



Kazakhtelecom JSC

Interim condensed consolidated financial statements
(unaudited)

30 June 2020

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Report on review of interim condensed consolidated financial statements

Interim condensed consolidated financial statements (unaudited)

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Report on review of interim condensed consolidated financial statements

To the Shareholders of Kazakhtelecom JSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Kazakhtelecom JSC and its subsidiaries (together the "Group"), which comprise the interim condensed consolidated statement of financial position as at 30 June 2020, the related interim condensed consolidated statements of comprehensive income for the three and six-month periods then ended, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended and selected explanatory notes ("interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Ernst & Young LLP

Paul Cohn
Audit Partner



Rustamzhan Sattarov
Auditor / General Director
Ernst & Young LLP

Audit Qualification Certificate
No. МФ-0000060 dated 6 January 2012

050060, Republic of Kazakhstan, Almaty
Al-Farabi ave., 77/7, Esentai Tower

18 August 2020



State Audit License for audit activities on
the territory of the Republic of Kazakhstan:
series МФЮ-2 No. 0000003 issued by the
Ministry of finance of the Republic of
Kazakhstan dated 15 July 2005

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

<i>In thousands of tenge</i>	Note	30 June 2020 (unaudited)	31 December 2019' (audited)
Assets			
Non-current assets			
Property and equipment	7	420,298,023	438,122,294
Right-of-use assets	19	83,219,390	89,670,048
Intangible assets	8	219,226,834	231,114,114
Goodwill	5, 10	154,492,495	154,492,495
Advances paid for non-current assets	7	18,817,818	8,998,288
investments in associates	9	2,367,639	2,218,889
Deferred tax assets		1,486,575	1,766,127
Cost to obtain contracts		1,017,647	977,279
Cost to fulfil contracts		469,712	574,012
Other non-current non-financial assets		2,269,930	2,798,316
Other non-current financial assets	11	4,326,108	4,170,159
Total non-current assets		907,992,179	934,902,021
Current assets			
Inventories		10,680,242	10,565,074
Trade receivables	12	35,811,636	37,255,772
Advances paid		4,847,162	5,696,515
Corporate income tax prepaid		739,656	4,237,313
Cost to obtain contracts		479,785	457,366
Cost to fulfil contracts		869,606	859,495
Other current non-financial assets		4,729,586	6,072,482
Other current financial assets	13	4,690,305	5,227,326
Financial assets at amortized cost	15	17,269,254	-
Financial assets at fair value through other comprehensive income	14	5,268,598	4,964,633
Cash and cash equivalents	16	101,114,518	71,321,822
		186,500,248	146,657,798
Assets held for sale	28	1,891,556	1,878,033
Total current assets		188,391,804	148,535,831
Total assets		1,096,383,983	1,083,437,852

* Certain amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2019 due to completion of initial accounting, for details refer to Note 5.

The accounting policies and notes on pages 8 to 44 are an integral part of these interim condensed consolidated financial statements.

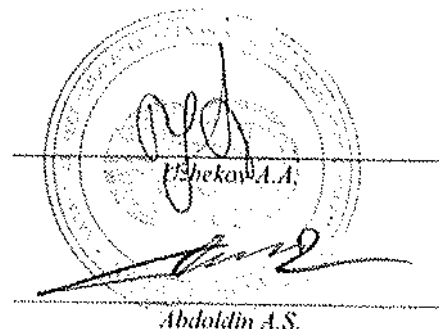
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

<i>in thousands of tenge</i>	Note	30 June 2020 (unaudited)	31 December 2019* (audited)
Equity			
Share capital	17	12,136,529	12,136,529
Treasury shares	17	(7,065,614)	(7,065,614)
Foreign currency translation reserve	17	(7,375)	(3,292)
Other reserves	17	1,820,479	1,820,479
Retained earnings		442,336,566	420,514,915
		449,220,585	427,403,017
Non-controlling interests		34,084,572	35,507,909
Total equity		483,305,157	462,910,926
Non-current liabilities			
Borrowings: non-current portion	18	353,765,857	339,136,061
Lease liabilities: non-current portion	19	48,067,933	55,236,254
Other non-current financial liabilities	20	1,147	1,862,608
Deferred tax liabilities		40,727,327	43,608,409
Employee benefit obligations		16,482,654	16,315,828
Debt component of preferred shares	17	814,868	814,868
Non-current contract liabilities	21	6,577,826	6,878,309
Asset retirement obligations		5,394,692	6,875,583
Total non-current liabilities		471,832,304	470,729,920
Current liabilities			
Borrowings: current portion	18	51,722,899	28,477,663
Lease liabilities: current portion	19	15,391,879	15,291,266
Other current financial liabilities	20	16,011,344	22,239,053
Employee benefit obligations: current portion		1,282,156	1,147,812
Trade payables		27,857,703	58,632,660
Current corporate income tax payable		4,627,713	1,345,601
Current contract liabilities	21	17,119,149	18,971,934
Other current non-financial liabilities	22	6,777,123	3,247,984
		140,789,966	149,353,973
Liabilities directly associated with the assets held for sale	28	456,556	443,033
Total current liabilities		141,246,522	149,797,006
Total liabilities		613,078,826	620,526,926
Total equity and liabilities		1,096,383,983	1,083,437,852

* Certain amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2019 due to completion of initial accounting, for details refer to Note 5.

Chief financial officer

Acting chief accountant



Shekay A.A.

Abdoldin A.S.

The accounting policies and notes on pages 8 to 44 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For three and six months period ended 30 June 2020

<i>In thousands of tenge</i>	Note	For three months ended 30 June		For six months ended 30 June	
		2020 (unaudited)	2019* (unaudited)	2020 (unaudited)	2019* (unaudited)
Revenue from contracts with customers	23	123,061,852	91,473,168	244,904,200	179,999,132
		123,061,852	91,473,168	244,904,200	179,999,132
Cost of sales	25	(78,226,898)	(65,881,611)	(156,778,920)	(130,662,756)
Gross profit		44,834,954	25,591,557	88,125,280	49,336,374
General and administrative expenses		(7,982,695)	(7,490,623)	(16,590,010)	(14,654,090)
Impairment losses on financial assets	31	(427,048)	(1,514,989)	(1,551,362)	(2,365,146)
Impairment losses on non-financial assets	31	(542,600)	(1,844,104)	(861,506)	(1,844,104)
Selling expenses		(2,932,181)	(1,840,142)	(5,638,320)	(2,046,927)
Reversal of tax and related fines and penalties provision	32	21,600	5,068,626	501,907	5,068,826
Operating profit		32,972,030	17,970,525	63,985,989	32,594,933
Share in profits/(loss) of associates	9	(63,352)	2,776,987	148,750	5,958,539
Finance costs	26	(12,630,152)	(8,516,770)	(25,378,905)	(16,236,441)
Finance income		1,072,409	1,562,015	1,928,450	3,149,234
Net foreign exchange income/(loss)		(7,704,653)	(371,563)	883,039	(719,531)
(Loss)/gain on disposal of property and equipment		(60,309)	(40,029)	(53,452)	53,228
Income from re-measurement of previously held interest in the associate	5	-	17,042,490	-	17,042,490
Other income		724,611	1,239,373	1,831,939	1,886,684
Other expenses		(199,845)	(149,527)	(263,786)	(271,209)
Profit before tax		14,110,739	31,516,601	43,081,024	43,557,927
Income tax expenses	27	(4,886,874)	(4,018,195)	(12,255,195)	(7,004,634)
Profit for the period		9,423,865	27,497,306	30,825,829	36,553,293
Attributable to:					
Equity holders of the Parent		9,279,422	26,038,346	29,999,166	35,175,659
Non-controlling interests		144,443	1,458,960	826,663	1,377,634
		9,423,865	27,497,306	30,825,829	36,553,293
Earnings per share					
Basic, net profit for the period, tenge	17	845.25	2,366.83	2,730.08	3,198.88
Diluted, net profit for the period, tenge	17	845.25	2,366.83	2,730.08	3,198.88

* Certain amounts shown here do not correspond to the interim condensed consolidated financial statements for the three and six months ended 30 June 2019 due to completion of initial accounting, for details refer to Note 5.

The accounting policies and notes on pages 8 to 44 are an integral part of these interim condensed consolidated financial statements.

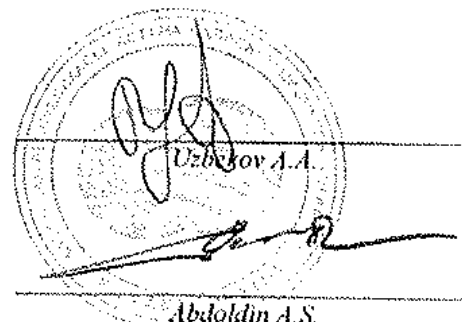
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME (continued)**

<i>In thousands of tenge</i>	Note	For three months ended 30 June		For six months ended 30 June	
		2020 (unaudited)	2019* (unaudited)	2020 (unaudited)	2019* (unaudited)
Profit for the period		9,423,865	27,497,300	30,825,829	36,553,203
Other comprehensive (loss)/income					
Other comprehensive (loss)/ income to be reclassified to profit or loss in subsequent periods (net of tax)					
Foreign exchange differences from translation of financial statements of foreign subsidiaries		(2,724)	(232)	(4,083)	6,868
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		(2,724)	(232)	(4,083)	6,868
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods (net of tax)					
Actuarial profit/(loss) on defined benefits plans, net of tax		(20,822)	(35,728)	295,801	(602,981)
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		(20,822)	(35,728)	295,801	(602,981)
Other comprehensive income/(loss) for the period, net of tax		(23,546)	(35,960)	291,718	(596,113)
Total comprehensive income for the period, net of tax		9,400,319	27,461,346	31,117,547	35,957,180
Attributable to:					
Equity holders of the Parent		9,255,876	26,002,306	30,290,884	34,579,546
Non-controlling interests		144,443	1,458,960	826,663	1,377,634
		9,400,319	27,461,346	31,117,547	35,957,180

* Certain amounts shown here do not correspond to the interim condensed consolidated financial statements for the three and six months ended 30 June 2019 due to completion of initial accounting, for details refer to Note 5.

Chief financial officer

Acting chief accountant



Uzbo'rov A.A.

Abdolkin A.S.

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

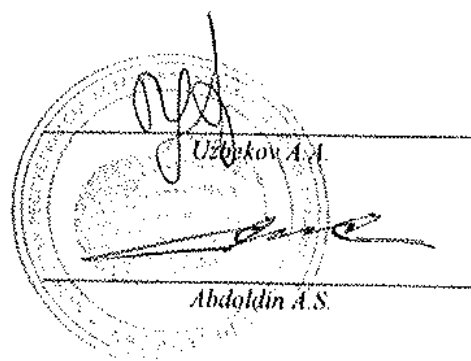
For six months period ended 30 June 2020

In thousands of tenge	Attributable to equity holders of the Parent					Total	Non-controlling interests	Total equity
	Shares outstanding (Note 17)	Treasury shares (Note 17)	Foreign currency translation reserve (Note 17)	Other reserves (Note 17)	Retained earnings			
At 1 January 2019 (audited)	12,136,529	(6,464,374)	(15,157)	1,820,479	373,056,587	380,534,064	33,802,380	414,336,444
Net profit for the period (unaudited)	-	-	-	-	35,175,659	35,175,659	1,377,634	30,553,293
Other comprehensive loss (unaudited)	-	-	6,868	-	(602,981)	(596,113)	-	(596,113)
Total comprehensive income (unaudited)	-	-	6,868	-	34,572,678	34,579,546	1,377,634	35,957,180
Dividends (unaudited) (Note 17)	-	-	-	-	(8,510,309)	(8,510,309)	(1,493,000)	(10,009,309)
Own repurchased shares (Note 17)	-	(601,240)	-	-	-	(601,240)	-	(601,240)
At 30 June 2019 (unaudited)	12,136,529	(7,065,614)	(8,289)	1,820,479	399,112,956	405,996,061	33,687,014	439,683,075
At 1 January 2020 (audited)	12,136,529	(7,065,614)	(3,292)	1,820,479	420,469,917	427,358,019	35,507,909	462,865,928
Completion of initial accounting (Note 5)*	-	-	-	-	44,998	44,998	-	44,998
At 1 January 2020* (audited)	12,136,529	(7,065,614)	(3,292)	1,820,479	420,514,915	427,403,017	35,507,909	462,910,926
Net profit for the period (unaudited)	-	-	-	-	29,999,166	29,999,166	826,663	30,826,829
Other comprehensive income (unaudited)	-	-	(4,083)	-	295,801	291,718	-	291,718
Total comprehensive income (unaudited)	-	-	(4,083)	-	30,294,967	30,290,884	826,663	31,117,547
Dividends (unaudited) (Note 17)	-	-	-	-	(8,473,316)	(8,473,316)	(2,250,000)	(10,723,316)
At 30 June 2020 (unaudited)	12,136,529	(7,065,614)	(7,375)	1,820,479	442,336,566	449,220,585	34,084,572	483,305,157

* Certain amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2019 due to completion of initial accounting, for details refer to Note 5.

