

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**For nine months period ended 30 September 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 30 September 2021:

	At 30 September 2021 (unaudited)	At 31 December 2020
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%
	100%	100%

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.

The interim condensed consolidated financial statements of the Group were authorised for issue by the Chief financial officer and the Acting chief accountant on behalf of the Management of the Company on 24 November 2021.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the nine month period ended 30 September 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 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:

	30 September 2021 (unaudited)	31 December 2020
US dollar	425.70	420.91
Euro	493.64	516.79
Russian rouble	5.85	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:

	Country of incorporation	Percentage ownership	
		30 September 2021 (unaudited)	31 December 2020
Khan Tengri Holding B.V.	Netherlands	100.00%	100.00%
KT-IX LLC	Russia	100.00%	100.00%
VostokTelecom LLP	Kazakhstan	100.00%	100.00%
Digital Economy Development Center LLP	Kazakhstan	100.00%	100.00%
Nursat+ LLP	Kazakhstan	100.00%	100.00%
Kcell JSC	Kazakhstan	51.00%	75.00%
KT Cloud Lab LLP	Kazakhstan	-	100.00%

In accordance with the decision of the Board of Directors of Kazakhtelecom JSC, 30 September 2021 Kazakhtelecom JSC sold 24% of shares in Kcell JSC by open bidding on Kazakhstan Stock Exchange (KASE). Share of Kazakhtelecom JSC in Kcell JSC according to the result of the transaction is 51% of the shares.

On 14 June 2021, the Group has concluded an agreement with the winner of the tender under which payments shall be made in 3 tranches. The transfer of the ownership right is carried out proportionally, while the unpaid and not transferred share is transferred to trust management until full repayment. On 14 July 2021, the buyer made the first tranche under the purchase agreement in the amount of 30% of the purchase price. The buyer's intention to exercise his right to early repurchase the remaining stake in KT Cloud Lab LLP allowed the Group to recognize the disposal of KT Cloud Lab LLP from the moment of receipt of the first tranche and to recognize the payment arrears from the winner of the tender in full.

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 financial instruments with floating interest rate. The Group intends to use the practical expedients in future periods if they become applicable.

4. RESTATEMENT OF COMPARATIVE INFORMATION**Reclassification in consolidated statement of comprehensive income**

Certain amounts in the interim condensed consolidated statement of comprehensive income for the nine month period ended 30 September 2020 were restated to match the submission adopted in the interim condensed consolidated statement of comprehensive income for the nine month period ended 30 September 2021.

<i>In thousands of tenge</i>	As previously reported	Reclassification	Note	As restated
Interim condensed consolidated statement of comprehensive income for the three months period ended 30 September 2020				
Loss on disposal of property and equipment, net	-	14,080	[1]	14,080
Other operating income	-	1,073,731	[1]	1,073,731
Other operating expenses	-	(198,266)	[1]	(198,266)
Operating profit	43,754,857	889,545		44,644,402
Loss on disposal of property and equipment, net	14,080	(14,080)	[1]	-
Other income	1,073,731	(1,073,731)	[1]	-
Other expenses	(198,266)	198,266	[1]	-
Profit before income tax	38,851,521	-		38,851,521
Profit for the period	32,342,977	-		32,342,977
Total comprehensive income for the period, net of tax	32,337,521	-		32,337,521

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**4. RESTATEMENT OF COMPARATIVE INFORMATION (continued)****Reclassification in consolidated statement of comprehensive income (continued)**

<i>In thousands of tenge</i>	As previously reported	Reclassification	Note	As restated
Interim condensed consolidated statement of comprehensive income for the nine months period ended 30 September 2020				
Loss on disposal of property and equipment, net	-	(39,372)	[1]	(39,372)
Other operating income	-	2,905,670	[1]	2,905,670
Other operating expenses	-	(462,052)	[1]	(462,052)
Operating profit	107,872,681	2,404,246		110,276,927
Loss on disposal of property and equipment, net	(39,372)	39,372	[1]	-
Other income	2,905,670	(2,905,670)	[1]	-
Other expenses	(462,052)	462,052	[1]	-
Profit before income tax	81,890,449	-		81,890,449
Profit for the period	63,135,129	-		63,135,129
Total comprehensive income for the period, net of tax	63,421,391	-		63,421,391

[1] 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 nine month period ended 30 September 2021.

Reclassification in disclosure (Note 22 Revenue from contracts with customers)*For the three months ended 30 September 2020*

<i>In thousands of tenge</i>	As previously reported	Reclassification	Note	As restated
Revenue from contracts with customers				
<i>Mobile connection</i>				
Data transfer services	20,570,055	17,304,169	[1]	37,874,224
Rendering of fixed line and wireless phone services	45,827,947	(17,304,169)	[1]	28,523,778
	134,024,695	-		134,024,695

For the nine months ended 30 September 2020

<i>In thousands of tenge</i>	As previously reported	Reclassification	Note	As restated
Revenue from contracts with customers				
<i>Mobile connection</i>				
Data transfer services	57,384,168	49,785,057	[1]	107,169,225
Rendering of fixed line and wireless phone services	132,756,547	(49,785,057)	[1]	82,971,490
	378,928,895	-		378,928,895

[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 nine months period ended 30 September 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 before disposal;
- 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 and nine months ended 30 September 2021 and 2020.

For the three months ended 30 September 2021 (unaudited):

<i>In thousands of tenge</i>	Fixed line	Mobile tele- communication services in GSM and LTE standards	Other	Elimina- tions and adjustments	Group
Revenue from contracts with customer					
Sales to external customers	57,993,182	90,133,298	265,619	-	148,392,099
Inter-segment	9,852,309	4,032,369	455,830	(14,340,508)	-
Total revenue from contracts with customers	67,845,491	94,165,667	721,449	(14,340,508)	148,392,099
Compensation for provision of universal services in rural areas	1,603,380	-	-	-	1,603,380
Total	69,448,871	94,165,667	721,449	(14,340,508)	149,995,479
Financial results					
Depreciation and amortisation	(9,618,683)	(19,833,829)	(8,223)	399,045	(29,061,690)
Finance costs	(6,406,481)	(5,463,295)	-	416,218	(11,453,558)
Finance income	684,226	1,009,985	-	(397,188)	1,297,023
Income from dividends	-	-	-	-	-
Share in loss of associates	-	-	(20,393)	-	(20,393)
Impairment losses on non-financial assets	(5,682)	(275,890)	-	-	(281,572)
Gain from reversal of impairment/(impairment losses) on financial assets	(224,010)	(367,158)	4,059	2,313	(584,796)
Segment profit/(loss)	17,536,435	23,311,285	39,703	(6,026,520)	34,860,903

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

For the three months ended 30 September 2020 (unaudited)

<i>In thousands of tenge</i>	Fixed line	Mobile tele- communication services in GSM and LTE standards	Other	Eliminations and adjustments	Group
Revenue from contracts with customer					
Sales to external customers	56,452,524	82,185,245	197,074	-	138,834,843
Inter-segment	8,864,447	3,372,271	89,378	(12,326,096)	-
Total revenue from contracts with customers	65,316,971	85,557,516	286,452	(12,326,096)	138,834,843
Financial results					
Depreciation and amortisation	(9,232,406)	(17,485,813)	(7,429)	303,369	(26,422,279)
Finance costs	(7,113,659)	(6,426,228)	(230)	352,929	(13,187,188)
Finance income	471,419	845,664	-	24,547	1,341,630
Dividends income	-	-	-	-	-
Share in profit of associates	-	-	230,802	-	230,802
Impairment losses on non-financial assets	(125,973)	(799,239)	-	-	(925,212)
Impairment losses on financial assets	92,458	(768,072)	1,792	-	(673,822)
Segment profit/(loss)	15,562,467	19,740,058	165,564	3,383,432	38,851,521

For the nine months ended 30 September 2021 (unaudited)

