 2021 the Group obtained two loans in the amount of KZT 2,100,000 thousand and KZT 4,900,000 thousand from Halyk Bank JSC within the same credit line agreement.

On 6 January 2021 the Group obtained a loan in the amount of KZT 12,000,000 thousand from Alfa Bank JSC with maturity till 5 January 2024 at interest rate 10.7% per annum.

During 2019 and 2020, the Group obtained loan in the amount of KZT 11,000,000 thousand within credit line agreement with Bank of China Kazakhstan JSC with a repayment period of 30 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 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 as in accordance with IFRS 9 and thus, it did not lead to the derecognition of the original liability.

On 15 October 2020 the Group signed credit line agreement with VTB Bank JSC for the amount of KZT 6,000,000 thousand at fixed interest rate of 10.7% per annum. On 28 October 2020 the Group obtained loan in the amount of KZT 6,000,000 thousand 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 KZT 6,000,000 thousand to KZT 7,000,000 thousand, and obtained KZT 1,000,000 thousand with a maturity until 15 October 2023 and an interest rate of 10.7% per annum.

On 8 January 2021 the Group partially repaid the principal of the loan obtained from Eurasian Development Bank JSC in the amount of KZT 12,000,000 thousand.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)****16. BORROWINGS (continued)**

As at 31 March 2021 and 31 December 2020, debt securities issued represented by the following:

Bonds	Maturity date	Currency	Effective interest rate	31 March 2021 (unaudited)	31 December 2020 (audited)
Local bonds of Kazakhtelecom JSC (KZTKb3)	19 June 2026	Tenge	11.86%	82,512,127	80,207,595
Local bonds of Kazakhtelecom JSC (KTCB.1024 and KTCB2.1024) (Note 30)	1 November 2024	Tenge	11.84%	75,718,750	77,875,000
Local bonds of Kcell JSC (KCElb1)	16 January 2021	Tenge	11.84%	-	22,870,382
				<b>158,230,877</b>	<b>180,952,977</b>

On 21 February 2019, the Group undertook a bond placement at the Kazakhstan Stock Exchange, in which bonds to the value of KZT 17,024,648 thousand were placed with investors at a yield of 11.5% per annum and on 16 January 2018 a bond placement with the value of KZT 4,950,000 thousand at a yield of 11.5% per annum. On 26 January 2021, in accordance with schedule, the Group fully repaid bonds in the amount of KZT 23,004,855 thousand, including the principal portion in the amount of KZT 21,754,000 thousand and accrued interest in the amount of KZT 1,250,855 thousand.

**Covenants**

The Group is required to ensure execution of the financial and non-financial covenants under the terms of the loan agreements. Failure to comply with financial covenants gives the lenders the right to demand early repayment of loans. As at 31 March 2021 and 31 December 2020, the Group complied with all financial and non-financial covenants.

**17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

Set out below are the carrying amounts of right-of-use assets and the movements during the period:

<i>In thousands of tenge</i>	Buildings and constructions	Equipment	Total
<b>Cost</b>			
At 1 January 2021 (audited)	60,846,301	42,848,491	103,694,792
Additions	139,820	-	139,820
Modifications	(43,701)	-	(43,701)
Disposals	(44,263)	-	(44,263)
At 31 March 2021 (unaudited)	60,898,157	42,848,491	103,746,648
<b>Accumulated depreciation</b>			
At 1 January 2021 (audited)	(16,569,720)	(7,430,654)	(24,000,374)
Depreciation charge	(2,443,492)	(796,895)	(3,240,387)
At 31 March 2021 (unaudited)	(19,013,212)	(8,227,549)	(27,240,761)
<b>Net book value</b>			
At 31 December 2020 (audited)	44,276,581	35,417,837	79,694,418
At 31 March 2021 (unaudited)	41,884,945	34,620,942	76,505,887

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)****17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)**

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

	31 March 2021 (unaudited)
<i>In thousands of tenge</i>	
<b>At the beginning of the period (audited)</b>	<b>59,110,635</b>
Modifications	(13,283)
Interest expenses (Note 26)	1,793,327
Payment of interest part	(1,793,327)
Payment of principal part	(4,193,266)
<b>At the end of the period (unaudited)</b>	<b>54,904,086</b>

Set out below are the carrying amounts of non-current and current lease liabilities:

	31 March 2021 (unaudited)	31 December 2020 (audited)
<i>In thousands of tenge</i>		
Non-current portion of liabilities	39,006,967	42,461,444
Current portion of lease liabilities	15,897,119	16,649,191

The following are the amounts recognised in profit or loss:

	31 March 2021 (unaudited)	31 March 2020 (unaudited)
<i>In thousands of tenge</i>		
Depreciation expense of right-of-use assets	3,240,387	3,339,262
Interest expense on lease liabilities (Note 26)	1,793,327	2,300,980
Expense relating to short-term leases and leases of low-value assets (included in cost of sales) (Note 25)	354,605	101,180
Expense relating to short-term leases (included in general and administrative expenses)	18,719	7,184
	<b>5,407,038</b>	<b>5,748,606</b>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)****18. OTHER NON-CURRENT FINANCIAL LIABILITIES**

As at 31 March 2021 and 31 December 2020 other non-current financial liabilities comprised:

<i>In thousands of tenge</i>	<b>31 March 2021 (unaudited)</b>	<b>31 December 2020 (audited)</b>
Non-current accounts payable	927	1,001
	<b>927</b>	<b>1,001</b>

**19. NON-CURRENT CONTRACT LIABILITIES**

As at 31 March 2021 and 31 December 2020, non-current contract liabilities comprised:

<i>In thousands of tenge</i>	<b>31 March 2021 (unaudited)</b>	<b>31 December 2020 (audited)</b>
Contract liabilities from operators	3,544,492	3,775,772
Contract liabilities for connection of subscribers	674,577	704,852
Other contract liabilities	2,031,383	1,874,671
	<b>6,250,452</b>	<b>6,355,295</b>

**20. OTHER CURRENT FINANCIAL LIABILITIES**

As at 31 March 2021 and 31 December 2020, other current financial liabilities comprised:

<i>In thousands of tenge</i>	<b>31 March 2021 (unaudited)</b>	<b>31 December 2020 (audited)</b>
Payable to employees	14,241,320	18,724,559
Trademark payment obligation	1,861,290	1,861,290
Dividends payable (Note 15)	39,982	17,577
Other	705,161	554,274
	<b>16,847,753</b>	<b>21,157,700</b>

As at 31 March 2021 and 31 December 2020, other current financial liabilities were not interest bearing and the balances were mainly denominated in tenge.

As at 31 March 2021, trademark payment obligation in the amount of KZT 1,861,290 thousand was represented by the liability of the Group to pay royalty for the usage of Tele2 trademark (31 December 2020: KZT 1,861,290 thousand).

**21. CURRENT CONTRACT LIABILITIES**

As at 31 March 2021 and 31 December 2020, current contract liabilities comprised:

<i>In thousands of tenge</i>	<b>31 March 2021 (unaudited)</b>	<b>31 December 2020 (audited)</b>
Advances received	16,559,944	16,613,199
Contract liabilities from operators	1,382,292	1,382,292
Contract liabilities for connection of subscribers	352,821	365,438
Other contract liabilities	79,713	83,758
Other	100,069	144,830
	<b>18,474,839</b>	<b>18,589,517</b>

Advances received represents the prepayment for the services of the Group like telecommunications services, internet services, IP-TV by customers. The customers can be divided to three major groups: individuals, private firms and legal firms under government sector.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)****22. OTHER CURRENT NON-FINANCIAL LIABILITIES**

As at 31 March 2021 and 31 December 2020, other current non-financial liabilities comprised:

<i>In thousands of tenge</i>	31 March 2021 (unaudited)	31 December 2020 (audited)
Taxes payable other than income tax	6,200,984	2,091,070
Legal claims on contractual obligation and penalties	4,385,679	4,385,679
Tax provisions	1,616,063	1,616,063
Payable to pension funds	916,856	604,275
Asset retirement obligations	575,630	553,618
Other	939,807	806,629
	<b>14,635,019</b>	<b>10,057,334</b>

**23. REVENUE FROM CONTRACTS WITH CUSTOMERS**

Revenue from contracts with customer for the three months ended 31 March comprised:

<i>In thousands of tenge</i>	For the three months ended 31 March 2021			
	Fixed line	Mobile connection	Other	Total
Data transfer services	30,320,821	37,363,126	3,471	67,687,418
Rendering of fixed line and wireless phone services	9,370,416	29,105,532	-	38,475,948
Sale of equipment and mobile devices	2,241	7,938,551	-	7,940,792
Interconnect	3,860,260	2,887,720	-	6,747,980
Rent of channels	743,055	-	-	743,055
Other	12,883,748	2,011,457	462,702	15,357,907
	<b>57,180,541</b>	<b>79,306,386</b>	<b>466,173</b>	<b>136,953,100</b>
Services transferred over time	57,178,300	71,367,835	466,173	129,012,308
Goods transferred at a point of time	2,241	7,938,551	-	7,940,792
	<b>57,180,541</b>	<b>79,306,386</b>	<b>466,173</b>	<b>136,953,100</b>
B2C*	29,619,902	67,178,271	-	96,798,173
B2B**	9,664,804	6,583,339	466,173	16,714,316
B2O***	4,465,198	5,501,555	-	9,966,753
B2G****	13,430,637	43,221	-	13,473,858
	<b>57,180,541</b>	<b>79,306,386</b>	<b>466,173</b>	<b>136,953,100</b>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)****23. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)**

<i>In thousands of tenge</i>	For the three months ended 31 March 2020 <sup>[1]</sup>			
	Fixed line	Mobile connection	Other	Total
Data transfer services	26,405,104	34,285,354	3,588	60,694,046
Rendering of fixed line and wireless phone services	9,767,232	28,405,989	-	38,173,221
Interconnect	3,829,748	2,442,570	-	6,272,318
Sale of equipment and mobile devices	758	5,441,384	-	5,442,142
Rent of channels	762,079	-	-	762,079
Other	8,956,223	1,458,436	83,883	10,498,542
	49,721,144	72,033,733	87,471	121,842,348
Services transferred over time	49,720,386	66,592,349	87,471	401,567,234
Goods transferred at a point of time	758	5,441,384	-	116,400,206
	49,721,144	72,033,733	87,471	121,842,348
B2C*	26,983,248	59,823,048	-	86,806,296
B2B**	9,061,493	6,080,896	87,471	15,229,860
B2O***	4,373,133	6,060,636	-	10,433,769
B2G****	9,303,270	69,153	-	9,372,423
	49,721,144	72,033,733	87,471	121,842,348

[1] Certain amounts shown here do not correspond to the interim condensed consolidated financial statements for the period ended 31 March 2020, as they reflect the adjustments made, as detailed in Note 4.

\* B2C (Business-to-Consumer) – services rendered to private end consumers (individuals).

\*\* B2B (Business to Business) – services rendered to the corporate sector, including large enterprises and SMEs.

\*\*\* B2O (Business-to-Operator) – services rendered to communication operators.

\*\*\*\* B2G (Business-to-Government) – services rendered to the state sector.

**24. COMPENSATION FOR PROVISION OF UNIVERSAL SERVICES IN RURAL AREAS**

In 2017, the regulatory documents on subsidy were amended. In particular, under the Resolution of the Government of the Republic of Kazakhstan No. 238 dated 2 May 2017, new tender rules for the identification of universal services operators were approved, including the calculation of the subsidy rates and the procedure for the authorised body to assign the obligation to provide universal services to telecom operators, requirements for telecoms operators to provide universal communications services, a list of universal communications services and the recognition of certain decisions which have lost their force, of the Government of the Republic of Kazakhstan.

At the reporting date, the Group lacked reasonable assurance that it will be designated as the universal communications services operator and that it will meet all the conditions related to compensation and its receipt. Accordingly, the Group has not recognised compensation revenue for provision of universal services in rural areas for the three months ended 31 March 2021 and 2020.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)****25. COST OF SALES**

Cost of sales for the three months ended 31 March comprised:

<i>In thousands of tenge</i>	<b>31 March 2021 (unaudited)</b>	<b>31 March 2020 (unaudited)</b>
Depreciation and amortization	27,682,796	25,675,680
Personnel costs	20,061,853	18,594,397
Cost of SIM-card, scratch card and handsets	7,466,718	5,127,893
Interconnect	7,207,070	8,458,864
Repair and maintenance	4,474,959	4,419,589
Fees for radiofrequencies use	4,194,763	3,595,373
Electricity	2,557,907	2,291,361
Rent of channels	2,507,936	2,443,432
Fee to provide telecom services	1,943,159	1,785,885
Content	1,161,802	1,082,097
Inventories	836,205	847,235
Security and safety	750,241	670,131
Utilities	708,527	731,529
Short-term leases and leases of low-value assets (Note 17)	354,605	101,180
Network sharing agreement	261,849	159,200
Insurance	225,841	146,746
Business trip expenses	220,092	258,018
Satellite communication services	200,137	221,028
Other	2,118,986	1,692,813
	<b>84,935,446</b>	<b>78,302,451</b>