Chief financial officer

Acting chief accountant



Uzbekov A.A.

Abdoldin A.S.

The accounting policies and notes on pages 8 to 44 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For six months period ended 30 June

<i>In thousands of tenge</i>	Note	For six months ended	
		30 June 2020 (unaudited)	30 June 2019* (unaudited)
Operating activities			
Profit before tax for the period		43,081,024	43,557,927
Adjustment for:			
Depreciation of property and equipment and right of use assets	7, 19	40,932,098	31,313,644
Amortisation of intangible assets	8	13,829,981	8,971,210
Impairment loss on non-financial assets	31	861,506	1,844,104
Impairment loss on financial assets	31	1,551,362	2,365,146
Unrealised foreign exchange (gain)/loss, net		(803,039)	673,109
Changes in employee benefit obligations		553,777	733,821
Write-down of inventories to net realizable value		-	(21,646)
Share in profits of associates	9	(148,750)	(5,958,539)
Finance costs	26	25,379,905	16,236,441
Finance income		(1,928,450)	(3,149,234)
Loss/(gain) on disposal of property and equipment		53,452	(53,228)
Income from re-measurement of previously held interest in the associate	5	-	(17,042,490)
Reversal of tax and related fines and penalties provision		(501,907)	(5,068,826)
Operating cash flows before changes in operating assets and liabilities		122,780,959	74,401,439
Changes in operating assets and liabilities			
Change in trade receivables		(1,736,330)	19,620,713
Change in inventories		(268,926)	(1,411,051)
Change in other current assets		787,099	5,984,802
Change in advances paid		859,761	(2,447,793)
Change in trade payables		(6,036,553)	(23,637,888)
Change in cost to obtain contracts and cost to fulfil contracts		31,402	(1,385,970)
Change in contract liabilities		(2,003,915)	717,362
Changes in other current liabilities		(1,821,503)	(15,464,944)
Cash flows from operating activities		112,591,994	56,306,670
Income tax paid		(8,033,763)	(8,161,924)
Interest paid		(19,513,710)	(10,625,597)
Interest received		1,083,926	510,913
Net cash flows received from operating activities		86,128,447	38,110,062
Investing activities			
Purchase of property and equipment		(49,819,030)	(20,651,051)
Purchase of intangible assets		(3,447,469)	(2,565,084)
Proceeds from sale of property and equipment		167,348	222,022
Return of cash on deposits		-	175,968
Payment for acquisition of subsidiary, net of cash acquired	5	-	(176,143,312)
Placement of cash to restricted cash accounts		-	(997,730)
Return of cash on restricted cash accounts		6,439	-
Investments in associates	9	-	(200,000)
Purchase of financial assets at amortized cost	15	(17,184,611)	-
Issue of long-term loans to employees		(489,150)	(854,303)
Repayment of loans to employees		201,764	206,766
Net cash flows used in investing activities		(70,564,709)	(200,806,724)

* Certain amounts shown here do not correspond to the consolidated financial statements for the six months ended 30 June 2019, due to corrections made, for details refer to Notes 4.

The accounting policies and notes on pages 8 to 44 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)


<i>In thousands of tenge</i>	Note	For six months ended	
		30 June 2020 (unaudited)	30 June 2019* (unaudited)
Financing activities			
Borrowings received		45,807,169	192,843,139
Borrowings repaid		(13,062,925)	(34,431,675)
Dividends paid to equity holders of the Parent	17	(10,054,096)	(8,892,445)
Dividends paid to non-controlling interests	17	(2,250,000)	-
Repayment of principal portion of lease liabilities	19	(6,983,099)	(5,240,132)
Proceeds from sale of securities	17	-	(653,435)
Net cash flows received from financing activities		13,477,049	143,625,452
Effect of exchange rate changes on cash and cash equivalents		567,851	(666,241)
Effect of changes in expected credit losses	16	8,473	5,860
Net change in cash and cash equivalents		29,617,111	(19,731,591)
Cash and cash equivalents, as at 1 January		71,637,378	45,350,092
Cash and cash equivalents, as at 30 June	16	101,254,489	25,618,501

* Certain amounts shown here do not correspond to the interim condensed consolidated financial statements for the six months ended 30 June 2019, due to corrections made, for details refer to Note 4.

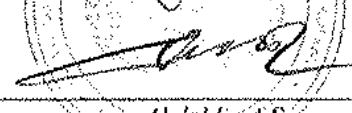
Disclosure of significant non-cash transactions is presented in Note 29.

Chief financial officer

Acting chief accountant



Uzbekov A.A.



Abdoldin A.S.

The accounting policies and notes on pages 8 to 44 are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**For six months period ended 30 June 2020****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 June 2020:

	At 30 June 2020 (unaudited)	At 31 December 2019 (audited)
Samruk-Kazyna	51.0%	51.0%
SKYLINE INVESTMENT COMPANY S.A.	24.5%	24.5%
ADR (The Bank of New York – depositor)	9.6%	9.6%
Alatau Capital Invest LLP	3.7%	3.7%
United Accumulative Pension Fund JSC	3.4%	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 communication market, including local, long-distance intercity and international telecommunication services including CIS and non-CIS countries; and also leases out lines and provides data transfer services, as well as wireless communication.

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 18 August 2020.

2. BASIS FOR PREPARATION

The interim condensed consolidated financial statements for the six month period ended 30 June 2020 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 2019 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 entities at their respective functional currency spot rates prevailing at the date when the transaction meets 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 FINANCIAL STATEMENTS (continued)

2. BASIS FOR 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 June 2020	31 December 2019
US dollar	403.93	382.59
Euro	452.52	429.00
Russian rouble	5.70	6.16

The functional currencies of foreign operations KT-IX LLC (Russian Federation) are Russian Roubles. During consolidation the assets and liabilities of foreign operations are translated into tenge at the rate of exchange prevailing at the reporting date and their statements of comprehensive income are 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 June 2020 (unaudited)	31 December 2019 (audited)
Khan Tengri Holding B.V.	Netherlands	100.00%	100.00%
KT-IX LLC	Russia	100.00%	100.00%
KT Cloud Lab LLP	Kazakhstan	100.00%	100.00%
VostokTelecom LLP	Kazakhstan	100.00%	100.00%
Digital Economy Development Center LLP (previously Info-Net Wireless LLP)	Kazakhstan	100.00%	100.00%
Nursat+ LLP	Kazakhstan	100.00%	100.00%
Kcell JSC	Kazakhstan	75.00%	75.00%

On 28 June 2019, the Group has obtained control over Khan Tengri Holding B.V., in which the Group previously held investment in associate as described in *Note 5*.

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 2019, except for the adoption of new standards effective as at 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 3 Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the interim condensed consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The *Conceptual Framework* is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the *Conceptual Framework* is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised *Conceptual Framework* includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

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

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

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

Lease term

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

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

Useful life of non-removable leasehold improvements

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

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

The current accounting policy of the Group

The Group has not yet adopted the agenda decision accordingly, in determining lease term the Group considered only contractual termination penalties to assess whether the cancellable or renewable leases are enforceable.

Potential effect of agenda decision on the Group accounting policy

The Group has lease contracts of technical sites from legal entities and individual entrepreneurs for installation of cellular base stations. The Group identified lease term for technical sites lease contracts equaled to average useful lives of cellular network stations. The approach applied by the Group in relations to these lease contracts is appropriate under the IFRIC agenda decision. However, the Group also concluded lease contracts of technical sites with the governmental entities which were recognized as short-term leases as the Group applied recognition exemptions for short-term leases as in accordance with paragraph 5 of IFRS 16.

As the Group applies the agenda decision it considers all relevant facts and circumstances that create an economic incentive for the lessee but not only contractual termination penalties, in assessing whether the Group is reasonably certain to extend (or not to terminate) a lease.

This includes, for example, significant leasehold improvements undertaken (or expected to be undertaken) over the term of the contract that are expected to have significant economic benefit for the Group when an option to extend or terminate the lease becomes exercisable, technology development and also the Group's historical experience.

Therefore, agenda decision might affect the consolidated financial statements. As at the date when these interim condensed financial statements are issued, the Group continues to assess the impact of the future changes in the accounting policy. Effecting an accounting policy change requires the Group to undertake a number of steps, such as collecting additional information to apply the new policy and changing assessment processes.

The Group expects increase in right-of-use assets and related lease liabilities as of 1 January 2019 and increase in depreciation expenses for the year as a result of the agenda decision's adoption. However, the impact of the change is not reasonably estimable as retrospective application requires recalculation for approximately 700 of lease contracts with governmental entities effective as at 1 January 2019, the Group's date of adoption IFRS 16, which will take significant time and efforts. The Group could not complete the agenda decision's adoption process by the end of current interim reporting period, generally, due to disruption caused by Covid-19 pandemic.

The Group expects to finalize adoption of the change by the end of 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. RESTATEMENT OF COMPARATIVE INFORMATION

Certain amounts in interim condensed consolidated statement of cash flow for the three and six months ended 30 June 2019 were reclassified to conform with the presentation adopted in the interim condensed consolidated statements for three and six months ended 30 June 2020. The Group changed the presentation of its consolidated financial statements as new presentation provides information that is more relevant to users of the consolidated financial statements.

<i>In thousands of tenge</i>	As previously reported	Adjustment	Note	As adjusted
Interim condensed consolidated statement of cash flows for the six months ended 30 June 2019				
Interest paid	(9,002,750)	(1,622,847)	[1]	(10,625,597)
Net cash flows from operating activities	39,732,909	(1,622,847)		38,110,062
Repayment of principal portion of lease liabilities	(6,862,979)	1,622,847	[1]	(5,240,132)
Net cash flows from financing activities	142,002,605	1,622,847		143,625,452
Net change in cash and cash equivalent	(19,731,591)	-		(19,731,591)

[1] The Group reclassified interest paid on lease liabilities in the amount of KZT 1,622,847 thousand from repayment of principal amount of lease liabilities in financing cash flows to interest paid in operating cash flows.

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

5. BUSINESS COMBINATIONS

Acquisition in 2019

Acquisition of Khan Tengri Holding B.V.

On 29 February 2016, the Group acquired 51% share capital and 49.48% of voting shares in Khan Tengri Holding B.V., the company rendering GSM and LTE mobile telecommunication services in the Republic of Kazakhstan. Khan Tengri Holding B.V. is a private entity and not listed on the stock exchange. Khan Tengri Holding B.V. was an equity accounted associate for the Group till 28 June 2019 (Note 9).

According to the agreement between the Group and Tele2, the Group had an unconditional right to require Tele2 to sell its 49% of the interest in Khan Tengri Holding B.V. at any time, after three years after the closing date of the transaction on 29 February 2016 (call option). Tele2 had a similar unconditional right to require the Group to acquire a 49% interest in Khan Tengri Holding B.V. (put option).

In connection with the closure of the transaction on the acquisition by Kazakhtelecom JSC of 75% of shares in Kcell JSC in the end of December 2018, on 28 December 2018, the Group received notice on exercising of put option from Tele2 A.B.

On 1 March 2019 the Group's call option in relation to right to require Tele2 to sell its 49% of the interest in Khan Tengri Holding B.V. became exercisable. As of 1 March 2019 neither call or put option provided the Group ability to direct relevant activities of Khan Tengri Holding B.V. as the Group is obliged to transfer shares of Khan Tengri Holding B.V. to a trust management company within 12 months after closing of transaction for acquiring 49% from Tele2 which is also subject to the approval of the Committee on Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan. As at 1 March 2019 the Group did not obtain control over Khan Tengri Holding B.V.

