



Kazakhtelecom JSC

Interim condensed consolidated
financial statements (unaudited)

30 June 2021

CONTENTS

Report on review of interim condensed consolidated financial statements

Interim condensed consolidated financial statements (unaudited)

Interim condensed consolidated statement of financial position.....	1-2
Interim condensed consolidated statement of comprehensive income	3-4
Interim condensed consolidated statement of changes in equity.....	5
Interim condensed consolidated statement of cash flows.....	6-7
Notes to the interim condensed consolidated financial statements	8-41



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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 2021, the related interim condensed consolidated statement 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

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

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

9 August 2021



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 2021

<i>In thousands of tenge</i>	Note	30 June 2021 (unaudited)	31 December 2020 (audited)
Assets			
Non-current assets			
Property and equipment	6	451,348,672	463,047,336
Right-of-use assets	17	77,055,861	79,694,418
Intangible assets	7	206,054,001	217,353,880
Goodwill	9	152,402,245	152,402,245
Advances paid for non-current assets	6	2,141,123	3,237,280
Investments in associates	8	3,572,690	2,982,957
Cost to obtain contracts		2,069,401	1,732,174
Cost to fulfil contracts		224,314	350,648
Other non-current non-financial assets		2,092,480	1,819,045
Other non-current financial assets	10	5,557,041	4,789,179
Deferred tax assets		1,963,865	1,980,671
Total non-current assets		904,481,693	929,389,833
Current assets			
Inventories		13,266,453	15,490,029
Trade receivables	11	43,870,206	34,711,705
Advances paid		6,387,530	4,651,549
Corporate income tax prepaid		2,069,706	4,166,824
Cost to fulfil contracts		855,292	865,890
Other current non-financial assets		4,887,819	7,300,331
Other current financial assets	12	4,149,927	3,626,074
Financial assets at amortized cost	13	9,972,817	18,923,399
Cash and cash equivalents	14	117,872,360	94,428,532
		203,332,110	184,164,333
Assets held for sale	29	2,382,172	1,872,008
Total current assets		205,714,282	186,036,341
Total assets		1,110,195,975	1,115,426,174

The accounting policies and notes on pages 8 to 41 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 2021 (unaudited)	31 December 2020 (audited)
Equity			
Share capital	15	12,136,529	12,136,529
Treasury shares	15	(7,065,614)	(7,065,614)
Foreign currency translation reserve	15	(4,994)	(17,200)
Other reserves	15	1,820,479	1,820,479
Retained earnings		513,019,408	476,006,801
		519,905,808	482,880,995
Non-controlling interests		33,858,877	35,659,002
Total equity		553,764,685	518,539,997
Non-current liabilities			
Borrowings: non-current portion	16	304,541,103	316,290,589
Lease liabilities: non-current portion	17	39,528,611	42,461,444
Other non-current financial liabilities		438,752	1,001
Employee benefit obligations		15,878,265	16,265,307
Debt component of preferred shares	15	814,868	814,868
Non-current contract liabilities	18	7,052,524	6,355,295
Asset retirement obligations		8,436,176	7,926,958
Deferred tax liabilities		37,018,597	37,293,300
Total non-current liabilities		413,708,896	427,408,762
Current liabilities			
Borrowings: current portion	16	36,468,794	46,111,485
Lease liabilities: current portion	17	15,898,458	16,649,191
Other current financial liabilities	19	12,184,957	21,157,700
Employee benefit obligations: current portion		1,314,014	1,150,837
Trade payables		34,353,759	54,866,134
Current corporate income tax payable		5,215,938	-
Current contract liabilities	20	19,440,053	18,589,517
Other current non-financial liabilities	21	17,067,042	10,057,334
		141,943,015	168,582,198
Liabilities directly associated with the assets held for sale	29	779,379	895,217
Total current liabilities		142,722,394	169,477,415
Total liabilities		556,431,290	596,886,177
Total equity and liabilities		1,110,195,975	1,115,426,174

Chief financial officer

Acting chief accountant



Uzbekov A.A.
 Uzbekov A.A.

Abdoldin A.S.
 Abdoldin A.S.

The accounting policies and notes on pages 8 to 41 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 2021

In thousands of tenge	Note	For three months ended 30 June		For six months ended 30 June	
		2021 (unaudited)	2020 (unaudited) (restated)*	2021 (unaudited)	2020 (unaudited) (restated)*
Revenue from contracts with customers	22	142,368,653	123,061,852	279,321,753	244,904,200
Compensation for provision of universal services in rural areas	23	1,603,384	-	3,206,766	-
		143,972,037	123,061,852	282,528,519	244,904,200
Cost of sales	24	(87,477,007)	(78,157,433)	(172,412,453)	(156,647,085)
Gross profit		56,495,030	44,904,419	110,116,066	88,257,115
General and administrative expenses		(11,924,945)	(7,982,695)	(20,966,906)	(16,590,010)
Impairment losses on financial assets	32	(857,742)	(427,048)	(1,348,584)	(1,551,362)
Gain from reversal of impairment / (impairment losses) on non-financial assets	32	(1,446)	(542,600)	99,510	(861,506)
Selling expenses		(3,380,342)	(2,932,181)	(5,465,297)	(5,638,320)
Reversal of tax and related fines and penalties provision	33	682,820	21,600	682,820	501,907
Income from compensation from Telia and Turkcell	25	9,386,963	-	9,386,963	-
Gain/(loss) on disposal of property and equipment		143,529	(60,309)	(19,996)	(53,452)
Other operating income	26	3,426,814	724,611	5,221,718	1,831,939
Other operating expenses		(384,052)	(199,845)	(419,856)	(263,786)
Operating profit		53,586,629	33,505,952	97,286,438	65,632,525
Share in profits of associates	8	281,312	(63,352)	624,934	148,750
Finance costs	27	(11,869,198)	(12,718,135)	(23,446,187)	(25,553,836)
Finance income		1,014,350	1,072,409	1,761,803	1,928,450
Net foreign exchange gain/(loss)		639,449	(7,704,653)	1,311,597	883,039
Profit before tax		43,652,542	14,092,221	77,538,585	43,038,928
Income tax expenses	28	(12,081,276)	(4,683,171)	(19,413,788)	(12,246,776)
Profit for the period		31,571,266	9,409,050	58,124,797	30,792,152

* Certain amounts shown here do not correspond to the interim condensed consolidated financial statements for the three and six months period ended 30 June 2020, as they reflect the adjustments made, as detailed in Note 4.

The accounting policies and notes on pages 8 to 41 are an integral part of these interim condensed consolidated financial statements.

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

In thousands of tenge	Note	For three months ended 30 June		For six months ended 30 June	
		2021 (unaudited)	2020 (unaudited) (restated)*	2021 (unaudited)	2020 (unaudited) (restated)*
Other comprehensive income /(loss)					
<i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods (net of tax)</i>					
Foreign exchange differences from translation of financial statements of foreign subsidiaries		12,155	(2,724)	12,206	(4,083)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		12,155	(2,724)	12,206	(4,083)
<i>Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods (net of tax)</i>					
Actuarial (loss)/profit on defined benefits plans, net of tax		(359,080)	(20,822)	440,553	295,801
Net other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods		(359,080)	(20,822)	440,553	295,801
Other comprehensive (loss)/income for the period, net of tax		(346,925)	(23,546)	452,759	291,718
Total comprehensive income for the period, net of tax		31,224,341	9,385,504	58,577,556	31,083,870
Profit attributable to:					
Equity holders of the Parent		30,108,080	9,264,607	55,530,422	29,965,489
Non-controlling interests		1,463,186	144,443	2,594,375	826,663
		31,571,266	9,409,050	58,124,797	30,792,152
Total comprehensive income attributable to:					
Equity holders of the Parent		29,761,155	9,241,061	55,983,181	30,257,207
Non-controlling interests		1,463,186	144,443	2,594,375	826,663
		31,224,341	9,385,504	58,577,556	31,083,870
Earnings per share					
Basic and diluted, profit for the period attributable to ordinary equity holders of the parent					
	15	2,737.94	843.91	5,050.09	2,727.02

* Certain amounts shown here do not correspond to the interim condensed consolidated financial statements for the three and six months period ended 30 June 2020, as they reflect the adjustments made, as detailed in Note 4.

Chief financial officer

Acting chief accountant



[Signature]
Uzhekov A.A.

[Signature]
Aboldin A.S.

The accounting policies and notes on pages 8 to 41 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For six months period ended 30 June 2021

In thousands of tenge	Attributable to equity holders of the Parent					Total	Non-controlling interests	Total equity
	Shares outstanding	Treasury shares	Foreign currency translation reserve	Other reserves	Retained earnings			
Note	15	15	15	15				
At 1 January 2020 (audited)	12,136,529	(7,065,614)	(3,292)	1,820,479	420,370,835	427,258,937	36,139,332	463,398,269
Net profit for the period (unaudited) (restated)*	-	-	-	-	29,965,489	29,965,489	826,663	30,792,152
Other comprehensive income (unaudited)	-	-	(4,083)	-	295,801	291,718	-	291,718
Total comprehensive income (unaudited) (restated)*	-	-	(4,083)	-	30,261,290	30,257,207	826,663	31,083,870
Dividends (unaudited) (Note 15)	-	-	-	-	(8,473,316)	(8,473,316)	(2,250,000)	(10,723,316)
At 30 June 2020 (unaudited) (restated)*	12,136,529	(7,065,614)	(7,375)	1,820,479	442,158,809	449,042,828	34,715,995	483,758,823
At 1 January 2021 (audited)	12,136,529	(7,065,614)	(17,200)	1,820,479	476,006,801	482,880,995	35,659,002	518,539,997
Net profit for the period (unaudited)	-	-	-	-	55,530,422	55,530,422	2,594,375	58,124,797
Other comprehensive income (unaudited)	-	-	12,206	-	440,553	452,759	-	452,759
Total comprehensive income (unaudited)	-	-	12,206	-	55,970,975	55,983,181	2,594,375	58,577,556
Dividends (unaudited) (Note 15)	-	-	-	-	(18,958,368)	(18,958,368)	(4,394,500)	(23,352,868)
At 30 June 2021 (unaudited)	12,136,529	(7,065,614)	(4,994)	1,820,479	513,019,408	519,905,808	33,858,877	553,764,685

* Certain amounts shown here do not correspond to the interim condensed consolidated financial statements for the six months period ended 30 June 2020, as they reflect the adjustments made, as detailed in Note 4.