<i>In thousands of tenge</i>	Fixed line	Mobile tele- communication services in GSM and LTE standards	Other	Elimina- tions and adjustments	Group
Revenue from contracts with customer					
Sales to external customers	173,790,968	252,884,982	1,037,902	-	427,713,852
Inter-segment	28,505,873	12,286,303	1,191,623	(41,983,799)	-
Total revenue from contracts with customers	202,296,841	265,171,285	2,229,525	(41,983,799)	427,713,852
Compensation for provision of universal services in rural areas	4,810,146	-	-	-	4,810,146
Total	207,106,987	265,171,285	2,229,525	(41,983,799)	432,523,998
Financial results					
Depreciation and amortisation	(29,251,900)	(59,493,597)	(24,206)	1,163,659	(87,606,044)
Finance costs	(19,263,363)	(16,877,057)	-	1,240,675	(34,899,745)
Finance income	2,074,954	2,169,579	-	(1,185,707)	3,058,826
Income from dividends	13,215,302	-	-	(13,215,302)	-
Share in profits of associates	-	-	604,541	-	604,541
Impairment losses on non-financial assets	2,882	(184,945)	1	-	(182,062)
Impairment losses on financial assets	(578,124)	(1,366,342)	9,500	1,586	(1,933,380)
Segment profit/(loss)	65,759,526	65,235,819	859,735	(19,455,592)	112,399,488

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

For the nine months ended 30 September 2020 (unaudited)

<i>In thousands of tenge</i>	Fixed line	Mobile tele-communication services in GSM and LTE standards	Other	Eliminations and adjustments	Group
Revenue from contracts with customer					
Sales to external customers	157,362,578	225,944,956	431,509	-	383,739,043
Inter-segment	26,912,946	9,195,213	213,955	(36,322,114)	-
Total revenue from contracts with customer	184,275,524	235,140,169	645,464	(36,322,114)	383,739,043
Financial results					
Depreciation and amortisation	(27,844,429)	(54,690,606)	(22,222)	1,123,909	(81,433,348)
Finance costs	(20,965,076)	(19,025,287)	(475)	1,249,814	(38,741,024)
Finance income	1,945,392	1,776,854	3	(452,169)	3,270,080
Income from dividends	7,011,582	-	-	(7,011,582)	-
Share in profit of associates	-	-	379,552	-	379,552
Impairment losses on non-financial assets	(16,568)	(1,770,150)	-	-	(1,786,718)
Impairment losses on financial assets	(575,153)	(1,648,111)	(1,920)	-	(2,225,184)
Segment profit/(loss)	41,035,546	45,857,626	211,500	(5,214,223)	81,890,449

The following table presents assets and liabilities information for the Group's operating segments as at 30 September 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
Operating assets					
As at 30 September 2021 (unaudited)	766,043,821	730,716,472	4,952,442	(323,040,286)	1,178,672,449
As at 31 December 2020 (audited)	750,627,968	724,829,686	3,943,053	(363,974,533)	1,115,426,174
Operating liabilities					
As at 30 September 2021 (unaudited)	304,605,114	267,204,668	702,682	(31,204,015)	541,308,449
As at 31 December 2020 (audited)	323,183,472	296,030,213	639,868	(22,967,376)	596,886,177

Reconciliation of profit

<i>In thousands of tenge</i>	For three months ended 30 September		For nine months ended 30 September	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Segment profit	40,887,423	35,468,089	131,855,080	87,104,672
Other	(6,026,520)	3,383,432	(19,455,592)	(5,214,223)
Profit of the Group	34,860,903	38,851,521	112,399,488	81,890,449

Reconciliation of assets

<i>In thousands of tenge</i>	30 September 2021 (unaudited)	31 December 2020
Segment operating assets	1,501,712,735	1,479,400,707
Elimination of the Company's investments in subsidiaries	(291,256,100)	(340,809,525)
Elimination of intra-group receivables and payables	(31,784,186)	(23,165,008)
Total assets of the Group	1,178,672,449	1,115,426,174

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

<i>In thousands of tenge</i>	30 September 2021 (unaudited)	31 December 2020
Segment operating liabilities	572,512,464	619,853,553
Elimination of intra-group receivables and payables	(31,204,015)	(22,967,376)
Total liabilities of the Group	541,308,449	596,886,177

6. PROPERTY AND EQUIPMENT

During the three and nine months periods ended 30 September 2021, the Group acquired property and equipment for KZT 15,188,393 thousand and KZT 41,393,860 thousand, respectively (during the three and nine months periods ended 30 September 2020: KZT 18,136,804 thousand and KZT 37,545,294 thousand, respectively).

During the three and nine months periods ended 30 September 2021, the Group disposed property and equipment with net book value of KZT 302,104 thousand and KZT 662,257 thousand, respectively (during the three and nine months periods ended 30 September 2020: KZT 86,614 thousand and KZT 354,443 thousand, respectively).

During the three and nine months periods ended 30 September 2021, the Group recognised decrease in changes in estimates in assets retirement obligation for KZT 254,545 thousand and KZT 18,463 thousand, respectively (during the three and nine months periods ended 30 September 2020: increase for KZT 1,959,406 thousand and KZT 300,882 thousand, respectively).

During the three and nine months periods ended 30 September 2021, the Group recognized impairment loss for KZT 288,079 thousand and KZT 189,363 thousand, respectively (during the three and nine months periods ended 30 September 2020: impairment loss for KZT 353,661 thousand and KZT 1,074,021 thousand, respectively).

During the three and nine months periods ended 30 September 2021, the Group recognized depreciation expense amounting to KZT 18,998,172 thousand and KZT 56,913,874 thousand, respectively (during the three and nine months periods ended 30 September 2020: KZT 16,357,681 thousand and KZT 50,943,730 thousand, respectively).

As at 30 September 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 30 September 2021, the gross carrying value of property and equipment which has been fully depreciated and still in use was KZT 435,320,084 thousand (as at 31 December 2020: KZT 404,178,863 thousand).

As at 30 September 2021, advances paid for non-current assets in the amount of KZT 3,736,826 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). The decrease in advances paid for non-current assets is due to the receipt of network equipment, the supply of which the Group paid at the end of 2020. During the three and nine months periods ended 30 September 2021, the Group recognize gain from reversal of impairment amounting to KZT 17,124 thousand on its advances paid for non-current assets (during the three and nine months periods ended 30 September 2020 recognize impairment: KZT 325,397 thousand and KZT 321,391 thousand, respectively).

7. INTANGIBLE ASSETS

During the three and nine months periods ended 30 September 2021, the Group acquired intangible assets in the amount of KZT 1,921,535 thousand and KZT 4,541,040 thousand, respectively (during the three and nine months periods ended 30 September 2020: KZT 2,574,141 thousand and KZT 4,516,842 thousand, respectively).

During the three and nine months periods ended 30 September 2021, the Group disposed intangible assets with net book value of KZT 6,475 thousand and KZT 6,767 thousand, respectively (during the three and nine months periods ended 30 September 2020: nil).

During the three and nine months periods ended 30 September 2021, the Group recognized amortization expense in the amount of KZT 6,785,629 thousand and KZT 20,704,721 thousand, respectively (during the three and nine months periods ended 30 September 2020: KZT 7,105,394 thousand and KZT 20,935,375 thousand, respectively).

As at 30 September 2021 the gross carrying value of intangible assets, which have been fully amortized and still in use was KZT 70,017,280 thousand (as at 31 December 2020: KZT 57,814,037 thousand).

Licenses and trademarks, software and other include intangible assets acquired as a result of business combinations.