On 23 May 2019, the Group concluded an agreement with Tele2 for the purchase of remaining 49% share of Khan Tengri Holding B.V. and 50.52% of the voting rights of all outstanding shares and completed the acquisition on 28 June 2019. The consideration transferred for 49% interest acquired by the Group was KZT 181,534,893 thousand, including cash paid in the amount of KZT 101,118,483 thousand and loan provided to Mobile Telecom Service LLP in the amount of 80,416,410 thousand tenge for the purpose of consideration payment to the seller, Tele2.

In June 2019, the Group received approval from the Committee on Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan of the terms of the trust management agreement that indicate that the Group has control over Khan Tengri Holding B.V.

On 25 February 2016, the Group provided a guarantee to associate organization Khan Tengri Holding B.V. under the credit facility from Development Bank of Kazakhstan JSC with a credit limit of up to KZT 10,008,780 thousand for the period until 19 December 2024. Guarantee issued in the amount of KZT 937,145 thousand was included into the consideration of business combination due to the acquisition of residual shares in associate of Khan Tengri Holding B.V.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. BUSINESS COMBINATIONS (continued)

Acquisition in 2019 (continued)

Acquisition of Khan Tengri Holding B.V. (continued)

The Group's interest in Khan Tengri Holding B.V. was recorded in the interim condensed consolidated financial statements using the equity method till the date of control acquisition.

The fair value of the identified assets and liabilities of Khan Tengri Holding B.V. as at the date of acquisition were:

<i>In thousands of tenge</i>	Previously reported provisional fair values	Finalization of assessment of provisional fair values	Note	Fair values recognized on acquisition
Assets				
Property and equipment	99,771,598	787,921	[A]	100,559,519
Right-of-use assets	26,457,939	-		26,457,939
Intangible assets	112,272,032	8,166,494	[B]	120,438,526
Advances paid for non-current assets	2,061,017	-		2,061,017
Cash and cash equivalents	5,391,581	-		5,391,581
Other non-current financial assets	77,640	-		77,640
Trade receivables	14,921,849	-		14,921,849
Inventories	909,245	-		909,245
Advances paid	2,439,609	-		2,439,609
Corporate income tax prepaid	614,125	-		614,125
Other current non-financial assets	2,023,828	-		2,023,828
Other current financial assets	887,739	-		887,739
Total assets	267,828,202	8,954,415		276,782,617
Liabilities				
Trade payables	(27,070,515)	-		(27,070,515)
Borrowings	(8,799,548)	-		(8,799,548)
Lease liabilities	(26,913,327)	-		(26,913,327)
Contract liabilities	(8,094,854)	-		(8,094,854)
Deferred tax liabilities	(9,058,099)	(1,081,398)	[D]	(10,139,497)
Asset retirement obligations	(4,826,230)	-		(4,826,230)
Other non-current financial liabilities	-	(1,861,290)	[C]	(1,861,290)
Other current financial liabilities	(2,460,538)	(2,087,140)	[C]	(4,547,678)
Other current non-financial liabilities	(1,193,897)	-		(1,193,897)
Total liabilities	(88,417,008)	(5,029,828)		(93,446,836)
Net identifiable assets at fair value	179,411,194	3,924,587		183,335,781
Consideration transferred for 49% interest acquired on 28 June 2019*	181,534,893	-		181,534,893
Acquisition-date fair value of initial 51% interest	99,211,623	(267,623)		98,944,000
	280,746,516	(267,623)		280,478,893
Acquisition-date fair values of identifiable net assets acquired	179,411,194	3,924,587		183,335,781
Guarantee issued to Mobile Telecom Service LLP	937,145	-		937,145
Goodwill	100,398,177	(4,192,210)		96,205,967
Analysis of cash flows on acquisition				
Net cash acquired with the subsidiary	5,391,581	-		5,391,581
Consideration transferred*	(181,534,893)	-		(181,534,893)
Net cash outflow	(176,143,312)	-		(176,143,312)

* The consideration transferred for 49% interest acquired by the Group was KZT 181,534,893 thousand, including cash paid in the amount of KZT 101,118,483 thousand and loan provided to Mobile Telecom Service LLP in the amount of KZT 80,416,410 thousand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. BUSINESS COMBINATIONS (continued)

Acquisition in 2019 (continued)

Acquisition of Khan Tengri Holding B.V. (continued)

Net assets recognized the consolidated financial statements as at 31 December 2019 were based on a provisional assessment of their fair value, while the Group sought an independent valuation for the assets owned by Khan Tengri Holding B.V. The valuation had not been completed by the date the 2019 consolidated financial statements were approved for issue by the Chairman of the Management Board.

In June 2020, the valuation was completed, and the acquisition date fair value of the following accounts has been changed:

- [A] Property and equipment were KZT 100,559,519 thousand, increase of KZT 787,921 thousand over the provisional value as a result of increase in the fair value of buildings and constructions and equipment;
- [B] Intangible assets were KZT 120,438,526 thousand, increase of KZT 8,166,494 thousand over the provisional value as a result of increase in the fair value of Tele2 and Altel trademarks and subscribers' base;
- [C] Other current financial liabilities were KZT 6,408,968 thousand, increase of KZT 3,948,430 thousand over the provisional value as a result of recognition of trademark royalty payment obligations;
- [D] Deferred tax liabilities were KZT 10,139,497 thousand, increase of KZT 1,081,398 thousand over the provisional value.

The 2019 comparative information was restated to reflect the adjustment to the provisional amounts. As a result, there was a decrease in goodwill of KZT 4,192,210 thousand, resulting in KZT 96,205,967 thousand of total goodwill arising on the acquisition. There was a decrease in income from re-measurement of previously held interest in the associate of KZT 267,623 thousand, resulting in KZT 17,042,490 thousand of income from re-measurement of previously held interest in the associate. The increased depreciation charge on the property and equipment and intangible assets and decreased deferred tax expenses from the acquisition date to 31 December 2019 was corrected by KZT 374,403 thousand and KZT 74,881 thousand, respectively. The Group has reversed royalty expenses recognized during the second half of 2019 for KZT 765,179 thousand with related deferred tax effect for KZT 153,036 thousand due to recognition of trademark payment obligations on the acquisition date.

As a result, the following changes were made in the interim condensed consolidated changes in equity statement as at 1 January 2020:

<i>In thousands of tenge</i>	As previously reported	Finalization of valuation report	As restated
Interim condensed consolidated changes in equity statement			
Retained earnings as at 1 January 2020	420,469,917	44,998	420,514,915
	420,469,917	44,998	420,514,915

The main components of intangible assets are licenses, trademarks, software and subscriber base.

At the date of the acquisition, the fair value of the trade receivables was KZT 14,921,849 thousand. The carrying amount of trade receivables is KZT 14,921,849 thousand and it is expected that the full contractual amounts can be collected.

As at date of the acquisition, the fair value of trademark payment obligation was KZT 3,948,430 thousand that represented by the liability of the Group to pay royalty for the usage of Tele2 trademark. During the six months period ended 30 June 2020, the Group made first payment under the agreement for KZT 2,168,154 thousand (*Note 20*).

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms.

Transaction costs in the amount of KZT 1,167,150 thousand were included in administrative expenses.

The deferred tax liability is mainly due to the tax effect of accelerated depreciation of fixed assets and intangible assets for tax purposes.

The goodwill amounts to KZT 96,205,967 thousand and includes the cost of the expected synergetic effect from the acquisition. The entire amount of goodwill is allocated to the mobile telecommunications segment. It is expected that recognized goodwill will not be deductible for the purposes of the taxation either in full or in part.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. BUSINESS COMBINATIONS (continued)

Acquisition in 2019 (continued)

Acquisition of Khan Tengri Holding B.V. (continued)

During the six months ended 30 June 2019, the Group recognized income from re-measurement of previously held interest in the equity-accounted associate in the amount of KZT 17,042,490 thousand as a result of remeasuring its existing interest in the equity-accounted associate amount of KZT 81,901,510 thousand at the date of obtaining control to its acquisition-date fair value of KZT 98,944,000 thousand.

If the combination had taken place at the beginning of 2019, the Group's revenues for the six months ended 30 June 2019 would have been KZT 220,684,627 thousand, and the profit before tax would have been KZT 52,635,934 thousand.

6. 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 to local, national long-distance and international by business units of Kazakhtelecom JSC, Vostoktelecom LLP and KT Cloud Lab LLP;
- Rendering mobile telecommunication services in GSM and LTE standards by business units of Khan Tengri Holding B.V. and Kcell JSC.

The Group completed the acquisition of the residual 49% of shares of Khan Tengri Holding B.V. and obtained 100% control over the entity in the late June 2019.

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 six months ended 30 June 2020 and 2019:

For the three months ended 30 June 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	51,188,908	71,725,980	146,964	-	123,061,852
Inter-segment	8,954,858	3,414,191	71,687	(12,440,736)	-
Total revenue from contracts with customers	60,143,766	75,140,171	218,651	(12,440,736)	123,061,852
Financial results					
Depreciation and amortisation	(9,201,773)	(19,309,755)	(7,201)	684,411	(27,834,318)
Finance costs	(6,865,757)	(6,288,507)	(245)	524,357	(12,630,152)
Finance income	476,504	595,905	-	-	1,072,409
Dividends income	7,011,582	-	-	(7,011,582)	-
Share in loss of associates	-	-	(63,352)	-	(63,352)
Impairment losses on non-financial assets	(44,870)	(497,730)	-	-	(542,600)
Impairment losses on financial assets	(90,559)	(338,224)	(1,947)	3,682	(427,048)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. SEGMENT INFORMATION (continued)

For the three months ended 30 June 2019 (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	53,862,458	37,476,914	133,796	-	91,473,168
Inter-segment	2,450,351	392,367	79,314	(2,922,032)	-
Total revenue from contracts with customer	56,312,809	37,869,281	213,110	(2,922,032)	91,473,168
Financial results					
Depreciation and amortisation	(9,092,371)	(10,405,536)	(20,607)	-	(19,518,514)
Finance costs	(5,711,794)	(2,804,976)	-	-	(8,516,770)
Finance income	1,441,493	120,350	172	-	1,562,015
Share in profit of associates	-	2,702,691	76,296	-	2,778,987
Impairment of fixed assets	-	(1,844,104)	-	-	(1,844,104)
Impairment losses on financial assets	(1,084,116)	(430,721)	(152)	-	(1,514,989)

For the six months ended 30 June 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	100,910,054	143,759,711	234,435	-	244,904,200
Inter-segment	18,048,499	5,822,942	124,577	(23,996,018)	-
Total revenue from contracts with customers	118,958,553	149,582,653	359,012	(23,996,018)	244,904,200
Financial results					
Depreciation and amortisation	(18,612,023)	(36,928,023)	(14,793)	792,760	(54,762,079)
Finance costs	(13,851,417)	(12,475,031)	(245)	946,788	(25,379,905)
Finance income	1,473,973	931,190	3	(476,716)	1,928,450
Dividends income	7,011,582	-	-	(7,011,582)	-
Share in profits of associates	-	-	148,750	-	148,750
Impairment losses on non-financial assets	109,405	(970,911)	-	-	(861,506)
Impairment losses on financial assets	(667,611)	(880,039)	(3,712)	-	(1,551,362)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. SEGMENT INFORMATION (continued)

For the six months ended 30 June 2019 (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	107,369,744	72,388,283	241,105	-	179,999,132
Inter-segment	4,636,907	660,923	135,531	(5,433,361)	-
Total revenue from contracts with customer	112,006,651	73,049,206	376,636	(5,433,361)	179,999,132
Financial results					
Depreciation and amortisation	(18,188,633)	(22,045,969)	(41,144)	-	(40,275,746)
Finance costs	(10,362,484)	(5,873,957)	-	-	(16,236,441)
Finance income	1,923,776	1,225,025	433	-	3,149,234
Share in profit of associates	-	5,830,925	127,614	-	5,958,539
Impairment of fixed assets	-	(1,844,104)	-	-	(1,844,104)
Impairment losses on financial assets	(1,484,769)	(880,502)	125	-	(2,365,146)

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2020 and 31 December 2019, 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 June 2020 (unaudited)	764,739,029	538,647,965	3,086,240	(210,089,251)	1,096,383,983
As at 31 December 2019	750,602,979	708,514,927	2,677,106	(378,357,160)	1,083,437,852
Operating liabilities					
As at 30 June 2020 (unaudited)	350,976,154	289,290,300	404,463	(27,592,091)	613,078,826
As at 31 December 2019	348,535,150	305,364,158	317,483	(33,689,865)	620,526,926

7. PROPERTY AND EQUIPMENT

During the three and six months period ended 30 June 2020, the Group acquired property and equipment for KZT 9,006,873 thousand and KZT 19,408,490 thousand, respectively (during the three and six months period ended 30 June 2019: KZT 5,488,215 thousand and KZT 8,619,918 thousand, respectively).