Chief financial officer

Acting chief accountant



Uzbekov A.A.



Abdoldin A.S.



The accounting policies and notes on pages 8 to 41 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 2021**

<i>In thousands of tenge</i>	Note	For six months period ended 30 June 2021 (unaudited)	For six months ended 30 June 2020 (unaudited) (restated)*
Operating activities			
Profit before tax for the period		77,538,585	43,038,928
Adjustment for:			
Depreciation of property and equipment and right of use assets	6, 17	44,625,262	41,181,088
Amortisation of intangible assets	7	13,919,092	13,829,981
(Gain from reversal of impairment) / impairment losses on non-financial assets	32	(99,510)	861,506
Impairment loss on financial assets	32	1,348,584	1,551,362
Net foreign exchange gain		(1,311,597)	(883,039)
Changes in employee benefit obligations		173,406	553,777
Write-down of inventories to net realizable value		48,228	-
Share in profits of associates	8	(624,934)	(148,750)
Finance costs	27	23,446,187	25,553,836
Finance income		(1,761,803)	(1,928,450)
Loss on disposal of property and equipment, net		19,996	53,452
Reversal of tax and related fines and penalties provision	33	(682,820)	(501,907)
Operating cash flows before changes in operating assets and liabilities		156,638,676	123,161,784
Changes in operating assets and liabilities			
Change in trade receivables		(14,138,015)	(1,736,330)
Change in inventories		2,175,348	(268,926)
Change in other current assets		941,767	787,099
Change in advances paid		(1,649,394)	859,761
Change in trade payables		3,482,561	(6,036,553)
Change in cost to obtain contracts and cost to fulfil contracts		(200,295)	31,402
Change in contract liabilities		972,596	(2,003,915)
Changes in other current liabilities		(561,859)	(2,202,328)
Cash flows from operating activities		147,661,385	112,591,994
Income tax paid		(12,315,347)	(8,033,763)
Interest paid		(23,148,806)	(19,687,641)
Interest received		1,305,885	1,083,926
Net cash flows received from operating activities		113,503,117	85,954,516

* Certain amounts shown here do not correspond to the interim condensed consolidated financial statements for the six months period ended 30 June 2020, as they reflect the adjustments made, as detailed in Note 4.

The accounting policies and notes on pages 8 to 41 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 period ended 30 June 2021 (unaudited)	For six months ended 30 June 2020 (unaudited) (restated)*
Investing activities			
Purchase of property and equipment		(42,496,380)	(49,819,030)
Purchase of intangible assets		(6,035,618)	(3,447,469)
Purchase of financial assets at amortized cost	13	(29,796,754)	(17,184,611)
Proceeds from redemption of financial assets at amortized cost	13	38,476,688	-
Proceeds from sale of property and equipment		340,449	167,348
Placement of deposits	10	(672,300)	-
Return of cash on restricted cash accounts	12	2,600	6,439
Issue of long-term loans to employees		(463,000)	(489,150)
Repayment of loans to employees		229,313	201,764
Dividends received		35,201	-
Net cash flows used in investing activities		(40,379,801)	(70,564,709)
Financing activities			
Borrowings received	16	22,000,000	45,807,169
Borrowings repaid	16	(42,778,528)	(13,062,925)
Dividends paid to equity holders of the Parent	15	(17,571,952)	(10,054,096)
Dividends paid to non-controlling interests	15	(4,394,500)	(2,250,000)
Repayment of principal portion of lease liabilities	17	(8,047,490)	(6,789,168)
Net cash flows (used in) / received from financing activities		(50,792,470)	13,650,980
Effect of exchange rate changes on cash and cash equivalents		1,280,332	567,851
Effect of changes in expected credit losses	14	(116)	8,473
Net change in cash and cash equivalents		23,611,062	29,617,111
Cash and cash equivalents, as at 1 January	14	94,709,166	71,637,378
Cash and cash equivalents, as at 30 June	14	118,320,228	101,254,489

* Certain amounts shown here do not correspond to the interim condensed consolidated financial statements for the six months period ended 30 June 2020, as they reflect the adjustments made, as detailed in Note 4.

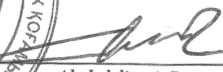
Disclosure of significant non-cash transactions is presented in Note 30.

Chief financial officer



Uzbekov A.A.

Acting chief accountant



Abdoldin A.S.

The accounting policies and notes on pages 8 to 41 are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS**For six months period ended 30 June****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 2021:

	At 30 June 2021 (unaudited)	At 31 December 2020
Samruk-Kazyna	51.0%	51.0%
SKYLINE INVESTMENT COMPANY S.A.	24.5%	24.5%
ADR (The Bank of New York – depositor)	9.6%	9.6%
Alatau Capital Invest LLP	3.7%	3.7%
Corporate fund “Development fund”	3.4%	–
United Accumulative Pension Fund JSC	–	3.4%
Other	7.8%	7.8%
	100%	100%

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

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

The interim condensed consolidated financial statements of the Group were authorised for issue by the Chief financial officer and the Acting chief accountant on behalf of the Management of the Company on 9 August 2021.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six month period ended 30 June 2021 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2020 and for the year then ended. The interim condensed consolidated financial statements are presented in Kazakhstan tenge, and all amounts are rounded to nearest thousands, except otherwise indicated.

Going concern

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

Foreign currency translation

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Foreign currency translation (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Foreign exchange rates are presented in the following table:

	30 June 2021 (unaudited)	31 December 2020
US dollar	427.89	420.91
Euro	508.85	516.79
Russian rouble	5.85	5.62

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

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

	Country of incorporation	Percentage ownership	
		30 June 2021 (unaudited)	31 December 2020
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	Kazakhstan	100.00%	100.00%
Nursat+ LLP	Kazakhstan	100.00%	100.00%
Kcell JSC	Kazakhstan	75.00%	75.00%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New and amended standards and interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as at 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. RESTATEMENT OF COMPARATIVE INFORMATION

Change in accounting policies

Certain amounts in the interim condensed consolidated statement of comprehensive income for the six month period ended 30 June 2020 and interim condensed consolidated statement of cash flows for the six month period ended 30 June 2020 were restated to reflect the effect of changes in the accounting policy as a result of adoption of the IFRIC agenda decision, as described below.

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

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

Lease term

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

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

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

Useful life of non-removable leasehold improvements

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

Effect of agenda decision on the Group accounting policy

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. RESTATEMENT OF COMPARATIVE INFORMATION (continued)

Change in accounting policies (continued)

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

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

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

<i>In thousands of tenge</i>	As previously reported	Change in accounting policy	Reclassification	Note	As restated
Interim condensed consolidated statement of comprehensive income for the three months period ended 30 June 2020					
Cost of sales	(78,226,898)	69,465	-	[1]	(78,157,433)
Gross profit	44,834,954	69,465	-		44,904,419
Loss on disposal of property and equipment, net	-	-	(60,309)	[2]	(60,309)
Other operating income	-	-	724,611	[2]	724,611
Other operating expenses	-	-	(199,845)	[2]	(199,845)
Operating profit	32,972,030	69,465	464,457		33,505,952
Finance costs	(12,630,152)	(87,983)	-	[1]	(12,718,135)
Loss on disposal of property and equipment, net	(60,309)	-	60,309	[2]	-
Other income	724,611	-	(724,611)	[2]	-
Other expenses	(199,845)	-	199,845	[2]	-
Profit before income tax	14,110,739	(18,518)	-		14,092,221
Income tax expenses	(4,686,874)	3,703	-	[1]	(4,683,171)
Profit for the period	9,423,865	(14,815)	-		9,409,050
Total comprehensive income for the period, net of tax	9,400,319	(14,815)	-		9,385,504
Earnings per share					
Basic and diluted, profit for the period attributable to ordinary equity holders of the parent, in tenge	845.25	(1.34)	-	[1]	843.91

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. RESTATEMENT OF COMPARATIVE INFORMATION (continued)

Change in accounting policies (continued)

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

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

<i>In thousands of tenge</i>	As previously reported	Change in accounting policy	Reclassification	Note	As restated
Interim condensed consolidated statement of comprehensive income for the six months period ended 30 June 2020					
Cost of sales	(156,778,920)	131,835	-	[1]	(156,647,085)
Gross profit	88,125,280	131,835	-		88,257,115
Loss on disposal of property and equipment, net	-	-	(53,452)	[2]	(53,452)
Other operating income	-	-	1,831,939	[2]	1,831,939
Other operating expenses	-	-	(263,786)	[2]	(263,786)
Operating profit	63,985,989	131,835	1,514,701		65,632,525
Finance costs	(25,379,905)	(173,931)	-	[1]	(25,553,836)
Loss on disposal of property and equipment, net	(53,452)	-	53,452	[2]	-
Other income	1,831,939	-	(1,831,939)	[2]	-
Other expenses	(263,786)	-	263,786	[2]	-
Profit before income tax	43,081,024	(42,096)	-		43,038,928
Income tax expenses	(12,255,195)	8,419	-	[1]	(12,246,776)
Profit for the period	30,825,829	(33,677)	-		30,792,152
Total comprehensive income for the period, net of tax	31,117,547	(33,677)	-		31,083,870
Earnings per share					
Basic and diluted, profit for the period attributable to ordinary equity holders of the parent, in tenge	2,730.08	(3.06)	-	[1]	2,727.02

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. RESTATEMENT OF COMPARATIVE INFORMATION (continued)

Change in accounting policies (continued)

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

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

<i>In thousands of tenge</i>	As previously reported	Change in accounting policy	Note	As restated
Interim condensed consolidated statement of cash flows for the six months period ended 30 June 2020				
Cash flows from operating activities				
Profit before tax	43,081,024	(42,096)	[1]	43,038,928
Adjustments for:				
Depreciation of property and equipment and right of use assets	40,932,098	248,990	[1]	41,181,088
Finance costs	25,379,905	173,931	[1]	25,553,836
Operating cash flows before changes in operating assets and liabilities	122,780,959	380,825		123,161,784
Changes in other current liabilities	(1,821,503)	(380,825)		(2,202,328)
Cash flows from operating activities	112,591,994	-		112,591,994
Interest paid	(19,513,710)	(173,931)	[1]	(19,687,641)
Net cash flows received from operating activities	86,128,447	(173,931)		85,954,516
Cash flows from financing activities				
Repayment of principal portion of lease liabilities	(6,963,099)	173,931	[1]	(6,789,168)
Net cash flows received from financing activities	13,477,049	173,931		13,650,980
Net change in cash and cash equivalents	29,617,111	-		29,617,111

[1] The Group adopted IFRS Interpretations Committee's agenda decision on cancellable or renewable leases, and related non-removable leasehold improvements and restated the comparative information as required by IAS 8.