**26. FINANCE COSTS**

Finance costs and finance income for the three months ended 31 March comprised:

<i>In thousands of tenge</i>	<b>31 March 2021 (unaudited)</b>	<b>31 March 2020 (unaudited)</b>
<b>Finance costs</b>		
Interest expense on loans	9,272,215	9,962,210
Interest expense on lease liabilities (Note 17)	1,793,327	2,300,980
Unwinding of discount on long-term accounts payable	288,205	31,134
Unwinding of discount (provision for asset retirement obligations)	161,769	148,696
Interest on debt component of preferred shares (Note 15)	22,409	22,409
Discounting of other non-current financial assets	15,018	41,112
Discounting of long-term loans to employees	4,983	309,301
Other costs	19,063	19,894
	<b>11,576,989</b>	<b>12,835,736</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****27. INCOME TAX EXPENSES**

Income tax expenses for the three months ended 31 March comprised:

<i>In thousands of tenge</i>	<b>31 March 2021 (unaudited)</b>	<b>31 March 2020 (unaudited)</b>
Current corporate income tax expenses	8,654,682	8,459,418
Deferred income tax benefit	(1,322,170)	(938,915)
	<b>7,332,512</b>	<b>7,520,503</b>

**28. DISPOSAL GROUP****KT Cloud Lab LLP**

On 17 June 2019, the Group announced the decision of its Board of Directors to sell 100% share in the charter capital of KT Cloud Lab LLP through the open two-step tender.

On 13 November 2019, the results of the tender for realization were announced with the selling price of KZT 1,435,000 thousand. The tender winner was selected. In accordance with the tender terms, the conclusion of sale and purchase agreement can only be made after the approval of Samruk-Kazyna, the Parent of the Group. In connection with the introduction of a quarantine and state emergency measures due to the COVID-19 pandemic from March 2020, the approval of Samruk-Kazyna was postponed from April 2020 till the first quarter of 2021. As a result, in February 2021 the Group received an approval from Samruk-Kazyna to conclude a sale and purchase agreement. The extension of the period required to complete a sale does not preclude KT Cloud LLP from being classified as held for sale as the delay is caused by the events beyond the Group's control. The Group assesses the sale of KT Cloud Lab LLP as highly probable.

At 31 March 2021, assets and liabilities of KT Cloud Lab LLP were classified as an assets held for sale and liabilities directly associated with the assets held for sale.

The major classes of assets and liabilities of KT Cloud Lab LLP classified as held for sale as at 31 March 2021 and 31 December 2020 are, as follows:

<i>In thousands of tenge</i>	<b>31 March 2021 (unaudited)</b>	<b>31 December 2020 (audited)</b>
<b>Assets</b>		
Property and equipment	525,231	524,616
Intangible assets	483,934	483,934
Other non-current financial assets	77,431	78,504
Inventories	10,428	14,485
Trade receivables	267,535	277,519
Other current non-financial assets	50,249	43,130
Other current financial assets	136,318	165,422
Advanced paid	33,132	3,764
Cash and cash equivalents	113,258	280,634
<b>Assets held for sale</b>	<b>1,697,516</b>	<b>1,872,008</b>
<b>Liabilities</b>		
Deferred tax liabilities	11,099	11,099
Trade payables	116,099	227,904
Other current financial liabilities	145,219	235,884
Contract liabilities	3	136
Other current non-financial liabilities	454,622	420,194
<b>Liabilities directly associated with assets held for sale</b>	<b>727,042</b>	<b>895,217</b>
<b>Net assets directly associated with disposal group</b>	<b>970,474</b>	<b>976,791</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****29. NON-CASH TRANSACTIONS**

The following significant non-cash transactions have been excluded from the interim condensed consolidated statement of cash flows:

During the three months period ended 31 March 2021, the Group paid an amount of KZT 34,791,317 thousand (unaudited) for property and equipment purchased in prior year (during the three months period ended 31 March 2020: KZT 23,766,948 thousand (unaudited)). Property and equipment in the amount of KZT 17,148,249 thousand (unaudited) was purchased during the three months period ended 31 March 2021 but not paid as at 31 March 2021 (during the three months period ended 31 March 2020: KZT 10,064,356 thousand (unaudited)).

