Kcell

www.kcell.kz

5G

THE NEW SPEEDS
OPPORTUNITIES

2022 ANNUAL REPORT

Kcell

Kcell JSC is one of the largest telecommunication companies in Kazakhstan, providing customers with a comprehensive range of mobile communication services. As of the end of 2022, the Company had a customer base of 7,986,000 customers. The Kcell cellular network covers approximately 89.1% of the population in Kazakhstan.

The Company operates under the brands Kcell and activ, both renowned for their excellent customer service and popularity. The Kcell brand primarily caters to corporate customers, including governmental agencies, while the activ brand targets mass-market subscribers.

The Company places special emphasis on the development of its own ecosystem through the KCell SuperApp platform. In addition to the standard cell phone services, the Kcell/activ mobile application provides customers with access to an e-commerce marketplace and a range of digital services called OGO Finance. These services include features such as virtual payment cards, deposit placements, and lending.

The Company's strategy prioritizes the introduction of innovative telecommunications and digital technology solutions. In December 2022, the Company emerged as the winner in the 5G spectrum auction in Kazakhstan. This deployment of 5G networks will enable customers to access cutting-edge information technologies, including the "Internet of Things."

In December 2022, Fitch Ratings reaffirmed Kcell JSC's Long-Term Issuer Default Rating at BB+ with a Stable Outlook.

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THE NEW SPEEDS OPPORTUNITIES

KEY MILESTONES, JANUARY – DECEMBER

2022

January

- In response to the widespread disturbances, the government has declared a state of emergency. Recognizing its duty to the community, the Company has established operational headquarters to facilitate prompt decision-making, ensuring uninterrupted communication services for its subscribers and supporting the government.

February

- The initial phase of implementing the Nexign Converged BSS billing system has been successfully completed.

May

- The "Exchange for Gigs's" service has been launched, enabling subscribers to increase their monthly data allowance by utilizing their unused minutes and SMS.
- The special promotion "Walk for Gigs" has been introduced for the TOP tariff users allowing them to earn extra data.
- The new CPA platform has been implemented to facilitate efficient interaction with content service providers.

December

- Fitch Ratings reaffirmed Kcell JSC's Long-Term Issuer Default Rating at BB+ with a Stable Outlook.
- Kcell JSC, in collaboration with Mobile Telecom-Service LLP, emerged as the winning consortium in the 5G spectrum auction.
- The second phase of implementing the Nexign Converged BSS billing system has been successfully completed.

KEY INDICATORS

CUSTOMER BASE

	2020	2021	2022
Number of subscribers as of the end of the period, in thousand	8,055	7,961	7,986
Share of prepaid subscribers	87.7%	87.7%	87.1%
Share of subscribers using bundled offers	62.3%	68.6%	73.1%

MOBILE DATA

	2020	2021	2022
Mobile data consumption for the period, in petabytes	453.5	621.0	722.3
Data consumed by LTE customers	75.1%	76.9%	79.7%

CHURN RATE

year on year

2020	2021	2022
34%	27.7%	23.3%

AVERAGE MONTHLY REVENUE PER USER (ARPU)

in Tenge, per month

2020	2021	2022
1,457	1,614	1,649

PROFIT PERFORMANCE

in million Tenge, for the period

	2022	2021
Operating profit	60,174	50,485
Profit before taxes	55,221	43,202
Net profit	40,350	32,506
EBITDA	90,848	82,340

INCOME FROM CORE ACTIVITIES IN 2022

in million Tenge, for the period

	2022	2021
Voice and other services	88,872	78,059
Data services	78,174	67,971
Sale of mobile devices	45,310	39,027
Value-added services	6,646	9,024
State subsidies	2,230	2,108

INVESTMENTS AND CAPITAL EXPENDITURES

in million Tenge, for the period

	2022	2021
Investments in fixed assets	28,892	24,448
Investments in intangible assets	12,659	13,604
Aggregate capital expenditures (CAPEX)	41,551	38,052

PROFITABILITY RATIOS

	2022	2021
EBITDA margin	41.1%	42.0%
Return on equity (ROE)	29.1%	33.1%
Return on assets (ROA)	14.8%	13.6%
Return on sales (ROS)	18.2%	16.6%

COMMENT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear partners, colleagues and customers,

Kcell JSC has reviewed the results of 2022 and is pleased to present its latest Annual Report to you. We have made every effort to comprehensively cover the main aspects of our Company's activities in this report, to the fullest extent possible and in the most reliable manner.

The reporting year proved to be quite challenging for the entire economy of Kazakhstan. Local businesses faced a number of difficulties – starting with the tragic events in January, followed by a series of external economic shocks resulting from the sanctions-related confrontation between neighboring Russia and Western countries. Nevertheless, our Company gracefully handled all the challenges and showcased outstanding financial and operational performance.

The Company's income from core activities grew by 12.8% year on year, surpassing 219 billion Tenge. Additionally, our return on sales increased from 16.7% in 2021 to 18.2% in 2022. Our net profit surged from 32.5 to 40.4 billion Tenge, and earnings per share saw a growth of 24.1%.

The stability of our market position and the continuous growth in income are a result of strategic goal setting and prioritization. Our Company is focused on comprehensive development, maintaining a balance between the interests of the state, owners, investors, and customers. We strive to stay up-to-date with the latest communication and information technologies, setting trends in the industry.

In 2022, Kcell successfully completed the implementation of the unified billing system called Nexign Converged Business Support System. This enabled the Company to modernize its business processes significantly. The advanced solution offered by Nexign allowed us to integrate all customer segments, regardless of their billing models, into a single digital platform. The introduction of Nexign has enabled the Company to reduce operating expenses and increase revenues through more flexible billing. The system also facilitates the launch of new tariff plans and innovative digital products, including those related to the Internet of Things.

Kcell has been actively developing its own digital ecosystem, with the mobile platform operating in the SuperApp format as its core component. Our mobile "super application" has become the primary digital customer service channel, reaching an all-time high of 2,048,216 unique monthly active users (MAU).

One of the key objectives of our ecosystem rollout is the development of our own e-commerce marketplace integrated into the mobile application. The growing sales volumes are a testament to the successful achievement of this goal. For instance, sales of contract phones increased by 3.8 times in 2022 compared to the previous year.

Another rapidly growing business line is OGO Finance, a range of financial services launched by Kcell JSC in July 2021 in collaboration with First Heartland Jusan Bank JSC and the international payment system MasterCard. OGO Finance (OGO Bank) consists of the virtual payment card OGO Card, the OGO Deposit, and the collateral-free loan OGO Credit. All these products are accessible through our mobile application. The popularity of the OGO Bank line is evident from the 23% increase in revenue compared to the previous year.

The corporate business segment also experienced significant progress in the reporting year. The Company successfully implemented 14 projects, including those at mining facilities operated by NAC Kazatomprom JSC, KAZ Minerals Aktogay LLP, and the Eurasian Group. In 2022, we also secured a contract for building a private corporate LTE network for Bakyrchik Mining Venture LLP.

At Kcell, we are not solely driven by commercial interests. As one of the largest telcos in Kazakhstan, we fully recognize our responsibility to the state and the community. Therefore, from 2020 to 2022, Kcell has actively participated in the "250+" project aimed at providing mobile broadband access to the internet in rural areas. Over the course of three years, the Company has successfully built over one thousand base stations in remote localities with 250+ population. As a result, more than one and a half million residents of remote areas gained access to modern mobile communication services.

Finally, we consider the Company's winning the 5G auction, in consortium with Mobile Telecom-Service LLP, to be the most significant event. The deployment of our 5G networks will strengthen our position in the mobile communication service market, granting our customers access to cutting-edge mobile communication technologies. Residents of Almaty, Astana, and Shymkent will have the opportunity to experience the benefits of 5G networks in 2023, while citizens of all other regional centers will have access by 2027.

In conclusion, I would like to emphasize that all our successes have been made possible through cooperation with our valued partners and customers. I express my heartfelt gratitude for your role in our achievements. I am confident that our fruitful cooperation will enable us to achieve even greater things in the future.

Sincerely yours,

Alexey Buyanov

Chairman of Kcell JSC Board of Directors

ADDRESS BY THE CHAIRMAN OF THE MANAGEMENT BOARD

Dear Report readers,

Last year, our country faced numerous economic challenges; however, our Company has been able to successfully navigated through them. Once again, Kcell has demonstrated its strong market standing and ability to confront major challenges without compromising financial stability. The excellent financial and operating indicators achieved in 2022 are a testament to the Company's well-chosen strategic priorities. Aggregate revenues grew by 12.8%, and revenues from services increased by 12% compared to the previous year.

Kcell continues to expand its steady and dynamically developing digital ecosystem. In 2022, we implemented a best value offer strategy in Mobile Financial Services. Our loyalty program, OGO Bonus, and Kazakhstan's first full-fledged "neobank", OGO Bank, showed a 23% increase in revenues compared to the previous year. We take great pride in this socially important project as it provides equal access to modern financial instruments for every segment of the population.

By the end of the year, the number of users of our strategic digital sales and service channel, SuperApp Kcell, reached a record high of 2,048,216 unique users. We aspire for our super application to become the prime example of a digital ecosystem created in the Republic of Kazakhstan.

Our primary focus has been on the development of e-commerce. The integration of an online shop into the super application, coupled with its own scoring system, has resulted in a 178% increase in the sales of contract phones. Our team aims to achieve an ambitious goal of creating one of the most advanced online stores with an intuitive and user-friendly interface.

We understand our responsibilities to the community and recognize the need for high-quality mobile communication services and seamless internet access. During our two-year participation in the "250+" nationwide project, we have built over one thousand base stations in remote areas, providing more than one and a half million rural citizens with state-of-the-art mobile communication services. This has positioned our country as one of the global leaders in internet connectivity. According to the UK analytical agency cable.co.uk, 96% of the population in Kazakhstan, exceeding that of many CIS and foreign countries, now have access to mobile internet. The Company plans to develop a mobile broadband network in rural areas under its own program for 2023-2024.

Thanks to increased revenues and efficient cost optimization measures, our EBITDA grew by 10.3% compared to the previous year. The free cash flow amounted to 28,278 million Tenge in 2022. These funds will be utilized to further develop our network across the country and invest in infrastructure and technological improvements.

One of the most significant events of the past year was our success in the 5G frequency spectrum auction held by the regulatory body. This achievement will allow Kcell to participate in the large-scale project aimed at the digital transformation of Kazakhstan and further strengthening our market position.

In recent years, we have expanded our expertise to successfully introduce 5G technology. Kcell is the first operator in Kazakhstan to build a full-fledged 5th generation network in the tourist center of Turkestan. By 2023, residents of Almaty, Astana, and Shymkent will be able to enjoy the advantages of 5G, and by 2027, residents of all regional centers will have access to it.

In 2022, we also introduced Nexign Converged BSS, a convergent billing platform. As the 5G network continues to develop, new technology-intensive products and services, including those in the "smart devices" segment, will become available in Kazakhstan. The scalable architecture of the convergent billing system ensures business growth while reducing capital expenditures. This new billing system will also enable us to reduce time to market and implement flexible marketing strategies, providing competitive advantages for the Company.

We have achieved significant milestones in the corporate business segment as well. We successfully launched 14 projects at the facilities of KAZ Minerals Aktogay, Kazatomprom, and the ERG Group. Additionally, we were awarded a contract to supply pLTE to the facilities of the Polymetal Bakyrchik open pit.

I would like to express my gratitude to our customers for giving us the opportunity to create high-quality and reliable digital products that help them achieve their daily and business objectives. We remain committed to implementing our strategy, which focuses on maintaining Kcell's leadership position in every business area. We will continue to make every effort for the Company to contribute significantly to the development and sustainability of our entire community.

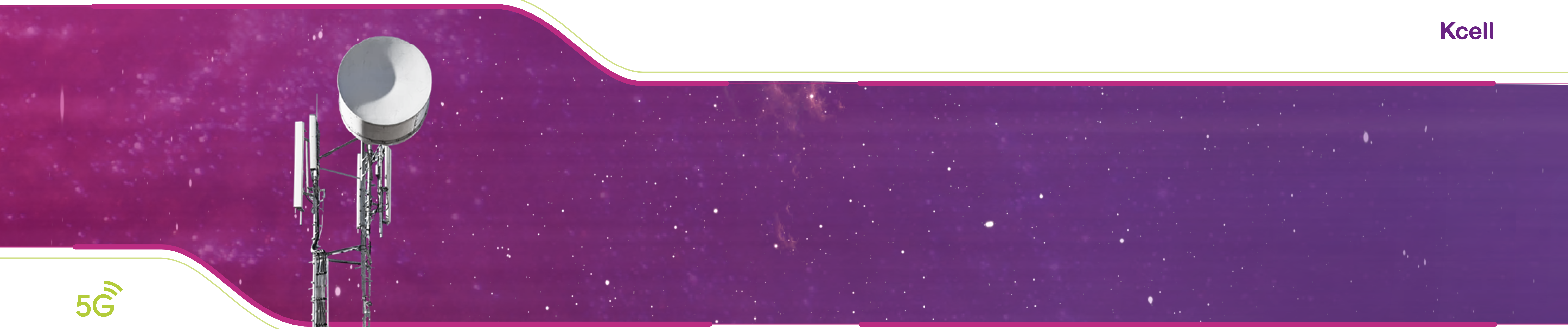
With the kindest regards,

Askhat Uzbekov

Chairman of Kcell JSC Management Board

01

ABOUT THE COMPANY



5G

GENERAL

Kcell JSC is one of the largest telecommunications companies in Kazakhstan, offering various services including mobile communication services such as voice calls and mobile internet access. It operates as a subsidiary of Kazakhtelecom JSC, the national telecommunications service provider, which holds a majority stake of 51% in the Company.

The Company provides the following services to its customers:

- Mobile voice communication services, including short text messaging (SMS);
- Data services and wireless internet access;
- Value-added services (VAS), such as mobile content access and ecosystem services.

As of 2022, Kcell JSC held a 20.9% share in the telecommunications services market in Kazakhstan. The Company's customer base reached 7,986,000 subscribers, accounting for 31.8% of the total mobile communication subscribers in the country.

Kcell operates under two popular brands, Kcell and activ, known for their high-quality customer service. The Kcell brand primarily targets corporate customers, including governmental agencies, while the activ brand focuses on the mass market subscribers.

One of Kcell's competitive advantages lies in its advanced digital ecosystem, centered around the Kcell/activ mobile application. This application allows customers not only to manage their products and services but also provides access to an online shop and "virtual bank" – the OGO Bank line of financial services, including virtual payment card processing, deposits, and loans.

Kcell owns KazNet Media LLP, its wholly-owned branch organization. KazNet Media LLP is engaged in various activities, including website management, search engine databases, internet access provision through telecommunications infrastructure operators, computer systems programming, consulting services, information services, web portals, advertising/marketing services, and other related activities permitted by law and the Founders Agreement.

In December 2022, Fitch Ratings affirmed Kcell JSC's Long-Term Issuer Default Rating at BB+ with a Stable Outlook.

HISTORY OF THE COMPANY

The history of Kcell JSC dates back to the late 1990s when the Company was initially named GSM Kazakhstan OAO Kazakhtelecom LLP (GSM Kazakhstan LLP). GSM Kazakhstan LLP was registered on June 1, 1998, with the objective of designing, creating, and operating a GSM cellular communications network in the Republic of Kazakhstan. In 1998, Kcell JSC became the first Kazakhstani company to be licensed for providing GSM mobile communication services.

Until 2012, GSM Kazakhstan LLP had the following participants: Fintur Holdings B.V. (a joint venture of TeliaSonera Finland Oyj and Turkcell Iletisim Hizmetleri incorporated in the Netherlands) and Kazakhtelecom OJSC (renamed Kazakhtelecom JSC in 2004). Fintur Holdings B.V. held a 51% stake, and Kazakhtelecom JSC held a 49% stake. On February 2, 2012, Kazakhtelecom JSC sold its share to Sonera Holding B.V., a subsidiary of the Finnish company TeliaSonera (which changed its name to Telia Company in 2017).

On August 27, 2012, the Company underwent a reorganization and transformed into a joint-stock company, adopting the name Kcell JSC. In December 2012, the Company offered 50 million shares (equivalent to 25% of its Share Capital) in the form of global depository receipts at the London Stock Exchange and ordinary shares at the Kazakhstan Stock Exchange. Ultimately, the key shareholders, Fintur Holdings B.V. and Sonera Holding B.V., held participatory interests of 51% and 24%, respectively.

In January 2018, Freedom Finance JSC announced the consolidation of a 10.46% stake in Kcell JSC, becoming one of the major participants in the Company. On December 21, 2018, Kazakhtelecom JSC acquired Kcell JSC from Telia Company and Fintur Holdings B.V., thereby obtaining a 75% stake in the Company's share capital.