[2] Loss on disposal of property and equipment, other operating income and expenses were reclassified from other non-operating part into separate lines within the operating part in the interim condensed consolidated statement of comprehensive income. Reclassification was made in order to conform with the presentation adopted in the interim condensed consolidated statement of comprehensive income for the six month period ended 30 June 2021.

Reclassification in disclosure (Note 22 Revenue from contracts with customers)

For the three months ended 30 June 2020

<i>In thousands of tenge</i>	As previously reported	Reclassification	Note	As restated
Revenue from contracts with customers				
<i>Mobile connection</i>				
Data transfer services	18,691,481	16,318,166	[1]	35,009,647
Rendering of fixed line and wireless phone services	42,514,918	(16,318,166)	[1]	26,196,752
	123,061,852	-		123,061,852

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. RESTATEMENT OF COMPARATIVE INFORMATION (continued)

Reclassification in disclosure (*Note 22 Revenue from contracts with customers*) (continued)

For the six months ended 30 June 2020

<i>In thousands of tenge</i>	As previously reported	Reclas- sification	Note	As restated
Revenue from contracts with customers				
<i>Mobile connection</i>				
Data transfer services	36,814,113	32,480,888	[1]	69,295,001
Rendering of fixed line and wireless phone services	86,928,600	(32,480,888)	[1]	54,447,712
	244,904,200	-		244,904,200

[1] The Group changed its approach to the allocation of bundled services to data transfer services and rendering of fixed line and wireless phone services. Reclassification was made in order to conform with the presentation adopted in the disclosure *Revenue from contracts with customers* for the six months period ended 30 June 2021.

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

5. SEGMENT INFORMATION

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

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

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

Management monitors operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the 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 2021 and 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. SEGMENT INFORMATION (continued)

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

<i>In thousands of tenge</i>	Fixed line	Mobile telecommunication services in GSM and LTE standards	Other	Eliminations and adjustments	Group
Revenue from contracts with customer					
Sales to external customers	58,617,245	83,445,298	306,110	-	142,368,653
Inter-segment	9,161,124	4,174,466	648,670	(13,984,260)	-
Total revenue from contracts with customers	67,778,369	87,619,764	954,780	(13,984,260)	142,368,653
Compensation for provision of universal services in rural areas	1,603,384	-	-	-	1,603,384
Total	69,381,753	87,619,764	954,780	(13,984,260)	143,972,037
Financial results					
Depreciation and amortisation	(9,872,528)	(20,268,398)	(8,214)	402,660	(29,746,480)
Finance costs	(6,640,762)	(5,641,025)	-	412,589	(11,869,198)
Finance income	808,399	605,443	-	(399,492)	1,014,350
Income from dividends	13,183,500	-	-	(13,183,500)	-
Share in loss of associates	-	-	281,312	-	281,312
Impairment losses on non-financial assets	4,265	(5,712)	1	-	(1,446)
Impairment losses on financial assets	(189,256)	(665,151)	(5,991)	2,656	(857,742)
Profit/(loss) before tax	33,877,558	22,470,381	575,974	(13,271,371)	43,652,542

For the three months ended 30 June 2020 (unaudited)

<i>In thousands of tenge</i>	Fixed line	Mobile telecommunication services in GSM and LTE standards	Other	Eliminations and adjustments	Group
Revenue from contracts with customer					
Sales to external customers	51,374,423	71,540,465	146,964	-	123,061,852
Inter-segment	8,954,858	3,414,191	71,687	(12,440,736)	-
Total revenue from contracts with customers	60,329,281	74,954,656	218,651	(12,440,736)	123,061,852
Financial results					
Depreciation and amortisation	(9,201,773)	(19,420,360)	(7,201)	668,177	(27,961,157)
Finance costs	(6,865,757)	(6,326,587)	(245)	474,454	(12,718,135)
Finance income	724,107	595,905	-	(247,603)	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)
Profit/(loss) before tax	10,544,158	11,420,053	(154,095)	(7,717,895)	14,092,221

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. SEGMENT INFORMATION (continued)

For the six months ended 30 June 2021 (unaudited)

<i>In thousands of tenge</i>	Fixed line	Mobile tele- commu- nication services in GSM and LTE standards	Other	Elimina- tions and adjustments	Group
Revenue from contracts with customer					
Sales to external customers	115,797,786	162,751,684	772,283	-	279,321,753
Inter-segment	18,653,564	8,253,934	735,793	(27,643,291)	-
Total revenue from contracts with customers	134,451,350	171,005,618	1,508,076	(27,643,291)	279,321,753
Compensation for provision of universal services in rural areas	3,206,766	-	-	-	3,206,766
Total	137,658,116	171,005,618	1,508,076	(27,643,291)	282,528,519
Financial results					
Depreciation and amortisation	(19,633,217)	(39,659,768)	(15,983)	764,614	(58,544,354)
Finance costs	(12,856,882)	(11,413,762)	-	824,457	(23,446,187)
Finance income	1,390,728	1,159,594	-	(788,519)	1,761,803
Income from dividends	13,215,302	-	-	(13,215,302)	-
Share in profits of associates	-	-	624,934	-	624,934
Gain from reversal of impairment on non-financial assets	8,564	90,945	1	-	99,510
Impairment losses on financial assets	(354,114)	(999,184)	5,441	(727)	(1,348,584)
Profit/(loss) before tax	48,223,091	41,924,534	820,032	(13,429,072)	77,538,585

For the six months ended 30 June 2020 (unaudited)

<i>In thousands of tenge</i>	Fixed line	Mobile telecommu- nication services in GSM and LTE standards	Other	Elimina- tions and adjustments	Group
Revenue from contracts with customer					
Sales to external customers	101,095,567	143,574,198	234,435	-	244,904,200
Inter-segment	18,048,499	5,822,942	124,577	(23,996,018)	-
Total revenue from contracts with customer	119,144,066	149,397,140	359,012	(23,996,018)	244,904,200
Financial results					
Depreciation and amortisation	(18,612,023)	(37,204,793)	(14,793)	820,540	(55,011,069)
Finance costs	(13,851,417)	(12,599,059)	(245)	896,885	(25,553,836)
Finance income	1,473,973	931,190	3	(476,716)	1,928,450
Income from dividends	7,011,582	-	-	(7,011,582)	-
Share in profit 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)
Profit/(loss) before tax	25,473,079	26,117,568	45,936	(8,597,655)	43,038,928

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. SEGMENT INFORMATION (continued)

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2021 and 31 December 2020, respectively:

<i>In thousands of tenge</i>	Fixed line	Mobile telecommunication services in GSM and LTE standards	Other	Eliminations and adjustments	Group
Operating assets					
As at 30 June 2021 (unaudited)	763,873,117	710,508,455	4,839,001	(369,024,598)	1,110,195,975
As at 31 December 2020 (audited)	750,627,968	724,829,686	3,943,053	(363,974,533)	1,115,426,174
Operating liabilities					
As at 30 June 2021 (unaudited)	317,117,760	266,291,294	625,939	(27,603,703)	556,431,290
As at 31 December 2020 (audited)	323,183,472	296,030,213	639,868	(22,967,376)	596,886,177

Reconciliation of profit

<i>В тыс. тенге</i>	For three months ended 30 June		For six months ended 30 June	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Profit/(loss) before tax	56,923,913	21,810,116	90,967,657	51,636,583
Other	(13,271,371)	(7,717,895)	(13,429,072)	(8,597,655)
Profit of the Group	43,652,542	14,092,221	77,538,585	43,038,928

Reconciliation of assets

<i>In thousands of tenge</i>	30 June 2021 (unaudited)	31 December 2020
Segment operating assets	1,479,220,573	1,479,400,707
Elimination of the Company's investments in subsidiaries	(346,535,870)	(340,809,525)
Elimination of intra-group receivables and payables	(22,488,728)	(23,165,008)
Total assets of the Group	1,110,195,975	1,115,426,174

Reconciliation of liabilities

<i>In thousands of tenge</i>	30 June 2021 (unaudited)	31 December 2020
Segment operating liabilities	584,034,993	619,853,553
Elimination of intra-group receivables and payables	(27,603,703)	(22,967,376)
Total liabilities of the Group	556,431,290	596,886,177

6. PROPERTY AND EQUIPMENT

During the three and six months periods ended 30 June 2021, the Group acquired property and equipment for KZT 14,001,139 thousand and KZT 26,205,467 thousand, respectively (during the three and six months periods ended 30 June 2020: KZT 9,006,873 thousand and KZT 19,408,490 thousand, respectively).

During the three and six months periods ended 30 June 2021, the Group disposed property and equipment with net book value of KZT 108,719 thousand and KZT 360,153 thousand, respectively (during the three and six months periods ended 30 June 2020: KZT 92,128 thousand and KZT 267,829 thousand, respectively).

During the three and six months periods ended 30 June 2021, the Group recognised increase in changes in estimates in assets retirement obligation for KZT 293,143 thousand and KZT 273,008 thousand, respectively (during the three and six months periods ended 30 June 2020: decrease for KZT 1,531,157 thousand and KZT 1,658,523 thousand, respectively).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. PROPERTY AND EQUIPMENT (continued)

During the three and six months periods ended 30 June 2021, the Group recognized impairment loss for KZT 1,399 thousand and gain from reversal of impairment for KZT 98,716 thousand, respectively (during the three and six months periods ended 30 June 2020: impairment loss for KZT 492,397 thousand and KZT 720,360 thousand, respectively).