During the three and six months period ended 30 June 2020, the Group disposed property and equipment with net book value of KZT 92,128 thousand and KZT 267,829 thousand, respectively (during the three and six months period ended 30 June 2019: KZT 75,090 thousand and KZT 164,008 thousand, respectively).

During the three and six months period ended 30 June 2020, the Group recognised decrease in changes in estimates in assets retirement obligation for KZT 1,531,157 thousand and for KZT 1,658,523 thousand, respectively (during the three and six months period ended 30 June 2019: nil).

During the three and six months period ended 30 June 2020, the Group recognized depreciation expense amounting to KZT 18,068,601 thousand and KZT 34,586,049 thousand, respectively (during the three and six months period ended 30 June 2019: KZT 12,948,479 thousand and KZT 27,152,943 thousand, respectively).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. PROPERTY AND EQUIPMENT (continued)

During the three and six months period ended 30 June 2020, the Group recognized an impairment loss for KZT 492,397 thousand and KZT 720,360 thousand, related to write-down of certain property and equipment to the recoverable amount as a result of technological obsolescence and damage (during the three and six months period ended 30 June 2019: KZT 1,844,104 thousand). Impairment was recognized in the interim condensed consolidated statement of comprehensive income as an operating expense.

As at 30 June 2020 and 2019, 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 June 2020, the gross carrying value of property and equipment which has been fully depreciated and still in use was KZT 379,034,479 thousand (as at 31 December 2019: KZT 347,558,082 thousand).

As at 30 June 2020, advances paid for non-current assets in the amount of KZT 18,817,818 thousand mainly represented by advances paid for construction and installation of Specialized Data Center, «Broadband access to rural settlements of the Republic of Kazakhstan on the technology of fiber-optic communication lines» project and for construction and delivery of fixed assets (as at 31 December 2019: KZT 8,998,288 thousand). Significant increase in advances paid for non-current assets was due to advanced paid to Logicom JSC in the amount of KZT 12,043,761 thousand for the construction of Specialized Data Center in the first half of 2020. During the three and six months period ended 30 June 2020, the Group recovered previously recognized impairment loss on its advances paid for non-current assets for KZT 4,006 thousand.

8. INTANGIBLE ASSETS

During the three and six months period ended 30 June 2020, the Group acquired intangible assets in the amount of KZT 1,063,024 thousand and KZT 1,942,701 thousand, respectively (during the three and six months period ended 30 June 2019: KZT 1,408,035 thousand and KZT 2,346,251 thousand, respectively).

During the three and six months period ended 30 June 2020, the Group recognized amortization expense in the amount of KZT 6,883,318 thousand and KZT 13,829,981 thousand, respectively (during the three and six months period ended 30 June 2019: KZT 4,491,530 thousand and KZT 8,971,210 thousand, respectively).

As at 30 June 2020 the gross carrying value of intangible assets, which have been fully amortized and still in use was KZT 53,269,508 thousand (as at 31 December 2019: KZT 52,411,724 thousand).

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

9. 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 June 2020 (unaudited)		31 December 2019	
			Carrying amount	Ownership share	Carrying amount	Ownership share
QazCloud LLP	IT services	Kazakhstan	2,367,639	49%	2,218,889	49%
			2,367,639		2,218,889	

Movements in investments in associates for the six months ended 30 June are as follows:

<i>In thousands of tenge</i>	Khan Tengri Holding B.V.	QazCloud LLP	Total
At 31 December 2018	76,070,585	1,598,639	77,669,224
Additional contribution to the charter capital of an associate	-	200,000	200,000
Share in profit of associates	5,830,925	127,614	5,958,539
Derecognition of investment in associate (Note 5)	(81,901,510)	-	(81,901,510)
At 30 June 2019 (unaudited)	-	1,926,253	1,926,253
At 31 December 2019	-	2,218,889	2,218,889
Share in profits of associates	-	148,750	148,750
At 30 June 2020 (unaudited)	-	2,367,639	2,367,639

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. INVESTMENTS IN ASSOCIATES (continued)

Investments in Khan Tengri Holding B.V.

As described in *Note 5*, the Group obtained control over in Khan Tengri Holding B.V. and since that date Khan Tengri Holding B.V. is consolidated. In the interim condensed consolidated financial statements, the Group's interest in Khan Tengri Holding B.V. was accounted using the equity method till the date of obtaining control.

The table below provides a summarized financial information on the Group's investment in Khan Tengri Holding B.V. on the basis of an assessment of the fair value:

<i>In thousands of tenge</i>	For three months ended 30 June 2020 (unaudited)	From 1 April 2019 till 28 June 2019 (unaudited)
Revenue from contracts with customers	-	34,723,642
Depreciation and amortization	-	(4,600,167)
Finance income	-	79,668
Finance costs	-	(3,328,959)
Income tax expense	-	(1,965,007)
Profit for the period	-	5,299,394
Total comprehensive income for the period	-	5,299,394
Share of the Group in profit for the period	-	2,702,691

<i>In thousands of tenge</i>	For six months ended 30 June 2020 (unaudited)	From 1 January 2019 till 28 June 2019 (unaudited)
Revenue from contracts with customers	-	67,183,065
Depreciation and amortization	-	(9,540,681)
Finance income	-	134,131
Finance costs	-	(6,428,117)
Income tax expense	-	(1,991,712)
Profit for the period	-	11,433,187
Total comprehensive income for the period	-	11,433,187
Share of the Group in profit for the period	-	5,830,925

Investments in QazCloud LLP

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. INVESTMENTS IN ASSOCIATES (continued)

Investments in QazCloud LLP (continued)

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 June 2020 (unaudited)	31 December 2019
Non-current assets	3,641,918	2,982,071
Current assets, including	3,421,916	3,356,967
<i>Cash and cash equivalents</i>	2,668,614	2,621,936
Non-current liabilities, including	(1,108,833)	(395,465)
<i>Non-current financial liabilities</i>	(629,348)	-
Current liabilities, including	(1,123,085)	(1,415,229)
<i>Current financial liabilities</i>	(584,089)	(855,425)
Equity	4,831,916	4,528,344
Share of the ownership – 49%	2,367,639	2,218,889
Carrying amount of the investment of the Group	2,367,639	2,218,889

<i>In thousands of tenge</i>	For three months ended 30 June	
	2020 (unaudited)	2019 (unaudited)
Revenue from contracts with customers	980,910	835,272
Depreciation and amortization	(252,795)	(123,585)
Finance income	4,395	8,298
Finance costs	(54,332)	(13,644)
Income tax benefit/(expense)	32,322	(38,926)
(Loss)/profit for the period	(129,290)	155,706
Total comprehensive (loss)/income for the period	(129,290)	155,706
Share of the Group in (loss)/profit for the period	(63,352)	76,296

<i>In thousands of tenge</i>	For six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)
Revenue from contracts with customers	1,991,702	1,467,849
Depreciation and amortization	(464,053)	(275,256)
Finance income	23,213	10,299
Finance costs	(83,427)	(28,008)
Income tax expense	(75,893)	(65,109)
Profit for the period	303,571	260,437
Total comprehensive income for the period	303,571	260,437
Share of the Group in profit for the period	148,750	127,614

10. 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 2019.

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 June 2020 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. OTHER NON-CURRENT FINANCIAL ASSETS

As at 30 June 2020 and 31 December 2019 other non-current financial assets comprised:

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019
Loans to employees	2,383,045	2,767,965
Long-term accounts receivable	1,674,794	1,118,077
Cash restricted in use	2,653	2,653
Other	265,616	281,464
	4,326,108	4,170,159

As at 30 June 2020 and 31 December 2019, all Group's other non-current financial assets were denominated in tenge.

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 10.8% to 19.1% per annum (2019: from 12.2% 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.

As at 30 June 2020, the long-term receivables represented by special agreements with customers for the purchase of contract phones for KZT 1,674,794 thousand (as at 31 December 2019: KZT 1,118,077 thousand).

12. TRADE RECEIVABLES

As at 30 June 2020 and 31 December 2019, trade receivables comprised:

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019
Trade receivables	41,985,332	42,206,665
	41,985,332	42,206,665
Less: allowance for expected credit losses	(6,173,796)	(4,950,893)
	35,811,536	37,255,772

Movements in the allowance for expected credit losses were as follows for the three and six months ended 30 June:

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Allowance for expected credit losses at the beginning of the period	(5,951,169)	(3,943,109)	(4,950,893)	(3,175,108)
Charge for the period (<i>Note 31</i>)	(411,629)	(1,503,312)	(1,490,802)	(2,338,791)
Write-off for the period	175,647	413,076	248,511	480,554
Assets held for sale	13,355	-	19,388	-
Allowance for expected credit losses at the end of the period	(6,173,796)	(5,033,345)	(6,173,796)	(5,033,345)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. OTHER CURRENT FINANCIAL ASSETS

As at 30 June 2020 and 31 December 2019 other current financial assets comprised:

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019
Bank deposits	3,399,500	3,399,500
Loans to employees	1,757,848	1,879,405
Restricted cash	923,060	929,499
Due from employees	296,102	283,688
Other accounts receivable	3,202,398	3,555,821
	9,578,908	10,047,913
Less: allowance for expected credit losses	(4,888,603)	(4,820,587)
	4,690,305	5,227,326

As at 30 June 2020 and 31 December 2019, bank deposits are represented by the short-term deposits with initial maturity of more than 3 (three) months but less than 12 (twelve) months, placed in Eximbank Kazakhstan JSC .

As at 30 June 2020 and 31 December 2019, 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.

Cash restricted in use represents cash on the accounts with KazInvestBank JSC and Eximbank Kazakhstan JSC for KZT 423,606 thousand and KZT 499,454 thousand, respectively, which are assessed as unlikely to be recovered due to the revocation of its banking license. In 2019 allowance for expected credit loss was recorded for the whole amount of this cash.

Changes in allowance for expected credit losses were as follows for the three and six months ended 30 June:

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Allowance for expected credit losses at the beginning of the period	(4,879,751)	(4,238,093)	(4,820,587)	(4,220,670)
Charge for the period (Note 31)	(9,869)	(11,677)	(69,033)	(30,355)
Write-off for the period	1,017	90	1,017	1,345
Allowance for expected credit losses at the end of the period	(4,888,603)	(4,249,680)	(4,888,603)	(4,249,680)

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 30 June 2020 financial assets at fair value through other comprehensive income in the amount of KZT 5,268,598 thousand (31 December 2019: KZT 4,964,633 thousand) were represented by investments in US treasury bills acquired in August 2019. The Group recognized the financial assets at fair value through other comprehensive income 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 and selling financial assets. Nominal amount is 12,880,000 USD (equivalent to KZT 5,021,171 thousand at the date of acquisition), with maturity till August 2020 and yield to maturity at 0.012%. Fair value of debt instrument is determined by reference to published price quotations in an active market (Level 1).

