



Kazakhtelecom JSC

Interim condensed consolidated financial statements
(unaudited)

30 June 2018

CONTENTS

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
Accounting policies and notes to the interim condensed consolidated financial statements 8-40

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**As at 30 June 2018**

| <i>In thousands of tenge</i> | Notes | 30 June 2018 (unaudited) | 31 December 2017 (audited)* |
|--------------------------------------|-------|--------------------------------|-----------------------------------|
| Assets | | | |
| Non-current assets | | | |
| Property and equipment | 5 | 243,990,180 | 259,021,612 |
| Intangible assets | 6 | 14,161,630 | 15,592,544 |
| Advances paid for non-current assets | | 8,928 | 39,678 |
| Investments in associates | 7 | 72,110,170 | 69,246,140 |
| Deferred tax assets | | 176,593 | 104,614 |
| Contract costs | | 30,757 | - |
| Other non-current assets | | 2,279,159 | 2,453,521 |
| Other non-current financial assets | 9 | 6,264,601 | 9,457,306 |
| | | 339,022,018 | 355,915,415 |
| Current assets | | | |
| Inventories | | 2,928,978 | 3,014,872 |
| Trade receivables | 10 | 37,199,777 | 32,094,228 |
| Advances paid | | 801,401 | 538,756 |
| Corporate income tax prepaid | | 31,607 | 7,269 |
| Contract costs | | 117,848 | - |
| Other current assets | | 1,671,043 | 1,624,022 |
| Other current financial assets | 11 | 45,628,310 | 62,133,687 |
| Cash and cash equivalents | 12 | 46,089,790 | 15,985,943 |
| | | 134,468,754 | 115,398,777 |
| Total assets | | 473,490,772 | 471,314,192 |

The accompanying policies and notes on pages 8 to 40 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> | Notes | 30 June 2018 (unaudited) | 31 December 2017 (audited)* |
|---|-------|--------------------------------|-----------------------------------|
| Equity | | | |
| Shares outstanding | 13 | 12,136,529 | 12,136,529 |
| Treasury shares | 13 | (6,464,374) | (6,464,374) |
| Foreign currency translation reserve | 13 | (4,639) | (6,354) |
| Other reserves | 13 | 1,820,479 | 1,820,479 |
| Retained earnings | | 352,576,361 | 351,621,657 |
| Total equity | | 360,064,356 | 359,107,937 |
| Non-current liabilities | | | |
| Borrowings: non-current portion | 14 | 22,938,098 | 24,967,690 |
| Finance lease liabilities | | 6,312,201 | 7,681,118 |
| Other non-current financial liabilities | 15 | 938,878 | 260,431 |
| Deferred tax liabilities | | 18,717,953 | 19,040,850 |
| Employee benefit obligations | | 11,777,093 | 11,940,014 |
| Debt component of preferred shares | 13 | 874,244 | 874,244 |
| Contract liabilities | 15 | 5,486,300 | - |
| Other non-current liabilities | 15 | 187,448 | 5,361,847 |
| | | 67,232,215 | 70,126,194 |
| Current liabilities | | | |
| Borrowings: current portion | 14 | 4,786,748 | 2,357,864 |
| Financial lease liabilities: current portion | | 3,048,222 | 3,920,719 |
| Other current financial liabilities | 15 | 11,540,140 | 13,356,061 |
| Employee benefit obligations: current portion | | 1,071,848 | 992,170 |
| Trade payables | | 11,722,022 | 13,506,545 |
| Current corporate income tax payable | | 2,871,863 | 91,891 |
| Contract liabilities | 15 | 4,746,708 | - |
| Advances received | | - | 3,033,151 |
| Other current liabilities | 15 | 6,406,650 | 4,821,660 |
| | | 46,194,201 | 42,080,061 |
| Total liabilities | | 113,426,416 | 112,206,255 |
| Total equity and liabilities | | 473,490,772 | 471,314,192 |

* The Group has initially applied IFRS 15 and IFRS 9 using the cumulative effect method. Under this method, the comparative information is not restated. See Note 3.

Book value per one ordinary share, KZT 32,275 32,052

Book value per one preferred share of the first group, KZT 8,856 8,538

Chief financial officer



Uzbekov A.A.

Chief accountant

Suleimanov Y.E.