KEY EVENTS IN THE COMPANY'S HISTORY

1998

June 1 – Establishment of GSM Kazakhstan OAO Kazakhtelecom LLP;

June 8 – The Company acquired a perpetual state license to offer GSM mobile communication services.

1999

February 7 – The Kcell brand was launched;

September 9 – The activ brand was launched.

2003

September 18 – The Company became the first mobile communications provider in the Republic of Kazakhstan to grant access to the Internet from mobile devices;

September – The multimedia messaging service (MMS) was launched.

2005

September 13 – The Company became the first operator in Kazakhstan to provide the GPRS roaming service.

2008

August 26 – The Company's license was revised and amended to include the right to operate a GSM-1800 network.

2010

December 1 – The commercial operation of the 3G network commenced in the cities of Astana and Almaty.

2012

February 2 – The transaction for the sale of Sonera Holding B.V.'s participatory interest to Kazakhtelecom JSC was completed;

August 27 – The Company underwent reorganization and became a joint stock company, changing its name to Kcell JSC;

November 29 – The ordinary shares of Kcell JSC were listed on KASE;

December 13 – The listing of global depository receipts was finalized on LSE.

2014

April 15 – Kcell JSC became an official distributor of iPhones in Kazakhstan;

September – The start of a large-scale rebranding campaign for the activ trademark;

November 16 – The Kcell/activ mobile application was launched;

According to the annual results, the Company became the leader among non-financial companies in Kazakhstan in terms of taxes paid.

2015

February – The rebranding of the trademark activ was completed;

March – The first activ brand outlet was opened in Almaty.

2016

January 5 – The Company was authorized to use additional frequencies within the range of 700/800 MHz to 1800 MHz to enhance communications within the country and prepare for the launch of its 4G and LTE services (which were launched in the same year).

2017

March 1 – The LTE network was launched in Kazakhstan;

June – The 4G+ (LTE Advanced) network was launched in Almaty and Shymkent;

November 1 – The international rating agency Fitch assigned the Company a Long-Term Issuer Default Rating of BB with a Stable Outlook.

2018

January 16 – The Company issued bonds for an amount of 4.95 billion Tenge, which were placed on KASE;

December 21 – Kazakhtelecom JSC acquired shareholdings in Kcell JSC from Telia Company and Fintur Holdings B.V., thereby obtaining 75% of the outstanding shares in the Company.

2019

January 10 – Freedom Finance JSC announced the consolidation of 10.46% of the shares in Kcell JSC, becoming one of the major stakeholders in the Company.

2020

During the pandemic, 3,500 healthcare professionals were provided with free voice communications and internet traffic;

Subscribers were granted free access to over 400 distance learning websites and 27 mobile applications for online banking;

April 16 – The installation project for SIMcomats (self-service terminals) was launched. These terminals use biometric identification when customers purchase new or replacement SIM cards, top up their phones, and install eSIMs on their devices.

2021

June 14 – The delisting of the global depository receipts was completed at LSE and AIX;

July – The line of financial services OGO Bank was launched in collaboration with First Heartland Jusan Bank JSC and the international payment system MasterCard;

September 30 – Kazakhtelecom JSC sold 24% of the shares in Kcell JSC through KASE.

2022

January 5 – The operational headquarters was created during the state of emergency declared due to mass disturbances, aiming to ensure timely decision-making, provide uninterrupted communications to subscribers, and assist the government;

February 25 – The first phase of implementing the Nexign Converged BSS billing system was completed;

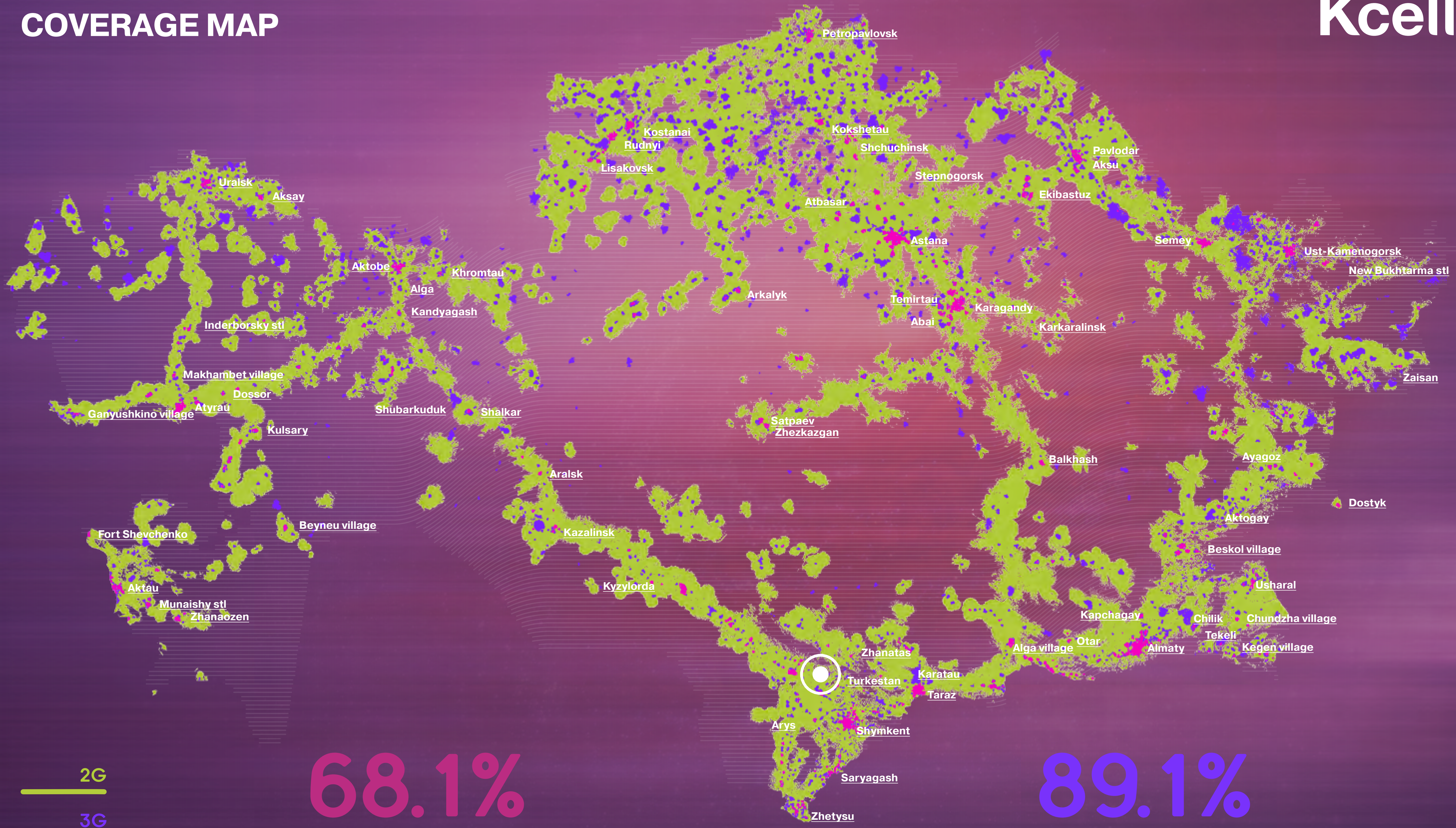
December 12 – Fitch Ratings affirmed Kcell JSC's Long-Term Issuer Default Rating at BB+ with a Stable Outlook;

December 16 – Kcell JSC, in consortium with Mobile Telecom-Service LLP, emerged as the winner in an auction for the use of 5G networks;

December – The second phase of implementing the Nexign Converged BSS billing system was completed.

COVERAGE MAP

Kcell



2G

3G

4G

5G

68.1%

of the nation

had access to the Company's LTE network

89.1%

of Kazakhstan's population lived in areas and localities

covered by the Company's 3G network

Kcell coverage map, as of January 1, 2023

GEOGRAPHIC REACH

Kcell

The services of Kcell JSC are available in every region of Kazakhstan. As of the end of 2022, there were a total of 20 cusotmer service centers and 16 Kcell/activ stores operating in the country. At these branded stores, customers can purchase Kcell and activ SIM cards, as well as smartphones, laptops, tablets, and other smart devices on favorable terms.

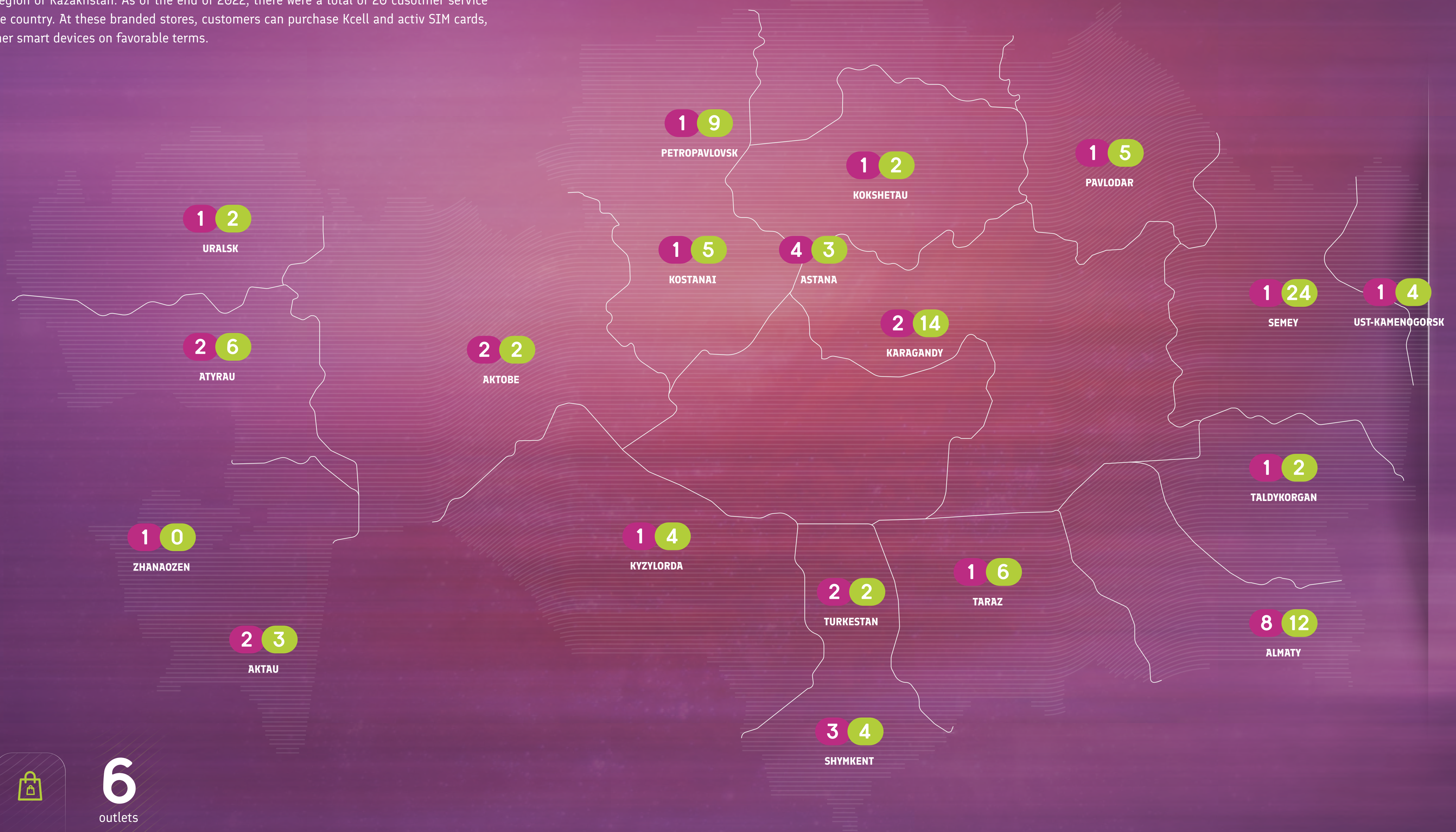
11 outlets
Activ Dealer Store

41 outlets
branded retail outlets

4 electronics stores

29 outlets
Activ shop

6 outlets
Shop In Shop



Additionally, the Company conducts retail trade through its partner network, which includes a total of 91 sales outlets

CUSTOMER SERVICE CENTERS/ STORES

36

PARTNERS

91

02

CORPORATE STRATEGY

MISSION AND VISION OF THE ROLE IN THE INDUSTRY

MISSION

We believe our mission is to provide every person in Kazakhstan with access to cutting-edge information technologies and telecommunication solutions.

VISION

We strive to become a world-class company and to retain and strengthen our position as Kazakhstan's leading mobile communications provider, introducing trendsetting technologies for the benefit of our customers.

OUR CORPORATE VALUES AND PRIORITIES

01 Priority

REDUCING DIGITAL INEQUALITY

Kcell JSC aims to reduce digital inequality through the development of infrastructure and services that are readily available in the domestic market. Our services contribute to economic growth and development, directly or indirectly creating jobs and making a financial contribution to the society in which we operate.

02 Priority

CUSTOMER CONFIDENCE

The Company strives to build trust with existing and prospective customers and aims to become their number one choice. Our goal is to provide high-quality and safe services that offer the best value for money and contribute to the success of our customers.

03 Priority

BUILDING THE STRONGEST TEAM

Our employees are key to the Company's success. We strive to be an attractive employer, attracting purpose-driven individuals to join our team and creating conditions for their professional growth.

04 Priority

ENVIRONMENT

The Company strives to create a business model that fully appreciates the necessity of protecting the environment. We contribute to global sustainability through the development, promotion, and use of resource-saving technologies, and we aim to minimize the impact of our activities on the environment.

05 Priority

SAFEGUARDING INVESTORS' INTERESTS

The Company strives to be an attractive investment vehicle for a broad group of shareholders. Our goal is to ensure long-term, steady growth in the value of shareholders' investments. We promptly and transparently inform our shareholders and the market of any significant events that may affect the share price of the Company.

BUSINESS MODEL

The basis of Kcell's success is a business model built on a solid foundation of productive solutions. By making good use of its asset base and competitive advantages and offering state-of-the-art innovative solutions, the Company strives to create and maintain the greatest value for all its shareholders.

The main focus on investing in the team and building the right culture in the Company creates a solid foundation that will allow us to more readily withstand even the most difficult circumstances.

5G

01 Resources

PEOPLE

Kcell consistently attracts talented professionals, provides favorable working conditions, and prioritizes employee development and retention. As one of the leading employers in Kazakhstan, Kcell offers a positive and motivating work environment, emphasizes the well-being of employees and their families, and offers career growth opportunities and financial prospects. This makes Kcell an appealing choice for both young and experienced professionals.

NETWORK

Kcell has been actively expanding its infrastructure to deliver high-quality services throughout Kazakhstan. The Company operates one of the most technologically advanced and state-of-the-art mobile networks in the country, holding perpetual licenses for 2G, 3G, and 4G/LTE frequencies. Notably, Kcell secured the top position in an auction for radio frequencies dedicated to the development of 5G technology in Kazakhstan, making it one of the significant achievements in 2022.

TECHNOLOGIES

Kcell boasts Kazakhstan's largest digital ecosystem, providing a distinct competitive advantage and enabling a wide range of additional services. Our customers enjoy access to mobile financial services, mobile TV, digital movies, music, books, magazines, and many other useful offerings. Moreover, we take pride in developing unique business solutions tailored to our corporate clients.

BRANDS

The Kcell and activ brands are widely recognized and trusted in Kazakhstan. For nearly a quarter of a century, we have consistently delivered top-quality mobile communication services, earning the loyalty of our customers.

GAINS

We ensure a steady revenue growth through the introduction of innovative tariffs and a diverse product lineup. Year after year, our services continue to offer increasing benefits and enjoy growing popularity among our customers.

02 Operating Model

WE HAVE SUCCESSFULLY BEEN ADVANCING THE DIGITAL TRANSFORMATION OF OUR COMPANY by embracing innovative solutions that shape the future. Our growth can be attributed to our competitive brands, unwavering commitment to service quality, diverse product offerings, and the dedicated efforts of our team.

CUSTOMER-FOCUSED SOLUTIONS

+

THE BEST VALUE FOR MONEY

1 PEOPLE

2 NETWORK

3 BRANDS

4 HIGH-TECH PRODUCTS AND SERVICES

03 Values We Create

FOR CUSTOMERS

The Company prioritizes providing telecommunication services of the highest quality. We are continuously striving to improve and expand our range of services, ensuring that our Kcell and activ subscribers have a positive customer experience.