During the three months period ended 31 March 2021, the Group withhold from the salary of employees the amount of previously issued loans for KZT 423,065 thousand (unaudited) (during the three months period ended 31 March 2020: KZT 501,217 thousand (unaudited)).

**30. RELATED PARTY TRANSACTIONS**

The category 'entities under control of the Parent' include entities controlled by the Parent Company. Transactions with such entities are mainly represented by transactions of the Group with NC Kazakhstan Temir Zholy JSC, NC KazMunayGaz JSC, KEGOC JSC, Kazpost JSC. The Group provides telecommunication services to the Parent and entities controlled by the Parent. The category of government-related entities includes different government agencies and ministries.

Related party transactions were made on terms, agreed to between the parties, which do not necessarily represent market terms and maybe not accessible to third parties. Outstanding balances at the end of the period are not secured, are short-term, and settlements are made in cash, except as described below.

At 31 March 2021, the Group recognized a provision for expected credit loss in the amount of KZT 86,566 thousand in respect of receivables from related parties.

Sales and purchases with related parties during the periods of three months period ended 31 March 2021 and 31 March 2020 and the balances with related parties at 31 March 2021 and 31 December 2020 were as follows:

<i>In thousands of tenge</i>	<b>31 March 2021 (unaudited)</b>	<b>31 March 2020 (unaudited)</b>
<b>Sales of goods and services</b>		
Parent	7,189	13,563
Parent-controlled entities	496,567	600,298
Associate (Qaz Cloud LLP)	222,814	180,646
Government-related entities	11,757,216	9,376,510
<b>Purchases of goods and services</b>		
Parent	3	-
Parent-controlled entities	2,182,964	530,154
Associate (Qaz Cloud LLP)	125,540	174,452
Government-related entities	72,058	42,391
<b>Interest accrued on borrowings and bonds</b>		
Entities under state control (Development Bank of Kazakhstan JSC)	913,701	828,170
Average interest rate on borrowings	8.11%	8.21%
Parent*	2,156,250	2,875,000
Average interest rate on bonds	11.84%	11.84%

\* Local bonds of Kazakhtelecom JSC (KTCB.1024 and KTCB2.1024) were purchased by the parent company, Samruk-Kazyna.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****30. RELATED PARTY TRANSACTIONS (continued)**

<i>In thousands of tenge</i>	<b>31 March 2021 (unaudited)</b>	<b>31 December 2020 (audited)</b>
<b>Cash and cash equivalents</b>		
Entities under state control (Development Bank of Kazakhstan JSC)	14	50
<b>Borrowings and bonds (Note 16)</b>		
Entities under state control (Development Bank of Kazakhstan JSC)	48,476,423	49,414,464
Parent*	75,718,750	77,875,000
<b>Trade receivables</b>		
Parent	2,649	2,760
Parent-controlled entities	469,481	608,395
Associate (Qaz Cloud LLP)	197,276	137,327
Government-related entities	11,411,449	6,019,838
<b>Trade payables</b>		
Parent	59	59
Parent-controlled entities	1,836,705	231,402
Associate (Qaz Cloud LLP)	47,594	134,869
Government-related entities	755,955	1,081,231
<b>Other non-current assets</b>		
Long-term loans to key management personnel	22,969	23,573

\* Local bonds of Kazakhtelecom JSC (KTCB.1024 and KTCB2.1024) were purchased by the parent company, Samruk-Kazyna.

**31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES****Impairment losses on financial assets**

Impairment losses on financial assets for the three months period ended 31 March 2021, comprise accrued/(reversed) allowance for expected credit loss for trade receivables in amount of KZT 462,846 thousand (Note 11), other current financial assets in amount of KZT 29,494 thousand (Note 12), cash and cash equivalents in amount of KZT 451 thousand (Note 14) and trade receivables of disposal group (KT Cloud Lab LLP) in amount of KZT (1,949) thousand (for the three months period ended 31 March 2020: trade receivables in amount of KZT 1,073,140 thousand, other current financial assets in amount of KZT 59,164 thousand, cash and cash equivalents in amount of KZT (14,023) thousand and trade receivables of disposal group (KT Cloud Lab LLP) in amount of KZT (6,033) thousand).