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	30 September 2021 (unaudited)		31 December 2020	
			Carrying amount	Ownership share	Carrying amount	Ownership share
QazCloud LLP	IT services	Kazakhstan	3,552,297	49%	2,982,957	49%
			3,552,297		2,982,957	

Movements in investments in associates for the nine months ended 30 September are as follows:

<i>In thousands of tenge</i>	QazCloud LLP
At 31 December 2019	2,218,889
Share in profit of associates	379,552
At 30 September 2020 (unaudited)	2,598,441
At 31 December 2020	2,982,957
Share in profits of associates	604,541
Dividends received	(35,201)
At 30 September 2021 (unaudited)	3,552,297

Based on the decision of the Board of Directors of Kazakhtelecom JSC, on 17 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>	30 September 2021 (unaudited)	31 December 2020
Non-current assets	7,106,457	4,364,015
Current assets, including	5,740,614	7,033,758
Cash and cash equivalents	2,596,482	4,589,503
Non-current liabilities, including	(2,191,758)	(970,186)
Non-current financial liabilities	(472,199)	(881,229)
Current liabilities, including	(3,405,727)	(4,339,919)
Current financial liabilities	(2,398,862)	(2,711,217)
Equity	7,249,586	6,087,668
Share of the ownership – 49%	3,552,297	2,982,957
Carrying amount of the investment of the Group	3,552,297	2,982,957

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

<i>In thousands of tenge</i>	For three months ended 30 September	
	2021 (unaudited)	2020 (unaudited)
Revenue from contracts with customers	1,972,256	1,746,078
Depreciation and amortization	(542,561)	(266,416)
Finance income	3,294	1,586
Finance costs	(128,398)	(44,310)
Income tax (expense)/benefit	10,405	(117,756)
(Loss)/profit for the period	(41,618)	471,024
Total comprehensive income/(loss) for the period	(41,618)	471,024
Share of the Group in (loss)/profit for the period	(20,393)	230,802

<i>In thousands of tenge</i>	For nine months ended 30 September	
	2021 (unaudited)	2020 (unaudited)
Revenue from contracts with customers	11,018,205	3,737,780
Depreciation and amortization	(1,478,229)	(730,469)
Finance income	32,682	24,799
Finance costs	(299,323)	(127,737)
Income tax expense	(308,439)	(193,649)
Profit for the period	1,233,757	774,595
Total comprehensive income for the period	1,233,757	774,595
Share of the Group in profit for the period	604,541	379,552

9. IMPAIRMENT TESTING

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 30 September 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 30 September 2021 and 31 December 2020, other non-current financial assets comprised:

<i>In thousands of tenge</i>	30 September 2021 (unaudited)	31 December 2020
Long-term accounts receivable	2,925,852	2,421,066
Loans to employees	1,946,698	2,060,858
Long-term deposits	613,989	–
Cash restricted in use	43,243	43,243
Other	697,142	264,012
	6,226,924	4,789,179

As at 30 September 2021 and 31 December 2020, all Group's other non-current financial assets were denominated in tenge.

As at 30 September 2021, the long-term accounts receivable represented by special agreements with customers for the purchase of contract phones for KZT 2,925,852 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).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**11. OTHER NON-CURRENT FINANCIAL ASSETS (continued)**

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% per annum 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.

On 19 April 2021, 8 June 2021, 1 July 2021, 16 July 2021, 12 August 2021, the Group placed long-term deposits in Halyk Bank of Kazakhstan JSC for KZT 113,000 thousand, KZT 559,300 thousand, KZT 204,000 thousand, KZT 266,000 thousand and KZT 401,800 thousand with the maturity date in 2036 and an interest rate of 0.1% per annum. These bank deposits were discounted as at the issue date using market interest rates of 7.4% and 6.2% per annum, respectively. As a result, the Group has recognized discount in the amount of KZT 945,729 thousand. At the placement date, long-term deposits were recognized at its fair value equal to KZT 613,989 thousand.

12. TRADE RECEIVABLES

As at 30 September 2021 and 31 December 2020, trade receivables comprised:

<i>In thousands of tenge</i>	30 September 2021 (unaudited)	31 December 2020
Trade receivables	50,787,585	40,847,311
	50,787,585	40,847,311
Less: allowance for expected credit losses	(5,904,922)	(6,135,606)
	44,882,663	34,711,705

Movements in the allowance for expected credit losses were as follows for the three and nine months periods ended 30 September:

<i>In thousands of tenge</i>	For three months ended 30 September		For nine months ended 30 September	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Allowance for expected credit losses at the beginning of the period	(5,630,568)	(6,173,796)	(6,135,606)	(4,950,893)
Charge for the period (Note 32)	(536,777)	(661,539)	(1,872,684)	(2,152,341)
Write-off for the period	262,423	254,050	2,103,368	502,561
Assets held for sale	-	(12,085)	-	7,303
Allowance for expected credit losses at the end of the period	(5,904,922)	(6,593,370)	(5,904,922)	(6,593,370)

13. OTHER CURRENT FINANCIAL ASSETS

As at 30 September 2021 and 2020, other current financial assets comprised:

<i>In thousands of tenge</i>	30 September 2021 (unaudited)	31 December 2020
Sale of the shares of the subsidiary	55,302,068	-
Bank deposits	3,399,500	3,399,500
Loans to employees	1,307,299	1,502,112
Restricted cash	912,769	920,317
Due from employees	243,744	364,405
Other accounts receivable	4,465,820	2,341,581
	65,631,200	8,527,915
Less: allowance for expected credit losses	(4,952,238)	(4,901,841)
	60,678,962	3,626,074

In accordance with the decision of the Board of Directors of Kazakhtelecom JSC, 30 September 2021 Kazakhtelecom JSC sold 24% of shares in Kcell JSC by open bidding on Kazakhstan Stock Exchange (KASE). Share of Kazakhtelecom JSC in Kcell JSC according to the result of the transaction is 51% of the shares.

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

The selling price per share was formed as a result of trading on KASE and traded in the range from 1,130 to 1,321 tenge per share.

As at 30 September 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 30 September 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.

Restricted cash represents cash on the accounts with KazInvestBank JSC and Eximbank Kazakhstan JSC for KZT 413,315 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.

Movements in the allowance for expected credit losses were as follows for the three and nine months periods ended 30 September:

<i>In thousands of tenge</i>	For three months ended 30 September		For nine months ended 30 September	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Allowance for expected credit losses at the beginning of the period	(4,911,107)	(4,888,603)	(4,901,841)	(4,820,587)
Charge for the period (Note 32)	(41,467)	(11,407)	(55,182)	(80,440)
Write-off for the period	336	4,560	4,785	5,577
Allowance for expected credit losses at the end of the period	(4,952,238)	(4,895,450)	(4,952,238)	(4,895,450)

13. FINANCIAL ASSETS AT AMORTIZED COST

As at 30 September 2021 financial assets at amortised cost in the amount of KZT 26,893,371 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. During nine months period ended 30 September 2021 the Group acquired additional NBRK notes at purchase price of KZT 95,341,236 thousand (during nine months period ended 30 September 2020: KZT 22,913,385 thousand). As at 30 September 2021, short-term NBRK discount notes were redeemed for a total amount of KZT 87,141,339 thousand of nominal value and interest income of KZT 858,661 thousand (as at 30 September 2020: KZT 4,860,370 thousand and KZT 139,631 thousand). For the nine months period ended 30 September 2021 the Group recognised interest income in the amount of KZT 653,807 thousand.

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 30 September 2021 and 31 December 2020, financial assets at amortised cost comprised:

<i>In thousands of tenge</i>	Maturity date	Yield to maturity	Nominal value	30 September 2021 (unaudited)	31 December 2020
NBRK note	6 October 2021	9.14%	8,000,000	7,988,003	-
NBRK note	20 October 2021	9.14%	19,000,000	18,905,368	-
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
				26,893,371	18,923,399

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

As at 30 September 2021 and 31 December 2020, cash and cash equivalents comprised:

<i>In thousands of tenge</i>	30 September 2021 (unaudited)	31 December 2020
Cash on current bank accounts	94,190,515	84,060,922
Deposits with less than 90 days' maturity from the date of opening	34,332,024	10,325,020
Cash on hand	14,072	46,002
	128,536,611	94,431,944
Less: allowance for expected credit losses	(7,144)	(3,412)
Total cash and cash equivalents	128,529,467	94,428,532

Cash on current bank accounts earn interest at the rates ranging from 0.2% to 8.0% per annum (2020: from 0.1% to 7.25% per annum).

As at 30 September 2021, short-term deposits for KZT 34,322,024 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%).

