



Kazakhtelecom JSC

Interim condensed consolidated financial statements
(unaudited)

30 September 2018

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Interim condensed consolidated financial statements (unaudited)

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

<i>In thousands of tenge</i>	Notes	30 September 2018 (unaudited)	31 December 2017 (audited)*
Assets			
Non-current assets			
Property and equipment	5	242,043,795	259,021,612
Intangible assets	6	13,564,331	15,592,544
Advances paid for non-current assets		1,824,930	39,678
Investments in associates	7	74,008,837	69,246,140
Deferred tax assets		210,858	104,614
Contract costs		15,378	-
Other non-current assets		2,251,278	2,453,521
Other non-current financial assets	9	6,531,001	9,457,306
		340,450,408	355,915,415
Current assets			
Inventories		5,203,493	3,014,872
Trade receivables	10	44,614,227	32,094,228
Advances paid		445,433	538,756
Corporate income tax prepaid		35,234	7,269
Contract costs		89,682	-
Other current assets		1,592,654	1,624,022
Other current financial assets	11	38,614,216	62,133,687
Cash and cash equivalents	12	63,921,174	15,985,943
		154,516,113	115,398,777
Total assets		494,966,521	471,314,192

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 FINANCIAL POSITION
(continued)

<i>In thousands of tenge</i>	Notes	30 September 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	(5,053)	(6,354)
Other reserves	13	1,820,479	1,820,479
Retained earnings		372,679,783	351,621,657
Total equity		380,167,364	359,107,937
Non-current liabilities			
Borrowings: non-current portion	14	22,331,582	24,967,690
Finance lease liabilities		5,629,287	7,681,118
Other non-current financial liabilities	15	928,012	260,431
Deferred tax liabilities		18,600,728	19,040,850
Employee benefit obligations		12,217,480	11,940,014
Debt component of preferred shares	13	874,244	874,244
Contract liabilities	15	5,888,757	-
Other non-current liabilities	15	179,660	5,361,847
		66,649,750	70,126,194
Current liabilities			
Borrowings: current portion	14	4,513,293	2,357,864
Financial lease liabilities: current portion		2,731,657	3,920,719
Other current financial liabilities	15	10,415,502	13,356,061
Employee benefit obligations: current portion		1,068,138	992,170
Trade payables		14,311,769	13,506,545
Current corporate income tax payable		5,627,176	91,891
Contract liabilities	15	4,765,302	-
Advances received		-	3,033,151
Other current liabilities	15	4,716,570	4,821,660
		48,149,407	42,080,061
Total liabilities		114,799,157	112,206,255
Total equity and liabilities		494,966,521	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.

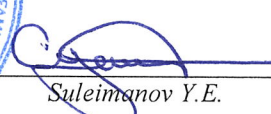
Book value per one ordinary share, KZT 34,209 32,052

Book value per one preferred share of the first group, KZT 8,893 8,538

Chief financial officer


Uzbekov A.A.

Chief accountant


Suleimanov Y.E.

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For three and nine months periods ended 30 September 2018

<i>In thousands of tenge</i>	Notes	For three months ended 30 September		For nine months ended 30 September	
		2018 (unaudited)	2017* (unaudited)	2018 (unaudited)	2017*** (unaudited)
Revenue	16	53,298,090	51,024,476	156,921,384	151,961,443
Compensation for provision of universal services in rural areas	17	4,637,684	5,085,410	4,637,684	5,085,410
		57,935,774	56,109,886	161,559,068	157,046,853
Cost of sales	18	(35,272,596)	(33,734,347)	(103,426,849)	(99,324,039)
Gross profit		22,663,178	22,375,539	58,132,219	57,722,814
General and administrative expenses		(3,907,649)	(3,566,628)	(12,791,181)	(13,260,389)
Impairment losses on financial assets		209,816	–	(4,159,801)	–
Selling expenses		(838,058)	(649,163)	(2,093,976)	(1,781,461)
Operating profit		18,127,287	18,159,748	39,087,261	42,680,964
Share in profits/(losses) of associates		1,898,667	326,575	4,199,697	(2,743,525)
Finance costs		(1,297,536)	(1,363,551)	(3,767,905)	(4,148,315)
Finance income		756,025	1,075,451	2,844,176	3,080,069
Net foreign exchange gain/(loss)		4,983,178	2,368,007	6,909,343	792,421
Gain on disposal of property and equipment		1,595	6,959	237,637	241,610
Other income		1,091,363	1,109,010	3,165,829	3,292,053
Other expenses		(160,430)	(1,166,593)	(507,812)	(1,476,455)
Profit before tax for the period		25,400,149	20,515,606	52,168,226	41,718,822
Income tax expenses	19	(4,882,625)	(4,392,897)	(11,756,145)	(9,380,966)
Profit for the period		20,517,524	16,122,709	40,412,081	32,337,856