**Impairment losses on non-financial assets**

Impairment losses on non-financial assets for the three months period ended 31 March 2021, comprise accrued/(recovered) allowance for impairment of advances paid for current assets for KZT (841) thousand, impairment of property and equipment for KZT (100,115) thousand (Note 6) (for the three months period ended 31 March 2020: allowance for impairment for advances paid for current assets for KZT (1,884) thousand and impairment of property and equipment for KZT 320,790 thousand).

The Group's principal financial instruments include loans, lease obligations, cash and cash equivalents, bank deposits and accounts receivable and accounts payable. The main risks associated with the Group's financial instruments include interest rate risk, currency and credit risk. In addition, the Group monitors market risk and liquidity risk associated with all financial instruments.

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

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**32. COMMITMENTS AND CONTINGENCIES****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.

**Coronavirus pandemic and market conditions**

The coronavirus pandemic left its mark on 2020 and continues to have impact in 2021, requiring businesses to limit or suspend operations and implement restrictions. Thus, on 20 March 2021 chief state sanitary doctor of Almaty city introduced new quarantine period from 21 March 2021 till 28 March 2021, which subsequently was extended till 5 April 2021. The measures taken to contain the virus have adversely affected operations activity and disrupted many businesses resulting in significant economic downturn in the markets. As the outbreak continues to progress and evolve, it is extremely challenging to predict the full extent and duration of its impact on the Group's businesses.

Whilst the Group's business model is more resilient than many others, it is not immune to the challenges. The Group is experiencing a direct impact on roaming revenues from lower international travel and also expect economic pressures to impact customer revenues over time. However, there is significant increases in data volumes and further improvements in loyalty, as customers place greater value on the quality, speed and reliability of the Group's networks.

The Group's investments in the network infrastructure have paid off throughout the pandemic: networks were running stably even under substantially higher loads. The Group fulfilled its responsibility as an employer by introducing comprehensive rules and protective and supportive measures to help employees work from home while continuing to safeguard service for customers in parallel. At sites and in stores, the Group rolled out strict hygiene and safety measures with the support of hygiene experts.

Based on information available as at 31 March 2021, the management of the Group believes that there were no impairment indicators of its long-term assets. While it is impossible to quantify the long-term impact of the coronavirus pandemic, the Group expects to see appreciable effects on the economy as a whole, while on the other, the pandemic has given a boost to the digitalization trend, which would contribute strengthen the role of the companies in telecommunications and IT sector, and will give impetus to the development of technologies and communication networks.

**Capital commitments**

The Group generally enters into contracts for the completion of construction projects and purchase of telecommunication equipment. As at 31 March 2021, the Group had contractual obligations in the total amount of KZT 35,583,040 thousand, including VAT (31 December 2020: KZT 33,543,751 thousand, including VAT) mainly related to purchase of telecommunication equipment and construction of telecommunication network.

**License commitments**

Under the terms of certain licenses on the provision of wireless telecom services, the Group has certain obligations in terms of coverage area of its network. The Group is obliged to expand the cellular telecommunication coverage to the regions along the major highways and small-sized towns and urban-type communities of the Republic of Kazakhstan. The Group's management believes that the Group is in compliance with the terms of the licenses.

**Taxation**

Tax legislation and regulatory framework of the Republic of Kazakhstan are subject to constant changes and allow for different interpretations. In addition, management believes that international agreements, under which the Group works with non-residents residing in International Telecommunication Union, and which provide for certain tax exemptions, have a priority over national tax legislation. 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 50-80% 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****32. COMMITMENTS AND CONTINGENCIES (continued)****Taxation (continued)**

Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 31 March 2021. Management believes that as at 31 March 2021 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 interim condensed consolidated financial statements.

*Tax risks assessment*

For the three month ended 31 March 2020, the Group recognised income from reversal of the tax and related fines and penalties provision in the amount of KZT 12,698 thousand recognized due to expiration of the limitation period for tax liabilities.

For the three month ended 31 March 2020, the Group recognised income from reversal of provision in the amount of KZT 480,307 thousand, which represents recalculation of the tax risk provisions for VAT and PIT recognized by the Group in previous years. As a result, for the three month ended 31 March 2020, the Group recognized income from reversal of provision on VAT and personal income tax in the amount of KZT 256,782 thousand tenge and KZT 210,827 thousand, respectively. In addition, in the interim condensed consolidated statement of comprehensive income for the three month ended 31 March 2020 the Group recognised reserve on CIT expenses in the amount of KZT 488,380 thousand (*Note 27*).