As at 30 September 2021 and 31 December 2020, cash and cash equivalents were denominated in the following currencies:

<i>In thousands of tenge</i>	30 September 2021 (unaudited)	31 December 2020
US dollars	96,950,393	79,699,144
Tenge	29,563,382	13,491,284
Euro	1,872,513	1,116,469
Russian roubles	142,288	120,751
Other	891	884
	128,529,467	94,428,532

Movements in the allowance for expected credit losses were as follows for the three and nine months periods ended 30 September:

<i>In thousands of tenge</i>	For three months ended 30 September		For nine months ended 30 September	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Allowance for expected credit losses at the beginning of the period	(3,528)	(10,859)	(3,412)	(19,332)
(Charge)/recovery for the period (Note 32)	(3,616)	(876)	(3,732)	7,597
Allowance for expected credit losses at the end of the period	(7,144)	(11,735)	(7,144)	(11,735)

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 30 September 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	216,852	914,868	3,052,617	4,012,997	7,065,614
Treasury shares reacquired	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-
At 31 December 2020	216,852	914,868	3,052,617	4,012,997	7,065,614
Treasury shares reacquired	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-
At 30 September 2021	216,852	914,868	3,052,617	4,012,997	7,065,614

Shares issued less reacquired shares

As at 30 September 2021, number of common and preferred shares issued net of treasury shares was 10,706,024 and 298,785 shares, respectively (31 December 2020: 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 30 September 2021 in the amount of KZT 814,868 thousand (31 December 2020: KZT 814,868 thousand).

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 67,227 thousand were accrued as at 30 September 2021 (at 30 September 2020: KZT 67,227 thousand) and are recorded as interest expenses in the interim condensed consolidated statement of comprehensive income (*Note 27*).

On the basis of the decision made at the annual shareholders general meeting of Kazakhtelecom JSC on 30 April 2021, the Company declared dividends on preferred shares based on 2020 results in the amount of KZT 427,525 thousand and dividends on common shares in the amount of KZT 22,925,343 thousand (2020: KZT 142,852 thousand and KZT 10,580,464 thousand, respectively). The dividends accrued on common shares during 2021. Dividends per share (common and preferred) as at 30 September 2021 were equal to KZT 1,730.88 (as at 31 December 2020: KZT 778.11 per common share).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**15. EQUITY (continued)****Dividends (continued)**

Movements in dividends payable for the nine months ended 30 September were as follow:

<i>In thousands of tenge</i>	30 September 2021 (unaudited)	30 September 2020 (unaudited)
Dividends payable at the beginning of the period	17,577	1,598,354
Dividends declared on common shares to equity holders of the parent	18,530,843	8,330,464
Dividends declared on common shares to non-controlling interests	4,394,500	2,250,000
Dividends declared on preferred shares in excess of the obligatory amount	427,525	142,852
Interest on debt component of preferred shares (<i>Note 27</i>)	67,227	67,227
Offsetting	(1,386,421)	-
Dividends paid to equity holders of the Parent	(17,571,952)	(10,054,096)
Dividends paid to non-controlling interests	(4,394,500)	(2,250,000)
Dividends payable at the end of the period (<i>Note 19</i>)	84,799	84,801

During the nine months period ended 30 September 2021, the Group paid withholding tax on dividends in the amount of KZT 3,191 thousand (during the nine months period ended 30 September 2020: KZT 162,819 thousand).

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 30 September 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>	For three months ended 30 September		For nine months ended 30 September	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Net profit	26,880,293	30,722,850	82,410,715	60,688,339
Interest on preferred shares (<i>Note 27</i>)	22,409	22,409	67,227	67,227
Net profit for calculating of basic and diluted earnings per share	26,902,702	30,745,259	82,477,942	60,755,566
Weighted average number of common and preferred shares for calculation of basic earnings per share	11,004,809	11,004,809	11,004,809	11,004,809
Basic and diluted earnings per share, tenge	2,444.63	2,793.80	7,494.72	5,520.82

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>	30 September 2021 (unaudited)	31 December 2020
Total assets	1,178,672,449	1,115,426,174
Less: intangible assets, including goodwill	353,585,677	369,756,125
Less: total liabilities	541,308,449	596,886,177
Less: preferred shares issued net of reacquired shares	298,785	298,785
Net assets for calculation of cost of ordinary share in accordance with listing requirements of KASE	283,479,538	148,485,087
Number of ordinary shares	10,706,024	10,706,024
Cost of ordinary share, calculated in accordance with listing requirements of KASE (in tenge)	26,479	13,869

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 30 September 2021, this indicator amounted to 3,727 tenge (as at 31 December 2020: 3,727 tenge).

16. BORROWINGS

As at 30 September 2021 and 31 December 2020, borrowings comprised:

<i>In thousands of tenge</i>	Weighted average effective interest rate	30 September 2021 (unaudited)	Weighted average effective interest rate	31 December 2020
Borrowings with a fixed interest rate of 7.12% to 12.20% per annum	9.82%	164,359,898	10.99%	181,449,097
Bonds with a fixed interest rate of 11.84% to 11.86% per annum	11.85%	158,239,938	11.85%	180,952,977
		322,599,836		362,402,074

Borrowings are repayable as follows:

<i>In thousands of tenge</i>	30 September 2021 (unaudited)	31 December 2020
Current portion of borrowings	23,336,396	46,111,485
Maturity between 1 and 2 years	17,453,132	28,978,947
Maturity between 2 and 5 years	260,198,118	187,254,778
Maturity over 5 years	21,612,190	100,056,864
Total non-current portion of borrowings	299,263,440	316,290,589
Total borrowings	322,599,836	362,402,074

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

As at 30 September 2021 and 31 December 2020, loans represented by the following:

Borrowings	Maturity date	Currency	Effective interest rate	30 September 2021 (unaudited)	31 December 2020
Halyk Bank of Kazakhstan JSC	21 May 2027	Tenge	12.20%	60,696,643	68,609,396
Development Bank of Kazakhstan JSC (Note 31)	30 June 2032	Tenge	7.95%-8.41%	25,135,589	25,762,791
Halyk Bank of Kazakhstan JSC	22 February 2024	Tenge	11.20%	22,333,257	15,223,348
Development Bank of Kazakhstan JSC (Note 31)	19 December 2024	Tenge	7.12%-9.30%	17,470,876	23,651,673
Alfa Bank JSC	5 January 2024	Tenge	10.70%	12,303,167	-
Bank of China Kazakhstan JSC	2 June 2024	Tenge	10.30%	13,086,800	11,059,412
VTB Bank JSC	15 October 2023	Tenge	10.70%	7,004,176	6,005,330
Eurasian Development Bank JSC	20 June 2024	Tenge	11.19%	6,329,390	18,129,058
Halyk Bank of Kazakhstan JSC	30 June 2023	Tenge	12.18%	-	13,008,089
Total				164,359,898	181,449,097

As at 30 September 2021 and 31 December 2020 the Group's borrowings have fixed interest rates.

During nine months period ended 30 September 2021, the Group made repayment of principal amount for KZT 7,821,144 thousand and interest amount for KZT 5,758,028 thousand under the credit line agreements concluded with the Halyk Bank JSC with the maturity in 21 May 2027.

During nine months period ended 30 September 2021, the Group made repayment of principal amount for KZT 6,002,285 thousand and interest amount for KZT 1,467,017 thousand under the credit line agreements concluded with the Development Bank of Kazakhstan JSC with the maturity in December 2024.

During nine months period ended 30 September 2021, the Group made repayment of principal amount for KZT 1,066,666 thousand and interest amount for KZT 924,160 thousand under the credit line agreements concluded with the Development Bank of Kazakhstan JSC with the maturity in June 2032.

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 11.5% to 11.2% 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 2 June 2021 the Group obtained additional tranche in the amount of KZT 2,000,000 thousand from Bank of China JSC within the same credit line agreement.

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)**

On 20 May 2021 the Group has signed addendum to loan agreement with Eurasian Development Bank JSC to decrease interest rate from 11.5% to 11.19% 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 1 July 2021 the Group has repaid loan obtained from Halyk Bank of Kazakhstan JSC in the amount of KZT 13,000,000 thousand ahead of the schedule.