As of December 31, 2022, our customer base comprised

7,986 million customers

FOR SHAREHOLDERS

The Company is committed to fulfilling its obligations and ensuring sustainable long-term value for its shareholders. This includes implementing a transparent Dividend Policy.

EBITDA in 2022

90.8 billion Tenge

FOR EMPLOYEES

There are over 2,500 employees working at the Company. They are paid competitive salaries and receive comprehensive compensation packages.

Employees Net Promoter Score

37% eNPS

2022

DEVELOPMENT STRATEGY

Kcell JSC's long-term Development Strategy was approved in 2021. The Strategy aims to position the Company as a fully digital operator with a diverse portfolio of products and services by 2026.

The guiding principle of the Kcell JSC Development Strategy is to prioritize the interests and needs of its three key stakeholders: customers, employees, and shareholders.

Stakeholders	Ways to safeguard interests	Desired outcome
Customers	• Maintaining constant communication with customers and understanding their needs helps in developing the mobile service. • The introduction of digital user experience tools and investments in network development contribute to an increase in the customer Net Promoter Score (cNPS).	• A significant improvement in the quality and range of services, as well as the overall customer experience for Kcell/activ subscribers.
EMPLOYEES	• Engagement of top-tier employees through programs aimed at reorienting engineering personnel to IT and offering highly competitive salaries. • Kcell strives to increase the employees' Net Promoter Score (eNPS) and build the most exceptional team in the market.	• Increased employee engagement and satisfaction. • Development of employees' subject matter expertise in cutting-edge technologies such as AI, IoT, DevOps, etc. • Every member of the Kcell team exhibits professionalism and dedication to the Company's objectives.
SHAREHOLDERS	• Substantial increase in income. • Potential measurement of shareholder value at the "digital player" level.	• Creation of maximum value for the shareholders.

GOALS AND OBJECTIVES

GOALS	OBJECTIVES
01 ATTRACTING AND RETAINING RELIABLE CUSTOMERS	• Products that meet the needs of the target customer groups; • Enrichment and bundling (bundled offerings) of relevant digital services into products based on customer needs; • Leadership in providing a wide range of products, including mobile devices; • New areas of focus; • Advanced perception of network quality.
02 UNDERSTANDING AND MEETING THE NEEDS OF CUSTOMERS	• Customer base utilizing current tariff plans and products; • Proactive development of the subscriber base and customer behavior patterns through Customer Value Management (CVM); • Online support for all key customer journeys and transactions.
B2B **03** UNLOCKING THE B2B POTENTIAL	• Affiliate products customized to meet the needs of business customers, including personalized services; • Easy-to-use products tailored to the needs of small and medium-sized businesses.
04 IMPROVEMENT IN OPERATING PERFORMANCE	• Improved employee performance; • Optimal cost structure and level; • Highly intuitive automated processes.
05 THE BEST EMPLOYER FOR EMPLOYEES	• Decision-making institution based on flexible interaction practices and a higher level of employee empowerment; • Ambitious and achievable business goals for each focus area and subdivision through quarterly planning; • Cross-functional teams effectively collaborating with each other in critical focus areas; • The leading employer for telecom talents in the market.

INTRODUCTION OF 5G

The global number of 5G network subscribers grew by 89.5% in 2022, from 619 million at the start of the year to 1.2 billion users at the end of the year. The 5G network customer base currently represents 10.7% of the total number of mobile network users worldwide. By the end of 2023, it is estimated that the number of 5G subscribers will reach 1.8 billion, accounting for 16% of the total mobile network users. Additionally, it is expected that by 2026, over 75% of smartphones will support 5G technology.

5G is the fifth generation of mobile technology, offering higher data transfer rates, more reliable connections, and reduced power consumption compared to previous network generations. It provides significantly faster and more reliable performance than the popular 4G networks, potentially revolutionizing how we use the Internet, run applications, and engage with social media platforms.

In December 2021, the Company launched its pilot 5G network in Turkestan, Kazakhstan. Nine base stations were installed at strategically important facilities and tourist sites in the city, including the City Akimat, Congress Hall, Turkestan Arena stadium, bus station, Farab Central Library, Youth Palace, and others. This marked the first-ever deployment of the next generation network in Kazakhstan, covering the cultural and administrative center of the city. Test measurements demonstrated data transfer rates of up to 1,400 Mbit per second. Any Kcell/activ subscriber with a 5G-enabled smartphone can connect to the network without incurring data charges.

An auction for radio frequencies to develop 5G technology in Kazakhstan took place on December 22 and 23, 2022. Companies that met the requirements set by the Radio Frequency Assignment Procedure participated in the auction. The winners would be responsible for the introduction and development of fifth-generation mobile communications (5G/IMT-2020) in cities with national status and regional centers.

On December 22, the consortium of Mobile Telecom Service LLP and Kcell JSC secured the first lot (3,600 – 3,700 MHz). On December 23, Lot 2 for the range of 3,700 – 3,800 MHz was auctioned, and the consortium won again. The total value of the frequencies exceeded 156 billion Tenge.

As per the auction terms and conditions, the winners committed to deploying a 5G network in Kazakhstan. The consortium plans to install 728 5G base stations in Astana, Almaty, and Shymkent within the first year, and subsequently, 1,568 base stations annually in regional centers and cities with national status over the next four years. By 2027, the operators aim to launch over 7,000 base stations, achieving 75% coverage in cities with national status and 60% coverage in regional centers.

In the first year, the Company aims to build about 400 5G base stations in major cities across Kazakhstan. Currently, around 15% of devices in the country support 5G technology. Considering the average useful life of smartphones to be 2-3 years, it is projected that the percentage of 5G devices will increase to 30-40% by 2024 and reach approximately 65% by 2027.

PROMISING FOCUS AREAS FOR KCELL'S BUSINESS DEVELOPMENT EFFORTS

WIRELESS RESIDENTIAL INTERNET ACCESS

FWA (Fixed Wireless Access) based on 4G technology is already an alternative option to fiber optic communication lines in locations, where building a conventional "wired" infrastructure would be too expensive or technically complicated. With the introduction of 5G, FWA becomes a fully-fledged competitor to fiber optic lines. FWA based on 5G offers faster deployment and a shorter pay-off period, as it eliminates the need for trenching or cabling.

According to forecasts by ABI Research, the FWA market capacity is expected to reach 70 billion dollars by 2026, with a total of 180 million subscribers. Among them, 40% will be utilizing 5G technology.

VIRTUAL AND AUGMENTED REALITY TECHNOLOGIES

As immersive technologies (i.e., virtual and augmented reality technologies) become more intuitive and user-friendly, entire economic clusters will transition to the metaverse. 5G is the primary catalyst for the growth of immersive technologies, as they not only require high data transfer rates but also minimal latency. According to Huawei's forecasts, the augmented reality market could reach $300 billion by 2025, driven by growth in the education, gaming, and social media sectors.

"SMART" CITIES

5G is directly relevant to the development of the "smart" city concept, as the mMTC scenario enables the connection of millions of "smart" sensors to control transportation flows, monitor municipal infrastructure, and assess the quality of air, water, and more.

"INDUSTRY 4.0"

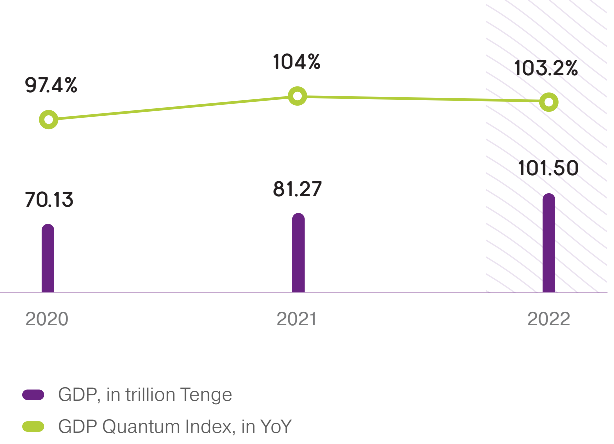
The Industry 4.0 concept suggests the development of "smart" production based on the automation of business processes and the widespread adoption of trendsetting technologies such as artificial intelligence, IoT, and additive manufacturing. This concept requires the connection of hundreds of thousands of self-contained devices to monitor and analyze manufacturing processes, as well as automate various tasks. Wired networks are not capable of rapidly scaling the "smart" devices, while Wi-Fi networks fail to meet coverage, reliability, and safety requirements. Consequently, when implementing their "smart" operating processes, manufacturing companies prefer private LTE (pLTE) networks. Currently, 5G technologies are being utilized by private networks. According to McKinsey estimates, Industry 4.0 has the potential to, by 2030, increase the global GDP by $400 billion to $600 billion through the use of 5G technology.

03

MANAGEMENT'S STATEMENT OF PERFORMANCE

MACROECONOMIC SITUATION

DYNAMICS OF GDP

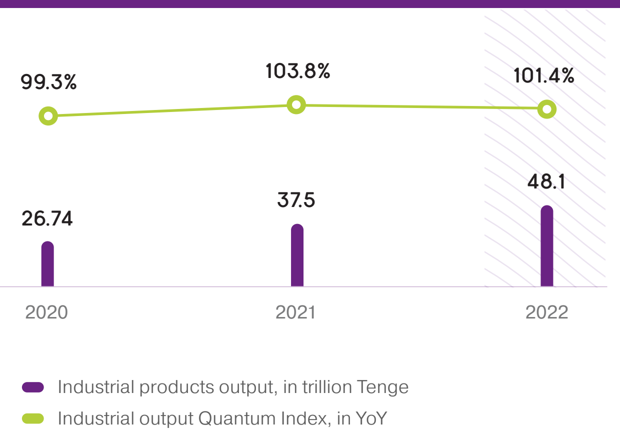


In 2022, Kazakhstan's nominal GDP increased by 24.9% compared to the previous year, reaching 101.5 trillion Tenge. However, this growth in GDP was primarily driven by accelerated inflationary pressures and rising oil prices amidst international geopolitical tensions. As a result, the actual growth rate declined from 4.0% to 3.2%.

The highest growth rates were observed in the agriculture sector (+9.1%), construction sector (+9.4%), and the "Information and Communications" sector (+8.0%). However, the overall output of the mining industry decreased by 1.0% in real terms.

Source: BNS ASP&R of the RoK.

INDUSTRIAL PRODUCTION VOLUME



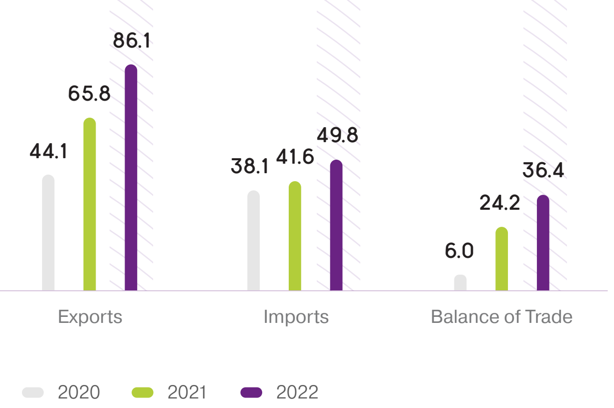
The cost of industrial products manufactured by Kazakhstani enterprises in 2022 reached 48.01 trillion Tenge, which represents a 29.6% increase compared to 2021. However, the growth in production volumes experienced a decrease of 2.4 percentage points in real terms compared to the previous year, resulting in a total growth rate of 1.4%.

This slowdown in manufacturing output growth can be attributed to the decline in subsoil resource production volumes, including crude oil (-1.9%), natural gas (-1%), coal (-0.7%), and iron ores (-20.6%).

Source: BNS ASP&R of the RoK.

FOREIGN MERCHANDISE TRADE

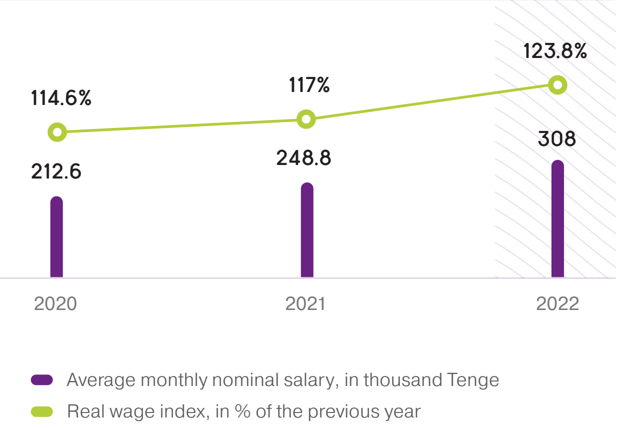
in $ billion, for the period



Kazakhstan's external surplus increased from $24.2 billion to $36.4 billion, primarily due to a significant growth in exports. Export volumes grew by $20.3 billion, while import volumes increased by $8.9 billion. The positive impact on the trade balance was primarily driven by favorable pricing conditions in the global hydrocarbon market.

Source: NB of the RoK.

AVERAGE MONTHLY SALARY

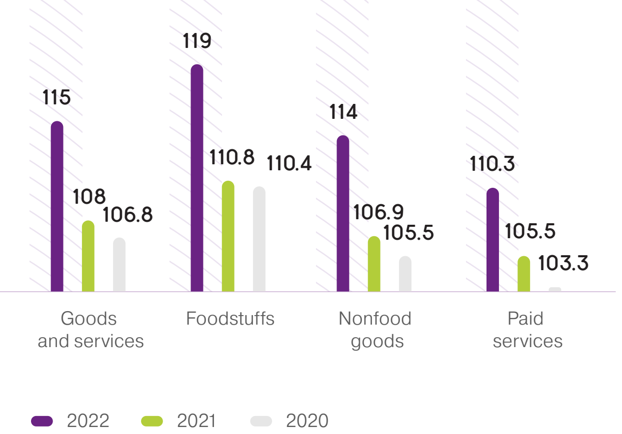


In 2022, the average monthly nominal salary increased by 59.2 thousand Tenge compared to the previous year, reaching 308.0 thousand Tenge. Furthermore, the average salary growth rate also significantly rose in real terms. In 2021, it was 17.0% compared to the previous year, but according to the results of 2022, the average salary growth rate increased to 23.8%.

Source: BNS ASP&R of the RoK.

CONSUMER GOODS AND SERVICES PRICE INDEX

in %, YoY



In 2022, there was a significant acceleration in inflationary developments. According to the results from January to December, the Consumer Price Index (CPI) reached 115% compared to the same period of the previous year, marking the highest level in the 14-year period. Additionally, the prices of foodstuffs increased by 19.0%, non-food goods by 14.0%, and paid services by 10.3%.

Source: BNS ASP&R of the RoK.

SITUATION IN THE TELECOMMUNICATIONS INDUSTRY

Global Information and Telecommunication Technology Development Trends

According to estimates by the International Telecommunication Union (ITU), by late 2022, the total number of active mobile subscribers exceeded 6.9 billion worldwide, while the number of fixed Broadband Internet Access (BBA) subscribers approached 1.4 billion. Of the global population of 8.01 billion, nearly 5.3 billion individuals were Internet users, and there were over 4.8 billion mobile phone owners worldwide. As of the end of 2022, more than 7.7 billion people resided within the coverage area of mobile communications networks. Concurrently, there has been a consistent trend of declining demand for fixed telephony over the past decade: the number of wired telephone channels decreased from 1.25 billion in 2009 to 861.6 million in 2022.

GLOBAL POPULATION'S ACCESS TO TELECOMMUNICATIONS NETWORKS AND TECHNOLOGIES IN MILLION, AS OF THE END OF THE YEAR

Particulars	2020	2021	2022
Number of fixed telephone channels	888.8	877.6	861.6
Number of subscribers to fixed BBA	1,223.6	1,322.0	1,398.6
Number of mobile communication subscribers/numbers	8,233.4	8,390.8	8,585.7
Number of active mobile communication subscribers/numbers	6,064.6	6,459.4	6,908.9
Population coverage with the mobile communications networks /number of individuals	7,577.0	7,653.1	7,735.7
Population coverage with the mobile communications networks of the 3G level or higher/ number of individuals	7,248.5	7,367.9	7,531.6
Number of individuals – Internet users	4 663.6	4,944.5	5,282.4
Number of individuals owning mobile phones	4,486.3	4,622.8	4,814.0

Source: ITU.

Access to telecommunications networks and technologies for individuals is largely dependent on the income level of the countries in which they reside. Additionally, while there is a significant difference in indicators describing the availability of mobile communications (up to 1.5-2 times), the situation around internet access is markedly different. In countries categorized as low-income by the World Bank (with an income below $1,085 per capita per year), the average number of Internet users per 100 individuals is 26.4, whereas in high-income countries (with an income of $13,205 or more per capita per year) this figure is 92.4. The disparity between the poorest and wealthiest countries is evident in the number of fixed telephone channels (1.0 versus 33.7) and fixed BBA subscribers (0.5 versus 37.8) per 100 people.