15. FINANCIAL ASSETS AT AMORTIZED COST

As at 30 June 2020 financial assets at amortized cost in the amount of 17,269,254 thousand tenge (31 December 2019: nil) were represented by short-term NBRK discount notes denominated in tenge, which were acquired at purchase price 17,184,611 thousand tenge in May-June 2020.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. FINANCIAL ASSETS AT AMORTIZED COST (continued)

As at 30 June 2020 financial assets at amortised cost comprised of the following:

<i>In thousands of tenge</i>	Maturity date	Yield to maturity	Nominal value	30 June 2020 (unaudited)	31 December 2019
NBRK note	21 August 2020	10.3%	5,000,000	4,924,927	–
NBRK note	4 December 2020	10.1%	9,900,000	9,487,813	–
NBRK note	25 December 2020	10.7%	3,000,000	2,856,514	–
			17,900,000	17,269,254	–

16. CASH AND CASH EQUIVALENTS

As at 30 June 2020 and 31 December 2019, cash and cash equivalents comprised of the following:

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019
Cash on current bank accounts	83,873,689	67,674,762
Deposits with less than 90 days' maturity from the date of opening	17,201,278	3,631,562
Cash on hand	50,410	34,830
	101,125,377	71,341,154
Less: allowance for expected credit losses	(10,859)	(19,332)
Total cash and cash equivalents	101,114,518	71,321,822

Cash on current bank accounts earn interest at the rates ranging from 0.2% to 8.0% per annum (2019: from 0.2% to 8.0% per annum).

As at 30 June 2020, short-term deposits for KZT 17,201,278 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 rates ranging from 6.5% to 9.1% per annum (as at 31 December 2019: KZT 3,631,562 thousand).

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019
Cash on current bank accounts	83,873,689	67,674,762
Deposits with less than 90 days' maturity from the date of opening	17,201,278	3,631,562
Cash on current bank accounts attributable to disposed group (Note 28)	139,971	315,556
Cash on hand	50,410	34,830
	101,265,348	71,656,710
Less: allowance for expected credit losses	(10,859)	(19,332)
Total cash and cash equivalents	101,254,489	71,637,378

As at 30 June 2020 and 31 December 2019 cash and cash equivalents were denominated in the following currencies:

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019
US dollars	73,862,958	43,199,243
Tenge	26,268,377	27,356,685
Euro	895,760	652,984
Russian roubles	86,653	107,521
Other	770	5,389
	101,114,518	71,321,822

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. CASH AND CASH EQUIVALENTS (continued)

Movements in the allowance for expected credit losses were as follows for the periods ended 30 June:

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Allowance for expected credit losses at the beginning of the period	(5,309)	(500,905)	(19,332)	(506,765)
Charge for the period (Note 31)	(5,550)	–	(5,550)	–
Recovered for the period (Note 31)	–	–	14,023	5,860
Allowance for expected credit losses at the end of the period	(10,859)	(500,905)	(10,859)	(500,905)

17. 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 2018	10,922,876	1,213,653	10,922,876	1,213,653	12,136,529
At 31 December 2019	10,922,876	1,213,653	10,922,876	1,213,653	12,136,529
At 30 June 2020	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 2018	215,553	893,097	2,966,250	3,498,124	6,464,374
Treasury shares reacquired	1,299	21,771	86,367	514,873	601,240
Sale of treasury 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 30 June 2020 (unaudited)	216,852	914,868	3,052,617	4,012,997	7,065,614

Shares issued less treasury shares

As at 30 June 2020, number of common and preferred shares issued net of treasury shares was 10,706,024 and 298,785 shares, respectively (31 December 2019: 10,706,024 and 298,785 shares, respectively).

In the period from 13 December 2018 to 8 January 2019, the Group received applications from non-controlling shareholders demanding the Group to repurchase their shares in connection with their disagreement with the decision of the Board of Directors of the Group, adopted on 12 December 2018, to conclude a major transaction on acquisition of 75% of shares of Kcell JSC. In total, 34,911 common and 21,962 preference shares were presented for repurchase (taking into account the withdrawal of a number of applications). In April, May and July 2019, the Group repurchased 21,771 preferred shares and 1,299 common shares at a price of KZT 26,377 per preferred shares and of KZT 66,487 per common shares for the amount of KZT 660,616 thousand from non-controlling shareholders.

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 June 2020 in the amount of KZT 814,868 thousand (31 December 2019: KZT 814,868 thousand). This liability has been included in non-current liabilities as a debt component of preferred shares.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. EQUITY (continued)

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 44,818 thousand were accrued as at 30 June 2020 (at 30 June 2019: KZT 45,906 thousand) and are recorded as interest expenses in the interim condensed consolidated statement of comprehensive income (*Note 26*).

Movements in dividends payable for the periods ended 30 June were as follows:

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	30 June 2019 (unaudited)
Dividends payable at the beginning of the year	1,598,354	2,033,495
Dividends declared on common shares to equity holders of the parent	8,330,464	8,362,107
Dividends declared on common shares to non-controlling interests	2,250,000	1,493,000
Dividends declared on preferred shares in excess of the obligatory amount	142,852	154,202
Interest on debt component of preferred shares (<i>Note 26</i>)	44,818	45,906
Dividends paid to equity holders of the parent	(10,054,096)	(8,892,445)
Dividends paid to non-controlling interests	(2,250,000)	-
Dividends payable at the end of the period (<i>Note 20</i>)	62,392	3,196,265

During the six months period ended 30 June 2020, the Group paid withholding tax on dividends in the amount of KZT 162,819 thousand (during the six months period ended 30 June 2019: KZT 156,411 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 June 2020 and at 31 December 2019.

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 reflect 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 June		For six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Net profit	9,279,422	26,038,346	29,999,166	35,175,659
Interest on preferred shares (<i>Note 26</i>)	22,409	21,864	44,818	45,906
Net profit for calculating of basic and diluted earnings per share	9,301,831	26,060,210	30,043,984	35,221,565
Weighted average number of common and preferred shares for calculation of basic earnings per share	11,004,809	11,010,577	11,004,809	11,010,577
Basic and diluted earnings per share, tenge	845.25	2,366.83	2,730.08	3,198.88

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. 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 June 2020 (unaudited)	31 December 2019
Total assets	1,096,383,983	1,083,437,852
Less: intangible assets, including goodwill	373,719,329	385,606,609
Less: total liabilities	613,078,826	620,526,926
Less: preferred shares issued net of treasury shares	298,785	298,785
Net assets for calculation of cost of ordinary share in accordance with listing requirements of KASE	109,287,043	77,005,532
Number of ordinary shares	10,706,024	10,706,024
Cost of ordinary share, calculated in accordance with listing requirements of KASE (in tenge)	10,208	7,193

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 June 2020, this indicator amounted to 3,727 tenge (as at 31 December 2019: 3,727 tenge).

18. BORROWINGS

As at 30 June 2020 and 31 December 2019, borrowings comprised:

<i>In thousands of tenge</i>	Weighted average effective interest rate	30 June 2020 (unaudited)	Weighted average effective interest rate	31 December 2019
Bonds with a fixed interest rate of 7.78% to 12.18% per annum	12.14%	211,481,066	12.14%	206,857,207
Borrowings with a fixed interest rate of 7.25% to 13.06% per annum	11.05%	194,007,690	11.18%	160,758,517
		405,488,756		367,615,724

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 12.18% 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.

The Board of Directors of Kazakhtelecom JSC resolved to pledge shares of Kcell JSC as collateral for these coupon bonds within the time limit specified above. On 30 June 2020, shares were not pledged.

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 an effective interest rate of 11.84% and on 16 January 2018 a bond placement with the value of KZT 4,950,000 thousand. This was the first placement in the program, which the Group had announced on 14 December 2017, aimed at expanding and diversifying the Group's funding sources, increasing the average term of the Group's financial liabilities and decreasing its funding costs.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. BORROWINGS (continued)

On 22 May 2019, the Group and Halyk Bank of Kazakhtsan JSC entered into credit facility agreement with the credit line limit in the amount of KZT 90,000,000 thousand and effective interest rate equal to 12.2%. The maturity of the loan is 21 May 2027.

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 12.18% and maturity in June 2026. The nominal value of one bond is one thousand tenge.

On 18 October 2019, the Group and Development bank of Kazakhstan JSC entered into credit facility agreement with the credit line limit in the amount of KZT 26,666,667 thousand. The loan is secured by property – the right to claim future cash proceeds under a public-private partnership agreement on the project “Broadband Access to Rural Communities of the Republic of Kazakhstan by the Technology of Fiber Optic Communication Lines”.

During the six months period ended 30 June 2020, the Group obtained several loans within the credit line agreement with Development bank of Kazakhstan JSC with the maturity in June 2032 for the total amount of KZT 13,307,169 thousand.

On 3 February 2020, the Group fully repaid loan obtained from VTB Bank JSC in the amount of KZT 5,133,249 thousand, including principal and interest accrued in the amount of KZT 5,000,000 thousand and 133,249 thousand tenge, respectively.

On 16 March 2020, the Group obtained additional loan in the amount of KZT 4,500,000 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 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 an effective interest rate of 11.5% per annum.

On 30 June 2020, the Group obtained loan in the amount of KZT 13,000,000 thousand within credit line agreement with Halyk Bank of Kazakhstan JSC with an effective interest rate of 11.83% and maturity date on 30 June 2023.

During the six months period ended 30 June 2020, the Group made principal repayment of loans within the credit line agreements obtained in Halyk Bank of Kazakhtsan JSC and Development bank of Kazakhstan JSC for KZT 5,214,096 thousand and KZT 2,848,829 thousand, respectively.

Borrowings are repayable as follows:

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019
Current portion of borrowings	51,722,899	28,477,663
Maturity between 1 and 2 years	18,007,491	38,648,363
Maturity between 2 and 5 years	229,436,598	196,418,649
Maturity over 5 years	106,321,768	104,071,049
Total non-current portion of borrowings	353,765,857	339,138,061
Total borrowings	405,488,756	367,615,724

As at 30 June 2020 and 31 December 2019, debt securities issued and loans represented by the following:

Bonds	Maturity date	Currency	Effective interest rate	30 June 2020 (unaudited)	31 December 2019
Local bonds of Kazakhtelecom JSC (KTCB.1024 and KTCB2.1024)	1 November 2024	Tenge	12.18%	103,833,333	103,833,333
Local bonds of Kazakhtelecom JSC (KZTKb3)	19 June 2026	Tenge	12.18%	84,798,534	80,189,473
Local bonds of Kcell JSC (KCELB1)	16 January 2021	Tenge	11.84%	22,849,199	22,828,111
Local bonds of Kazakhtelecom JSC (KZTKb3)	10 January 2020	Tenge	7.78%	-	6,290
				211,481,066	206,857,207

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. BORROWINGS (continued)

Borrowings	Maturity date	Currency	Effective interest rate	30 June 2020 (unaudited)	31 December 2019
Halyk Bank of Kazakhstan JSC	21 May 2027	Tenge	12.20%	73,861,802	79,135,027
Eurasian Development Bank JSC	20 May 2024	Tenge	13.06%	28,990,100	28,956,330
Development Bank of Kazakhstan JSC	30 June 2032	Tenge	8.10%	26,811,689	13,293,317
Development Bank of Kazakhstan JSC	19 December 2024	Tenge	7.25%-9.41%	26,440,099	29,226,311
Halyk Bank of Kazakhstan JSC	23 April 2023	Tenge	11.50%	15,325,833	-
Halyk Bank of Kazakhstan JSC	30 June 2023	Tenge	11.83%	13,000,000	-
Bank of China Kazakhstan JSC	20 August 2022	Tenge	10.07%	9,578,167	5,059,792
VTB Bank JSC	1 February 2020	Tenge	11.90%	-	5,087,740
				194,007,690	160,758,517

As at 30 June 2020, the Parent is a guarantor of the two out of four credit facilities received by the Group from Development Bank of Kazakhstan JSC in the amount of KZT 18,872,849 thousand (as at 31 December 2019: KZT 20,902,442 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 June 2020 and 31 December 2019, the Group complied with all financial and non-financial covenants.

19. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

<i>In thousands of tenge</i>	Buildings and constructions	Equipment	Total
Cost			
At 1 January 2019	29,700,555	42,229,062	71,929,617
Additions	884,446	589,400	1,473,846
Acquisition of subsidiary	23,423,176	-	23,423,176
At 30 June 2019 (unaudited)	54,008,177	42,818,462	96,826,639
At 1 January 2020	57,284,233	42,848,491	100,132,724
Additions and modifications	(104,609)	-	(104,609)
At 30 June 2020 (unaudited)	57,179,624	42,848,491	100,028,115
Accumulated depreciation			
At 1 January 2019	-	-	-
Depreciation charge	(2,215,836)	(1,944,865)	(4,160,701)
At 30 June 2019 (unaudited)	(2,215,836)	(1,944,865)	(4,160,701)
At 1 January 2020	(6,563,967)	(3,898,709)	(10,462,676)
Depreciation charge	(4,396,537)	(1,949,512)	(6,346,049)
At 30 June 2020 (unaudited)	(10,960,504)	(5,848,221)	(16,808,725)
Net book value			
At 30 June 2019 (unaudited)	51,792,341	40,873,597	92,665,938
At 31 December 2019	50,720,266	38,949,782	89,670,048
At 30 June 2020 (unaudited)	46,219,120	37,000,270	83,219,390

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	30 June 2019 (unaudited)
At the beginning of the period	70,527,520	53,201,569
Additions and modifications	(104,609)	1,473,846
Acquisition of subsidiary	-	23,878,564
Interest expenses (Note 26)	4,115,382	3,259,530
Payments	(11,078,481)	(8,499,662)
At the end of the period	63,459,812	73,313,847

Set out below are the carrying amounts of short-term and long-term lease liabilities:

	30 June 2020 (unaudited)	31 December 2019	30 June 2019 (unaudited)
Non-current portion of liabilities	48,067,933	55,236,254	58,048,574
Current portion of lease liabilities	15,391,879	15,291,266	15,265,273

The following are the amounts recognised in profit or loss:

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Depreciation expense of right-of-use assets	3,816,417	3,057,171	6,060,916	4,160,701
Interest expense on lease liabilities	1,900,350	1,630,975	4,115,382	3,259,530
Expense relating to short-term leases (included in cost of sales)	564,865	1,007,895	1,230,794	1,483,278
Expense relating to short-term leases (included in general and administrative expenses)	94,941	46,334	102,125	58,529
	6,376,573	5,742,375	11,509,217	8,962,038

20. OTHER NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

Other non-current financial liabilities

As at 30 June 2020 and 31 December 2019 other non-current financial liabilities comprised:

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019
Non-current accounts payable	1,147	1,318
Trademark payment obligation	-	1,861,290
	1,147	1,862,608

Other current financial liabilities

As at 30 June 2020 and 31 December 2019 other current financial liabilities comprised:

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019
Payable to employees	11,167,605	16,111,648
Trademark payment obligation (Note 5)	1,780,276	2,087,140
Dividends payable (Note 17)	62,392	1,598,354
Other	3,001,071	2,441,911
	16,011,344	22,239,053

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. OTHER NON-CURRENT AND CURRENT FINANCIAL LIABILITIES (continued)

Other current financial liabilities (continued)

As at 30 June 2020 and 31 December 2019, other current financial liabilities were not interest bearing and the balances were mainly denominated in tenge.

As at 30 June 2020, trademark payment obligation in the amount of KZT 1,780,276 thousand was represented by the liability of the Group to pay royalty for the usage of Tele2 trademark (31 December 2019: KZT 3,948,430 thousand) (Note 5).

21. NON-CURRENT AND CURRENT CONTRACT LIABILITIES

Non-current contract liabilities

As at 30 June 2020 and 31 December 2019 non-current contract liabilities comprised:

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019
Contract liabilities from operators	4,077,384	4,292,035
Contract liabilities for connection of subscribers	808,084	889,219
Other contract liabilities	1,692,358	1,697,055
	6,577,826	6,878,309

Current contract liabilities

As at 30 June 2020 and 31 December 2019 current contract liabilities comprised:

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019
Advances received	15,199,667	17,052,535
Contract liabilities from operators	1,365,390	1,338,555
Contract liabilities for connection of subscribers	387,378	409,310
Other contract liabilities	77,278	74,662
Other	89,436	96,872
	17,119,149	18,971,934

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.

22. OTHER CURRENT NON-FINANCIAL LIABILITIES

As at 30 June 2020 and 31 December 2019 other current non-financial liabilities comprised:

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019
Taxes payable other than income tax	5,426,357	2,042,840
Payable to pension funds	586,473	558,931
Asset retirement obligations	437,687	345,500
Other	326,606	300,713
	6,777,123	3,247,984

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers for the three and six months ended 30 June comprised:

<i>In thousands of tenge</i>	For the three months ended 30 June 2020			
	Fixed line	Mobile connection	Other	Total
Rendering of fixed line and wireless phone services	9,589,899	42,514,918	-	52,104,817
Data transfer services	28,168,590	18,691,481	3,622	46,863,693
Interconnect	3,699,088	2,712,772	-	6,411,860
Sale of equipment and mobile devices	1,004	5,956,119	-	5,957,123
Rent of channels	757,187	-	-	757,187
Other	9,158,655	1,665,175	143,342	10,967,172
	51,374,423	71,540,465	146,964	123,061,852
Services transferred over time	51,373,419	65,584,346	146,964	117,104,729
Goods transferred at a point of time	1,004	5,956,119	-	5,957,123
	51,374,423	71,540,465	146,964	123,061,852
B2C*	27,730,676	59,855,926	-	87,586,602
B2B**	8,911,089	7,652,308	146,964	16,710,361
B2O***	4,257,072	3,961,307	-	8,218,379
B2G****	10,475,586	70,924	-	10,546,510
	51,374,423	71,540,465	146,964	123,061,852
	For the three months ended 30 June 2019			
<i>In thousands of tenge</i>	Fixed line	Mobile connection	Other	Total
Data transfer services	27,321,996	13,658,924	3,514	40,984,434
Rendering of fixed line and wireless phone services	10,290,636	14,157,075	-	24,447,711
Interconnect	4,342,031	5,578,016	-	9,920,047
Rent of channels	3,989,605	-	-	3,989,605
Sale of equipment and mobile devices	-	3,680,002	-	3,680,002
Other	7,918,606	402,481	130,282	8,451,369
	53,862,874	37,476,498	133,796	91,473,168
Services transferred over time	53,862,874	33,796,496	133,796	87,793,166
Goods transferred at a point of time	-	3,680,002	-	3,680,002
	53,862,874	37,476,498	133,796	91,473,168
B2C*	26,242,627	28,358,026	-	54,600,653
B2B**	6,142,679	3,464,545	133,796	9,741,020
B2O***	12,858,051	5,578,017	-	18,436,068
B2G****	8,619,517	75,910	-	8,695,427
	53,862,874	37,476,498	133,796	91,473,168

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

<i>In thousands of tenge</i>	For the six months ended 30 June 2020			
	Fixed line	Mobile connection	Other	Total
Rendering of fixed line and wireless phone services	19,512,160	87,083,629	–	106,595,789
Data transfer services	54,573,694	36,814,113	7,210	91,395,017
Interconnect	7,528,836	5,155,342	–	12,684,178
Sale of equipment and mobile devices	1,762	11,397,503	–	11,399,265
Rent of channels	1,519,266	–	–	1,519,266
Other	17,959,849	3,123,611	227,225	21,310,685
	101,095,567	143,574,198	234,435	244,904,200
Services transferred over time	101,093,805	132,176,695	234,435	233,504,935
Goods transferred at a point of time	1,762	11,397,503	–	11,399,265
	101,095,567	143,574,198	234,435	244,904,200
B2C*	54,713,924	119,678,974	–	174,392,898
B2B**	17,972,582	13,733,204	234,435	31,940,221
B2O***	8,630,205	10,021,943	–	18,652,148
B2G****	19,778,856	140,077	–	19,918,933
	101,095,567	143,574,198	234,435	244,904,200

<i>In thousands of tenge</i>	For the six months ended 30 June 2019			
	Fixed line	Mobile connection	Other	Total
Data transfer services	55,099,744	27,011,228	7,820	82,118,792
Rendering of fixed line and wireless phone services	20,757,237	26,799,135	–	47,556,372
Interconnect	8,184,280	10,589,286	–	18,773,566
Rent of channels	7,943,392	–	–	7,943,392
Sale of equipment and mobile devices	–	7,206,154	–	7,206,154
Other	15,385,091	782,480	233,285	16,400,856
	107,369,744	72,388,283	241,105	179,999,132
Services transferred over time	107,369,744	65,182,129	241,105	172,792,978
Goods transferred at a point of time	–	7,206,154	–	7,206,154
	107,369,744	72,388,283	241,105	179,999,132
B2C*	52,698,283	54,021,640	–	106,719,923
B2B**	12,011,302	7,701,413	241,105	19,953,820
B2O***	24,865,218	10,589,286	–	35,454,504
B2G****	17,794,941	75,944	–	17,870,885
	107,369,744	72,388,283	241,105	179,999,132

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

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

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

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

24. COMPENSATION FOR PROVISION OF UNIVERSAL SERVICES IN RURAL AREAS

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. COMPENSATION FOR PROVISION OF UNIVERSAL SERVICES IN RURAL AREAS (continued)

At the reporting date, the Group lacked reasonable assurance that it will be designated as the universal communications services operator and that it will meet all the conditions related to compensation and its receipt. Accordingly, the Group has not recognised compensation revenue for provision of universal services in rural areas for the six months ended 30 June 2020 and 2019.

25. COST OF SALES

Cost of sales for the three and six months ended 30 June comprised:

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Depreciation and amortization	26,468,444	18,619,003	52,133,112	38,484,073
Personnel costs	19,572,972	15,288,882	38,167,369	31,979,381
Interconnect	6,930,273	8,947,746	15,389,137	15,817,075
Cost of SIM-card, scratch card and handsets	5,083,027	3,914,511	10,210,920	6,715,965
Repair and maintenance	4,357,830	3,421,966	8,777,419	6,608,439
Fees for radiofrequencies use	3,524,632	1,735,450	7,120,005	3,405,806
Fee for usage of channels	2,596,554	3,921,963	5,039,986	7,784,385
Electricity	2,050,095	1,469,082	4,341,456	3,217,133
Fee to provide telecom services	1,749,101	1,703,161	3,534,986	2,483,803
Content	1,142,222	1,187,225	2,224,319	2,416,815
Inventories	1,030,674	1,347,641	1,877,909	2,505,001
Utilities	584,903	517,915	1,316,432	1,017,352
Security and safety	640,847	582,494	1,310,978	1,165,522
Rental of property and equipment	353,972	807,855	798,873	1,083,671
Rent of transponders related to satellite communications	210,893	200,040	431,921	399,607
Business trip expenses	173,527	265,560	431,545	454,026
Insurance	193,361	136,668	340,107	290,299
Fees for usage of GSM radiofrequencies of Mobile Telecom Services LLP	-	1,336,670	-	2,667,239
Fees for usage of billing system of Mobile Telecom Services LLP	-	55,695	-	111,135
Other	1,563,571	422,084	3,332,446	2,056,031
	78,226,898	65,881,611	156,778,920	130,662,758

26. FINANCE COSTS

Finance costs for the three and six months period ended 30 June comprised:

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Interest expense on loans	10,518,078	6,586,523	20,480,288	11,925,915
Interest expense on lease liabilities (Note 19)	1,900,350	1,630,975	4,115,382	3,259,530
Discounting of long-term loans to employees	(27,187)	118,259	282,114	408,490
Unwinding of discount (provision for asset retirement obligations)	121,123	-	269,819	11,966
Discounting of other non-current financial assets	30,303	(7,437)	71,380	14,232
Unwinding of discount on long-term accounts payable	31,032	166,586	62,166	570,402
Interest on debt component of preferred shares (Note 17)	22,409	21,864	44,818	45,906
Other costs	34,044	-	53,938	-
	12,630,152	8,516,770	25,379,905	16,236,441

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. INCOME TAX EXPENSES

Income tax expense for the three and six months period ended 30 June comprised the following:

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Current corporate income tax expenses	6,153,025	4,359,565	15,004,174	7,497,508
Adjustments in respect of current income tax of previous years	163,740	–	(147,449)	–
Deferred income tax benefit	(1,629,891)	(341,370)	(2,601,530)	(492,874)
	4,686,874	4,018,195	12,255,195	7,004,634

28. DISPOSAL GROUP

KT Cloud Lab LLP

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

On 13 November 2019, the results of the tender for realization of 100% share in the charter capital of KT Cloud Lab LLP were announced with the selling price of KZT 1,435,000 thousand. The tender winner was Soft Art LLP. 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. Initially, the Group expected to receive it from Samruk-Kazyna in April 2020. 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 till the third quarter of 2020. The extension of the period required to complete a sale does not preclude KT Cloud LLP from being classified as held for sale as the delay is caused by the events beyond the Group's control. The Group assesses the sale of KT Cloud Lab LLP as highly probable.