As of 30 September 2021 and 31 December 2020, debt securities issued represented by the following.

Bonds	Maturity date	Currency	Effective interest rate	30 September 2021 (unaudited)	31 December 2020
Local bonds of Kazakhtelecom JSC (KZTKb3)	19 June 2026	Tenge	11.86%	82,521,188	80,207,595
Local bonds of Kazakhtelecom JSC (KTCB.1024 and KTCB2.1024) (Note 31)	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
				158,239,938	180,952,977

On 19 June 2019, the Group placed bonds on the Kazakhstan Stock Exchange JSC for amount of KZT 80,000,000 thousand at an effective interest rate of 11.86% and maturity in June 2026. The nominal value of one bond is one thousand tenge.

On 6 November and 12 December 2018, the Group made a listing of coupon bonds on the stock exchange of the International Financial Center Astana (AIX) for amount of KZT 100,000,000 thousand at an effective interest rate of 11.84% and maturity in November 2024. The nominal value of one bond is one thousand tenge. Bonds on these issues were purchased by the Parent company.

In accordance with the terms of the bonds sale agreements concluded with the Parent, the Group is obliged to provide collateral represented by shares of Kcell JSC sufficient to cover the total amount of the agreements before 31 December 2019 or the primary/secondary public offering of shares of Kazakhtelecom JSC on the stock market, depending on what comes last. On 30 September 2021, 102 million or 51% of Kcell shares were pledged to the Parent as a collateral for the bonds of the Group.

On 10 December 2020, the Group early redeemed local bonds with the maturity till 1 November 2024 in the amount of KZT 25,000,000 thousand from Parent company.

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 30 September 2021 and 31 December 2020, the Group complied with all financial and non-financial covenants.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**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
Cost			
At 1 January 2020	60,344,073	42,848,491	103,192,564
Modifications	212,649	-	212,649
At 30 September 2020	60,556,722	42,848,491	103,405,213
At 1 January 2021	60,846,301	42,848,491	103,694,792
Additions	3,959,169	-	3,959,169
Modifications	1,974,330	-	1,974,330
Disposals	(1,482,055)	-	(1,482,055)
At 30 September 2021	65,297,745	42,848,491	108,146,236
Accumulated depreciation			
At 1 January 2020	7,196,419	3,898,709	11,095,128
Depreciation charge	6,627,831	2,926,412	9,554,243
At 30 September 2020	13,824,250	6,825,121	20,649,371
At 1 January 2021	16,569,720	7,430,654	24,000,374
Depreciation charge	7,191,999	2,795,450	9,987,449
At 30 September 2021	23,761,719	10,226,104	33,987,823
Net book value			
At 31 December 2020	44,276,581	35,417,837	79,694,418
At 30 September 2021	41,536,026	32,622,387	74,158,413

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

<i>In thousands of tenge</i>	30 September 2021 (unaudited)	30 September 2020 (unaudited)
At the beginning of the period	59,110,635	73,216,589
Additions	3,959,169	-
Modifications	1,974,330	212,649
Disposals	(1,067,743)	(155,472)
Interest expenses (Note 27)	5,448,564	6,347,249
Payment of interest part	(5,448,564)	(6,347,249)
Payment of principal part	(11,960,811)	(10,788,610)
At the end of the period	52,015,580	62,485,156

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

<i>In thousands of tenge</i>	30 September 2021 (unaudited)	31 December 2020
Lease liabilities: non-current portion	36,039,206	42,461,444
Lease liabilities: current portion	15,976,374	16,649,191

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

The following are the amounts recognised in the interim condensed consolidated statement of comprehensive income:

<i>In thousands of tenge</i>	For three months ended 30 September		For nine months ended 30 September	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Depreciation expense of right-of-use assets	3,277,889	2,959,204	9,987,449	9,554,243
Interest expense on lease liabilities (Note 27)	1,692,041	2,057,936	5,448,564	6,347,249
Expense relating to short-term leases and leases of low-value assets (included in cost of sales) (Note 24)	266,238	219,551	588,037	349,390
Expense relating to short-term leases (included in general and administrative expenses)	44,712	31,990	68,732	134,115
	5,280,880	5,268,681	16,092,782	16,384,997

During nine months period ended 30 September 2021, the Group had total cash outflows (principal and interest amount) for leases of KZT 18,066,144 thousand, including cash outflow of KZT 656,769 thousand related to leases of low-value assets and short-term leases (during nine months period ended 30 September 2020: KZT 17,619,364 thousand and KZT 483,505 thousand, respectively). During nine months period ended 30 September 2021, the Group also had non-cash additions to right-of-use assets and lease liabilities of KZT 3,959,169 thousand (during nine months period ended 30 September 2020: nil).

18. NON-CURRENT CONTRACT LIABILITIES

As at 30 September 2021 and 31 December 2020, non-current contract liabilities comprised:

<i>In thousands of tenge</i>	30 September 2021 (unaudited)	31 December 2020
Contract liabilities from operators	4,011,775	3,775,772
Contract liabilities for connection of subscribers	588,536	704,852
Other contract liabilities	2,505,641	1,874,671
	7,105,952	6,355,295

19. OTHER CURRENT FINANCIAL LIABILITIES

As at 30 September 2021 and 31 December 2020, other current financial liabilities comprised:

<i>In thousands of tenge</i>	30 September 2021 (unaudited)	31 December 2020
Payable to employees	13,252,866	18,724,559
Dividends payable (Note 15)	84,799	17,577
Trademark payment obligation	-	1,861,290
Other	653,371	554,274
	13,991,036	21,157,700

As at 30 September 2021 and 31 December 2020, other current financial liabilities were not interest bearing and the balances were mainly denominated in tenge.

As at 31 December 2020, 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**20. CURRENT CONTRACT LIABILITIES**

As at 30 September 2021 and 31 December 2020, current contract liabilities comprised:

<i>In thousands of tenge</i>	30 September 2021 (unaudited)	31 December 2020
Advances received	18,031,974	16,613,199
Contract liabilities from operators	1,511,589	1,382,292
Contract liabilities for connection of subscribers	324,637	365,438
Other contract liabilities	67,403	83,758
Other	106,525	144,830
	20,042,128	18,589,517

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.

21. OTHER CURRENT NON-FINANCIAL LIABILITIES

As at 30 September 2021 and 31 December 2020, other current non-financial liabilities comprised:

<i>In thousands of tenge</i>	30 September 2021 (unaudited)	31 December 2020
Taxes payable other than income tax	13,759,902	2,091,070
Legal claims on contractual obligation and penalties	3,684,675	4,385,679
Tax provisions	1,616,063	1,616,063
Asset retirement obligations	530,118	553,618
Payable to pension funds	540,710	604,275
Other	339,256	806,629
	20,470,724	10,057,334

22. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers for the three and nine months ended 30 September comprised:

<i>In thousands of tenge</i>	For the three months ended 30 September 2021			
	Fixed line	Mobile connection	Other	Total
Data transfer services	31,015,292	40,880,288	3,570	71,899,150
Rendering of fixed line and wireless phone services	8,989,894	33,955,150	-	42,945,044
Sale of equipment and mobile devices	1,212	9,702,055	-	9,703,267
Interconnect	3,933,980	3,487,561	-	7,421,541
Rent of channels	761,022	-	-	761,022
Other	13,291,782	2,108,244	262,049	15,662,075
	57,993,182	90,133,298	265,619	148,392,099
Services transferred over time	57,991,970	80,431,243	265,619	138,688,832
Goods transferred at a point of time	1,212	9,702,055	-	9,703,267
	57,993,182	90,133,298	265,619	148,392,099
B2C*	30,240,161	77,027,612	877,743	108,145,516
B2B**	9,790,914	6,396,119	(612,124)	15,574,909
B2O***	4,581,500	6,594,693	-	11,176,193
B2G****	13,380,607	114,874	-	13,495,481
	57,993,182	90,133,298	265,619	148,392,099

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**22. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)**