The accompanying policies and notes on pages 8 to 40 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For three and six months periods ended 30 June 2018

| <i>In thousands of tenge</i> | Notes | For three months ended 30 June | | For six months ended 30 June | |
|--|-------|--------------------------------|----------------------|------------------------------|------------------------|
| | | 2018 (unaudited) | 2017* (unaudited) | 2018 (unaudited) | 2017*** (unaudited) |
| Revenue | 16 | 51,900,241 | 50,631,771 | 103,623,294 | 100,936,967 |
| Cost of sales | 18 | (36,225,418) | (34,009,377) | (68,154,253) | (65,589,692) |
| Gross profit | | 15,674,823 | 16,622,394 | 35,469,041 | 35,347,275 |
| General and administrative expenses | | (4,551,483) | (5,755,516) | (8,883,532) | (9,693,761) |
| Impairment losses on financial assets | | (3,302,392) | - | (4,369,617) | - |
| Selling expenses | | (559,245) | (540,563) | (1,255,918) | (1,132,298) |
| Operating profit | | 7,261,703 | 10,326,315 | 20,959,974 | 24,521,216 |
| Share in profits/(losses) of associates | | 1,481,967 | (1,127,520) | 2,301,030 | (3,070,100) |
| Finance costs | | (1,373,555) | (1,468,904) | (2,470,369) | (2,784,764) |
| Finance income | | 1,295,248 | 1,224,211 | 2,088,151 | 2,004,618 |
| Net foreign exchange gain/(loss) | | 4,914,092 | 751,175 | 1,926,165 | (1,575,586) |
| Gain on disposal of property and equipment | | 198,879 | (16,145) | 236,042 | 234,651 |
| Other income | | 1,126,504 | 1,082,057 | 2,074,466 | 2,183,043 |
| Other expenses | | (165,154) | (140,512) | (347,382) | (309,862) |
| Profit before tax for the period | | 14,739,684 | 10,630,677 | 26,768,077 | 21,203,216 |
| Income tax expenses | 19 | (4,212,425) | (2,560,009) | (6,873,520) | (4,988,069) |
| Profit for the period | | 10,527,259 | 8,070,668 | 19,894,557 | 16,215,147 |

The accompanying policies and notes on pages 8 to 40 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

| <i>In thousands of tenge</i> | Notes | For three months ended 30 June | | For six months ended 30 June | |
|--|-------|--------------------------------|----------------------|------------------------------|------------------------|
| | | 2018 (unaudited) | 2017* (unaudited) | 2018 (unaudited) | 2017*** (unaudited) |
| Other comprehensive income/(loss) | | | | | |
| <i>Other comprehensive (loss)/income 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 | | (4,389) | 5,190 | 1,715 | 17,713 |
| Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods | | (4,389) | 5,190 | 1,715 | 17,713 |
| <i>Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods (net of tax)</i> | | | | | |
| Actuarial gain / (losses) on defined benefit plans, net of income tax | | 397,045 | (739,675) | 662,730 | (1,338,413) |
| Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods | | 397,045 | (739,675) | 662,730 | (1,338,413) |
| Other comprehensive income/(loss) for the period, net of tax | | 392,656 | (734,485) | 664,445 | (1,320,700) |
| Total comprehensive income for the period, net of tax | | 10,919,915 | 7,336,183 | 20,559,002 | 14,894,447 |
| Earnings per share | | | | | |
| Basic and diluted, net profit for the period, tenge | | 956.78 | 734.02 | 1,808.38 | 1,474.74 |

* The Group has initially applied IFRS 15 and IFRS 9 using the cumulative effect method. Under this method, the comparative information is not restated. See Note 3.

** Certain amounts in this column do not agree to the interim condensed consolidated financial statements for the three and six months period ended 30 June 2017, as they reflect the adjustments made, details of which are provided in Note 3.

Chief financial officer



Uzbekov A.A.

Chief accountant

Suleimanov Y.E.

The accompanying policies and notes on pages 8 to 40 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months periods ended 30 June 2018

| <i>In thousands of tenge</i> | Shares outstanding | Treasury shares | Foreign currency translation reserve | Other reserves | Retained earnings | Total equity |
|---|-----------------------|--------------------|---|-------------------|----------------------|-----------------|
| At 1 January 2017 (audited)* | 12,136,529 | (6,464,374) | (1,957) | 1,820,479 | 336,306,933 | 343,797,610 |
| Net profit for the period (unaudited) | - | - | - | - | 16,215,147 | 16,215,147 |
| Other comprehensive income (unaudited) | - | - | 17,713 | - | (1,338,413) | (1,320,700) |
| Total comprehensive income (unaudited) | - | - | 17,713 | - | 14,876,734 | 14,894,447 |
| Dividends (unaudited) (Note 13) | - | - | - | - | (4,365,382) | (4,365,382) |
| At 30 June 2017 (unaudited)* | 12,136,529 | (6,464,374) | 15,756 | 1,820,479 | 346,818,285 | 354,326,675 |
| At 1 January 2018 (audited)* | 12,136,529 | (6,464,374) | (6,354) | 1,820,479 | 351,621,657 | 359,107,937 |
| Change in accounting policy due to application of IFRS 15 and IFRS 9 (Note 3) | - | - | - | - | (2,100,571) | (2,100,571) |
| At 1 January 2018 (restated) | 12,136,529 | (6,464,374) | (6,354) | 1,820,479 | 349,521,086 | 357,007,366 |
| Net profit for the period (unaudited) | - | - | - | - | 19,894,557 | 19,894,557 |
| Other comprehensive income (unaudited) | - | - | 1,715 | - | 662,730 | 664,445 |
| Total comprehensive income (unaudited) | - | - | 1,715 | - | 20,557,287 | 20,559,002 |
| Dividends (unaudited) (Note 13) | - | - | - | - | (17,502,012) | (17,502,012) |
| At 30 June 2018 (unaudited) | 12,136,529 | (6,464,374) | (4,639) | 1,820,479 | 352,576,361 | 360,064,356 |

* The Group has initially applied IFRS 15 and IFRS 9 using the cumulative effect method. Under this method, the comparative information is not restated. See Note 3.