According to the World Bank's methodology, Kazakhstan is classified as a country with an income level above the average (ranging from $4,256 to $13,205 per capita). The figures relating to the availability and usage of mobile communication networks in Kazakhstan align with the average level typically found in high-income countries. At the same time, the provision of landline telephone networks in Kazakhstan slightly exceeds the average level seen in countries with above-average income, while the coverage of BBA in Kazakhstan is significantly lower than the average figure in this group of countries.

ACCESS TO TELECOMMUNICATION TECHNOLOGIES IN COUNTRIES DEPENDING ON THEIR INCOME LEVEL PER CAPITA
number per 100 persons

	Worldwide mean	Low-income countries	Lower-middle-income countries	Higher-middle-income countries	High-income countries	Kazakhstan (as of the end of 2021*)
Number of fixed telephone channels	10.8	1.0	3.3	13.1	33.7	15.5
Number of fixed BBA subscribers	17.6	0.5	4.4	30.7	37.8	14.3
Number of mobile communication subscribers	108.0	61.1	100.7	123.9	125.1	127.5
Population coverage with the mobile communications networks	97.3	88.9	97.4	98.5	99.8	98.2
Population covaerage with the mobile communications networks of the 3G or higher level	94.8	75.2	94.9	98.1	99.7	96.0
Number of individuals – Internet users	66.3	26.4	56.1	79.1	92.4	90.9
Number of individuals owning mobile phones	72.7	49.1	65.5	76.3	95.4	92.6

Source: ITU.

*At the time of preparing this Annual Report, the latest figures on Kazakhstan available in the ITU database are dated 2021.

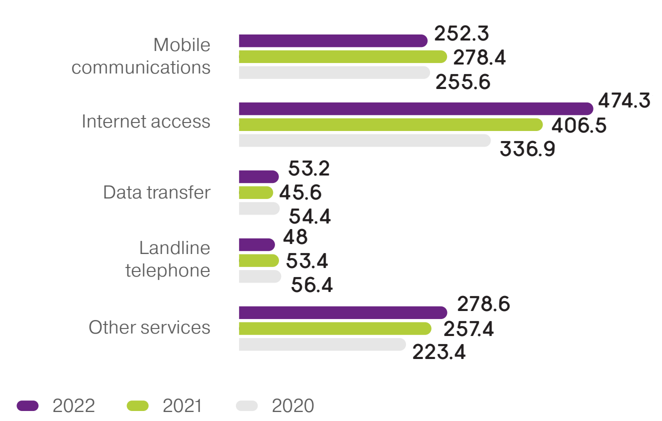
According to the information from ITU, in 2021, only 24% of countries disregarded the implementation of advanced telecommunications technologies while pursuing their national telecommunication development policies. Simultaneously, based on their national strategies and policies, 19% of countries focused on the development of 5G/6G networks, 12% on the Internet of Things, 8.7% on artificial intelligence, and 7.7% on other promising technologies.

In 2022, the Institute for Statistical Studies and Economics of Knowledge (ISSEK) at the Higher School of Economics in Moscow published the results of a research aimed at assessing the priority of telecommunications technologies. According to their findings, the ISSEK identified the most promising technologies, including 5G mobile networks, cloud services, the Internet of Things (IoT), quantum communications, satellite communications, and more.

KAZAKHSTAN'S TELECOMMUNICATION INDUSTRY

THE COST OF COMMUNICATION SERVICES PROVIDED

in billion Tenge, for the period

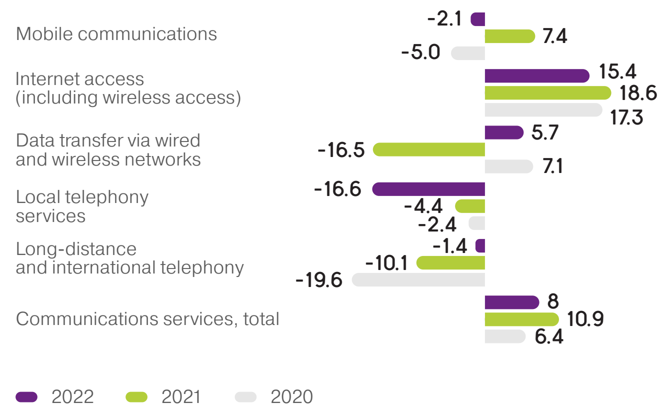


According to the 2022 results, the contribution of industries classified as "Information and Communications" under the CCEA of the Republic of Kazakhstan (section J) to the nominal GDP was 2.1%. The total volume of services provided by communications enterprises exceeded 1.1 trillion Tenge (excluding courier and postal services). The growth in this figure was mainly due to an increase in the volume of services related to wired and wireless Internet access. However, there was a decline in the volume of landline and mobile telephone services, which could be attributed to the increasing popularity of video and audio communication through Internet messengers and other specialized software.

Source: BNS ASP&R of the RoK.

QI WITH A BREAKDOWN BY TYPES OF COMMUNICATION

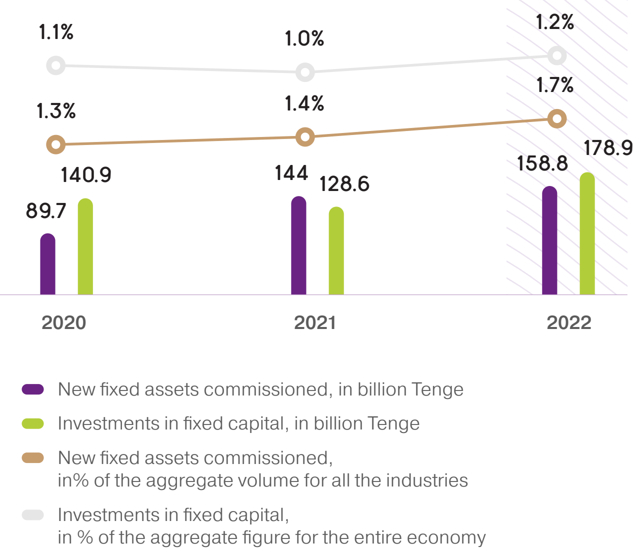
in %, YoY



The real growth in the volume of communication services in recent years has exceeded that of other industries. In 2021, the QI for communication services was 110.9%, while the GDP QI was 103.6%. According to the 2022 results, the communication service QI was 108.0%. It is worth noting that the increase in the overall volume of rendered communication services in real terms was mainly driven by the growing demand for Internet access, while the demand for other services gradually declined.

Source: BNS ASP&R of the RoK.

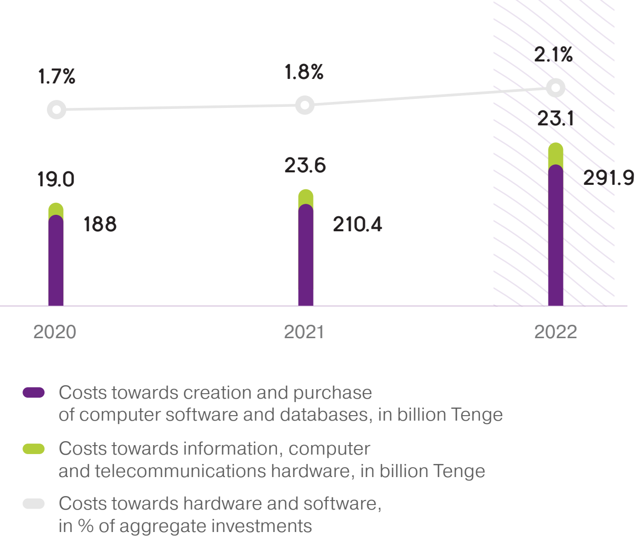
INVESTMENTS IN FIXED CAPITAL OF THE ENTERPRISES CLASSIFIED AS "INFORMATION AND COMMUNICATIONS"



Investments in fixed capital in the industries classified as "Information and Communications" grew by 39.1% in 2022 compared to the previous year, and the value of commissioned fixed assets increased by 10.3%. The significant growth in investment volumes can be largely attributed to the need for technological renewal of communication networks and the rapid adoption of digital technologies in business processes.

Source: BNS ASP&R of the RoK.

COSTS INCURRED BY ENTERPRISES TO INTRODUCE INFORMATION AND DIGITAL TECHNOLOGIES

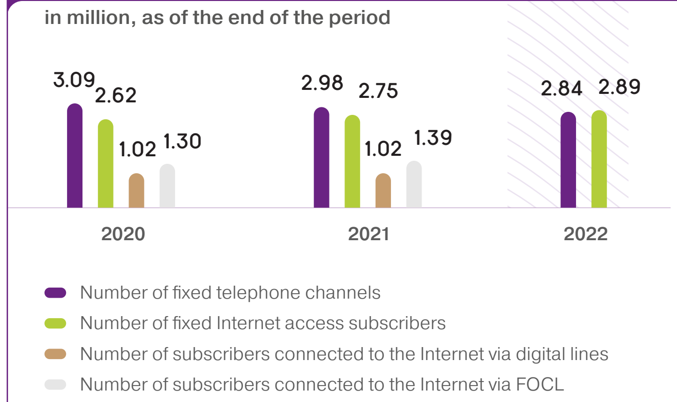


The costs incurred by Kazakhstani enterprises to purchase computers, telecommunication equipment, and software have been increasing significantly in recent years. According to the 2022 results, this indicator grew for the economy compared to 2021, both in absolute terms (from 234.0 to 315.0 billion Tenge) and in relative terms (from 1.8% to 2.1% of the total volume of investments in fixed capital).

Source: BNS ASP&R of the RoK.

NUMBER OF LANDLINE TELEPHONY AND FIXED WIRED ACCESS SUBSCRIBERS

in million, as of the end of the period

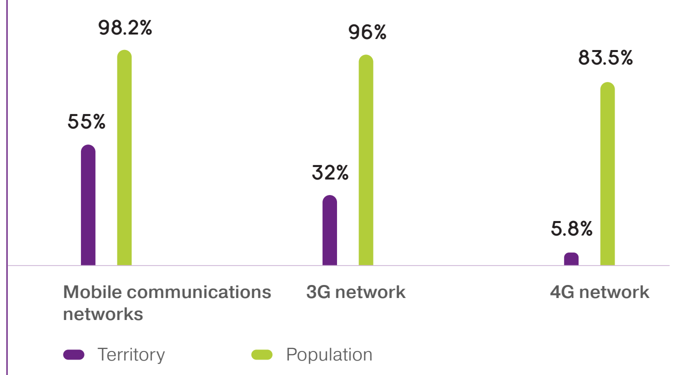


As the demand for landline telephony has been declining, the number of fixed telephone channels is gradually decreasing, and there has been a halt in the growth of subscribers to fixed Internet services via xDSL (i.e., through an ordinary telephone line). However, there has been a successive increase in the number of connections via fiber optic communication lines (FOCL). It is likely that FOCL will replace xDSL connections in the near future.

Source: BNS ASP&R of the RoK.

POPULATION AND TERRITORY COVERED BY BY MOBILE COMMUNICATIONS NETWORK

as of the end of 2021

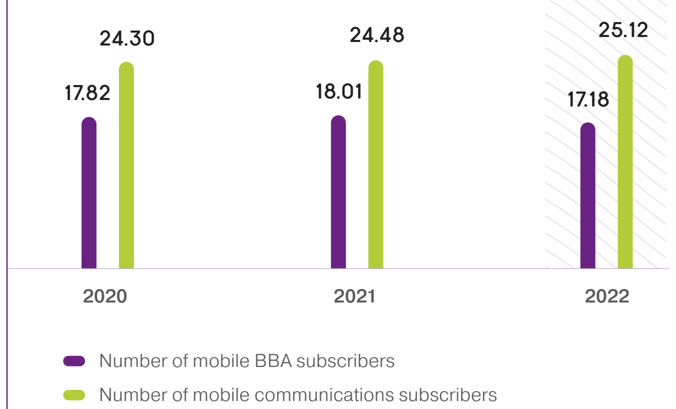


As of the end of 2021 (the most recent available data), the mobile communications networks covered 55.0% of Kazakhstan's territory and 98.2% of its population. However, the 4G coverage was noticeably lower, reaching 83.5% of the population and 5.8% of the territory. Due to the increasing demand for advanced mobile technologies, such as IoT, and the implementation of stimulating state policies, it is expected that the population coverage with higher-speed networks, including 5G, will expand in the coming years.

Source: BNS ASP&R of the RoK.

NUMBER OF MOBILE COMMUNICATIONS AND MOBILE BROADBAND ACCESS (BBA) SUBSCRIBERS

in million, as of the end of the period



As of the end of 2022, the combined customer base of the three mobile communications providers operating in Kazakhstan was 25.12 million subscribers (i.e., active SIM cards). The number of mobile communications subscribers significantly surpasses the country's population, as many Kazakhstanis utilize multiple mobile numbers. However, the number of mobile broadband access (BBA) subscribers is considerably lower than the number of mobile communications subscribers. This is primarily due to limitations in the mobile network coverage in rural areas.

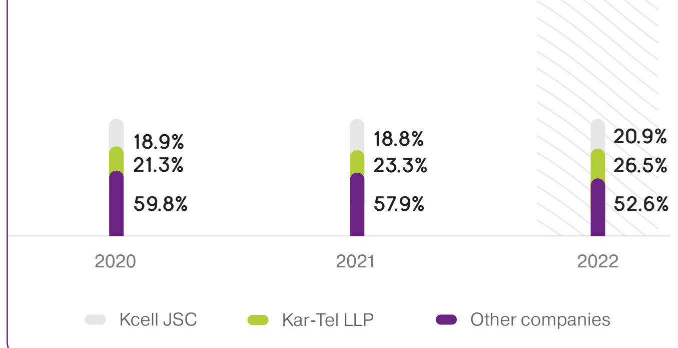
Source: BNS ASP&R of the RoK.

Operating Activities of the Company

MARKET SHARE

MARKET SHARES OF KCELL JSC AND ITS MAIN COMPETITOR

as of the end of the period

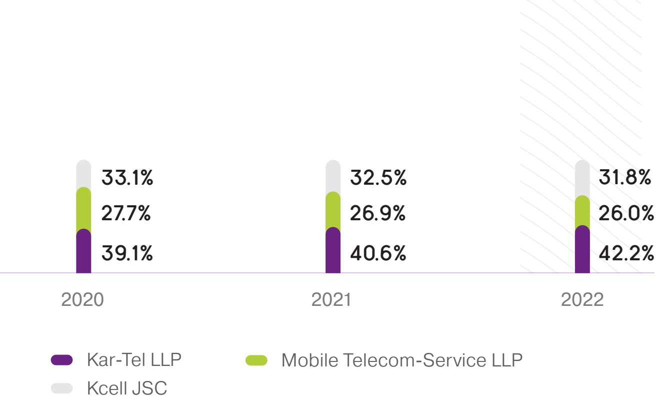


Kcell JSC's share of the telecommunications industry's revenue increased from 18.8% in 2021 to 20.9% in 2022. The share of the Company's main competitor, Kar-Tel LLP, operating under the Beeline Kazakhstan brand, also rose from 23.3% to 26.5%. Meanwhile, Kazakhtelecom JSC, the parent company of Kcell JSC and another mobile communications provider, Mobile Telecom-Service LLP, holds a market share of over 55%.

Source: BNS ASP&R of the RoK, Kcell, VEON Ltd.

DISTRIBUTION OF MOBILE COMMUNICATIONS SUBSCRIBERS AMONG SERVICE PROVIDERS IN KAZAKHSTAN

as of the end of the period

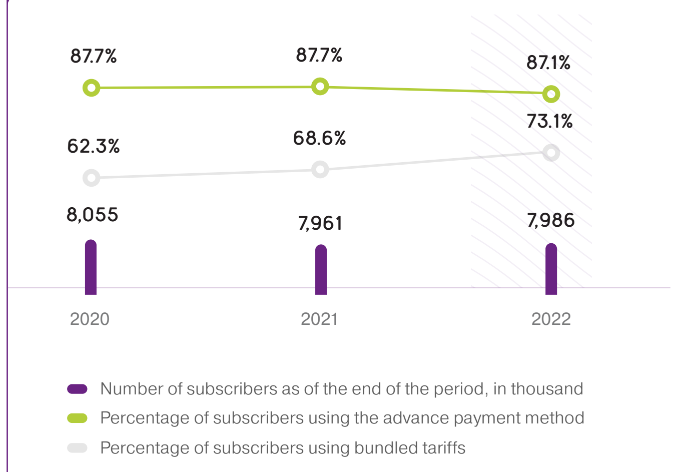


In late 2022, the customer base of Kcell JSC consisted of 8.0 million subscribers (i.e., active SIM cards), accounting for 31.8% of the total number of mobile communications subscribers in Kazakhstan. The subscriber shares of Mobile Telecom-Service LLP and Kar-Tel LLP were 26.0% and 42.2%, respectively. It is anticipated that the Company's subscriber base will continue to grow in the medium term, both in absolute and relative terms, as the 5G network is deployed in Kazakhstan.