During the three and six months periods ended 30 June 2021, the Group recognized depreciation expense amounting to KZT 19,022,795 thousand and KZT 37,915,702 thousand, respectively (during the three and six months periods ended 30 June 2020: KZT 18,068,601 thousand and KZT 34,586,049 thousand, respectively).

As at 30 June 2021 and 31 December 2020, assets under construction represented by equipment for installation for base transmission stations, mobile switch servers and other telecommunication equipment and services works.

As at 30 June 2021, the gross carrying value of property and equipment which has been fully depreciated and still in use was KZT 423,585,944 thousand (as at 31 December 2020: KZT 404,178,863 thousand).

As at 30 June 2021, advances paid for non-current assets in the amount of KZT 2,141,123 thousand mainly represented by advances paid for installation of base stations, construction and delivery of fixed assets (as at 31 December 2020: KZT 3,237,280 thousand). Decrease in the advances paid for non-current assets is due to the receipt of the network equipment for the delivery of which the Group paid in the end of 2020. During the three and six months periods ended 30 June 2021, the Group did not recognize impairment on its advances paid for non-current assets (during the three and six months periods ended 30 June 2020: KZT 4,006 thousand).

7. INTANGIBLE ASSETS

During the three and six months periods ended 30 June 2021, the Group acquired intangible assets in the amount of KZT 795,558 thousand and KZT 2,619,505 thousand, respectively (during the three and six months periods ended 30 June 2020: KZT 1,063,024 thousand and KZT 1,942,701 thousand, respectively).

During the three and six months periods ended 30 June 2021, the Group disposed intangible assets with net book value of KZT 292 thousand and KZT 292 thousand, respectively (during the three and six months periods ended 30 June 2020: nil).

During the three and six months periods ended 30 June 2021, the Group recognized amortization expense in the amount of KZT 6,967,196 thousand and KZT 13,919,092 thousand, respectively (during the three and six months periods ended 30 June 2020: KZT 6,883,318 thousand and KZT 13,829,981 thousand, respectively).

As at 30 June 2021 the gross carrying value of intangible assets, which have been fully amortized and still in use was KZT 72,182,008 thousand (as at 31 December 2020: KZT 57,814,037 thousand).

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

8. INVESTMENTS IN ASSOCIATES

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

<i>In thousands of tenge</i>	Primary activities	Country of incorporation	30 June 2021 (unaudited)		31 December 2020	
			Carrying amount	Ownership share	Carrying amount	Ownership share
QazCloud LLP	IT services	Kazakhstan	3,572,690	49%	2,982,957	49%
			3,572,690		2,982,957	

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. INVESTMENTS IN ASSOCIATES (continued)

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

<i>In thousands of tenge</i>	QazCloud LLP
At 31 December 2019	2,218,889
Share in profit of associates	148,750
At 30 June 2020 (unaudited)	2,367,639
At 31 December 2020	2,982,957
Share in profits of associates	624,934
Dividends received	(35,201)
At 30 June 2021 (unaudited)	3,572,690

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

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

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

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

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

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

<i>In thousands of tenge</i>	30 June 2021 (unaudited)	31 December 2020
Non-current assets	7,642,468	4,364,015
Current assets, including	7,427,385	7,033,758
<i>Cash and cash equivalents</i>	4,187,480	4,589,503
Non-current liabilities, including	(3,117,376)	(970,186)
<i>Non-current financial liabilities</i>	(1,323,840)	(881,229)
Current liabilities, including	(4,661,273)	(4,339,919)
<i>Current financial liabilities</i>	(3,993,226)	(2,711,217)
Equity	7,291,204	6,087,668
Share of the ownership – 49%	3,572,690	2,982,957
Carrying amount of the investment of the Group	3,572,690	2,982,957

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. INVESTMENTS IN ASSOCIATES (continued)

<i>In thousands of tenge</i>	For three months ended 30 June	
	2021 (unaudited)	2020 (unaudited)
Revenue from contracts with customers	4,023,016	980,910
Depreciation and amortization	(514,178)	(252,795)
Finance income	17,028	4,395
Finance costs	(80,712)	(54,332)
Income tax (expense)/benefit	(143,526)	32,322
Profit/(loss) for the period	574,106	(129,290)
Total comprehensive income/(loss) for the period	574,106	(129,290)
Share of the Group in profit/(loss) for the period	281,312	(63,352)

<i>In thousands of tenge</i>	For six months ended 30 June	
	2021 (unaudited)	2020 (unaudited)
Revenue from contracts with customers	9,045,949	1,991,702
Depreciation and amortization	(935,668)	(464,053)
Finance income	29,388	23,213
Finance costs	(170,925)	(83,427)
Income tax expense	(318,844)	(75,893)
Profit for the period	1,275,375	303,571
Total comprehensive income for the period	1,275,375	303,571
Share of the Group in profit for the period	624,934	148,750

9. IMPAIRMENT TESTING

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

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

As at 30 June 2021 there were no indicators for impairment of all CGUs, including those CGUs to which goodwill was allocated, therefore, management has not updated any of impairment calculations.

10. OTHER NON-CURRENT FINANCIAL ASSETS

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

<i>In thousands of tenge</i>	30 June 2021 (unaudited)	31 December 2020
Long-term accounts receivable	3,030,707	2,421,066
Loans to employees	1,976,143	2,060,858
Long-term deposits	253,009	-
Cash restricted in use	43,243	43,243
Other	253,939	264,012
	5,557,041	4,789,179

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

As at 30 June 2021, the long-term accounts receivable represented by special agreements with customers for the purchase of contract phones for KZT 3,030,707 thousand (as at 31 December 2020: KZT 2,421,066 thousand). These long-term accounts receivable were discounted as at market interest rates of 10% per annum (2020: 10% per annum).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. OTHER NON-CURRENT FINANCIAL ASSETS (continued)

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

On 19 April 2021 and 8 June 2021, the Group placed long-term deposits in Halyk Bank of Kazakhstan JSC for KZT 113,000 thousand and KZT 559,300 thousand with the maturity date in 2036 and an interest rate of 0.1% per annum. These bank deposits were discounted as at the issue date using market interest rates of 7.4% and 6.2% per annum, respectively. As a result, the Group has recognized discount in the amount of KZT 419,291 thousand. At the placement date, long-term deposits were recognized at its fair value equal to KZT 253,009 thousand.

11. TRADE RECEIVABLES

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

<i>In thousands of tenge</i>	30 June 2021 (unaudited)	31 December 2020
Trade receivables	49,500,774	40,847,311
	49,500,774	40,847,311
Less: allowance for expected credit losses	(5,630,568)	(6,135,606)
	43,870,206	34,711,705

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

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Allowance for expected credit losses at the beginning of the period	(4,917,258)	(5,951,169)	(6,135,606)	(4,950,893)
Charge for the period (Note 32)	(873,061)	(411,629)	(1,335,907)	(1,490,802)
Write-off for the period	159,751	175,647	1,840,945	248,511
Assets held for sale	-	13,355	-	19,388
Allowance for expected credit losses at the end of the period	(5,630,568)	(6,173,796)	(5,630,568)	(6,173,796)

12. OTHER CURRENT FINANCIAL ASSETS

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

<i>In thousands of tenge</i>	30 June 2021 (unaudited)	31 December 2020
Bank deposits	3,399,500	3,399,500
Loans to employees	1,381,427	1,502,112
Restricted cash	917,717	920,317
Due from employees	369,945	364,405
Other accounts receivable	2,992,445	2,341,581
	9,061,034	8,527,915
Less: allowance for expected credit losses	(4,911,107)	(4,901,841)
	4,149,927	3,626,074

As at 30 June 2021 and 31 December 2020, the Group does not have bank deposits with initial maturity of more than 3 (three) months but less than 12 (twelve) months, except deposit placed in Eximbank Kazakhstan JSC.

As at 30 June 2021 and 31 December 2020, the allowance for expected credit losses includes a provision in the amount of KZT 3,399,500 thousand accrued on a deposit placed in Eximbank Kazakhstan JSC due to the liquidation of the bank.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. OTHER CURRENT FINANCIAL ASSETS (continued)

Restricted cash represents cash on the accounts with KazInvestBank JSC and Eximbank Kazakhstan JSC for KZT 418,263 thousand and KZT 499,454 thousand, respectively, which are assessed as unlikely to be recovered due to the revocation of banking licenses. Allowance for expected credit loss was recorded for the whole amount of this cash.

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

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Allowance for expected credit losses at the beginning of the period	(4,927,827)	(4,879,751)	(4,901,841)	(4,820,587)
Charge for the period (Note 32)	15,779	(9,869)	(13,715)	(69,033)
Write-off for the period	941	1,017	4,449	1,017
Allowance for expected credit losses at the end of the period	(4,911,107)	(4,888,603)	(4,911,107)	(4,888,603)

13. FINANCIAL ASSETS AT AMORTIZED COST

As at 30 June 2021 financial assets at amortised cost in the amount of KZT 9,972,817 thousand (31 December 2020: KZT 18,923,399 thousand) were represented by short-term discount notes of National Bank of the Republic of Kazakhstan (“NBRK”) denominated in tenge. During six months period ended 30 June 2021 the Group acquired additional NBRK notes at purchase price of KZT 29,796,754 thousand (during six months period ended 30 June 2020: KZT 17,184,611 thousand). As at 30 June 2021, short-term NBRK discount notes were redeemed for a total amount of KZT 38,476,688 thousand of nominal value and interest income of KZT 523,313 thousand (as at 30 June 2020: nil). For the six months period ended 30 June 2021 the Group recognised interest income in the amount of KZT 252,664 thousand.

Subsequently, on 7 and 21 July 2021, the NBRK notes with nominal value in the amount of KZT 14,000,000 thousand was fully redeemed.