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

	Notes	For three months ended 30 September		For nine months ended 30 September	
		2018 (unaudited)	2017* (unaudited)	2018 (unaudited)	2017*** (unaudited)
<i>In thousands of tenge</i>					
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		(414)	(18,737)	1,301	(1,024)
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		(414)	(18,737)	1,301	(1,024)
<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		(414,102)	573,886	248,628	(764,527)
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		(414,102)	573,886	248,628	(764,527)
Other comprehensive income/(loss) for the period, net of tax		(414,516)	555,149	249,929	(765,551)
Total comprehensive income for the period, net of tax		20,103,008	16,677,858	40,662,010	31,572,305
Earnings per share					
Basic and diluted, net profit for the period, tenge		1,862.69	1,464.18	3,671.08	2,938.91

* 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 nine months period ended 30 September 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 38 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months periods ended 30 September 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)	-	-	-	-	32,337,856	32,337,856
Other comprehensive income (unaudited)	-	-	(1,024)	-	(764,527)	(765,551)
Total comprehensive income (unaudited)	-	-	(1,024)	-	31,573,329	31,572,305
Dividends (unaudited) (Note 13)	-	-	-	-	(4,365,382)	(4,365,382)
At 30 September 2017 (unaudited)*	12,136,529	(6,464,374)	(2,981)	1,820,479	363,514,880	371,004,533
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)	-	-	-	-	40,412,081	40,412,081
Other comprehensive income (unaudited)	-	-	1,301	-	248,628	249,929
Total comprehensive income (unaudited)	-	-	1,301	-	40,660,709	40,662,010
Dividends (unaudited) (Note 13)	-	-	-	-	(17,502,012)	(17,502,012)
At 30 September 2018 (unaudited)	12,136,529	(6,464,374)	(5,053)	1,820,479	372,679,783	380,167,364

* 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.


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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months periods ended 30 September 2018

<i>In thousands of tenge</i>	Notes	30 September 2018 (unaudited)	30 September 2017 (unaudited)*
Operating activities			
Profit before tax for the period		52,168,226	41,718,822
Adjustments for:			
Depreciation of property and equipment		26,332,036	21,521,111
Amortization of intangible assets		2,184,654	2,315,321
Loss from impairment of property and equipment	5	–	981,322
Change in deferred income		–	38,501
Unrealised foreign exchange loss/(gain), net		(3,558,231)	1,499,387
Change in employee benefit obligations		664,219	61,520
Impairment losses on financial assets	22	4,159,801	731,597
Write-down of inventories to net realizable value		43,415	29,061
Share in (profit)/loss of associates	7	(4,199,697)	2,743,525
Finance costs accrued		3,767,905	4,148,315
Finance income accrued		(2,844,176)	(3,080,069)
Gain on disposal of property and equipment		(237,637)	(241,610)
Adjustments of working capital			
Change in trade receivables		(14,208,150)	(10,160,113)
Change in inventories		(2,232,036)	(1,111,138)
Change in other current assets		(892,357)	(5,416,869)
Change in advances paid		144,782	(8,365)
Change in trade payables		2,611,447	950,855
Change in contract costs		130,635	–
Change in contract liabilities		739,436	–
Change in advances received		–	(108,621)
Change in other current liabilities		(2,122,107)	4,369,739
Cash flow received from operating activities		62,652,165	60,982,291
Dividends paid on common and preferred shares		(16,909,725)	(4,208,512)
Income tax paid		(6,713,509)	(6,916,812)
Interest paid		(2,724,198)	(4,006,666)
Interest received		1,200,304	974,462
Net cash flows from operating activities		37,505,037	46,824,763
Investing activities			
Purchase of property and equipment		(14,720,261)	(11,336,492)
Purchase of intangible assets		(170,822)	(247,128)
Proceeds from sale of property and equipment		364,137	287,572
Placement of deposits		(12,196,800)	(33,241,652)
Return of cash on deposits		39,442,626	16,379,317
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		(1,893,729)	(1,619,396)
Repayment of loans from employees		323,637	294,573
Return of funds of covered bank guarantee		–	50
Financial aid repaid		–	2,641
Net cash flows received from/(used in) investing activities		10,585,788	(29,450,345)

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 September 2018 (unaudited)	30 September 2017 (unaudited)*
Financing activities			
Borrowings repaid		(606,516)	(1,100,000)
Repayment of finance lease liabilities		(3,014,325)	(2,685,326)
Net cash flows used in financing activities		(3,620,841)	(3,785,326)
Effects of exchange rate changes on cash and cash equivalents		4,019,233	(478,788)
Effect of accounting policy changes		(553,986)	-
Net change in cash and cash equivalents		47,935,231	13,110,304
Cash and cash equivalents, as at 1 January		15,985,943	24,320,942
Cash and cash equivalents, as at 30 September	12	63,921,174	37,431,246

* 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.

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