<i>In thousands of tenge</i>	For the three months ended 30 September 2020 ⁽¹⁾			
	Fixed line	Mobile connection	Other	Total
Data transfer services	28,323,320	37,874,224	3,472	66,201,016
Rendering of fixed line and wireless phone services	9,588,178	28,523,778	-	38,111,956
Interconnect	3,597,682	2,785,570	-	6,383,252
Sale of equipment and mobile devices	2,899	10,956,142	-	10,959,041
Rent of channels	759,328	-	-	759,328
Other	9,455,481	1,961,019	193,602	11,610,102
	51,726,888	82,100,733	197,074	134,024,695
Services transferred over time	51,723,989	71,144,591	197,074	123,065,654
Goods transferred at a point of time	2,899	10,956,142	-	10,959,041
	51,726,888	82,100,733	197,074	134,024,695
B2C*	28,186,541	68,997,508	-	97,184,049
B2B**	8,907,577	7,557,252	197,074	16,661,903
B2O***	4,162,966	5,305,693	-	9,468,659
B2G****	10,469,804	240,280	-	10,710,084
	51,726,888	82,100,733	197,074	134,024,695

<i>In thousands of tenge</i>	For the nine months ended 30 September 2021			
	Fixed line	Mobile connection	Other	Total
Data transfer services	92,109,743	116,917,466	10,513	209,037,722
Rendering of fixed line and wireless phone services	27,543,027	94,899,772	-	122,442,799
Sale of equipment and mobile devices	4,691	25,315,549	-	25,320,240
Interconnect	11,830,793	9,655,495	-	21,486,288
Rent of channels	2,252,959	-	-	2,252,959
Other	40,049,755	6,096,700	1,027,389	47,173,844
	173,790,968	252,884,982	1,037,902	427,713,852
Services transferred over time	173,786,277	227,569,433	1,037,902	402,393,612
Goods transferred at a point of time	4,691	25,315,549	-	25,320,240
	173,790,968	252,884,982	1,037,902	427,713,852
B2C*	90,364,257	214,901,947	877,743	306,143,947
B2B**	29,492,565	19,435,410	160,159	49,088,134
B2O***	13,704,773	18,345,198	-	32,049,971
B2G****	40,229,373	202,427	-	40,431,800
	173,790,968	252,884,982	1,037,902	427,713,852

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**22. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)**

<i>In thousands of tenge</i>	For the nine months ended 30 September 2020 ⁽¹⁾			
	Fixed line	Mobile connection	Other	Total
Data transfer services	82,897,014	107,169,225	10,682	190,076,921
Rendering of fixed line and wireless phone services	29,100,338	82,971,490	-	112,071,828
Interconnect	11,126,518	7,940,912	-	19,067,430
Sale of equipment and mobile devices	4,661	22,353,645	-	22,358,306
Rent of channels	2,278,594	-	-	2,278,594
Other	27,415,330	5,239,659	420,827	33,075,816
	152,822,455	225,674,931	431,509	378,928,895
Services transferred over time	152,817,794	203,321,286	431,509	356,570,589
Goods transferred at a point of time	4,661	22,353,645	-	22,358,306
	152,822,455	225,674,931	431,509	378,928,895
B2C*	82,900,465	188,676,482	-	271,576,947
B2B**	26,880,159	21,290,456	431,509	48,602,124
B2O***	12,793,171	15,327,636	-	28,120,807
B2G****	30,248,660	380,357	-	30,629,017
	152,822,455	225,674,931	431,509	378,928,895

⁽¹⁾ Certain amounts shown here do not correspond to the interim condensed consolidated financial statements for the three and nine months ended 30 September 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.

23. 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.

There are no unfulfilled conditions or contingencies attached to these subsidies. The compensation received for the three and nine months ended 30 September 2021 was equal to KZT 1,603,380 thousand and KZT 4,810,146 thousand, respectively (for the nine months ended 30 September 2020: KZT 4,810,148 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**24. COST OF SALES**

Cost of sales for the three and nine months periods ended 30 September comprised:

<i>In thousands of tenge</i>	For three months ended 30 September		For nine months ended 30 September	
	2021	2020	2021	2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Depreciation and amortization	27,558,314	25,428,336	83,200,083	77,831,519
Personnel costs	20,879,757	18,472,836	62,453,070	56,640,205
Cost of SIM-card, scratch card and handsets	8,945,113	9,362,174	23,681,288	19,573,094
Interconnect	7,647,714	6,800,216	22,639,122	22,189,353
Repair and maintenance	5,392,502	4,862,581	14,883,788	13,640,000
Fees for radiofrequencies use	3,718,230	3,707,152	11,590,115	10,827,157
Electricity	2,606,340	2,095,898	7,815,043	6,437,354
Rent of channels	2,206,689	2,613,942	7,114,368	7,653,928
Fee to provide telecom services	2,007,534	1,798,118	5,928,857	5,333,104
Content	1,250,267	1,109,294	3,644,856	3,333,613
Inventories	1,327,453	1,539,123	3,236,136	3,417,032
Security and safety	773,467	815,491	2,249,039	2,126,469
Utilities	539,771	301,858	1,764,948	1,618,290
Business trip expenses	353,584	263,735	881,273	695,280
Network sharing agreement	192,293	226,261	649,451	514,470
Insurance	243,117	168,340	647,061	508,447
Satellite communication services	200,271	181,733	600,072	613,654
Short-term leases and leases of low-value assets (Note 17)	266,238	219,551	588,037	349,390
Other	4,491,800	2,676,743	9,446,300	5,988,108
	90,600,454	82,643,382	263,012,907	239,290,467

25. INCOME FROM COMPENSATION FROM TELIA AND TURKCELL

On 20 May 2021, Kazakhtelecom JSC, Telia Company A. B. and Turkcell İletişim Hizmetleri A. Ş. settled out of court within the framework of arbitration proceedings initiated by Kazakhtelecom JSC in 2019 at the London Court of International Arbitration on claims related to violation of certain guarantees contained in the Contract for the Purchase of Shares of Kcell JSC dated 12 December 2018.

At the conclusion of negotiations, Telia Company A. B. and Turkcell İletişim Hizmetleri A. Ş. committed to repay compensation to Kazakhtelecom JSC in the amount of USD 22,000 thousand, equivalent to KZT 9,386,963 thousand. In May 2021, the Group received amount of compensation in full.

26. OTHER OPERATING INCOME

Other operating income for the three and nine months periods ended 30 September comprised:

<i>In thousands of tenge</i>	For three months ended 30 September		For nine months ended 30 September	
	2021	2020	2021	2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reimbursement of expenses	-	-	1,386,421	-
Fines and penalties	(24,256)	59,049	1,291,203	499,165
Rental income	440,505	478,477	1,121,238	1,238,443
Income from liabilities write-off	7,805	8,427	240,093	134,432
Non-core operations	34,897	46,848	90,253	103,294
Services for the provision of secure communication channels	24,441	88,256	79,665	221,896
Other	982,880	392,674	2,479,117	708,440
	1,466,272	1,073,731	6,687,990	2,905,670

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**27. FINANCE COSTS**

Finance costs for the three and nine months periods ended 30 September comprised:

<i>In thousands of tenge</i>	For three months ended 30 September		For nine months ended 30 September	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Interest expense on loans	8,828,275	10,897,659	27,599,745	31,440,113
Interest expense on lease liabilities (Note 17)	1,692,041	2,057,936	5,448,564	6,347,249
Discounting of other non-current financial assets	631,830	84,963	1,095,556	156,343
Unwinding of discount (provision for asset retirement obligations)	141,111	122,938	445,138	392,757
Interest on debt component of preferred shares (Note 15)	22,409	22,409	67,227	67,227
Discounting of long-term loans to employees	52,941	(21,098)	86,878	261,016
Other costs	84,951	22,381	156,637	76,319
	11,453,558	13,187,188	34,899,745	38,741,024

28. INCOME TAX EXPENSES

Income tax expense for the three and nine months periods ended 30 September comprised the following:

<i>In thousands of tenge</i>	For three months ended 30 September		For nine months ended 30 September	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Current income tax expenses	8,431,362	10,062,197	28,059,765	25,023,178
Adjustments in respect of current income tax of previous years	-	-	-	(147,449)
Deferred income tax expenses	(2,126,073)	(3,553,653)	(2,340,688)	(6,120,409)
	6,305,289	6,508,544	25,719,077	18,755,320

29. 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. 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.