Source: BNS ASP&R of the RoK, Kcell, VEON Ltd.

KEY OPERATING INDICATORS

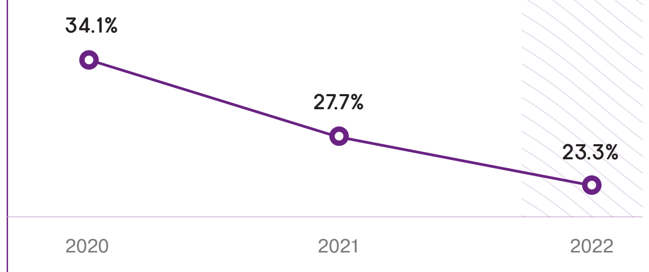
CUSTOMER BASE OF THE COMPANY



From 2020 to 2022, the Company's customer base reached approximately 8 million subscribers. According to the 2022 data, the customer base increased by 25 thousand subscribers, reaching a total of 7 million 986 thousand subscribers. The number of prepaid subscribers decreased from 6 million 978 thousand to 6 million 953 thousand, accounting for 87.1% of the total number of subscribers, down from 87.7%. Conversely, the percentage of subscribers using bundled tariffs grew from 68.6% to 73.1%.

CHURN RATE

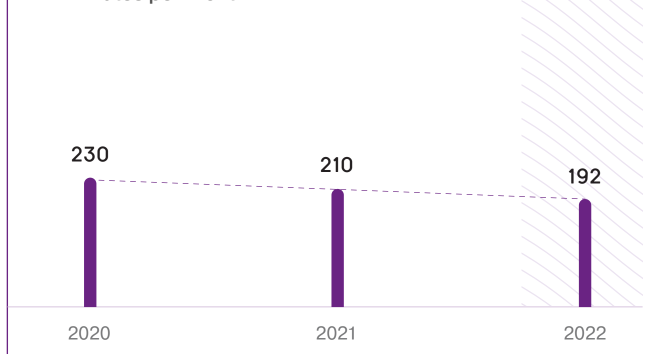
in annual terms



The churn rate decreased from 34.1% in 2020 to 23.1% in 2022. This downward trend indicates that the Company's subscriber base is becoming more stable, and the customer Net Promoter Score has been increasing.

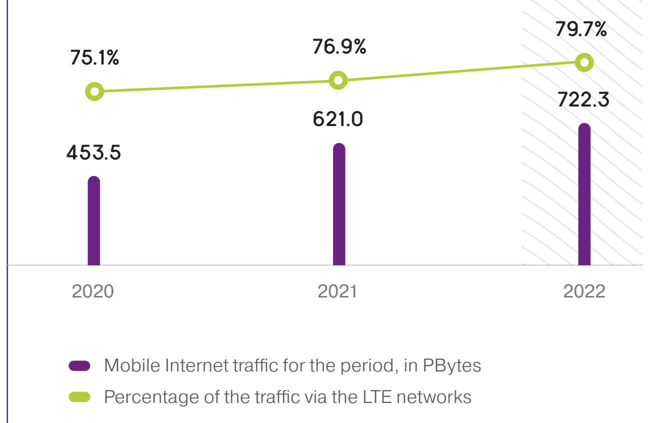
AVERAGE MONTHLY VOICE TRAFFIC PER SUBSCRIBER (MOU)

in minutes per month



The average monthly voice traffic per subscriber (MOU) decreased from 230 to 192 minutes. The main cause of the decrease was the industry-wide trend related to the displacement of traditional mobile audio communications by internet-based communications, including audio and video calls through internet messengers.

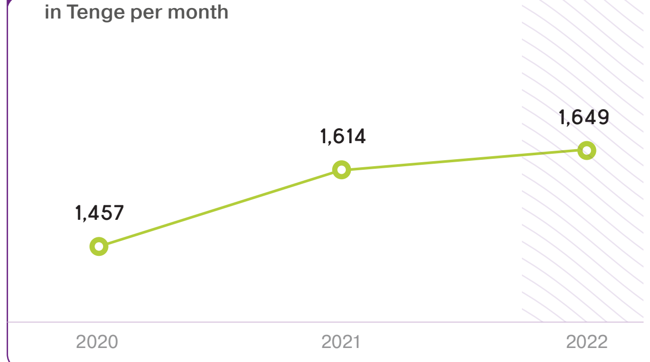
MOBILE DATA



In 2022, the volume of mobile data traffic reached a record level for the Company of 722.3 PBytes. This represents a 16.3% increase compared to 2021 and a significant 59.3% increase compared to 2020. The surge in mobile data traffic can be attributed to the growing demand from customers for Internet access, as digital technologies play an increasingly critical role in all aspects of life of society.

AVERAGE MONTHLY REVENUE PER USER (ARPU)

in Tenge per month



The average monthly revenue per customer increased from 1,614 Tenge in 2021 to 1,649 Tenge in 2022. This growth can be attributed to the increasing demand from customers for mobile communications services, as well as the Company's efforts to meet that demand.

INTRODUCTION OF THE UNIFIED BILLING SYSTEM – NEXIGN CONVERGED BSS

In December 2022, Kcell successfully completed the implementation of the unified billing system, Nexign Converged Business Support System (BSS), which has enabled the Company to significantly modernize its business processes. Nexign's advanced solution allowed for the integration of all customer segments, regardless of the billing method, into a single digital platform.

During the implementation process, over 140 existing tariff plans and approximately one thousand product offerings available to both B2B and B2C customers were migrated to the new platform.

The Nexign Converged BSS billing platform offers a number of advantages and opportunities for the Company, including:

- Reduced total cost of ownership for the billing system;
- Increased consistency in the functioning of all services;
- Faster time to market;
- Improved quality of customer services;
- Reduced workload on call centers and sales offices;
- Additional opportunities to monetize various types of services.

CHANGES IN THE TARIFF POLICY

The Company's tariff policy underwent significant changes in 2022 due to two main factors:

- The expiration of the three-year moratorium on revision of the tariff terms set by Order #170-OD of the Committee for Regulation of Natural Monopolies, Protection of Competition and Consumer Rights under the Ministry of National Economy of the Republic of Kazakhstan, dated July 10, 2018, "On approval of economic concentration at the request of Kazakhtelecom Joint Stock Company";
- The implementation of the Nexign Converged BSS billing system, which enabled the integration of the activ and Kcell subscriber bases, previously serviced by different billing systems, into a single platform.

The launch of the Nexign Converged BSS platform allowed the Company to streamline its product portfolio and simplify its product line. Outdated and obsolete tariffs and services were discontinued, resulting in a reduction in the number of tariff offerings from 153 to 80, and the number of valie-added services from 23 to 6.

Kcell and activ subscribers now have access to new opportunities, including:

- "Early tariff restart" which allows customers to restart their tariffs before the end of the billing cycle;
- "Exchange for Gigs" - an opportunity to convert unused minutes and SMS from their monthly allowance to data and vice versa at the exchange rate of 10 minutes = 50 SMS = 1 GB;
- The ability to switch tariffs at any time without losing their unused allowances remaining from the previous tariff;
- Unlimited allowances (unlimited use of social media platforms, messengers, Kaznet), even when they run out of their monthly data allowance.

In May 2022, plans offered as part of the starter packs were reviewed as well, resulting in a reduction from 66 to 1 plan (the "Reactiv 3290" tariff). This simplified the product portfolio and led to an increase in ARPU among new subscribers. The migration of starter packages to the new billing platform was completed in November 2022.

The new TOP tariff line was launched in late May 2022 to address the current market needs and standards. In December, it was strengthened with a special offer whereby customers using the TOP tariffs were offered twice as much data allowance for the same price if they restarted their tariffs before the end of the current billing cycle.

On December 15, the "Walk for Gigs" special offer was introduced with a view to promote a healthy lifestyle and physical activity among young individuals. Customers get the opportunity to earn up to 6 GB of free data a month based on the number of steps they have walked.

In 2022, the Kcell team set a goal to introduce the new CPA billing platform to facilitate customer migration to the new Nexign billing system and implement features for managing OTT and VAS services.

During the reporting year, the Company launched a new system for managing digital products and integrated it with the new billing platform. This successful integration allowed for the launch of 8 new digital products.

The ARPU for OTT customers rose by 15% vs. the previous year. The key growth driver was the customers' growing awareness of the product.

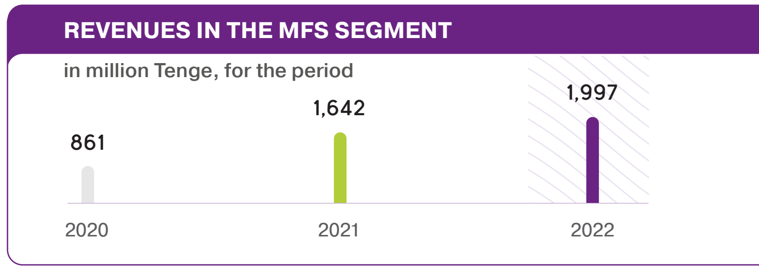
MOBILE FINANCIAL SERVICES

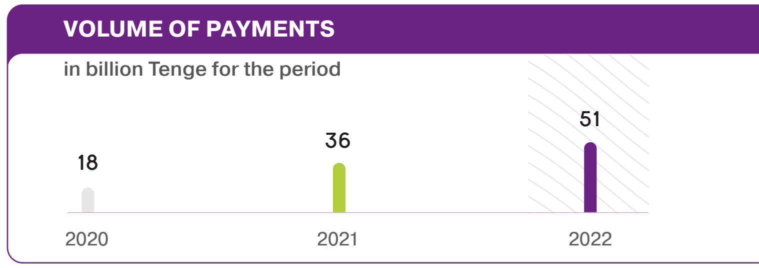
Performance results in the Mobile Financial Services segment were promising in 2022. The Mobile Financial Services (MFS) focus area continued to work towards its objectives outlined in the Company's 2020 strategy. The strategy prioritizes the development of OGO Bank's financial services and aims to increase the participation of Kcell/activ subscribers in MFS usage, with a focus on improving customer Net Promoter Score (cNPS) and encouraging MultiPlay (utilizing multiple services provided by the company).

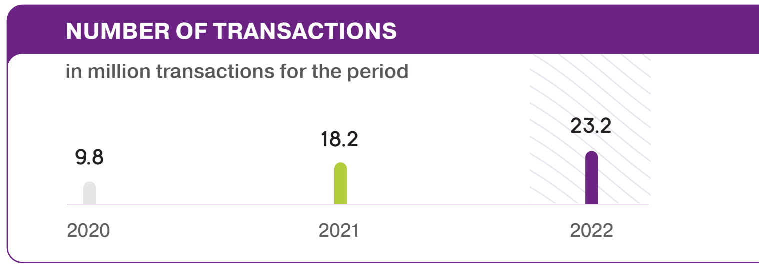
Throughout the reporting year, MFS turnover experienced significant growth, increasing by 42% compared to the previous year, reaching 51 billion Tenge. The active monthly user base of MFS also saw substantial growth, expanding by 20% from 237 thousand users in 2021 to nearly 280 thousand users in 2022.

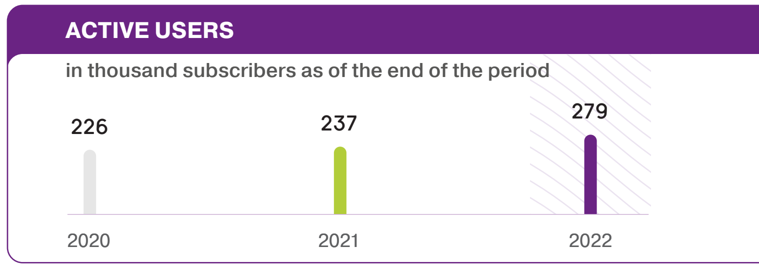
Additionally, notable developments took place, such as the introduction of the balance replenishment service and the feature enabling users to store their bank card details in the MasterPass wallet. Furthermore, the list of business development partners was extended to include the national postal operator, KazPost JSC.

In 2022, Kcell JSC became the sole operator in Kazakhstan to offer its customers the ability to make payments for content available in Google Play Market, AppStore, and Huawei AppGallery using the DCB (Direct Carrier Billing) technology. The monthly volume of payments made by subscribers using their prepaid mobile balance exceeded 200 million Tenge, which was twice the amount compared to 2021.

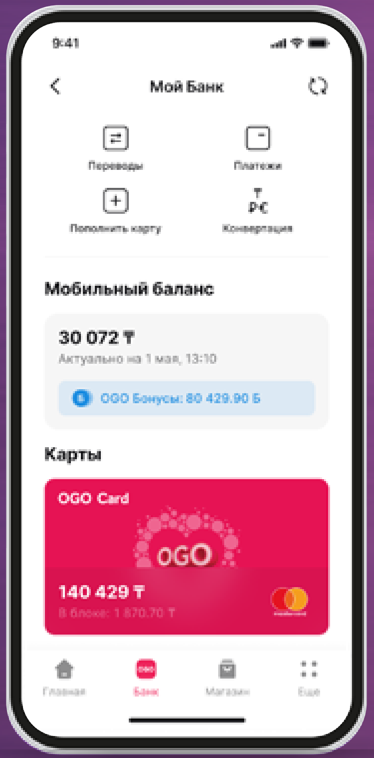


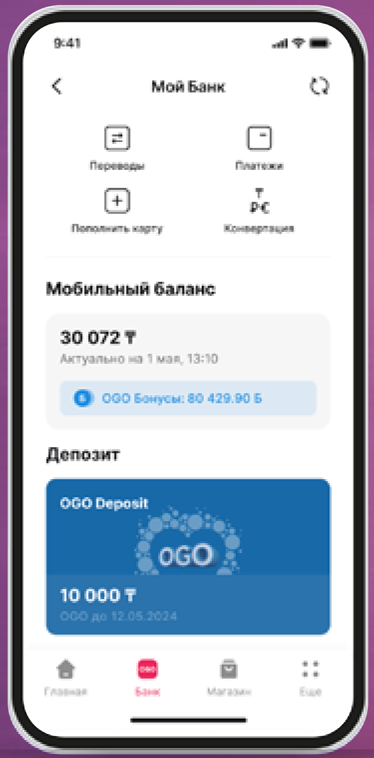


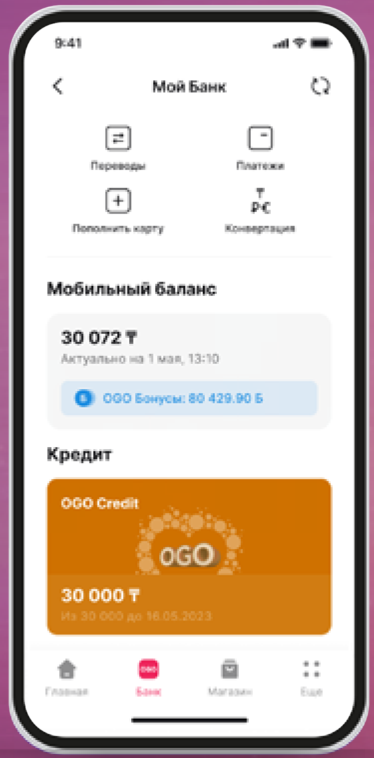




PRODUCTS IN THE OGO FINANCE LINE







OGO CARD

Virtual
payment card

DISTINCTIVE FEATURES

Up to 5% back in bonuses
on payments with an OGO card

OGO DEPOSIT

Rollover
deposit

DISTINCTIVE FEATURES

The annual effective interest
rate is up to 15.5%

OGO CREDIT

Collateral-free loan

DISTINCTIVE FEATURES

The annual effective interest
rate ranges from 24.1%, with
a loan tenor of up to 5 years
and a loan amount of up
to 8 million Tenge.

The mobile financial service OGO Bank was launched by Kcell JSC in July 2021 in collaboration with First Heartland Jusan Bank JSC and the international payment system MasterCard. In 2022, the OGO Finance line underwent rebranding and was renamed to OGO Bank. A dedicated section called OGO Bank was created within the Kcell/activ mobile application, and the product line available to the Kcell/activ subscribers was expanded. One of the new additions to the product line was OGO Invest, which enables users to open investment accounts and manage them through the mobile application.

The distinguishing feature of all the products in the line is that they can be applied for through the Kcell and activ mobile applications. The OGO cards offer several advantages, including instant opening through the mobile application, higher cashback bonus (up to 50% for certain types of purchases), and low bank fees compared to conventional bank cards.