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

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

<i>In thousands of tenge</i>	Maturity date	Yield to maturity	Nominal value	30 June 2021 (unaudited)	31 December 2020
NBRK note	7 July 2021	8.89%	7,000,000	6,988,089	–
NBRK note	21 July 2021	8.89%	3,000,000	2,984,728	–
NBRK note	13 January 2021	8.92%	10,000,000	–	9,968,318
NBRK note	15 January 2021	9.41%	4,000,000	–	3,984,591
NBRK note	22 January 2021	9.85%	3,000,000	–	2,982,294
NBRK note	22 January 2021	9.85%	2,000,000	–	1,988,196
				9,972,817	18,923,399

14. CASH AND CASH EQUIVALENTS

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

<i>In thousands of tenge</i>	30 June 2021 (unaudited)	31 December 2020
Cash on current bank accounts	96,015,998	84,060,922
Deposits with less than 90 days' maturity from the date of opening	21,847,631	10,325,020
Cash on hand	12,259	46,002
	117,875,888	94,431,944
Less: allowance for expected credit losses	(3,528)	(3,412)
Total cash and cash equivalents	117,872,360	94,428,532

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. CASH AND CASH EQUIVALENTS (continued)

As at 30 June 2021, short-term deposits for KZT 21,847,631 thousand were placed for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and earned interest at the rate of up to 8.50% per annum (as at 31 December 2020: KZT 10,325,020 thousand with a rate of up to 8.50%).

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents comprise the following at 30 June 2021 and 31 December 2020:

<i>In thousands of tenge</i>	30 June 2021 (unaudited)	31 December 2020
Cash on current bank accounts	96,015,998	84,060,922
Deposits with less than 90 days' maturity from the date of opening	21,847,631	10,325,020
Cash on current bank accounts attributable to disposal group (Note 29)	447,868	280,634
Cash on hand	12,259	46,002
	118,323,756	94,712,578
Less: allowance for expected credit losses	(3,528)	(3,412)
Total cash and cash equivalents	118,320,228	94,709,166

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

<i>In thousands of tenge</i>	30 June 2021 (unaudited)	31 December 2020
US dollars	89,783,641	79,699,144
Tenge	26,303,614	13,491,284
Euro	1,623,253	1,116,469
Russian roubles	160,935	120,751
Other	917	884
	117,872,360	94,428,532

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

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Allowance for expected credit losses at the beginning of the period	(3,863)	(5,309)	(3,412)	(19,332)
(Charge)/recovery for the period (Note 32)	335	(5,550)	(116)	8,473
Allowance for expected credit losses at the end of the period	(3,528)	(10,859)	(3,528)	(10,859)

15. EQUITY

Authorised and issued shares

	Number of shares		In thousands of tenge		Total issued shares
	Common shares	Preferred non-voting shares	Common shares	Preferred non-voting shares	
At 31 December 2019	10,922,876	1,213,653	10,922,876	1,213,653	12,136,529
At 31 December 2020	10,922,876	1,213,653	10,922,876	1,213,653	12,136,529
At 30 June 2021	10,922,876	1,213,653	10,922,876	1,213,653	12,136,529

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. EQUITY (continued)

Treasury shares

	Number of shares		In thousands of tenge		Total
	Common shares	Preferred non-voting shares	Common shares	Preferred non-voting shares	
At 31 December 2019	216,852	914,868	3,052,617	4,012,997	7,065,614
Treasury shares reacquired	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-
At 31 December 2020	216,852	914,868	3,052,617	4,012,997	7,065,614
Treasury shares reacquired	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-
At 30 June 2021	216,852	914,868	3,052,617	4,012,997	7,065,614

Shares issued less reacquired shares

As at 30 June 2021, number of common and preferred shares issued net of treasury shares was 10,706,024 and 298,785 shares, respectively (31 December 2020: 10,706,024 and 298,785 shares, respectively).

Preferred shares

Holders of preferred shares are entitled to receive annual cumulative dividends of 300 tenge per share, and not less than the amount of the dividends per share paid to holders of common shares. Payment of preferred shares dividends does not require a resolution of Kazakhtelecom JSC shareholders meeting. The discounted value of future cash flows of annual cumulative dividends is recorded as a financial liability as at 30 June 2021 in the amount of KZT 814,868 thousand (31 December 2020: KZT 814,868 thousand).

Dividends

The preferred shares earn a non-discretionary dividend of 300 tenge per share in accordance with the Company's charter documents. Preferred shares are considered to be compound financial instruments, and accordingly the liability and equity components are presented separately in the interim condensed consolidated statement of financial position. Dividends in the amount of KZT 44,818 thousand were accrued as at 30 June 2021 (at 30 June 2020: KZT 44,818 thousand) and are recorded as interest expenses in the interim condensed consolidated statement of comprehensive income (*Note 27*).

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

Movements in dividends payable for the six months ended 30 June were as follow:

<i>In thousands of tenge</i>	30 June 2021 (unaudited)	30 June 2020 (unaudited)
Dividends payable at the beginning of the period	17,577	1,598,354
Dividends declared on common shares to equity holders of the parent	18,530,843	8,330,464
Dividends declared on common shares to non-controlling interests	4,394,500	2,250,000
Dividends declared on preferred shares in excess of the obligatory amount	427,525	142,852
Interest on debt component of preferred shares (<i>Note 27</i>)	44,818	44,818
Offsetting	(1,386,421)	-
Dividends paid to equity holders of the Parent	(17,571,952)	(10,054,096)
Dividends paid to non-controlling interests	(4,394,500)	(2,250,000)
Dividends payable at the end of the period (<i>Note 19</i>)	62,390	62,392

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. EQUITY (continued)

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 2021 and at 31 December 2020.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of the subsidiaries, whose functional currency is not tenge and whose financial statements are included in these 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	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Net profit	30,108,080	9,264,607	55,530,422	29,965,489
Interest on preferred shares (<i>Note 27</i>)	22,409	22,409	44,818	44,818
Net profit for calculating of basic and diluted earnings per share	30,130,489	9,287,016	55,575,240	30,010,307
Weighted average number of common and preferred shares for calculation of basic earnings per share	11,004,809	11,004,809	11,004,809	11,004,809
Basic and diluted earnings per share, tenge	2,737.94	843.91	5,050.09	2,727.02

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 2021 (unaudited)	31 December 2020
Total assets	1,110,195,975	1,115,426,174
Less: intangible assets, including goodwill	358,456,246	369,756,125
Less: total liabilities	556,431,290	596,886,177
Less: preferred shares issued net of reacquired shares	298,785	298,785
Net assets for calculation of cost of ordinary share in accordance with listing requirements of KASE	195,009,654	148,485,087
Number of ordinary shares	10,706,024	10,706,024
Cost of ordinary share, calculated in accordance with listing requirements of KASE (in tenge)	18,215	13,869

Another requirement for disclosure is the amount of the dividends payable to owners of preferred non-voting shares, preferred non-voting shares in the equity and debt component of preferred non-voting shares, divided by number of preferred non-voting shares. At the same time, according to the methodology of KASE, the dividend payable on preferred shares, which are not paid due to the lack of up-to-date information about the shareholders, their payment details, are not taken into account. As at 30 June 2021, this indicator amounted to 3,727 tenge (as at 31 December 2020: 3,727 tenge).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. BORROWINGS

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

<i>In thousands of tenge</i>	Weighted average effective interest rate	30 June 2021 (unaudited)	Weighted average effective interest rate	31 December 2020
Borrowings with a fixed interest rate of 7.12% to 12.20% per annum	10.02%	182,918,240	10.99%	181,449,097
Bonds with a fixed interest rate of 11.84% to 11.86% per annum	11.85%	158,091,657	11.85%	180,952,977
		341,009,897		362,402,074

Borrowings are repayable as follows:

<i>In thousands of tenge</i>	30 June 2021 (unaudited)	31 December 2020
Current portion of borrowings	36,468,794	46,111,485
Maturity between 1 and 2 years	18,007,370	28,978,947
Maturity between 2 and 5 years	262,314,661	187,254,778
Maturity over 5 years	24,219,072	100,056,864
Total non-current portion of borrowings	304,541,103	316,290,589
Total borrowings	341,009,897	362,402,074

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

Borrowings	Maturity date	Currency	Effective interest rate	30 June 2021 (unaudited)	31 December 2020
Halyk Bank of Kazakhstan JSC	21 May 2027	Tenge	12.20%	63,334,505	68,609,396
Development Bank of Kazakhstan JSC	30 June 2032	Tenge	7.95%-8.41%	24,689,606	25,762,791
Halyk Bank of Kazakhstan JSC	22 February 2024	Tenge	11.20%	22,319,035	15,223,348
Development Bank of Kazakhstan JSC	19 December 2024	Tenge	7.12%-9.20%	20,861,161	23,651,673
Bank of China Kazakhstan JSC	2 June 2024	Tenge	10.30%	13,082,557	11,059,412
Halyk Bank of Kazakhstan JSC	30 June 2023	Tenge	12.18%	13,004,044	13,008,089
Alfa Bank JSC	5 January 2024	Tenge	10.70%	12,306,734	–
VTB Bank JSC	15 October 2023	Tenge	10.70%	7,004,176	6,005,330
Eurasian Development Bank JSC	20 June 2024	Tenge	11.19%	6,316,422	18,129,058
				182,918,240	181,449,097

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

During six months period ended 30 June 2021, the Group made repayment of principal amount for KZT 5,214,096 thousand and interest amount for KZT 3,893,373 thousand under the credit line agreements concluded with the Halyk Bank JSC with the maturity on 21 May 2027 (during six months period ended 30 June 2020: KZT 5,214,096 thousand and KZT 4,519,644 thousand).

During March-June 2020, the Group obtained several loans within the credit line agreements in Development Bank of Kazakhstan JSC for KZT 13,307,169 thousand. During six months period ended 30 June 2021, the Group made repayment of principal amount for KZT 1,066,666 thousand and interest amount for KZT 924,160 thousand under the credit line agreements concluded with the Development Bank of Kazakhstan JSC with the maturity in June 2032.