On 14 June 2021, the Group has concluded an agreement with the winner of the tender under which payments shall be made in 3 tranches (the first tranche in the amount of 30% of the purchase price within 30 days after agreement signing date, the second tranche in the amount of 35% of the purchase price within 12 months after signing date and the third tranche in the amount of 35% of the purchase price within 24 months after signing date). The transfer of the ownership right is carried out proportionally, while the unpaid and not transferred share is transferred to trust management until full repayment. On 14 July 2021, the buyer made the first tranche under the purchase agreement in the amount of 30% of the purchase price. The buyer's intention to exercise his right to early repurchase the remaining stake in KT Cloud Lab LLP allowed the Group to recognize the disposal of KT Cloud Lab LLP from the moment of receipt of the first tranche and to recognize the payment arrears from the winner of the tender in full.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**29. DISPOSAL GROUP (continued)**

Net assets as of the date of disposal of KT Cloud Lab LL are presented as follows:

<i>In thousands of tenge</i>	Net assets of the date of disposal
Assets	
Property and equipment	525,792
Intangible assets	483,934
Other non-current financial assets	77,431
Inventories	8,546
Trade receivables	916,395
Other current non-financial assets	22,958
Other current financial assets	164,340
Advanced paid	15,819
Cash and cash equivalents	447,868
Total assets	2,663,083
Liabilities	
Deferred tax liabilities	11,099
Trade payables	146,423
Other current financial liabilities	199,715
Contract liabilities	63
Other current non-financial liabilities	444,965
Total liabilities	802,265
Net assets	1,860,818

The loss from disposal of the subsidiary of KT Cloud Lab LLP amounted to KZT 425,818 thousand, the loss was recorded as part of other operating expenses in the interim condensed consolidated statement of comprehensive income.

30. NON-CASH TRANSACTIONS

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

During the three and nine months periods ended 30 September 2021, the Group paid an amount of nil and KZT 34,791,217 thousand, respectively, for property and equipment purchased in prior year (during the three and nine months periods ended 30 September 2020: nil and KZT 32,009,038 thousand, respectively). Property and equipment in the amount of KZT 21,547,897 thousand were purchased during the nine months periods ended 30 September 2021 but not paid by 30 September 2021 (purchased, but not paid by 30 September 2020: KZT 16,145,995 thousand).

During the three and nine months periods ended 30 September 2021, the Group received repayment of loans provided to employees in the amount of KZT 384,928 thousand and KZT 1,232,789 thousand, respectively (during the three and nine months periods ended 30 September 2020: KZT 512,224 thousand and KZT 1,514,490 thousand, respectively). The repayments were withheld from the salary of employees.

During the three and nine months periods ended 30 September 2021, the Group performed offsetting of dividends payables against receivables in the amount of KZT 1,386,421 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**31. 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.

At 30 September 2021, the Group recognized a provision for expected credit loss in the amount of KZT 153,440 thousand in respect of receivables from related parties.

Sales and purchases with related parties during the periods of three and nine months ended 30 September 2021 and 30 September 2020 and the balances with related parties at 30 September 2021 and 31 December 2020 were as follows:

<i>In thousands of tenge</i>	For three months ended 30 September		For nine months ended 30 September	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Sales of goods and services				
Parent	-	7,258	1,329,758	30,148
Parent-controlled entities	466,537	617,689	1,495,136	1,816,027
Associate (Qaz Cloud LLP)	251,285	216,566	717,399	592,405
Government-related entities	18,648,455	6,660,865	40,433,849	26,580,363
Purchases of goods and services				
Parent	-	-	17	-
Parent-controlled entities	359,738	569,061	3,104,884	1,627,373
Associate (Qaz Cloud LLP)	394,927	169,965	936,207	480,115
Government-related entities	59,468	75,748	189,708	173,607
Interest accrued on borrowings				
Entities under state control (Development Bank of Kazakhstan JSC)	844,115	987,220	2,652,129	2,792,223
<i>Average interest rate on borrowings</i>	8.05%	8.19%	8.05%	8.19%
Parent*	2,156,250	2,875,000	6,468,750	8,625,000
<i>Average interest rate on borrowings</i>	11.84%	12.18%	11.84%	12.18%

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

<i>In thousands of tenge</i>	30 September 2021 (unaudited)	31 December 2020
Cash and cash equivalents		
Entities under state control (Development Bank of Kazakhstan JSC)	29	50
Borrowings and bonds (Note 16)		
Entities under state control (Development Bank of Kazakhstan JSC)	42,606,465	49,414,464
Parent*	75,718,750	77,875,000
Trade receivables		
Parent	83,637	2,760
Parent-controlled entities	384,423	608,395
Associate (Qaz Cloud LLP)	214,044	137,327
Government-related entities	15,092,897	6,019,838
Trade payables		
Parent	59	59
Parent-controlled entities	1,235,117	231,402
Associate (Qaz Cloud LLP)	194,313	134,869
Government-related entities	855,590	1,081,231
Other non-current assets		
Long-term loans to key management personnel	11,590	23,573

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

Impairment losses on financial assets for the nine months ended 30 September 2021, comprise accrued allowance for expected credit loss for trade receivables in amount of KZT 1,872,684 thousand (*Note 11*), trade receivables of KT Cloud Lab LLP (before disposal) in amount of KZT 1,782 thousand, other current financial assets in amount of KZT 55,182 thousand (*Note 12*), cash and cash equivalents in amount of KZT 3,732 thousand (*Note 14*) (for the nine months ended 30 September 2020: trade receivables in amount of KZT 2,152,341 thousand, other current financial assets in amount of KZT 80,440 thousand, cash and cash equivalents in amount of KZT (7,597) thousand).

Impairment losses on financial assets for the three months ended 30 September 2021, comprise accrued allowance for expected credit loss for trade receivables in amount of KZT 536,777 thousand (*Note 11*) and trade receivables of KT Cloud Lab LLP (before disposal) in amount of KZT 2,936 thousand, other current financial assets in amount of KZT 41,467 thousand (*Note 12*), cash and cash equivalents in amount of KZT 3,616 thousand (*Note 14*) (for the three months ended 30 September 2020: trade receivables in amount of KZT 661,539 thousand, other current financial assets in amount of KZT 11,407 thousand, cash and cash equivalents in amount of KZT 876 thousand).

(Gain from reversal of impairment) / impairment losses on non-financial assets

(Gain from reversal of impairment) / impairment losses on non-financial assets for the nine months ended 30 September 2021, comprise recovered allowance for impairment of advances paid for current assets for KZT (17,124) thousand (*Note 6*) and impairment of fixed assets for KZT 9,823 thousand and impairment of fixed assets for KZT 189,363 thousand (*Note 6*) (for the nine months ended 30 September 2020: accrued allowance for impairment of advances paid for non-current assets for KZT 321,391 thousand, advances paid for current assets for KZT 71,853 thousand, allowance for write-down of inventories to net realizable value for KZT 319,453 thousand and impairment of fixed assets for KZT 1,074,021 thousand).

(Gain from reversal of impairment) / impairment losses on non-financial assets (continued)

(Gain from reversal of impairment) / impairment losses on non-financial assets for the three months ended 30 September 2021, comprise accrued allowance for impairment of advances paid for current assets for KZT (17,124) thousand (*Note 6*), thousand and impairment of fixed assets for KZT 10,617 thousand and impairment of fixed assets for KZT 288,079 thousand (*Note 6*) (for the three months ended 30 September 2020: accrued allowance for doubtful debt for advances paid for non-current assets for KZT 325,397 thousand, advances paid for current assets for KZT 80,459 thousand, allowance for write-down of inventories to net realizable value for KZT 165,695 thousand and impairment of fixed assets for KZT 353,661 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.