At 30 June 2020, KT Cloud Lab LLP was classified as a disposal group held for sale.

The major classes of assets and liabilities of KT Cloud Lab LLP classified as held for sale as at 30 June 2020 and 31 December 2019 are, as follows:

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019
Assets		
Property and equipment	656,092	520,803
Intangible assets	483,934	483,934
Other non-current financial assets	82,657	83,841
Inventories	8,671	9,631
Trade receivables	343,994	266,252
Other current non-financial assets	38,049	37,923
Other current financial assets	136,597	129,380
Advanced paid	1,591	30,713
Cash and cash equivalents	139,971	315,556
Assets held for sale	1,891,556	1,878,033
Liabilities		
Deferred tax liabilities	17,450	17,450
Trade payables	153,677	79,144
Other current financial liabilities	148,777	179,651
Contract liabilities	2,499	126
Other current non-financial liabilities	134,153	166,662
Liabilities directly associated with assets held for sale	456,556	443,033
Net assets directly associated with disposal group	1,435,000	1,435,000

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

28. DISPOSED GROUP (continued)**KT Cloud Lab LLP (continued)*****Impairment of property and equipment***

Immediately before the classification of KT Cloud Lab LLP as a disposal group held for sale, the recoverable amount was estimated for certain items of property and equipment. In 2019, the Group has recognized impairment loss in the consolidated statement of comprehensive income as part of impairment losses on non-financial assets for KZT 292,843 thousand to reduce the carrying amount of the assets in the disposal group to their fair value less costs to sell. During the six months ended 30 June 2020, the Group has recognized recovery of impairment loss for KZT 132,641 thousand in the interim condensed consolidated statement of comprehensive income as part of impairment losses on non-financial assets.

29. NON-CASH TRANSACTIONS

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

During the three and six months period ended 30 June 2020, the Group paid an amount of KZT 4,667,762 thousand and KZT 32,009,038 thousand, respectively, for property and equipment purchased in prior year (during the three and six months period ended 30 June 2019: nil and KZT 17,218,671 thousand). Property and equipment in the amount of KZT 9,862,225 thousand (unaudited) were purchased during the six months period ended 30 June 2020 but not paid by 30 June 2020 (purchased, but not paid by 30 June 2019: KZT 10,328,066 thousand (unaudited)).

During the three and six months period ended 30 June 2020, in accordance with the lease agreements, the Group did not receive telecommunication equipment (during the three and six months period ended 30 June 2019: KZT 15,812 thousand and KZT 589,400 thousand, respectively).

During the three and six months period ended 30 June 2020, the Group received repayment of loans provided to employees in the amount of KZT 501,217 thousand and KZT 1,002,266 thousand, respectively. The repayments were withheld from the salary of employees.

30. RELATED PARTY TRANSACTIONS

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

Related party transactions (including transactions with Khan Tengri Holdings B.V. and its subsidiary Mobile Telecom Service LLP before 28 June 2019) were made on terms, agreed to between the parties, which do not necessarily represent market terms and maybe not accessible to third parties. Outstanding balances at the end of the year are not secured, are short-term, and settlements are made in cash, except as described below.

At 30 June 2020, the Group recognized a provision for expected credit loss in the amount of KZT 121,583 thousand in respect of receivables from related parties.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. RELATED PARTY TRANSACTIONS (continued)

Sales and purchases with related parties during the periods of three and six months period ended 30 June 2020 and 30 June 2019 and the balances with related parties at 30 June 2020 and 31 December 2019 were as follows:

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Sales of goods and services				
Parent	9,327	69,788	22,890	94,236
Parent-controlled entities	598,040	737,919	1,198,338	1,316,097
Associate (Khan Tengri Holding B.V.) [1]	–	9,912,153	–	18,516,552
Associate (Qaz Cloud LLP)	195,193	94,301	375,839	259,007
Government-related entities	10,542,988	8,695,463	19,919,498	17,870,886
Purchases of goods and services				
Parent	17	(435)	(1)	232
Parent-controlled entities	528,158	795,106	1,058,312	1,543,847
Associate (Khan Tengri Holding B.V.) [1]	–	5,299,315	–	10,185,382
Associate (Qaz Cloud LLP)	135,698	54,643	310,150	110,032
Government-related entities	55,468	19,098	97,859	21,385
Interest accrued on borrowings				
Entities under state control (Development Bank of Kazakhstan JSC)	976,833	750,563	1,805,003	1,219,840
<i>Average interest rate on borrowings</i>	8.23%	8.33%	8.23%	8.33%
Parent	2,875,000	2,875,000	5,750,000	5,750,000
<i>Average interest rate on borrowings</i>	12.18%	11.50%	12.18%	11.50%

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019 (audited)
Cash and cash equivalents		
Entities under state control (Development Bank of Kazakhstan JSC)	2,090,904	64
Borrowings		
Entities under state control (Development Bank of Kazakhstan JSC)	53,251,788	42,519,628
Parent	103,833,333	103,833,333
Trade and other accounts receivable		
Parent	8,606	17,425
Parent-controlled entities	636,482	678,645
Associate (Qaz Cloud LLP)	205,577	98,055
Government-related entities	9,530,764	7,030,150
Accounts payable		
Parent	73	73
Parent-controlled entities	268,918	352,044
Associate (Qaz Cloud LLP)	59,995	75,991
Government-related entities	662,059	991,114
Other non-current assets		
Long-term loans to key management personnel	25,164	28,707

During the six months period ended 30 June 2020 and 2019, the Group provided communication services for the entities controlled by the Parent and purchased goods and services to support operating activities related to provision of telecommunication services from such entities.

- [1] As stated in *Note 5*, the Group has acquired control over Khan Tengri Holding B.V. and since the date of control Khan Tengri Holding B.V. is consolidated as a subsidiary. The Group's interest in Khan Tengri Holding B.V. was accounted in the interim condensed consolidated financial statements using the equity method till the date of control acquisition.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. RELATED PARTY TRANSACTIONS (continued)

Sales and purchases with MTS the three and six months ended 30 June 2020 and 2019 were as follows:

<i>In thousands of tenge</i>	For three months ended 30 June	
	2020 (unaudited)	2019 (unaudited)
Sales		
Data transmission [A]	-	3,827,725
Interconnect [B]	-	2,887,987
Rent of channels [C]	-	1,392,365
Rent of sites for base stations	-	197,380
Base cell stations maintenance [D]	-	164,120
Other	-	1,442,576
	-	9,912,153
Purchases		
Interconnect [E]	-	2,318,883
Mobile traffic at wholesale tariffs [G]	-	1,343,563
Fee for usage of GSM radiofrequencies [F]	-	1,336,670
Fee for usage of billing system [H]	-	55,695
Other	-	244,504
	-	5,299,315
	For six months ended 30 June	
	2020	2019
<i>In thousands of tenge</i>	(unaudited)	(unaudited)
Sales		
Data transmission [A]	-	7,566,176
Interconnect [B]	-	5,646,243
Rent of channels [C]	-	2,778,374
Rent of sites for base stations	-	342,678
Base cell stations maintenance [D]	-	338,132
Other	-	1,844,949
	-	18,516,552
Purchases		
Interconnect [E]	-	4,473,217
Fee for usage of GSM radiofrequencies [F]	-	2,667,239
Mobile traffic at wholesale tariffs [G]	-	2,551,672
Fee for usage of billing system [H]	-	111,135
Other	-	382,119
	-	10,185,382

[A] Data transmission represented revenue from provision of fixed and wireless communication channels, and access to the internet. It is calculated on the basis of provided communication channels capacity (Mb/s), as well as the number of communication channels provided.

[B] Revenue from interconnect is calculated based on the actual volumes of minutes of the connection.

[C] Rent of channels represents revenue from the provision to the temporary use of channels with the specified technical characteristics, organized based on LTE base cell stations (i.e. 4G license radiofrequencies). It is calculated based on the actual number of rented channels. In February 2016, the Group concluded an agreement with MTS for renting out 4G license radiofrequencies. Rental fees are payable on a monthly basis. Simultaneously upon concluding the agreement for renting out 4G license radiofrequencies the Group and MTS agreed to increase fees for use of GSM radiofrequencies and fee for usage of the billing system payable by the Group as described below. For the six months ended 30 June 2020 revenue from rent of channels amounted to nil KZT (for the six months ended 30 June 2019: KZT 2,778,374 thousand).

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

30. RELATED PARTY TRANSACTIONS (continued)

- [D] Revenue from base cell stations maintenance represents revenue from the provision of various services to ensure the stable and uninterrupted operation of radio access networks, and is calculated based on the actual number of base stations served.
- [E] Expenses on interconnect are calculated based on the actual volume of minutes of the connections.
- [F] Fee for usage of GSM radiofrequencies is fixed monthly payment for the usage of the GSM radiofrequencies owned by MTS. For the six months ended 30 June 2020 fee for usage of GSM radiofrequencies amounted to nil KZT (for the six months ended 30 June 2019: KZT 2,667,239 thousand).
- [G] Cost of mobile traffic at wholesale tariffs is the actual traffic used by Kazakhtelecom JSC customers in the mobile operator's network and is calculated based on the actual number of outgoing minutes, short messages (SMS), and megabytes of mobile traffic.
- [H] Fee for usage of billing system is fixed monthly payment for the usage of the MTS billing system. For the six months ended 30 June 2020 fee for usage of billing system amounted to nil KZT (for the six months ended 30 June 2019: KZT 111,135 thousand).

The provision of these service is governed by different agreements that are not related to each other. Under each such agreement, the Group is either receiving or providing a certain type of services, for which the Group receives or pays a fee, which may differ from the terms under agreements with third parties. The difference from the terms under agreements with third parties could be explained by volume discounts and other special conditions between the Group and its associate. Volumes of services purchased from / sold to MTS exceed the volume of similar transactions with third party operators.

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

Impairment losses on financial assets for the six months ended 30 June 2020, comprise accrued allowance for expected credit loss for trade receivables in amount of KZT 1,490,802 thousand (*Note 12*), other current financial assets in amount of KZT 69,033 thousand (*Note 13*), cash and cash equivalents in amount of KZT (8,473) thousand (*Note 16*) (for the six months ended 30 June 2019: trade receivables in amount of KZT 2,338,791 thousand, advances paid in amount of KZT 1,860 thousand, other current financial assets in amount of KZT 30,355 thousand, cash and cash equivalents in amount of KZT (5,860) thousand).

Impairment losses on financial assets for the three months ended 30 June 2020, comprise accrued allowance for expected credit loss for trade receivables in amount of KZT 411,629 thousand (*Note 12*), other current financial assets in amount of KZT 9,869 thousand (*Note 13*), cash and cash equivalents in amount of KZT 5,550 thousand (*Note 16*) (for the three months ended 30 June 2019: trade receivables in amount of KZT 1,503,312 thousand, other current financial assets in amount of KZT 11,677 thousand).

Impairment losses on non-financial assets

Impairment losses on non-financial assets for the six months ended 30 June 2020, comprise accrued/(recovered) allowance for doubtful debt for advances paid for non-current assets for KZT (4,006) thousand (*Note 7*), advances paid for current assets for KZT (8,606) thousand, allowance for write-down of inventories to net realizable value for KZT 153,758 thousand and impairment of fixed assets for KZT 720,360 thousand (*Note 7*) (for the six months ended 30 June 2019: impairment of fixed assets for KZT 1,844,104 thousand).