On 23 April 2020, the Group obtained loan in the amount of KZT 15,000,000 thousand within credit line agreement with Halyk Bank of Kazakhstan JSC with a maturity of 36 months and a fixed interest rate of 11.5% per annum. On 14 July 2020 interest rate of loan was decreased from 11.5% to 11.2% per annum under credit line agreement. The change in the interest rate from 11.5% to 11.2% per annum does not represent a substantial modification as in accordance with IFRS 9 and thus, it did not lead to the derecognition of the original liability. Consequently, in 2020 the Group recognized finance income in the amount of KZT 115,580 thousand as a result of change in the interest rate.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. BORROWINGS (continued)

On 24 February 2021 the Group obtained two loans in the amount of KZT 2,100,000 thousand and KZT 4,900,000 thousand from Halyk Bank JSC within the same credit line agreement. During six months period ended 30 June 2021, the Group made repayment of interest amount for KZT 1,043,156 thousand.

During six months period ended 30 June 2021, the Group made repayment of principal amount for KZT 2,742,766 thousand and interest amount for KZT 938,119 thousand under the credit line agreements concluded with the Development Bank of Kazakhstan JSC with the maturity in December 2024 (during six months period ended 30 June 2020: KZT 2,848,829 thousand and KZT 1,151,322 thousand).

During 2019 and 2020, the Group obtained loan in the amount of KZT 6,500,000 thousand and KZT 4,500,000 thousand, respectively, within credit line agreement with Bank of China Kazakhstan JSC with a repayment period of 36 months and a fixed interest rate of 10.5% per annum. On 14 October 2020 the Group has signed addendum to loan agreement with Bank of China JSC to decrease interest rate from 10.5% to 10.3% per annum under credit line agreement. The change in the interest rate does not represent a substantial modification in accordance with IFRS 9 and thus, it did not lead to the derecognition of the original liability. Consequently, in 2020 the Group recognized finance income in the amount of KZT 31,974 thousand as a result of change in the interest rate. On 2 June 2021 the Group obtained additional tranche in the amount of KZT 2,000,000 thousand from Bank of China JSC within the same credit line agreement. During six months period ended 30 June 2021, the Group made repayment of interest amount for KZT 571,364 thousand.

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 12.18% and maturity date on June 2023.

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

On 3 February 2020, the Group fully repaid loans 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 KZT 133,249 thousand, respectively. On 15 October 2020 the Group signed credit line agreement with VTB Bank JSC for the amount of KZT 6,000,000 thousand at fixed interest rate of 10.7% per annum. On 28 October 2020 the Group obtained loan in the amount of KZT 6,000,000 thousand within the credit line agreement with VTB Bank JSC with maturity till October 2023 at interest rate 10.7% per annum. On 31 March 2021 the Group signed an additional agreement with VTB Bank JSC to increase the amount of the credit line from KZT 6,000,000 thousand to KZT 7,000,000 thousand, and obtained KZT 1,000,000 thousand with a maturity until 15 October 2023 and an interest rate of 10.7% per annum. During six months period ended 30 June 2021, the Group made repayment of interest amount for KZT 212,943 thousand.

On 8 January 2021 the Group partially repaid the principal of the loan obtained from Eurasian Development Bank JSC in the amount of KZT 12,000,000 thousand. On 20 May 2021 the Group has signed addendum to loan agreement with Eurasian Development Bank JSC to decrease interest rate from 11.5% to 11.19% per annum under credit line agreement. The change in the interest rate does not represent a substantial modification as in accordance with IFRS 9 and thus, it did not lead to the derecognition of the original liability. During six months period ended 30 June 2021, the Group made repayment of interest amount for KZT 459,042 thousand.

As at 30 June 2021 and 31 December 2020, debt securities issued represented by the following:

Bonds	Maturity date	Currency	Effective interest rate	30 June 2021 (unaudited)	31 December 2020
Local bonds of Kazakhtelecom JSC (KZTKb3)	19 June 2026	Tenge	11.86%	80,216,657	80,207,595
Local bonds of Kazakhtelecom JSC (KTCB.1024 and KTCB2.1024) (Note 31)	1 November 2024	Tenge	11.84%	77,875,000	77,875,000
Local bonds of Kcell JSC (KCELB1)	16 January 2021	Tenge	11.84%	-	22,870,382
				158,091,657	180,952,977

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. BORROWINGS (continued)

In accordance with the terms of the bonds sale agreements concluded with the Parent, the Group is obliged to provide collateral represented by shares of Kcell JSC sufficient to cover the total amount of the agreements before 31 December 2019 or the primary/secondary public offering of shares of Kazakhtelecom JSC on the stock market, depending on what comes last. On 18 August 2020, 150 million shares or 75% of shares of Kcell JSC were pledged to the Parent as a collateral for the bonds of the Group.

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

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

Covenants

The Group is required to ensure execution of the financial and non-financial covenants under the terms of the loan agreements. Failure to comply with financial covenants gives the lenders the right to demand early repayment of loans. As at 30 June 2021 and 31 December 2020, the Group complied with all financial and non-financial covenants.

17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

<i>In thousands of tenge</i>	Buildings and constructions	Equipment	Total
Cost			
At 1 January 2020	60,344,073	42,848,491	103,192,564
Modifications	(104,609)	-	(104,609)
At 30 June 2020	60,239,464	42,848,491	103,087,955
At 1 January 2021			
Additions	60,846,301	42,848,491	103,694,792
Modifications	3,929,320	-	3,929,320
Disposals	1,365,213	-	1,365,213
	(1,223,530)	-	(1,223,530)
At 30 June 2021	64,917,304	42,848,491	107,765,795
Accumulated depreciation			
At 1 January 2020	7,196,419	3,898,709	11,095,128
Depreciation charge	4,645,527	1,949,512	6,595,039
At 30 June 2020	11,841,946	5,848,221	17,690,167
At 1 January 2021	16,569,720	7,430,654	24,000,374
Depreciation charge	5,115,770	1,593,790	6,709,560
At 30 June 2021	21,685,490	9,024,444	30,709,934
Net book value			
At 31 December 2020	44,276,581	35,417,837	79,694,418
At 30 June 2021	43,231,814	33,824,047	77,055,861

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

<i>In thousands of tenge</i>	30 June 2021 (unaudited)	30 June 2020 (unaudited)
At the beginning of the period	59,110,635	73,216,589
Additions	3,929,320	-
Modifications	1,365,213	(104,609)
Disposals	(930,609)	-
Interest expenses (Note 27)	3,756,523	4,289,313
Payment of interest part	(3,756,523)	(4,289,313)
Payment of principal part	(8,047,490)	(6,789,168)
At the end of the period	55,427,069	66,322,812

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

<i>In thousands of tenge</i>	30 June 2021 (unaudited)	31 December 2020
Lease liabilities: non-current portion	39,528,611	42,461,444
Lease liabilities: current portion	15,898,458	16,649,191

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

<i>В тыс. тенге</i>	For three months ended 30 June		For six months ended 30 June	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Depreciation expense of right-of-use assets	3,756,489	3,009,238	6,709,560	6,595,039
Interest expense on lease liabilities	1,963,196	1,988,333	3,756,523	4,289,313
Expense relating to short-term leases and leases of low-value assets (included in cost of sales) (Note 24)	179,910	28,659	321,799	129,839
Expense relating to short-term leases (included in general and administrative expenses)	5,301	94,941	24,020	102,125
	5,904,896	5,121,171	10,811,902	11,116,316

During six months period ended 30 June 2021, the Group had total cash outflows (principal and interest amount) for leases of KZT 12,149,832 thousand, including cash outflow of KZT 345,819 thousand related to leases of low-value assets and short-term leases (during six months period ended 30 June 2020: KZT 11,484,376 thousand and KZT 231,964 thousand, respectively). During six months period ended 30 June 2021, the Group also had non-cash additions to right-of-use assets and lease liabilities of KZT 3,929,320 thousand (during six months period ended 30 June 2020: nil).

18. NON-CURRENT CONTRACT LIABILITIES

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

<i>In thousands of tenge</i>	30 June 2021 (unaudited)	31 December 2020
Contract liabilities from operators	4,275,379	3,775,772
Contract liabilities for connection of subscribers	638,997	704,852
Other contract liabilities	2,138,148	1,874,671
	7,052,524	6,355,295

19. OTHER CURRENT FINANCIAL LIABILITIES

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

<i>In thousands of tenge</i>	30 June 2021 (unaudited)	31 December 2020
Payable to employees	11,543,067	18,724,559
Dividends payable (Note 15)	62,390	17,577
Trademark payment obligation	-	1,861,290
Other	579,500	554,274
	12,184,957	21,157,700

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. CURRENT CONTRACT LIABILITIES

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

<i>In thousands of tenge</i>	30 June 2021 (unaudited)	31 December 2020
Advances received	17,407,828	16,613,199
Contract liabilities from operators	1,511,589	1,382,292
Contract liabilities for connection of subscribers	339,573	365,438
Other contract liabilities	74,300	83,758
Other	106,763	144,830
	19,440,053	18,589,517

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

21. OTHER CURRENT NON-FINANCIAL LIABILITIES

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

<i>In thousands of tenge</i>	30 June 2021 (unaudited)	31 December 2020
Taxes payable other than income tax	10,043,802	2,091,070
Legal claims on contractual obligation and penalties	3,684,675	4,385,679
Tax provisions	1,616,063	1,616,063
Asset retirement obligations	621,435	553,618
Government pension contribution	608,327	604,275
Other	492,740	806,629
	17,067,042	10,057,334

22. 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 2021			
	Fixed line	Mobile connection	Other	Total
Data transfer services	30,773,630	38,674,052	3,472	69,451,154
Rendering of fixed line and wireless phone services	9,182,717	31,839,090	-	41,021,807
Sale of equipment and mobile devices	1,238	7,674,943	-	7,676,181
Interconnect	4,036,553	3,280,214	-	7,316,767
Rent of channels	748,882	-	-	748,882
Other	13,874,225	1,976,999	302,638	16,153,862
	58,617,245	83,445,298	306,110	142,368,653
Services transferred over time	58,616,007	75,770,355	306,110	134,692,472
Goods transferred at a point of time	1,238	7,674,943	-	7,676,181
	58,617,245	83,445,298	306,110	142,368,653
B2C*	30,504,194	70,696,064	-	101,200,258
B2B**	10,036,847	6,455,952	306,110	16,798,909
B2O***	4,658,075	6,248,950	-	10,907,025
B2G****	13,418,129	44,332	-	13,462,461
	58,617,245	83,445,298	306,110	142,368,653