Chief financial officer



Uzbekov A.A.

Chief accountant

Suleimanov Y.E.

The accompanying policies and notes on pages 8 to 40 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months periods ended 30 June 2018

| <i>In thousands of tenge</i> | Notes | 30 June 2018 (unaudited) | 30 June 2017 (unaudited)* |
|--|-------|--------------------------------|---------------------------------|
| Operating activities | | | |
| Profit before tax for the period | | 26,768,077 | 21,203,216 |
| Adjustments for: | | | |
| Depreciation of property and equipment | | 17,717,821 | 14,329,864 |
| Amortization of intangible assets | | 1,454,069 | 1,543,169 |
| Loss from impairment of property and equipment | 5 | - | 769,768 |
| Change in deferred income | | - | 34,241 |
| Unrealised foreign exchange loss/(gain), net | | (1,205,879) | 296,081 |
| Change in employee benefit obligations | | 745,169 | 232,216 |
| Impairment losses on financial assets | 22 | 4,369,617 | 466,630 |
| Write-down of inventories to net realizable value | | 54,518 | 2,069 |
| Share in (profit)/loss of associates | 7 | (2,301,030) | 3,070,100 |
| Finance costs accrued | | 2,470,369 | 2,784,764 |
| Finance income accrued | | (2,088,151) | (2,004,618) |
| Gain on disposal of property and equipment | | (236,042) | (234,651) |
| Adjustments of working capital | | | |
| Change in trade receivables | | (6,689,197) | (6,381,651) |
| Change in inventories | | 31,376 | (126,499) |
| Change in other current assets | | (100,187) | 2,009,716 |
| Change in advances paid | | (210,103) | 13,441 |
| Change in trade payables | | 2,607,707 | (428,333) |
| Change in contract costs | | 87,090 | - |
| Change in contract liabilities | | 463,364 | - |
| Change in advances received | | - | (138,477) |
| Change in other current liabilities | | 280,495 | 664,498 |
| Cash flow received from operating activities | | 44,219,083 | 38,105,544 |
| Dividends paid on common and preferred shares | | (16,897,726) | (4,204,274) |
| Income tax paid | | (4,534,605) | (4,719,199) |
| Interest paid | | (1,609,720) | (2,439,347) |
| Interest received | | 981,678 | 602,058 |
| Net cash flows from operating activities | | 22,158,710 | 27,344,782 |
| Investing activities | | | |
| Purchase of property and equipment | | (6,937,204) | (7,944,780) |
| Purchase of intangible assets | | (161,073) | (129,431) |
| Proceeds from sale of property and equipment | | 263,692 | 166,306 |
| Placement of deposits | | (12,196,800) | (26,639,052) |
| Return of cash on deposits | | 29,546,650 | 11,383,925 |
| Contributions to the charter capital of the associates | 7 | (563,000) | - |
| Net cash inflow from subsidiary disposal (QazCloud LLP) | 7 | - | 30,170 |
| Issue of long-term loans to employees | | (1,011,922) | (926,223) |
| Repayment of loans from employees | | 213,975 | 179,254 |
| Financial aid repaid | | - | 2,426 |
| Net cash flows received from/(used in) investing activities | | 9,154,318 | (23,877,405) |

The accompanying policies and notes on pages 8 to 38 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> | Notes | 30 June 2018 (unaudited) | 30 June 2017 (unaudited)* |
|---|-------|--------------------------------|---------------------------------|
| Financing activities | | | |
| Borrowings repaid | | - | (1,100,000) |
| Repayment of finance lease liabilities | | (2,014,846) | (1,894,649) |
| Net cash flows used in financing activities | | (2,014,846) | (2,994,649) |
| Effects of exchange rate changes on cash and cash equivalents | | 1,330,085 | (836,454) |
| Effect of accounting policy changes | | (524,420) | - |
| Net change in cash and cash equivalents | | 30,103,847 | (363,726) |
| Cash and cash equivalents, as at 1 January | | 15,985,943 | 24,320,942 |
| Cash and cash equivalents, as at 30 June | 12 | 46,089,790 | 23,957,216 |

* The Group has initially applied IFRS 15 and IFRS 9 using the cumulative effect method. Under this method, the comparative information is not restated. See Note 3.

Disclosure of significant non-cash transactions is presented in Note 20.

Chief financial officer



Uzbekov A.A.

Chief accountant

Suleimanov Y.E.

The accompanying policies and notes on pages 8 to 40 are an integral part of these interim condensed consolidated financial statements.