Impairment losses on non-financial assets for the three months ended 30 June 2020, comprise accrued allowance for write-down of inventories to net realizable value for KZT 50,203 thousand and impairment of fixed assets for KZT 492,397 thousand (*Note 7*) (for the three months ended 30 June 2019: impairment of fixed assets for KZT 1,844,104 thousand).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (continued)

Fair value

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

The tables below 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 June 2020 and 31 December 2019 was as follow:

<i>In thousands of tenge</i>	Date of valuation	Price quotation on active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value					
Financial assets					
at fair value through other comprehensive income	30 June 2020	5,268,598	-	-	5,268,598
Assets for which fair values are disclosed					
Financial assets					
at amortised cost	30 June 2020	17,269,254	-	-	17,269,254
Trade receivables	30 June 2020	-	-	35,811,536	35,811,536
Other non-current financial assets	30 June 2020	-	-	4,363,401	4,363,401
Other current financial assets	30 June 2020	-	-	4,690,305	4,690,305
Liabilities for which fair values are disclosed					
Borrowings					
	30 June 2020	-	-	401,454,176	401,454,176
Trade payables					
	30 June 2020	-	-	27,857,703	27,857,703
Other non-current financial liabilities					
	30 June 2020	-	-	1,147	1,147
Other current financial liabilities					
	30 June 2020	-	-	16,011,344	16,011,344

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (continued)

Fair value (continued)

<i>In thousands of tenge</i>	Date of valuation	Price quotation on active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value					
Financial assets					
at fair value through other comprehensive income	31 December 2019	4,964,633	-	-	4,964,633
Assets for which fair values are disclosed					
Trade receivables	31 December 2019	-	-	37,255,772	37,255,772
Other non-current financial assets	31 December 2019	-	-	3,734,079	3,734,079
Other current financial assets	31 December 2019	-	-	5,227,326	5,227,326
Liabilities for which fair values are disclosed					
Borrowings	31 December 2019	-	-	367,461,482	367,461,482
Trade payables	31 December 2019	-	-	58,632,660	58,632,660
Other non-current financial liabilities	31 December 2019	-	-	1,862,608	1,862,608
Other current financial liabilities	31 December 2019	-	-	22,239,053	22,239,053

As at 30 June 2020 and 31 December 2019, the carrying amounts of the Group's financial assets and liabilities presented as follow:

<i>In thousands of tenge</i>	Carrying amount as at 30 June 2020 (unaudited)	Fair value as at 30 June 2020 (unaudited)	Unrecognised gain/(loss) as at 30 June 2020 (unaudited)	Carrying amount as at 31 December 2019	Fair value as at 31 December 2019	Unrecognised gain/(loss) as at 31 December 2019
Financial assets						
Cash and cash equivalents	101,114,518	101,114,518	-	71,321,822	71,321,822	-
Other non-current financial assets	4,326,108	4,363,401	37,293	4,170,159	3,734,079	(436,080)
Other current financial assets	4,690,305	4,690,305	-	5,227,326	5,227,326	-
Financial assets at fair value through other comprehensive income	5,268,598	5,268,598	-	4,964,633	4,964,633	-
Financial assets at amortized cost	17,269,254	17,245,571	(23,683)	-	-	-
Trade receivables	35,811,536	35,811,536	-	37,255,772	37,255,772	-
Financial liabilities						
Borrowings	405,488,756	401,454,176	4,034,580	367,615,724	367,461,482	154,242
Trade payables	27,857,703	27,857,703	-	58,632,660	58,632,660	-
Other non-current financial liabilities	1,147	1,147	-	1,862,608	1,862,608	-
Other current financial liabilities	16,011,344	16,011,344	-	22,239,053	22,239,053	-
Total unrecognised change in unrealised fair value			4,048,190			(281,838)

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

32. COMMITMENTS AND CONTINGENCIES**Operating environment**

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

Coronavirus pandemic and market conditions

Starting from March 2020, there has been significant volatility in the stock, currency and commodity markets, including a drop-in oil prices and a devaluation of tenge against the US dollar and the euro. Moreover, in connection with the recent rapid development of the coronavirus pandemic (COVID-19), on 16 March 2020 Kazakhstan introduced state emergency measures during the period through 16 April 2020, and subsequently extended until 15 May 2020, including quarantine in major cities, which had a significant impact on the level and scale of business activity. Later the Government of Kazakhstan introduced new quarantine period from 5 July 2020 till 16 August 2020. On 13 August 2020, the state commission approved plan for the phased removal of quarantine measures effective from 17 August 2020.

The coronavirus pandemic has developed into a global economic crisis. Higher demand for certain telecommunications services means the impact of the crisis is likely to be felt less severely by the telecommunications industry than by other industries. Nevertheless, there is currently a great deal of uncertainty regarding the extent to which business activities and thus the results of operations and financial position of the Group could be affected overall.

The Group is experiencing a direct impact on roaming revenues from lower international travel and expects economic pressures to impact the Group's customer revenues over time. However, the Group is also seeing significant increases in data volumes. Despite trade restrictions till 15 May 2020 revenue from sales of handsets and equipment was not highly affected.

Further possible future effects on the measurement of individual assets and liabilities are currently being analysed. The Group has put in place cost saving measures to mitigate potential effects on earnings.

Recognition of expected credit losses (ECL) on the Group's financial assets that are not measured at fair value considered estimated impacts of the COVID-19 pandemic. For financial assets whose counterparties have ratings published by credit risk agencies, when already reflecting the effects of the pandemic, the information was used to calculate the ECL. For other financial assets, in general, the expected effects of COVID-19 pandemic were incorporated into the ECL by identifying the changes in default probability based on observable data. No significant effects were identified.

The Group believes that there were no impairment indicators of its long-term non-financial assets as at 30 June 2020. As uncertainties in market trend and economic conditions may remain persistent considering duration of the spread of COVID-19 and countermeasures taken by country, actual results in any future periods could be differ materially from the estimates. The Group will continue to monitor the situation closely.

Capital commitments

The Group generally enters into contracts for the completion of construction projects and purchase of telecommunication equipment. As at 30 June 2020, the Group had contractual obligations in the total amount of KZT 75,912,529 thousand, excluding VAT (as at 31 December 2019: KZT 38,186,280 thousand, excluding 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.

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

32. COMMITMENTS AND CONTINGENCIES (continued)**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 June 2020. Management believes that as at 30 June 2020 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 audit for 2012 – 3rd quarter 2015

In July 2017, the Kazakhstan tax authority completed its comprehensive tax audit for the period of 2012 – 3rd quarter 2015. Based on the results of the tax audit, the tax authority made an accrual of additional taxes and fines and penalties in the total amount of 9,008,002 thousand tenge, of which 5,789,678 thousand tenge is for unpaid taxes and 3,218,324 thousand tenge represents fines and penalties. The Group did not agree with some results of tax audit and filed an appeal.

In January 2018, Kcell disputed the results of the tax authority in the First Instance Court and the Group's appeal was dismissed. In June 2018, the Court of Appeal reviewed the appeal claim and left the unfavorable ruling of the First Instance Court in force. Although the decision was binding, the Group reserved the right to further appeal it in the Supreme Court. On 5 November 2018, the Group filed a petition to the cassation instance of the Supreme Court of the Republic of Kazakhstan. On 5 December 2018, the petition was dismissed by the Supreme Court of the Republic of Kazakhstan.

In February 2019, the Group appealed to the Supreme Court of the Republic of Kazakhstan. Based on resolution of the Supreme Court of the Republic of Kazakhstan dated 23 July 2019, the appeal of the Group was partially satisfied. Precisely, First Instance Court's act in the part of concerning following cases was cancelled:

- Additional charge on withholding tax for services provided by non-resident legal entities in the amount of 2,196,555 thousand tenge;
- Additional VAT on software technical support services provided by non-resident legal entities in the amount of 779,916 thousand tenge;
- Related fines and penalties in the amount of 2,092,355 thousand tenge.

For the three and six-month ended 30 June 2019, the Group recognised income from reversal of tax and related penalties provision in the amount of 5,068,826 thousand tenge.

For the three and six-month ended 30 June 2020, the Group recognized income from reversal of the tax and related fines and penalties provision in the total amount of 21,600 thousand tenge and 501,907 thousand tenge, respectively, in the consolidated statement of comprehensive income. Income from reversal of the tax and related fines and penalties provision for the six month period ended 30 June 2020 included income in the amount of 34,298 thousand tenge due to expiration of the limitation period and income from reversal of provision on VAT and personal income tax in the amount of 256,782 thousand tenge and 210,827 thousand tenge, respectively, as it is described below. Income from reversal of the tax and related fines and penalties provision for the three month period ended 30 June 2020 included income in the amount of 21,600 thousand tenge due to expiration of the limitation period and income from reversal of provision on VAT and personal income tax in the amount of 256,782 thousand tenge and 210,827 thousand tenge.

As at 30 June 2020, the Group had remaining liability for fine and penalty in the amount of 153,495 thousand tenge (as at 31 December 2019: 187,793 thousand tenge).

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

32. COMMITMENTS AND CONTINGENCIES (continued)**Taxation (continued)***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 six months ended 30 June 2020, the Group recognised reversal of provision on VAT and personal income tax in the amount of 256,782 thousand tenge and 210,827 thousand tenge, respectively. In addition, for the six months ended 30 June 2020 the Group recognized reserve on CIT expenses in the amount of 488,380 thousand tenge in the consolidated statement of comprehensive income.

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.

Cases related to the abuse of dominant position*Tariffication of Kcell's mobile Internet services*

On 19 October 2018, the Committee on Regulation of Natural Monopolies, Protection of Competition and Consumer Rights of the Ministry of National Economy of the Republic of Kazakhstan (“Committee”) initiated administrative proceedings against the Group for an alleged administrative violation related to the abuse of its dominant position in 2017. The potential fine, which can be imposed by the court, constitutes approximately KZT 2,000,000 thousand.

According to the Committee, the violation resulted in the establishment of different prices for Kcell's mobile Internet access service, when the data allowance was exceeded or the monthly subscription fee was not paid in a timely manner. In addition, the Committee issued an order for the Group to return to Kcell brand subscribers all fees charged in 2017 when the monthly data allowance was exceeded and when the monthly subscription fee for mobile Internet access services had not been paid.

The Group did not agree with the order issued by the Committee. On 3 July 2019, the Group appealed to the Court. The management of the Group believed that the appeal would be successful and assessed the probability of outflow of cash as possible.

On 25 October 2019, Specialised Inter-district Economic Court of Almaty issued the resolution to cancel administrative proceedings due to the lack of an offense. However, the Committee has the right to appeal within 180 days after announcement of the resolution. On 14 April 2020, the Committee appealed the decision of Specialised Inter-district Economic Court of Almaty. On 4 May 2020 the administrative proceedings were finalized after the decision of the Supreme Court of RK to reject the Committee's appeal due to lack of offence. The decision of Supreme Court of RK (as the superior level of authority) is final decision, that essentially not subject to revision.

Billing cycle of mobile phone plans

On 27 December 2019, the Company received a notification from the Committee on Regulation and Protection of Competition of the Ministry of National Economy of the Republic of Kazakhstan (“Committee”) prescribing that the Group should bring its existing and legacy mobile phone plans in line with Rules for provision of mobile services (“Rules”), namely to set a calendar month as default billing cycle, as follows from the definition of the term “accounting period”. According to the Committee, by establishing a one-day, a weekly, a 28-day or a 30-day billing cycle on mobile phone plans the Group breaches article 174.1 of the Business Code of the Republic of Kazakhstan. The Committee also sees the reduction of billing cycle as possible abuse of the dominant position through violation of the rights of consumers.

The management of the Group believes that the Committee's claims against the Group are not supported. As of 30 June 2020, the Group did not receive an act of the Committee on the investigation initiation and assessed the probability of the investigation and any outflow of economic resources related to the above matter as remote.

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

32. COMMITMENTS AND CONTINGENCIES (continued)**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 (not later than 31 December 2021 if 5G standard is approved in 3rd Generation Partnership Project (3GPP) and International Telecommunications Union (ITU) before 31 December 2020).

33. SEASONALITY OF OPERATIONS

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

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

34. SUBSEQUENT EVENTS

On 14 July 2020 the Group signed an additional agreement with Halyk Bank JSC to decrease interest rates of loan from 11.5% to 11.2% per annum under credit line agreement dated 23 April 2020.

Coronavirus pandemic

On 5 July 2020 the President of Kazakhstan extended the quarantine period until 2 August 2020 with possible prolongation for undefined period. On 30 July 2020 the quarantine period was extended till 16 August 2020. On 13 August 2020, the state commission approved plan for the phased removal of quarantine measures effective from 17 August 2020. The Group is analysing the possible impact of extension of emergency situation on the financial statements and considering alternatives to minimise negative impact on the operations of the Group.