In 2022, over 150 thousand OGO cards were issued. By the end of the year, the number of OGO cardholders reached 156,270, with close to three hundred thousand bonus accounts opened. Throughout the year, there were 1.4 million transactions, totaling 32 billion Tenge, carried out using the OGO Cards. These achievements demonstrate the significant success of Kazakhstani mobile financial services. Additionally, OGO Bank users were granted 3,732 loans during the reporting year, amounting to a total of 1.5 billion Tenge.

MAIN FOCUS AREAS IN THE BUSINESS SEGMENT

In 2022, the Company identified the following priority focus areas in the business segment:

- Integrated support for the digital transformation of major manufacturing enterprises operating in the oil and gas, as well as mining industries;
- Diversification of the service portfolio through the launch of IoT products under projects aimed at creating "smart cities" and digitizing major industrial enterprises;
- Development of the product portfolio related to Big Data processing, including loan scoring and assignment of credit ratings based on subscribers' activities, as well as targeted marketing campaigns.

The migration to the Nexign Converged BSS billing platform allowed for the discontinuation of 42 outdated tariff plans in the business segment without any adverse effects on the Company and its corporate customers' business processes. Additionally, the introduction of the new platform reduced the time to market for conventional telecommunications products by threefold and simplified service launching processes based on the M2M/IoT technologies through resource consolidation.

Aggregate revenues in the business segment grew by 11.6% in 2022 compared to the previous year, with revenues from conventional telecommunications services increasing by 19.0%. The M2M segment experienced an 11.0% growth in the subscriber base and a remarkable 49.0% increase in revenues. The high-tech segment saw the most significant revenue growth (53.9%) from the sale of products related to Big Data processing.

In 2022, the Company successfully implemented 14 projects at major industrial enterprises, including the creation of private LTE networks. Existing private networks were also expanded and modernized, with a total coverage area increase of 18%.

During the reporting year, the Company embarked on several infrastructure projects utilizing IoT and M2M technologies in collaboration with government agencies. These projects aimed to establish "smart cities" and implement industrial IoT systems in major industrial enterprises. The projects involved the introduction of advanced digital technologies, including:

- the launch of e-ticketing and "smart" lighting systems in several cities;
- the implementation of centralized monitoring systems using portable protected cameras;
- the installation of "smart" meters in manufacturing premises.

DEVELOPMENT OF MOBILE NETWORKS IN RURAL AREAS

Kcell JSC has been working intensely to reduce the digital divide between urban and rural populations. The Company is a key participant in the "250+" program, which was adopted in 2020 by mobile communications providers in Kazakhstan. The goal of the program is to provide mobile broadband access to rural communities with a population of 250 or more people. Additionally, the Company has been implementing its own program to expand mobile broadband coverage and improve communication quality in rural areas.

Between 2020 and 2022, the Company enabled a total of 1,018 base stations in rural areas. This includes 468 base stations in fulfillment of its commitments to the state and 550 base stations as part of its own program aimed at developing mobile networks in rural communities. As a result of these efforts, 900 thousand people were provided with 3G mobile communications, and 660 thousand people were provided with 4G mobile communications.

KCELL JSC'S ACTIVITIES IN DEVELOPING MOBILE NETWORKS IN RURAL AREAS

5G

2020

- Works were carried out at 519 locations, including 329 under the "250+" program and 130 on its own initiative;
- A total of 550 base stations were activated.

2021

- A total of 245 base stations were launched at 216 locations, including 104 under its license commitments and 112 on its own initiative;
- The introduction of LTE technology led to an improvement in communication quality in 29 locations.

2022

- A total of 258 base stations were activated;
- In accordance with its license commitments, communications were provided to 35 locations;
- The LTE network covered 107 locations;
- The 3G and 4G networks covered 45 locations;
- The introduction of the LTE standard led to an improvement in the quality of mobile BBA in 59 locations;
- The installation of additional base stations operating under the 3G standard improved the quality of mobile BBA in 12 locations.

Financial Performance

BALANCE SHEET STRUCTURE

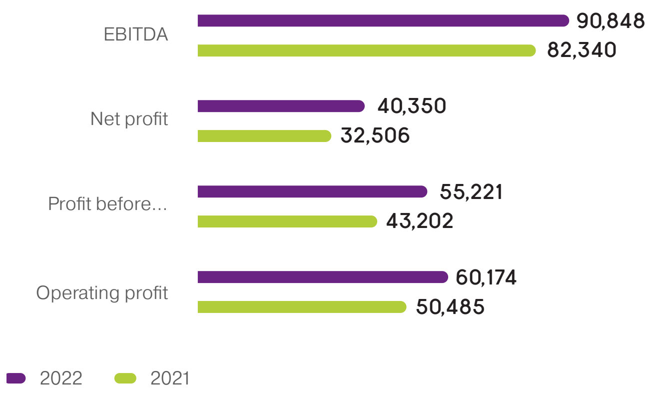
in million Tenge, as of the end of the period

The book value of the Company's assets increased by 13.6% in 2022, reaching 272.4 billion Tenge. The growth was mainly attributed to an increase in accounts receivable, the value of inventories, and financial assets.

Equity rose by 41.1% due to an increase in retained net earnings. In contrast, liabilities decreased by 5.4%, primarily as a result of repaid loans.

PROFIT PERFORMANCE IN 2022

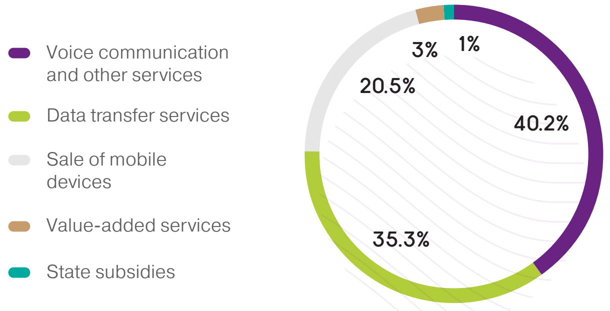
in million Tenge, for the period



The Company's operating profit increased by 12.8%, primarily due to a higher rate of revenue growth compared to the growth in the cost of sales (12.8% versus 8.3%). The growth in revenues and operating profit was also the main factor contributing to the increase in other profit indicators.

STRUCTURE OF INCOME FROM CORE ACTIVITIES

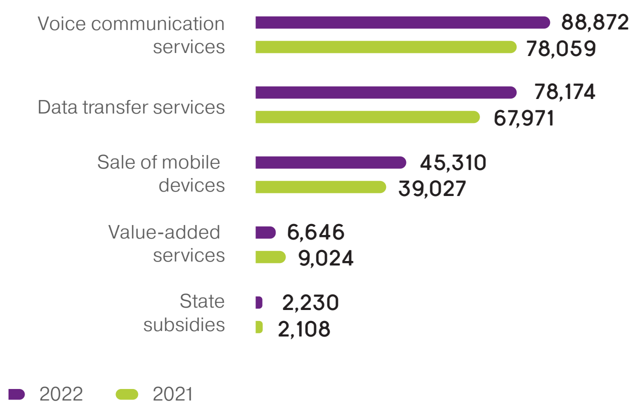
in 2022



The Company's income from core activities increased by 12.8% compared to 2021, reaching 221.2 billion Tenge. The most significant sources of income are voice communication services (40.2% of total sales volume), data services (35.3%), and handset sales (20.5%).

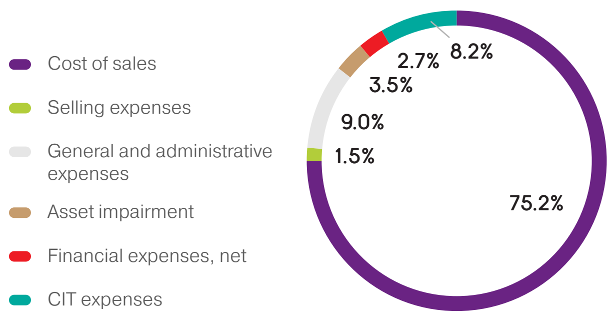
INCOME FROM CORE ACTIVITIES IN 2022

in million Tenge, for the period



Income from the voice communication and data services grew by 13.9% and 15.0% respectively, compared to 2021. Additionally, proceeds from the sale of mobile devices increased by 16.1%. However, income from the value-added services declined by 26.4%.

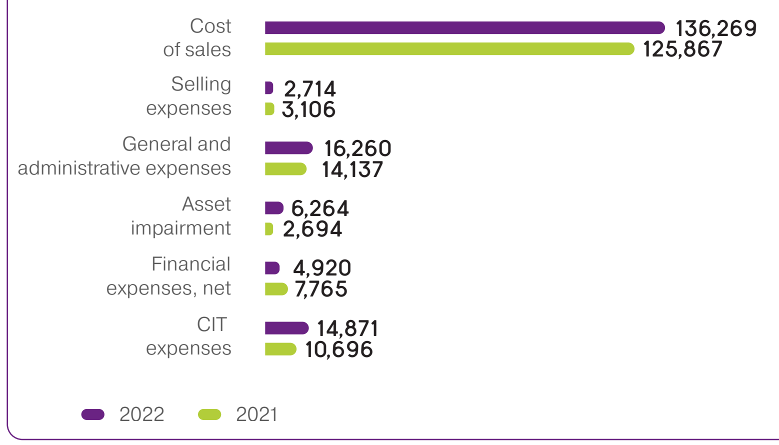
THE COMPANY'S EXPENDITURE PATTERN IN 2022



Cost of sales, accounting for 75.2% of the total expenditures, has the highest relative share in the Company's expenditure pattern. General and administrative expenses (9.0%) and corporate income tax (CIT) expenses (8.2%) are also significant expenditure items. Other types of expenses make up approximately 7.7% of the total expenditures.

EXPENSES INCURRED BY THE COMPANY IN 2022

in million Tenge, for the period

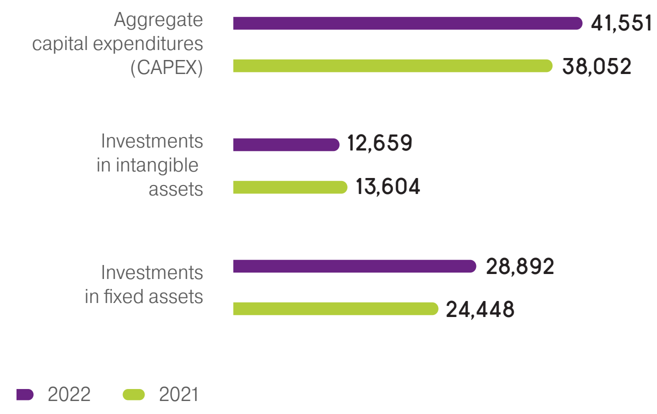


In 2022, cost of sales increased by 8.3% compared to 2021, reaching approximately 136.3 billion Tenge. The following expenses experienced growth in 2022: expenses related to corporate income tax (CIT) payment (by 39.0%) and general and administrative expenses (by 15.0%). Asset impairment charges grew by 2.3 times; however, their impact on the Company's profit margin was negligible due to their low relative shares in the expenditure pattern.

Additionally, it should be noted that the 12.6% decrease in sales proceeds can be attributed to the optimization of the Company's business processes.

INVESTMENTS AND CAPITAL EXPENDITURES

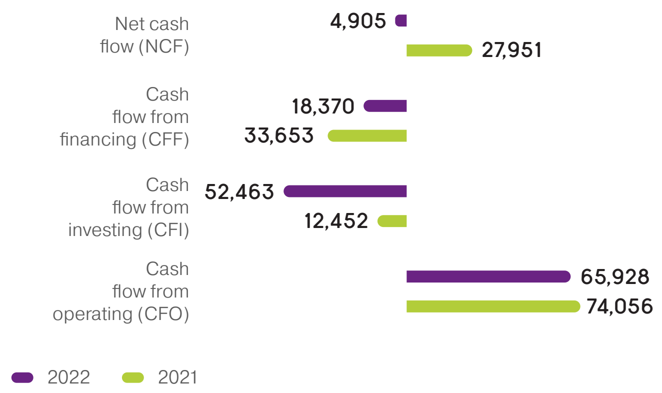
in million Tenge, for the period



Capital expenditures increased by 9.4% compared to 2021, exceeding 41.6 billion Tenge. Additionally, investments in intangible assets decreased by 6.9% (from 13.6 to 12.7 billion Tenge), while investments in fixed assets rose by 18.2% (from 24.5 to 28.9 billion Tenge).

CASH FLOWS

in million Tenge for the period

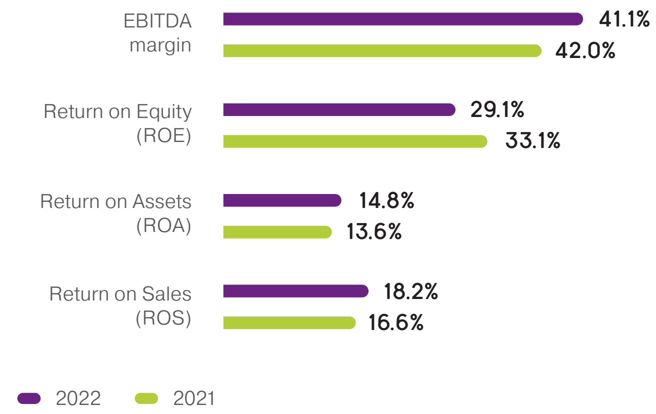


Cash flow from operations decreased by 8.1 billion Tenge compared to 2021, reaching 65.9 billion Tenge, primarily due to the increase in accounts receivable. Meanwhile, the net cash flow was negative, amounting to -4.9 billion Tenge.

The negative cash flow from investments increased as a result of the acquisition of short-term notes from the National Bank of the Republic of Kazakhstan with a maturity date in January 2023.

The negative cash flow from financing decreased due to a reduction in expenses related to loan repayment.

PROFITABILITY RATIOS



The growth in revenues and net profits led to an increase in the main profitability ratios. Return on Assets grew from 13.6% to 14.8%, Return on Sales increased from 16.6% to 18.2%, and EBITDA margin decreased from 42.0% to 41.1%. However, Return on Equity declined from 33.1% to 29.1% due to an increase in retained earnings.

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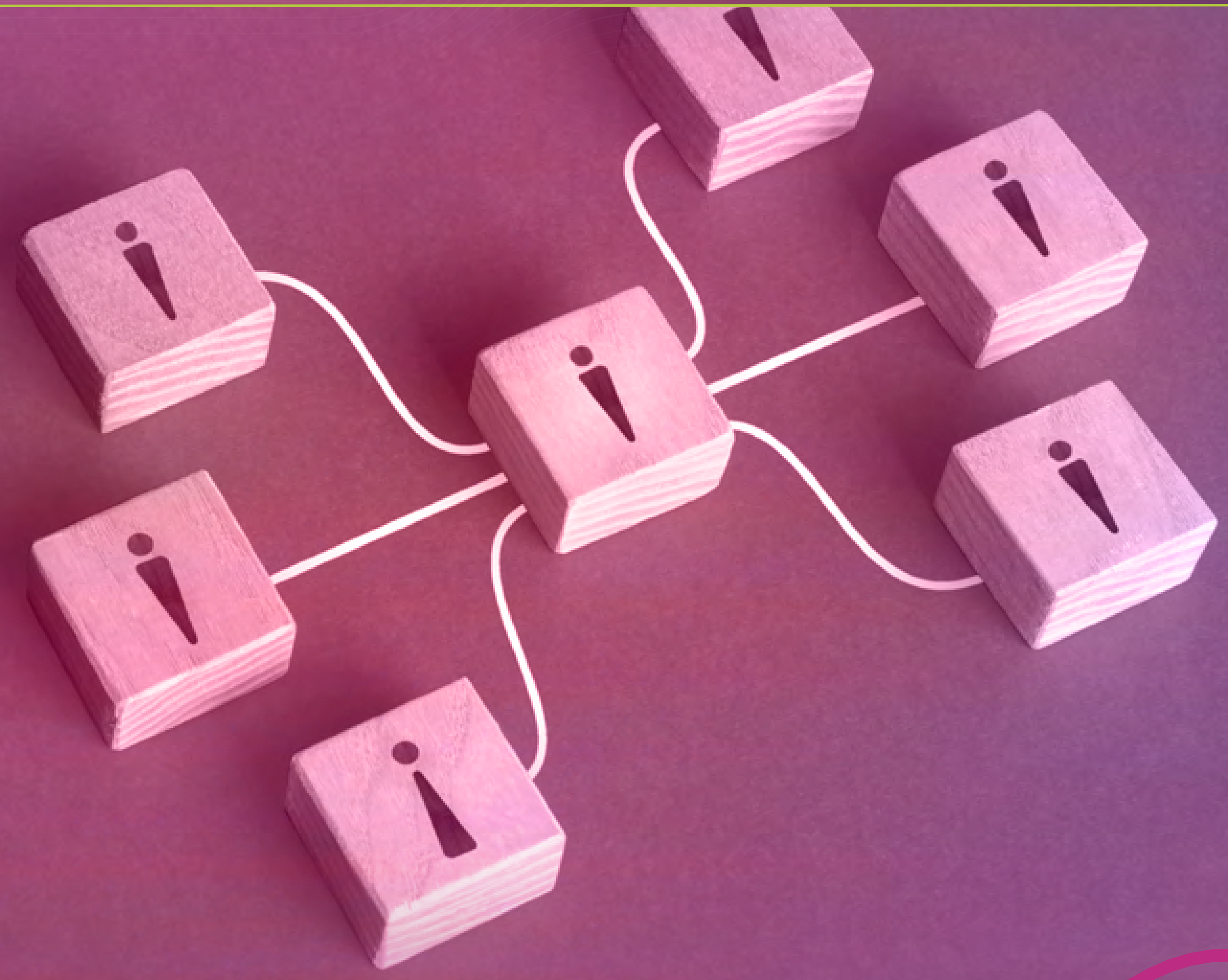


CORPORATE GOVERNANCE

CORPORATE GOVERNANCE SYSTEM

The corporate governance structure, principles, and procedures of the Company are outlined in the Kcell JSC Code of Corporate Governance (the "CCG"), which was approved by the General Meeting of the Company's shareholders on May 24, 2021. The adoption of the Code aims to enhance and systematize the Company's corporate governance, ensuring greater transparency in corporate governance management and reaffirming the Company's commitment to sound corporate governance standards.