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

<i>In thousands of tenge</i>	For the three months ended 30 June 2020 ^[1]			
	Fixed line	Mobile connection	Other	Total
Data transfer services	28,168,590	35,009,647	3,622	63,181,859
Rendering of fixed line and wireless phone services	9,589,899	26,196,752	–	35,786,651
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

<i>In thousands of tenge</i>	For the six months ended 30 June 2021			
	Fixed line	Mobile connection	Other	Total
Data transfer services	61,094,451	76,037,178	6,943	137,138,572
Rendering of fixed line and wireless phone services	18,553,133	60,944,622	–	79,497,755
Sale of equipment and mobile devices	3,479	15,613,494	–	15,616,973
Interconnect	7,896,813	6,167,934	–	14,064,747
Rent of channels	1,491,937	–	–	1,491,937
Other	26,757,973	3,988,456	765,340	31,511,769
	115,797,786	162,751,684	772,283	279,321,753
Services transferred over time	115,794,307	147,138,190	772,283	263,704,780
Goods transferred at a point of time	3,479	15,613,494	–	15,616,973
	115,797,786	162,751,684	772,283	279,321,753
B2C*	60,124,096	137,874,335	–	197,998,431
B2B**	19,701,651	13,039,291	772,283	33,513,225
B2O***	9,123,273	11,750,505	–	20,873,778
B2G****	26,848,766	87,553	–	26,936,319
	115,797,786	162,751,684	772,283	279,321,753

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

<i>In thousands of tenge</i>	For the six months ended 30 June 2020 ⁽¹⁾			
	Fixed line	Mobile connection	Other	Total
Data transfer services	54,573,694	69,295,001	7,210	123,875,905
Rendering of fixed line and wireless phone services	19,512,160	54,447,712	–	73,959,872
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	3,278,640	227,225	21,465,714
	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

⁽¹⁾ Certain amounts shown here do not correspond to the interim condensed consolidated financial statements for the three and six months ended 30 June 2020, as they reflect the adjustments made, as detailed in Note 4.

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

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

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

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

23. COMPENSATION FOR PROVISION OF UNIVERSAL SERVICES IN RURAL AREAS

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

The tender for the identification of universal services operator was conducted in February 2021 and based on the results of the tender Kazakhtelecom JSC was selected as the universal services operator. As at 30 June 2021 there were no unfulfilled conditions or contingencies attached to these subsidies. The compensation received for the three and six months ended 30 June 2021 was equal to KZT 1,603,384 thousand and KZT 3,206,766 thousand, respectively.

As of 30 June 2020, 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 as the tender for the identification of universal services operator has not yet been conducted. Accordingly, the Group has not recognised compensation revenue for provision of universal services in rural areas for the three and six months ended 30 June 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. COST OF SALES

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

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Depreciation and amortization	27,958,973	26,574,202	55,641,769	52,382,102
Personnel costs	21,511,460	19,572,972	41,573,313	38,167,369
Interconnect	7,784,338	6,930,273	14,991,408	15,389,137
Cost of SIM-card, scratch card and handsets	7,269,457	5,083,027	14,736,175	10,210,920
Repair and maintenance	5,016,327	4,357,830	9,491,286	8,777,419
Fees for radiofrequencies use	3,464,406	3,524,632	7,871,885	7,120,005
Electricity	2,650,796	2,050,095	5,208,703	4,341,456
Rent of channels	2,399,743	2,596,554	4,907,679	5,039,986
Fee to provide telecom services	1,978,164	1,749,101	3,921,323	3,534,986
Content	1,232,787	1,142,222	2,394,589	2,224,319
Inventories	1,072,478	1,030,674	1,908,683	1,877,909
Security and safety	725,331	640,847	1,475,572	1,310,978
Utilities	516,650	584,903	1,225,177	1,316,432
Business trip expenses	307,597	173,527	527,689	431,545
Network sharing agreement	195,309	129,009	457,158	288,209
Insurance	178,103	193,361	403,944	340,107
Satellite communication services	199,664	210,893	399,801	431,921
Short-term leases and leases of low-value assets (Note 17)	179,910	28,659	321,799	129,839
Other	2,835,514	1,584,652	4,954,500	3,332,446
	87,477,007	78,157,433	172,412,453	156,647,085

25. INCOME FROM COMPENSATION FROM TELIA AND TURKCELL

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

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

26. OTHER OPERATING INCOME

Other operating income for the three and six months periods ended 30 June comprised:

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Reimbursement of IPO expenses from Parent	1,386,412	–	1,386,412	–
Fines and penalties	1,241,765	16,135	1,315,459	440,116
Rental income	414,339	479,428	680,733	759,966
Income from liabilities write-off	83,473	39,405	232,288	126,005
Non-core operations	33,598	17,237	55,356	56,446
Services for the provision of secure communication channels	28,329	72,820	55,224	133,640
Other	238,898	99,586	1,496,246	315,766
	3,426,814	724,611	5,221,718	1,831,939

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. FINANCE COSTS

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

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Interest expense on loans	9,211,050	10,549,110	18,771,470	20,542,454
Interest expense on lease liabilities (Note 17)	1,963,196	1,988,333	3,756,523	4,289,313
Discounting of other non-current financial assets	448,708	30,303	463,726	71,380
Unwinding of discount (provision for asset retirement obligations)	142,258	121,123	304,027	269,819
Interest on debt component of preferred shares (Note 15)	22,409	22,409	44,818	44,818
Discounting of long-term loans to employees	28,954	(27,187)	33,937	282,114
Other costs	52,623	34,044	71,686	53,938
	11,869,198	12,718,135	23,446,187	25,553,836

28. INCOME TAX EXPENSES

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

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Current income tax expenses	10,973,721	6,190,374	19,628,403	14,960,981
Adjustments in respect of current income tax of previous years	–	163,740	–	(147,449)
Deferred income tax benefit/(expenses)	1,107,555	(1,670,943)	(214,615)	(2,566,756)
	12,081,276	4,683,171	19,413,788	12,246,776

29. DISPOSAL GROUP

KT Cloud Lab LLP

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

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

On 14 June 2021, the Group has concluded an agreement with the winner of the tender under which payments shall be made in 3 tranches (the first tranche in the amount of 30% of the purchase price within 30 days after agreement signing date, the second tranche in the amount of 35% of the purchase price within 12 months after signing date and the third tranche in the amount of 35% of the purchase price within 24 months after signing date). The transfer of the ownership right is carried out proportionally, while the unpaid and not transferred share is transferred to trust management until full repayment. As at 30 June 2021, the Group did not receive any payment, therefore assets and liabilities of KT Cloud Lab LLP were classified as assets held for sale and liabilities directly associated with the assets held for sale.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. DISPOSAL GROUP (continued)

The major classes of assets and liabilities of KT Cloud Lab LLP classified as held for sale as at 30 June 2021 and 31 December 2020 were as follows:

<i>In thousands of tenge</i>	30 June 2021 (unaudited)	31 December 2020
Assets		
Property and equipment	525,792	524,616
Intangible assets	483,934	483,934
Other non-current financial assets	77,431	78,504
Inventories	8,546	14,485
Trade receivables	635,484	277,519
Other current non-financial assets	22,958	43,130
Other current financial assets	164,340	165,422
Advanced paid	15,819	3,764
Cash and cash equivalents	447,868	280,634
Assets held for sale	2,382,172	1,872,008
Liabilities		
Deferred tax liabilities	11,099	11,099
Trade payables	139,853	227,904
Other current financial liabilities	183,399	235,884
Contract liabilities	63	136
Other current non-financial liabilities	444,965	420,194
Liabilities directly associated with assets held for sale	779,379	895,217
Net assets directly associated with disposal group	1,602,793	976,791

30. NON-CASH TRANSACTIONS

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

During the three and six months periods ended 30 June 2021, the Group paid an amount of KZT 0 and KZT 34,791,217 thousand, respectively, for property and equipment purchased in prior year (during the three and six months periods ended 30 June 2020: KZT 4,667,762 thousand and KZT 32,009,038 thousand, respectively). Property and equipment in the amount of KZT 13,988,034 thousand were purchased during the six months periods ended 30 June 2021 but not paid by 30 June 2021 (purchased, but not paid by 30 June 2020: KZT 9,862,225 thousand).

During the three and six months periods ended 30 June 2021, the Group received repayment of loans provided to employees in the amount of KZT 424,796 thousand and KZT 847,861 thousand, respectively (during the three and six months periods ended 30 June 2020: KZT 501,217 thousand and KZT 1,002,266 thousand, respectively). The repayments were withheld from the salary of employees.