**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. 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"). Currently, the Group is in the process of modernization of the telecommunication equipment of the Kcell's network in order to comply with the requirements of the Technical Regulations. The Group plans to complete modernization by the end of November 2021 and total amount of capital expenditures is expected to amount to KZT 5,677,420 thousand. As of 31 March 2021 capital expenditures incurred by the Group equaled to KZT 3,489,863 thousand.

**Customs inspection**

On 13 September 2019, the Customs Control Department ("CCD") of Almaty issued an order on initiation of custom audit in relation to the Kcell's operation for the period 2014-2019. CCD examines the Kcell's tax reporting documents for the purpose of the revealing of violations on incorrect determination of the customs value of goods and its incorrect classification. On 9 October 2019, CCD suspended the custom audit to allow Kcell JSC to prepare required documents. On 9 September 2020, Kcell JSC provided the entire package of documents requested by the CCD, which are currently being examined by the auditors of CCD. The ongoing custom audit is related to the revealing of violations of customs regulations, incorrect determination of the customs value of goods, and if violations are identified, Kcell JSC may be brought to administrative penalty and be liable to pay appropriate customs charges, including import VAT and late payment fees. On 15 October 2020 the Customs Control Department issued the notice to postpone the customs inspection of Kcell JSC for an indefinite period. Kcell JSC estimated probability of the outflow of resources embodying economic benefits as probable and accrued provision on additional charge, fines and penalties in the amount of KZT 701,004 thousand.

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

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**33. SEASONALITY OF OPERATIONS**

The Group's services are impacted by seasonal trends throughout the year. Revenue and operating profits in the second half of year are usually expected to be higher than in the first six months. Higher revenue during the period from July to September is mainly attributable to increased demand for telecom services during the peak holiday season. Higher revenue also occurs in the months of December, due to increased demand for telecom services and equipment from subscribers.

This information is provided to allow for a better understanding of the Group's results; however, management has concluded that these impacts on the results are not "highly seasonal" as considered by IAS 34.

**34. SUBSEQUENT EVENTS**

On 5 April 2021 the changes to the Rules for the assignment of frequency bands, radio frequencies (radio frequency channels), operation of radio-electronic means and high-frequency devices ("the Rules") were approved by Ministry of Digital Development, Innovation and Aerospace Industry of the Republic of Kazakhstan. In accordance with changes to the Rules, mobile operators are subject to 90% reduction in the rates of fees for use of radio frequency spectrum from 2020 till 2024, if funds released from the reduction of the rates for use of radio frequency spectrum is invested by the mobile operators in construction of the broadband internet access in rural areas.

On 9 April 2021, the Board of Directors of the Group hold an extraordinary general meeting of shareholders to approve the decision on delisting of global depository receipts (GDRs) of Kcell JSC on the LSE and AIX, as well as to approve the termination of the GDR program. The exclusion of the Group's GDRs from the official list and the termination of admission to trading on the LSE and AIX should take place on 7 July 2021.

On 13 April 2021, the Group signed an agreement on implementation of the billing platform Nexign Converged BSS with Nexine JSC (Nexign), a leading provider of business support systems (Business Support System) and Internet of Things solutions for telecom operators (part of IKS Holding). The purpose of the agreement is implementation of a converged digital billing platform – transition to a unified billing system servicing subscribers.

On 14 April 2021, the NBRK notes with nominal value in the amount of KZT 3,000,000 thousand was fully redeemed (*Note 13*). On 14 April 2021, the Group additionally acquired notes of the National Bank of Republic of Kazakhstan in the amount of KZT 4,966,140 thousand.

On 28 April 2021 the Group additionally acquired notes of the National Bank of the Republic of Kazakhstan in the amount of KZT 5,959,332 thousand.

On 28 April 2021, the Group has sold notes of the National Bank of the Republic of Kazakhstan in the amount of KZT 3,000,000 thousand.

On 30 April 2021 the Group has partially repaid loan obtained from Development Bank of Kazakhstan JSC in the amount of KZT 1,066,667 thousand and interest amount for KZT 924,160 thousand.