According to the provisions of the CCG, corporate governance encompasses the processes that govern and control the Company's activities, including the relationships between its shareholders, Board of Directors, Management Board, other Company bodies, and its stakeholders. The Company views Corporate Governance as a tool to enhance its performance, strengthen its reputation, and reduce its capital raising costs.

KCELL JSC'S CORPORATE GOVERNANCE PRINCIPLES

SAFEGUARDING THE RIGHTS AND INTERESTS OF SHAREHOLDERS	Corporate governance is based on the principle of protecting and respecting the rights and legal interests of shareholders. It contributes to the efficient operation of the Company, including the growth of its assets, maintenance of its financial stability, and profitability.
EFFICIENT ADMINISTRATION OF THE COMPANY BY THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD	The activities of the Board of Directors should be based on the principles of safeguarding and implementing the shareholders' interests to the greatest possible extent. These activities are aimed at increasing the fair market price of the Company. The main principles guiding the Management Board's activities are legality, integrity, good faith, reasonableness, regularity, professionalism, and impartiality.
TRANSPARENCY AND OBJECTIVITY IN DISCLOSING THE COMPANY'S ACTIVITIES	The Company seeks to ensure maximum transparency through timely and accurate disclosures of true information to its shareholders and other stakeholders. This includes information on its financial standing, economic indicators, performance, shareholding structure, and management system.
LAWFULNESS AND ETHICS	The Company has been operating in strict compliance with the laws, generally accepted codes of business conduct, internal regulations, and contractual commitments.
EFFICIENT DIVIDEND POLICY	The Company pays dividends in accordance with its Dividend Policy, the laws, charter, and relevant resolutions of the General Meeting of its shareholders. When adopting a resolution to allocate the dividends, the latter shall be paid in compliance with the laws.
EFFICIENT HR POLICY	The Company ensures the rights of its employees in accordance with the laws and the Code of Business Conduct and Ethics of Kcell JSC. Furthermore, the Company has been fostering partnership relationships with its personnel to tackle social issues and regulate working conditions.
SUSTAINABLE DEVELOPMENT	Recognizing the significance of its impact on the economy, environment, and social development in the country, the Company seeks to ensure its sustainable development in the long run while balancing the interests of its shareholders and enhancing its future performance.
RESOLUTION OF CORPORATE DISPUTES AND CONFLICTS OF INTEREST	Members of the Board of Directors and Management Board, together with the workforce, fulfill their professional duties in good faith and with reasonable grounds, exercising due care and diligence, acting in the best interest of the Company and its shareholders, while striving to avoid any conflicts. Officers of the Company promptly report any alleged conflicts of interest to the Corporate Secretary.

Share Capital

The Company's share capital consists of 200,000,000 fully paid-up ordinary shares with a par value of 169 Tenge per share. The majority of shares in the Company are held by Kazakhtelecom JSC, which is controlled by the Government of the Republic of Kazakhstan through the Sovereign Wealth Fund Samruk-Kazyna JSC.

CHANGES IN THE STRUCTURE OF STAKEHOLDERS' PARTICIPATION FOR THE REPORTING PERIOD

	December 31, 2022, in %	December 31, 2021, in %
Kazakhtelecom JSC	51.00	51.00
PIONEER TECHNOLOGIES S.A.R.L.	14.87	14.87
First Heartland Jusan Bank JSC	9.08	9.08
Unified Accumulative Pension Fund JSC	7.06	7.07
Raiffeisen Bank JSC	1.54	1.54
AROYGROUP LLP	1.39	-
EVEREX LLP	1.16	-
Other	13.90	16.44
Total	**100.00**	**100.00**

The Shareholders' Rights

The Charter of Kcell JSC (the "Charter"), approved by the General Meeting of shareholders on May 29, 2019, stipulates the rights of shareholders in accordance with the laws of the Republic of Kazakhstan. The following are the entitlements of shareholders:

- Participate in the administration of the Company as prescribed by the laws and/or the Charter.
- If a shareholder individually or together with other shareholders holds five percent or more of the voting shares, propose additional matters for inclusion in the agenda of a General Meeting of Shareholders.
- Receive dividends.
- Receive information on the Company's activities, including the review of financial statements, in accordance with the procedures specified by the General Meeting of Shareholders or the Charter.
- Obtain excerpts from the central depository or nominee holder as evidence of their ownership of securities.
- Nominate candidates for election to the Company's Board of Directors at the General Meeting of Shareholders.
- Contest resolutions adopted by the Company's bodies in court.
- If a shareholder individually or together with other shareholders holds five percent or more of the voting shares in the Company, seek legal recourse in their own name to collect damages from the Company's officers for losses caused to the Company, and to require the Company's officers and/or affiliates to reimburse gains/income received from decisions related to major transactions and/or interested party transactions.
- Submit written inquiries to the Company regarding its activities and receive reasonable responses within thirty calendar days after receipt by the Company.
- Receive a share of the Company's assets in the event of its liquidation.
- Exercise preemptive rights to purchase shares or other securities convertible to the Company's shares, as specified by the laws, unless otherwise stipulated by the legal acts of the Republic of Kazakhstan.
- Participate in the decision-making process at the General Meeting of Shareholders regarding changes in the number or type of shares, as stipulated by the laws.
- Possess additional rights as provided by the Law of the Republic of Kazakhstan "On joint stock companies" and the Charter.

A majority shareholder holding 10 percent or more of the voting shares, or several shareholders collectively holding 10 percent or more the voting shares based on a signed agreement between them, are entitled to:

- Call for an extraordinary General Meeting of Shareholders or file a claim in court if the Board of Directors refuses to convene the meeting.
- Call for a meeting of the Board of Directors.
- Demand an audit of the Company conducted by an auditing firm, at the expense of the shareholder.

Shareholders holding five percent or more of the voting shares individually or together with other shareholders are entitled to receive information on the amount of remuneration payable to a specific member of the Board of Directors and/or executive body of the Company if the following conditions are met:

- The court determines that the member(s) of the Board of Directors and/or executive body deliberately misled the Company's shareholders to receive gains/income.
- It is proven that the fraudulent actions or omissions of the member(s) of the Board of Directors and/or executive body have caused damage to the Company.

Disclosures

The Company's disclosure practices are based on the following approaches:

- Disclosures are intended to create a positive perception of the Company, facilitating fundraising, maintaining trust among shareholders and investors, and improving operational and financial indicators.
- The information disclosure system ensures that Company information is accessible while safeguarding internal confidential information.
- Disclosures provide easy and unrestricted access to publicly available Company information.
- Information is disclosed on the website of the financial statements depository and the stock exchanges' websites, in accordance with the laws and the Listing Rules of the stock exchanges.
- Additional disclosure of corporate events is made on the Company's corporate website (www.investors.kcell.kz).

Payment of Dividends

The approval to pay dividends shall be granted by the General Meeting of Shareholders. Dividends on ordinary shares may be disbursed based on the annual, semi-annual, and/or quarterly results, following the completion of the audit of the corresponding financial statements.

No dividends were distributed in 2022. However, in 2021, dividends totaling 17,578 million Tenge were paid out.

CORPORATE BODIES

GENERAL MEETING OF SHAREHOLDERS	Supreme Managing Body
BOARD OF DIRECTORS	Managing body responsible for the development of the Company's strategy, overall governance of its operations, and oversight of the Management Board's activities.
MANAGEMENT BOARD	Collective executive body responsible for administering the day-to-day operations of the Company and implementing the strategy determined by the Board of Directors and the General Meeting of Shareholders.
INTERNAL AUDIT SERVICE	Body that monitors the financial and economic activities of the Company, assesses the effectiveness of internal controls, and oversees risk management.

GENERAL MEETING OF SHAREHOLDERS

The following matters fall within the exclusive jurisdiction of the General Meeting of Shareholders:

- Making changes and amendments to the Company's Charter or approving a new version thereof.
- Approving the Corporate Governance Code (CCG) and any changes or amendments to it.
- Deciding on voluntary reorganization and liquidation of the Company.
- Deciding to increase the number of authorized shares in the Company or change the type of authorized shares that have not been allocated.
- Determining the conditions and procedure for the conversion of the Company's securities, as well as any modifications.
- Deciding to issue securities convertible into ordinary shares in the Company.
- Deciding to exchange placed shares of one type for shares of a different type, and determining the conditions, deadlines, and procedures for such an exchange.
- Determining the number of members of the Scrutiny Commission, their term of office, electing its members, and terminating their powers prematurely.
- Determining the number of members of the Board of Directors, their term of office, electing its members, and terminating their powers prematurely. Also, determining the amount and conditions of remuneration and compensation for Board of Directors members for their fulfilled duties.
- Appointing an auditing firm to audit the Company.
- Approving the annual financial statements of the Company.
- Approving the procedure for allocating the Company's net income for the reporting financial year, deciding to pay dividends on ordinary shares, and approving the dividend amount per ordinary share.
- Deciding to pay dividends based on quarterly or six-month results, allocating retained earnings, and approving the dividend amount per ordinary share.
- Deciding not to pay dividends on ordinary shares in the Company.
- Deciding on a voluntary delisting of the shares in the Company.
- Deciding on the Company's participation in the establishment or operations of other legal entities, or withdrawing from other legal entities' participants/shareholders through the transfer or acceptance of a part or several parts of assets constituting twenty-five (25) percent or more of all the Company's assets.
- Determining the form of notice to be given by the Company to shareholders to inform them of a General Meeting of Shareholders.
- Approving changes to the methodology (unless approved by the constituent meeting) for calculating the price of shares if they are to be bought out by the Company from an informal market pursuant to the Law.
- Approving the agenda of the General Meeting.
- Determining the procedure for providing shareholders with information about the Company's activities, unless specified in the Charter.
- Introducing and canceling the "golden share".
- Deciding on major transactions by the Company, resulting in the acquisition or alienation of property worth fifty (50) percent or more of the total book value of the Company's assets.
- Approving the Company's Dividend Policy.
- Addressing any other matters falling within the exclusive jurisdiction of the General Meeting, as stipulated by the Law and/or Charter.

The proceedings of the General Meeting of Shareholders must provide each shareholder with an equal opportunity to exercise their rights to attend the meeting. Shareholders may vote in person or through a proxy (based on a power of attorney issued to a third party). The rules of procedure for the General Meeting of Shareholders are designed to allow for comprehensive discussions on the agenda items and to make reasonable decisions.

Board of Directors

The Board of Directors is a governing body subordinate to the General Meeting of Shareholders and is responsible for the overall governance of the Company. It ensures the strategic administration of the Company and exercises control over the activities of the Management Board.

The following matters are exclusively within the competence of the Board of Directors:

1. Determination of the Company's top priorities for activities/development, strategic goals, and projects (development strategy). Monitoring their implementation and approval of the Company's development plan.
2. Approval of the Company's policies or other internal documents regulating key aspects of the Company's activities, unless such policies or documents fall under the jurisdiction of other bodies of the Company.
3. Decision to convene the annual and extraordinary General Meetings.
4. Decision regarding the placement/sale of shares, including the number of shares to be placed/sold, the method and price of placement/sale, in accordance with the requirements of the Law.
5. Decision on the Company's buyout of placed shares or other securities and the repurchase price.
6. Preliminary approval of the Company's annual financial statements.
7. Approval of the Company's annual report.
8. Creation and determination of the composition of the Committees of the Board of Directors, election of committee members, and approval of committee provisions.
9. Determination of the terms and conditions for the issuance of the Company's notes and derivative securities, as well as the decision to issue them.
10. Determination of the number of members and term of office of the Company's Management Board, election of the Chairperson and members of the Management Board, and early termination of their powers.
11. Determination of the size of wages, as well as the conditions of remuneration and bonuses for the Chairperson and members of the Management Board.
12. Approval of the Provision on the Company's Management Board.
13. Approval of the model labor contracts to be signed with the Chairperson and members of the Management Board.
14. Approval of succession planning programs for members of the Management Board and other employees of the Company, according to the approved list by the Board of Directors.
15. Determination of the number of members and term of office of the Internal Audit Service, appointment of the head and members, and early termination of their powers. Determination of the proceedings, remuneration, and bonuses for the personnel of the Internal Audit Service, as well as approval of the Provision on the Internal Audit Service.
16. Appointment and determination of the term of office of the Corporate Secretary, early resignation, and determination of the wage and remuneration conditions for the Corporate Secretary. Approval of the Provision on the Corporate Secretary.
17. Determination of the remuneration payable to the auditing firm for auditing financial statements, as well as to an appraiser who will appraise the fair market price of assets contributed as payment for shares in the Company or subject to a major transaction.
18. Approval of documents regulating the Company's internal operations (excluding documents to be adopted by the Management Board for organizing the Company's activities), including the internal document stipulating terms, conditions, and procedures for auctions and subscription to the Company's securities.
19. Decision to create and close subsidiaries and representative offices of the Company and approval of the provisions on such subsidiaries and representative offices.
20. Decision regarding the Company's purchase/alienation of ten (10) percent or more of shares/participatory interests in the authorized capital of other legal entities.
21. Decision regarding activities falling within the competence of the General Meeting of Shareholders/participants of a legal entity, in which the Company holds ten (10) percent or more of shares/participatory interests in the authorized capital.
22. Increase in the Company's liabilities by ten (10) percent or more of its equity.
23. Determination of information about the Company or its activities that is deemed an official, trade, or legally protected secret.
24. Decision on major transactions to be concluded by the Company, unless such decisions are within the purview of the General Meeting pursuant to the Law and this Charter.
25. Decision on transactions to be concluded by the Company, provided they are interested party transactions, unless otherwise stipulated by the Law or the Company's Charter.
26. Approval of the annual budget and accounting policies of the Company.
27. Approval of the Company's corporate structure.
28. Approval of the Company's key performance indicators and individual key performance indicators of the Chairperson and members of the Management Board.
29. Decision to grant a guarantee on behalf of the Company for the liabilities of any other legal entity.
30. Decision to raise external funds.
31. Preliminary review of the Company's draft Charter, Code of Corporate Governance, Dividend Policy, including changes and amendments thereto, as well as changes to the method of determining the price of shares when they are to be bought out by the Company in the informal market, which may be presented to the General Meeting of Shareholders at the Company's discretion.
32. Decision on any other matters stipulated by the laws of the Republic of Kazakhstan and/or this Charter, excluding matters within the exclusive competence of the General Meeting.
33. Determination of the number of members and term of office of the Compliance Control Service, appointment of its head and members, and early termination of their powers. Determination of the proceedings, remuneration, and bonuses for the personnel of the Compliance Control Service, as well as approval of the Provision on the Compliance Control Service.

To ensure efficient performance of its functions, the Board of Directors shall create the following Committees:

- Strategic Planning Committee;
- Personnel and Remuneration Committee;
- Internal Audit Committee;
- Sustainable Development Committee;
- Committees responsible for other issues referred to in the Company's internal documents.

Kcell JSC utilizes a dedicated platform that ensures comprehensive protection of workflow management and organizational processes. It also facilitates improved information interaction within the Board of Directors and enhances their performance. According to the provisions of the Company's Charter, members of the Board of Directors, Committees, and experts may attend meetings through conference calls or other means of communication that allow all participants to hear and speak with each other.