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

31. RELATED PARTY TRANSACTIONS

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

At 30 June 2021, the Group recognized a provision for expected credit loss in the amount of KZT 113,935 thousand in respect of receivables from related parties.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. RELATED PARTY TRANSACTIONS (continued)

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

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Sales of goods and services				
Parent	1,335,435	9,327	1,342,624	22,890
Parent-controlled entities	532,032	598,040	1,028,599	1,198,338
Associate (Qaz Cloud LLP)	243,300	195,193	466,114	375,839
Government-related entities	10,028,178	10,542,988	21,785,394	19,919,498
Purchases of goods and services				
Parent	95	17	98	(1)
Parent-controlled entities	562,182	528,158	2,745,146	1,058,312
Associate (Qaz Cloud LLP)	528,726	135,698	541,280	310,150
Government-related entities	58,182	55,468	130,240	97,859
Interest accrued on borrowings				
Entities under state control (Development Bank of Kazakhstan JSC)	894,313	976,833	1,808,014	1,805,003
<i>Average interest rate on borrowings</i>	8.15%	8.23%	8.15%	8.23%
Parent*	2,156,250	2,875,000	4,312,500	5,750,000
<i>Average interest rate on borrowings</i>	11.84%	12.18%	11.84%	12.18%

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

<i>In thousands of tenge</i>	30 June 2021 (unaudited)	31 December 2020
Cash and cash equivalents		
Entities under state control (Development Bank of Kazakhstan JSC)	30	50
Borrowings and bonds (Note 16)		
Entities under state control (Development Bank of Kazakhstan JSC)	45,550,767	49,414,464
Parent*	77,875,000	77,875,000
Trade receivables		
Parent	104,629	2,760
Parent-controlled entities	458,768	608,395
Associate (Qaz Cloud LLP)	110,640	137,327
Government-related entities	13,019,981	6,019,838
Trade payables		
Parent	59	59
Parent-controlled entities	1,526,549	231,402
Associate (Qaz Cloud LLP)	50,755	134,869
Government-related entities	866,075	1,081,231
Other non-current assets		
Long-term loans to key management personnel	11,518	23,573

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

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

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

Impairment losses on financial assets for the six months ended 30 June 2021, comprise accrued/(recovered) allowance for expected credit loss for trade receivables in amount of KZT 1,335,907 thousand (*Note 11*), trade receivables of disposal group (KT Cloud Lab LLP) in amount of KZT (1,154) thousand, other current financial assets in amount of KZT 13,715 thousand (*Note 12*), cash and cash equivalents in amount of KZT 116 thousand (*Note 14*) (for the six months ended 30 June 2020: trade receivables in amount of KZT 1,490,802 thousand, other current financial assets in amount of KZT 69,033 thousand, cash and cash equivalents in amount of KZT (8,473) thousand).

Impairment losses on financial assets for the three months ended 30 June 2021, comprise accrued/(recovered) allowance for expected credit loss for trade receivables in amount of KZT 873,061 thousand (*Note 11*) and trade receivables of disposal group (KT Cloud Lab LLP) in amount of KZT 795 thousand, other current financial assets in amount of KZT (15,779) thousand (*Note 12*), cash and cash equivalents in amount of KZT (335) thousand (*Note 14*) (for the three months ended 30 June 2020: trade receivables in amount of KZT 411,629 thousand, other current financial assets in amount of KZT 9,869 thousand, cash and cash equivalents in amount of KZT 5,550 thousand).

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

(Gain from reversal of impairment) / impairment losses on non-financial assets for the six months ended 30 June 2021, comprise recovered allowance for impairment of advances paid for current assets for KZT (794) thousand and impairment of fixed assets for KZT (98,716) thousand (*Note 6*) (for the six months ended 30 June 2020: accrued/(recovered) allowance for impairment of advances paid for non-current assets for KZT (4,006) thousand, 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).

(Gain from reversal of impairment) / impairment losses on non-financial assets for the three months ended 30 June 2021, comprise accrued allowance for impairment of advances paid for current assets for KZT 47 thousand, impairment of fixed assets for KZT 1,399 thousand (*Note 6*) (for the three months ended 30 June 2020: 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).

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)

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

Fair value

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

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 2021 was as follow:

<i>In thousands of tenge</i>	Date of valuation	Fair value measurement using			Total
		Price quotations on active markets (Level 1)	Significant observable in-puts (Level 2)	Significant unobservable in-puts (Level 3)	
Assets for which fair values are disclosed					
Financial assets at amortized cost	30 June 2021	9,940,000	-	-	9,940,000
Other non-current financial assets	30 June 2021	-	-	5,637,591	5,637,591
Other current financial assets	30 June 2021	-	-	4,149,927	4,149,927
Trade receivables	30 June 2021	-	-	43,870,206	43,870,206
Liabilities for which fair values are disclosed					
Borrowings	30 June 2021	-	-	341,031,160	341,031,160
Other non-current financial liabilities	30 June 2021	-	-	428,526	428,526
Other current financial liabilities	30 June 2021	-	-	12,184,957	12,184,957
Trade payables	30 June 2021	-	-	34,353,759	34,353,759

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Fair value (continued)

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

<i>In thousands of tenge</i>	Carrying amount as at 30 June 2021 (unaudited)	Fair value as at 30 June 2021 (unaudited)	Unrecognised gain/(loss) as at 30 June 2021 (unaudited)	Carrying amount as at 31 December 2020	Fair value as at 31 December 2020	Unrecognised gain/(loss) as at 31 December 2020
Financial assets						
Cash and cash equivalents	117,872,360	117,872,360	-	94,428,532	94,428,532	-
Other non-current financial assets	5,557,041	5,637,591	80,550	4,789,179	5,139,320	350,141
Other current financial assets	4,149,927	4,149,927	-	3,626,074	3,626,074	-
Financial assets at amortized cost	9,972,817	9,940,000	(32,817)	18,923,399	18,624,000	(299,399)
Trade receivables	43,870,206	43,870,206	-	34,711,705	34,711,705	-
Financial liabilities						
Borrowings	341,009,897	341,031,160	(21,263)	362,402,074	361,549,441	852,633
Other non-current financial liabilities	438,752	428,526	10,226	1,001	1,001	-
Other current financial liabilities	12,184,957	12,184,957	-	21,157,700	21,157,700	-
Trade payables	34,353,759	34,353,759	-	54,866,134	54,866,134	-
Total unrecognised change in unrealised fair value			36,696			903,375

33. COMMITMENTS AND CONTINGENCIES

Operating environment

In Kazakhstan, economic reforms and the development of the legal, tax and administrative infrastructure that meets the developed markets are still in process. The future stability of the Kazakhstan economy will largely depend on these reforms, as well as on the effectiveness of the Government's actions in the area of economy, financial and monetary policy.

Coronavirus pandemic and market conditions

The coronavirus pandemic left its mark on 2020 and continues to have impact in 2021, requiring businesses to limit or suspend operations and implement restrictions. On 1 July 2021, Ministry of Healthcare performed PCR screening and the Indian strain of COVID-19 was found in all regions and cities of Nur-Sultan, Almaty, Shymkent. Thus, on 1 July 2021 chief state sanitary doctor of the Republic of Kazakhstan introduced new decree, which obliges Akims of regions, cities of Almaty, Nur-Sultan, Shymkent, NPP "Atameken" (as agreed), national companies, heads of organizations, individuals and legal entities, regardless of the form of ownership, operating in the territory of the Republic of Kazakhstan to organize preventive vaccinations of employees with the first component by 10 August 2021 and with the second component of the COVID-19 by 1 September 2021 (except for those who have permanent medical contraindications and have recovered from COVID-19 during the last three months). Admission to full-time work of those organizations for unvaccinated employees is limited.

The measures taken to contain the virus have adversely affected operations activity and disrupted many businesses resulting in significant economic downturn in the markets. As the outbreak continues to progress and evolve, it is extremely challenging to predict the full extent and duration of its impact on the Group's businesses.

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

33. COMMITMENTS AND CONTINGENCIES (continued)**Coronavirus pandemic and market conditions (continued)**

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

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

Based on information available as at 30 June 2021, the management of the Group believes that there were no impairment indicators of its long-term assets. While it is impossible to quantify the long-term impact of the coronavirus pandemic, the Group expects to see appreciable effects on the economy as a whole, while on the other, the pandemic has given a boost to the digitalization trend, which would contribute strengthen the role of the companies in telecommunications and IT sector, and will give impetus to the development of technologies and communication networks.

Capital commitments

The Group generally enters into contracts for the completion of construction projects and purchase of telecommunication equipment. As at 30 June 2021, the Group had contractual obligations in the total amount of KZT 35,978,888 thousand, including VAT (as at 31 December 2020: KZT 33,543,751 thousand, including VAT) mainly related to purchase of telecommunication equipment and construction of telecommunication network.

License commitments

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

Taxation

Tax legislation and regulatory framework of the Republic of Kazakhstan are subject to constant changes and allow for different interpretations. In addition, management believes that international agreements, under which the Group works with non-residents residing in International Telecommunication Union, and which provide for certain tax exemptions, have a priority over national tax legislation. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Penalties are generally 50-80% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of the Republic of Kazakhstan multiplied by 1.25. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review.

Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 30 June 2021. Management believes that as at 30 June 2021 its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these interim condensed consolidated financial statements.

Tax risks assessment

In the beginning of 2020, the Group performed recalculation of the tax risk provisions recognized by the Group in previous years. Accordingly, for the six months ended 30 June 2020, the Group recognised reversal of provision on VAT and personal income tax in the amount of KZT 256,782 thousand and KZT 210,827 thousand, respectively, and income from reversal of the tax and related fines and penalties provision in the amount of KZT 34,298 thousand due to expiration of the limitation period (for the three months ended 30 June 2020: income from reversal of the tax and related fines and penalties provision in the amount of KZT 21,600 thousand due to expiration of the limitation period).

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

33. COMMITMENTS AND CONTINGENCIES (continued)**Taxation (continued)***Tax risks assessment (continued)*

In addition, for the six months ended 30 June 2020 the Group recognized reserve on CIT expenses in the amount of KZT 488,380 thousand in the interim condensed 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. The Group plans to complete modernization by the end of November 2021 and total amount of capital expenditures in respect to this technical regulation is expected to amount to KZT 5,677,420 thousand. As of 30 June 2021 capital expenditures in respect to this technical regulation incurred by the Group equaled to KZT 3,489,863 thousand.

Customs inspection

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

On 22 April 2021 the custom audit was resumed, and a preliminary report was issued. According to the report, the Group was charged additional VAT charge in the amount of KZT 39,354 thousand and late payment penalty in the amount of KZT 18,184 thousand. The preliminary report was reviewed by the Group.

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

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

5G services

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

34. SUBSEQUENT EVENTS

On 1 July 2021 the Group has repaid loan obtained from Halyk Bank of Kazakhstan JSC in the amount of KZT 13,000,000 thousand ahead of the schedule.

On 14 July 2021, the Group has receipt the first tranche of payment for KZT 416,500 thousand (equal to 30% of sale price) under the concluded sale agreement of KT Cloud Lab LLP.

On 14 July 2021 the Group additionally acquired notes of the National Bank of the Republic of Kazakhstan in the amount of KZT 12,911,860 thousand.