Fair value

For the purpose of disclosing the fair value, the Group determined classes of assets and liabilities based on characteristics and risks of assets or liabilities and fair value hierarchy level as described above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**32. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (continued)****Fair value (continued)**

The tables below present 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 2021 was as follow:

<i>In thousands of tenge</i>	Date of valuation	Fair value measurement using			Total
		Price quotations on active markets (Level 1)	Significant observable in-puts (Level 2)	Significant unobservable in-puts (Level 3)	
Assets for which fair values are disclosed					
Financial assets at amortized cost	30 September 2021	26,806,175	-	-	26,806,175
Other non-current financial assets	30 September 2021	-	-	6,329,819	6,329,819
Other current financial assets	30 September 2021	-	-	60,678,962	60,678,962
Trade receivables	30 September 2021	-	-	44,882,663	44,882,663
Liabilities for which fair values are disclosed					
Borrowings	30 September 2021	-	-	322,707,727	322,707,727
Other non-current financial liabilities	30 September 2021	-	-	217,885	217,885
Other current financial liabilities	30 September 2021	-	-	13,991,036	13,991,036
Trade payables	30 September 2021	-	-	36,697,321	36,697,321

The tables below present fair value hierarchy of assets and liabilities of the Group. Disclosure of quantitative information of fair value hierarchy of financial instruments as at 31 December 2020 was as follow:

<i>In thousands of tenge</i>	Date of valuation	Fair value measurement using			Total
		Price quotations on active markets (Level 1)	Significant observable in-puts (Level 2)	Significant unobservable in-puts (Level 3)	
Assets for which fair values are disclosed					
Financial assets at amortized cost	31 December 2020	18,624,000	-	-	18,624,000
Other non-current financial assets	31 December 2020	-	-	5,139,320	5,139,320
Other current financial assets	31 December 2020	-	-	3,626,074	3,626,074
Trade receivables	31 December 2020	-	-	34,711,705	34,711,705
Liabilities for which fair values are disclosed					
Borrowings	31 December 2020	-	-	361,549,441	361,549,441
Other non-current financial liabilities	31 December 2020	-	-	1,001	1,001
Other current financial liabilities	31 December 2020	-	-	21,157,700	21,157,700
Trade payables	31 December 2020	-	-	54,866,134	54,866,134

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**32. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (continued)****Fair value (continued)**

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial assets and liabilities that are not carried at fair value in the interim condensed consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

<i>In thousands of tenge</i>	Carrying amount as at 30 September 2021 (unaudited)	Fair value as at 30 September 2021 (unaudited)	Unrecognised gain/(loss) as at 30 September 2021 (unaudited)	Carrying amount as at 31 December 2020	Fair value as at 31 December 2020	Unrecognised gain/(loss) as at 31 December 2020
Financial assets						
Cash and cash equivalents	128,529,467	128,529,467	-	94,428,532	94,428,532	-
Other non-current financial assets	6,226,924	6,329,819	102,895	4,789,179	5,139,320	350,141
Other current financial assets	60,678,962	60,678,962	-	3,626,074	3,626,074	-
Financial assets at amortized cost	26,893,371	26,806,175	(87,196)	18,923,399	18,624,000	(299,399)
Trade receivables	44,882,663	44,882,663	-	34,711,705	34,711,705	-
Financial liabilities						
Borrowings	322,599,836	322,707,727	(107,891)	362,402,074	361,549,441	852,633
Other non-current financial liabilities	217,885	217,885	-	1,001	1,001	-
Other current financial liabilities	13,991,036	13,991,036	-	21,157,700	21,157,700	-
Trade payables	36,697,321	36,697,321	-	54,866,134	54,866,134	-
Total unrecognised change in unrealised fair value			(92,192)			903,375

33. COMMITMENTS AND CONTINGENCIES**Operating environment**

In Kazakhstan, economic reforms and the development of the legal, tax and administrative infrastructure that meets the developed markets are still in process. 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. On 1 July 2021, Ministry of Healthcare performed PCR screening and the Indian strain of COVID-19 was found in all regions and cities of Nur-Sultan, Almaty, Shymkent. Thus, on 1 July 2021 chief state sanitary doctor of the Republic of Kazakhstan introduced new decree, which obliges Akims of regions, cities of Almaty, Nur-Sultan, Shymkent, NPP "Atameken" (as agreed), national companies, heads of organizations, individuals and legal entities, regardless of the form of ownership, operating in the territory of the Republic of Kazakhstan to organize preventive vaccinations of employees with the first component by 10 August 2021 and with the second component of the COVID-19 by 1 September 2021 (except for those who have permanent medical contraindications and have recovered from COVID-19 during the last three months). Admission to full-time work of those organizations for unvaccinated employees is limited. 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. On 10 September 2021 chief state sanitary doctor of the Republic of Kazakhstan signed a resolution On Restrictive Quarantine Measures and Their Phased Mitigation. Based on this resolution, the quarantine measures were partially weakened. The new ordinance is effective from 13 September 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**33. COMMITMENTS AND CONTINGENCIES (continued)****Coronavirus pandemic and market conditions (continued)**

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 30 September 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 30 September 2021, the Group had contractual obligations in the total amount of KZT 56,616,793 thousand, including VAT (as at 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.

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 30 September 2021. Management believes that as at 30 September 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

In the beginning of 2020, the Group performed recalculation of the tax risk provisions recognized by the Group in previous years. Accordingly, for the nine months ended 30 September 2020, the Group recognised reversal of provision on VAT and personal income tax in the amount of KZT 256,782 thousand and KZT 210,827 thousand, respectively, and income from reversal of the tax and related fines and penalties provision in the amount of KZT 34,298 thousand due to expiration of the limitation period.

In addition, for the nine months ended 30 September 2020 the Group recognized reserve on CIT expenses in the amount of KZT 488,380 thousand and income tax adjustments for the previous year in the amount of KZT 163,740 thousand (*Note 27*) in the interim condensed consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**33. COMMITMENTS AND CONTINGENCIES (continued)****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 in respect to this technical regulation is expected to amount to KZT 5,677,420 thousand. As of 30 September 2021 capital expenditures in respect to this technical regulation 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 Group's operation for the period 2014-2019. CCD examines the Group'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 the Group to prepare required documents. On 9 September 2020, the Group 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, the Group 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 the Group for an indefinite period. The Group 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 of 701,004 thousand.

On 22 April 2021 the custom audit was resumed, and a preliminary report was issued. According to the report, the Group was charged additional VAT charge in the amount of KZT 39,354 thousand and late payment penalty in the amount of KZT 18,152 thousand. The preliminary report was reviewed by the Group.

On 29 April 2021 CCD sent a formal letter regarding the on-site customs audit performed and a notice of audit findings, instructing the Group to pay KZT 57,506 thousand and to amend the customs declarations. In pursuance of the notice, the Group paid additional tax charge and late payment penalty and amended the customs declarations.

On 28 May 2021, the Group sent a letter to the customs authority informing about fulfillment of the requirements stated in the notice. During nine months ended 30 September 2021, the Group reversed unutilized part of provision in the amount of KZT 682,820 thousand.

5G services

In accordance with the Order of Committee of competition protection of the Ministry of national economics, the Group has an obligation to start providing 5G services not later than 31 December 2022.

34. SUBSEQUENT EVENTS

On 4 October 2021, the Group received cash from the sale of 24% shares in Kcell JSC in the amount of KZT 55,279,947 thousand.

On 20 October 2021, the Group additionally acquired notes of the National Bank of Republic of Kazakhstan in the amount of KZT 24,821,425 thousand.

On 20 October 2021, Soft Art LLP paid the remainder of the purchase price of a 100% stake in the authorized capital of KT Cloud Lab LLP in the amount of KZT 1,029,954 thousand.

On 29 October 2021, the Board of Directors of the Company approved the attraction of external financing and the conclusion of a large transactions - General Credit Agreement with First Heartland Jusan Bank JSC for the total amount of the credit limit in the amount of KZT 60,500,000 thousand.

On 5 November 2021 Amdocs Companies filed an extended claim against Kcell in the amount of USD 17,697 thousand with reimbursement of all arbitration costs and 8% for late payment of these claims.