As of December 31, 2022, Timur Turlov, representing Freedom Finance JSC, indirectly held 5,200,193 shares in Kcell JSC.

PRINCIPLES OF APPOINTMENT TO THE BOARD OF DIRECTORS

Candidates for the position of a member of the Company's Board of Directors may be nominated from among:

- individual shareholders;
- persons nominated to the Board of Directors as representatives of the shareholders;
- individuals who are not shareholders or have not been nominated/recommended to be elected to the Board of Directors as shareholders' representatives.

Candidates for and members of the Board of Directors should have a suitable career history, competence, qualifications, and positive achievements necessary to fulfill their duties. They should also possess an impeccable reputation in the business and sectoral communities, as required to ensure the effective functioning of the entire Board of Directors for the benefit of shareholders and the Company. The Independent Directors should constitute at least 30% of the total number of Board members.

COMPOSITION OF THE BOARD OF DIRECTORS

The composition of the Board of Directors underwent the following changes in 2022:

- On April 14, 2022, Independent Director T.K. Naizabekov resigned from office ahead of schedule.
- On May 19, 2022, Independent Director D.Zh. Inkarbekova, as well as members of the Board of Directors representing the shareholder Kazakhtelecom JSC, K.B. Yesekeyev, T.T. Khudayberdiev, and S.B. Saudabayev, were removed from office according to the resolution of the annual General Meeting of Shareholders.
- On May 19, 2022, the current composition of the Board of Directors was approved by the resolution of the annual General Meeting of Shareholders.

As of December 31, 2022, the Board of Directors consisted of 7 members, including 6 men and one woman. Four members of the Board of Directors are Independent Directors.

COMPOSITION OF THE BOARD OF DIRECTORS AS OF DECEMBER 31, 2022

Alexey Buyanov	Chairman of the Board of Directors, Independent Director
Aliya Kishkimbayeva	representative of Kazakhtelecom JSC
Aleksandr Lezgovko	representative of Kazakhtelecom JSC
Timur Turlov	representative of Freedom Finance JSC
Jere Calmes	Independent Director
Pietari Kivikko	Independent Director
Yermek Ramazanov	Independent Director

CURRICULA VITAE OF THE MEMBERS OF THE BOARD OF DIRECTORS

ALEXEY BUYANOV

Chairman of the Board of Directors, Independent Director

Chairperson of the Board of Directors, Mr. Buyanov, has been serving as an Independent Director of Kcell JSC since January 25, 2019.

He was reelected for a 3-year term at the annual General Meeting of Shareholders on May 19, 2022.

Furthermore, during a meeting of the Kcell JSC Board of Directors on the same date, he was reelected as the Chairman of the Board of Directors.

In addition to his role at Kcell JSC, Mr. Buyanov holds positions as an Independent Director of Kazakhtelecom JSC and Director of Bengala Investments. From 2002 to 2014, he served as the Senior Vice President and Chief Financial Officer, as well as a member of the Management Board, of Sistema OJSC, an investment fund listed on the London Stock Exchange. Subsequently, from 2014 to 2016, he assumed the role of Managing Director and Head of the Investment Committee at Redline Capital Management S.A.

Mr. Buyanov obtained his degree in applied physics and mathematics from the Moscow Institute of Physics and Technology (MIPT). He also completed the Oxford Fintech Program at Said Business School, University of Oxford.

ALIYA KISHKIMBAYEVA

representative of Kazakhtelecom JSC

Mrs. Kishkimbayeva has been a member of the Kcell Board of Directors since May 19, 2022.

Since 2019, she has held the position of Managing Director (Legal Affairs and Risks) at Kazakhtelecom JSC. Mrs. Kishkimbayeva graduated from the Adilet Higher Law School with a major in Jurisprudence, and also completed studies at the English Language Department of the Kazakh State University of World's Languages.

With a wealth of experience in the telecommunications and oil infrastructure sectors, Mrs. Kishkimbayeva previously worked at Kcell JSC, PetroKazakhstan Inc., and AralParker KASP CJSC.

ALEKSANDR LEZGOVKO

representative of Kazakhtelecom JSC

Mr. Lezgovko has been a member of the Kcell Board of Directors since May 19, 2022.

He brings over 30 years of experience in the telecommunications industry. Starting from 1999, he worked at Kazakhtelecom JSC, where he held the position of Chief Technical Officer from 2007 to 2021.

Mr. Lezgovko is a graduate of the Almaty Power Engineering Institute, with a major in Automatic Telecommunications.

In 2005, he was honored with the title of "Kurmetti Bailanysshy."

Additionally, in 2012, he was awarded the "Kurmet" Order.

TIMUR TURLOV

Representative of Freedom Finance JSC

Mr. Turlov has been a member of the Kcell Board of Directors since January 25, 2019. He was reelected for an additional 3-year term at the annual General Meeting of Shareholders held on May 19, 2022.

In addition to his role at Kcell, Mr. Turlov serves as the General Director of Freedom Finance JSC, Director of Freedom Securities Trading Inc., an Independent Director on the Board of Directors of Freedom Finance Europe Ltd., Chairman of the Board of Directors of Life Insurance Company Freedom Finance Life JSC, and Chairman of the Board of Directors of Insurance Company Freedom Finance Insurance JSC.

Mr. Turlov holds a Bachelor's degree in Economics and Management from the Russian State Technological University named after Tsiolkovsky.

JERE CALMES

Independent Director

Mr. Calmes has been a member of the Board of Directors of Kcell JSC since January 15, 2020. On May 19, 2022, he was reelected for a 3-year term at the annual General Meeting of Shareholders.

With over 20 years of experience in the telecommunications, wholesale, and retail industry, Mr. Calmes has a special focus on emerging markets. Since May 2020, he has served as the CEO and General Director of Lamoda.

From December 2016 to June 2019, he held the position of General Director for the Russian branch of Metro Cash & Carry. Prior to that, he held various senior positions in the telecommunications sector, including Deputy CEO of Tele2, CEO of Tele2 Russia, Managing Director of the Italian mobile service provider Wind Telecomunicazioni, Managing Vice President and Managing Director of the Moscow office of VEON JSC, and Director (Customer Services and Credit Control) of the mobile operator Orange Egypt. Additionally, he was a member of the Management Board of the Ukrainian telecommunications service provider Datagroup JSC, Managing Director of Fast Lane Ventures, President of the Russian "36.6" pharmacy chain, and General Director of the chain managing company with the same name. Mr. Calmes also served as an advisor to the Adva Capital investment fund.

Mr. Calmes holds a Bachelor's degree in Political Science and Economics from Bates University in Maine, USA. He has also completed the Executive Development Program (EDP) at the Wharton School of Business.

PIETARI KIVIKKO

Independent Director

Mr. Kivikko has been a member of the Kcell Board of Directors since May 19, 2022.

He brings a wealth of experience in the field of telecommunications, having held senior positions at TeliaSonera and Tele2. Additionally, he served as the Managing Director of Paroc Owens Corning Insulation Materials in Russia. Currently, Mr. Kivikko holds the position of Managing Director at Fexcon Consulting.

Mr. Kivikko holds a Master of Science degree in Accounting, Commercial Law, and Marketing from the School of Economics and Business Administration at the University of Turku in Turku, Finland.

YERMEK RAMAZANOV

Independent Director

Mr. Ramazanov has served as an Independent Director of Kcell since December 6, 2021. At the annual General Meeting of Shareholders on May 19, 2022, he was reelected for a three-year term.

With a wealth of experience in the telecommunications industry, Mr. Ramazanov has previously held positions in the government and served as an Independent Director for telecommunications companies.

Mr. Ramazanov graduated from the Kyzylorda Institute of Engineers of Agro-Industrial Production named after Zhakhayev, majoring in Economics. He holds a Master's degree in Business Administration from the European University in Geneva and also a Master's degree in Business Administration from the Kazakh Economic University named after T. Ryskulov.

MINUTES OF THE BOARD OF DIRECTORS' MEETINGS DURING THE REPORTING YEAR

In 2022, the Board of Directors convened for a total of 13 meetings, all of which were conducted through in-person attendance. During these meetings, the Board of Directors deliberated upon various aspects of the Company's operations and made decisions on the following matters:

- approval of major transactions;
- election and early termination of the Management Board members' mandates;
- preliminary approval of the 2022 annual financial statements;
- convening of annual and extraordinary general meetings of shareholders in 2022, as well as preparation of dividend payment proposals;
- approval of interested party transactions;
- consideration of the composition of the Board of Directors' Committees.

Additionally, the Board of Directors addressed several business, commercial, operational, and legal matters related to the Company's activities.

PERFORMANCE EVALUATION OF THE BOARD OF DIRECTORS

The Board of Directors is required to conduct a comprehensive performance evaluation of itself, its Committees, and each Director on a regular basis, specifically once every three years. The results of this performance evaluation are to be discussed during a Board of Directors meeting, and based on these results, recommendations for enhancing the Board of Directors' performance are to be prepared.

On February 17, 2022, the "Rules for Measuring Performance of the Board of Directors and its Committees, Chairman, members of the Board of Directors, and the Corporate Secretary of Kcell JSC" (referred to as the "Rules") were approved by a resolution of the Board of Directors. Additionally, a decision was made for the Board of Directors of Kcell JSC to evaluate its own performance. The findings from the self-evaluation were reviewed during a meeting of Kcell JSC's Board of Directors on April 15, 2022. Based on the results of the evaluation, relevant recommendations were provided to enhance the performance of the Board of Directors.

REMUNERATION FOR MEMBERS OF THE BOARD OF DIRECTORS

Matters pertaining to the remuneration of Directors shall be deliberated upon at the General Meeting of Shareholders. The remuneration amount should be sufficient to attract, retain, and motivate the Directors, thereby encouraging their efficient work. The remuneration should correspond to the time spent on their duties and the quality of their performance.

The Company is obligated to disclose information regarding the remuneration of its Directors in accordance with the law. The size of Directors' remuneration for the reporting period must be disclosed in the annual report.

As per the current Remuneration Policy, the Company provides remuneration to independent members of the Board of Directors in two components: a fixed annual remuneration and an additional annual remuneration. Additionally, costs incurred by Board members in fulfilling their duties will be reimbursed.

In 2019, the General Meeting of Shareholders approved the following remuneration amounts, before taxes, for Independent Directors: a fixed annual remuneration of $75,000; an additional annual remuneration of $25,000 for the Chairperson of the Board of Directors; and an additional annual remuneration of $15,000 for the Chairperson of any Board Committee. Fifty percent of the fixed and additional annual remuneration for the role of the Chairperson of the Board of Directors or its Committees will be paid six months after the Independent Director assumes office, and the remaining fifty percent will be paid one year later.

The total remuneration paid to independent members of the Board of Directors in 2022 amounted to $349.4 thousand or 155.3 million Tenge (before taxes).

Committees of the Board of Directors

There are four committees created and functioning under the Board of Directors. The committees shall consider, within their respective areas of expertise, the key matters related to the Company's activities and prepare recommendations for the Board of Directors on these matters. The current composition of the committees under the Board of Directors was approved by a resolution of the Board of Directors dated May 19, 2022.

COMPOSITION OF THE COMMITTEES UNDER THE BOARD OF DIRECTORS

Name of the Committee	Competences of the Committee	Composition of the Committee as of December 31, 2022
Strategic Planning Committee	Strategic Development of the Company	Alexey Buyanov is Chairman of the Committee; Pietari Kivikko; Timur Turlov; Aleksandr Lezgovko; Yermek Ramazanov.
Personnel and Remuneration Committee	HR Policy: Remuneration of Employees; Personnel Training and Incentives.	Pietari Kivikko is the Chairman of the Committee; Alexey Buyanov; Aliya Kishkimbayeva.
Internal Audit Committee	Matters related to financial statements; Internal controls and risk management; Internal and external audits.	Pietari Kivikko is the Chairman of the Committee; Alexey Buyanov; Jere Calmes.
Sustainable Development Committee	Strategic matters concerning sustainable development; Elaboration and implementation of the Company's sustainable development policies.	Yermek Ramazanov is the Chairman of the Committee; Jere Calmes; Aliya Kishkimbayeva.

PROCEEDINGS OF THE COMMITTEES OF THE BOARD OF DIRECTORS

Strategic Planning Committee

In 2022, the Committee held 7 in-person meetings, during which 21 matters were considered, and relevant recommendations were provided to the Board of Directors on the following topics:

- Reviewing progress reports on the implementation of the Company's Development Strategy;
- Approving the Development Plan;
- Approving the project titled 'Deployment of a 5G network';
- Approving other strategic projects of the Company.

Committee members actively participated in the annual Strategic Session.

Personnel and Remuneration Committee

In 2022, the Committee held 11 in-person meetings, during which 43 matters were considered, and relevant recommendations were provided to the Board of Directors on the following topics:

- Election of members to the Management Board;
- HR matters pertaining to the Compliance Control and Internal Audit Subdivisions;
- Changes to the corporate structure;
- Determination of key performance indicators (KPI) for top officials;
- Review of the performance of the Chairman, members of the Management Board, and employees accountable to Kcell JSC's Board of Directors for 2021, based on the KPI;
- Consideration of candidates for the new composition of Kcell JSC's Board of Directors.

Internal Audit Committee

In 2022, the Committee held 7 in-person meetings, during which 30 matters were considered, and relevant recommendations were provided to the Board of Directors on the following topics:

- Approval of the quarterly risk management reports;
- Approval of the risk register and matrix, as well as the determination of the risk appetite level;
- Approval of internal guidelines governing risk management and internal controls;
- Approval of the annual audit plan for the Company's Internal Audit Service;
- Review of the quarterly reports from the Internal Audit Service;
- Review of the quarterly operating performance;
- Appointment of the auditing firm to conduct the audit and determination of the remuneration payable to the auditing firm for the audit of the financial statements from 2022 to 2024.
- Additionally, in 2022, the Committee held three meetings with the external auditor, during which the following matters were discussed:
- Financial performance of the Company for 2021;
- External auditors' report for the first six months of 2022;
- Planning of the external audit for Kcell JSC's 2022 statements.
- Furthermore, the Chairman of the Committee, Pietari Kivikko, regularly held meetings with members of the Company's Management Board, Corporate Secretary, Heads of the Internal Audit Service, and Heads of the various departments.

Sustainable Development Committee

In 2022, the Committee held 4 in-person meetings, during which 7 matters were considered, and relevant recommendations were provided to the Board of Directors on the following topics:

- Review of reports from the Compliance Control Service;
- Matters pertaining to the Environmental, Social, and Governance (ESG) agenda in the context of the Company's activities.

Furthermore, the Chairman of the Committee, Yermek Ramazanov, regularly held meetings with members of the Company's Management Board, Head of the Compliance Control Service, and Heads of various departments.

Additionally, members of the Committee actively participated in the workshop titled "Sustainable development and priorities, timing, and potential outcomes of integrating ESG principles into the Company's business processes".

ATTENDANCE OF THE STRATEGIC PLANNING COMMITTEE'S MEETINGS BY ITS MEMBERS IN 2022

Member	Number of the Committee meetings	Attendance
Alexey Buyanov	7	6
Pietari Kivikko	5	5
Timur Turlov	7	4
Aleksandr Lezgovko	5	5
Yermek Ramazanov	6	6
Timur Naizabekov	0	0
Kuanyshbek Yessekeyev	2	1
Jere Calmes	1	1

ATTENDANCE OF THE PERSONNEL AND REMUNERATION COMMITTEE'S MEETINGS BY ITS MEMBERS IN 2022

Member	Number of the Committee meetings	Attendance
Dinara Inkarbekova	5	5
Alexey Buyanov	11	10
Pietari Kivikko	6	6
Aliya Kishkimbayeva	6	6
Timur Naizabekov	0	0
Timur Khudaiberdiyev	0	0
Timur Turlov	5	5

ATTENDANCE OF THE INTERNAL AUDIT COMMITTEE'S MEETINGS BY ITS MEMBERS IN 2022

Member	Number of the Committee meetings	Attendance
Alexey Buyanov	5	5
Pietari Kivikko	4	4
Timur Naizabekov	0	0
Dinara Inkarbekova	3	3
Jere Calmes	7	7

ATTENDANCE OF THE SUSTAINABLE DEVELOPMENT COMMITTEE'S MEETINGS BY ITS MEMBERS IN 2022

Member	Number of the Committee meetings	Attendance
Dinara Inkarbekova	1	1
Alexey Buyanov	1	1
Yermek Ramazanov	3	3
Timur Khudaiberdiyev	2	1
Jere Calmes	3	3

Management Board

The Management Board of Kcell JSC is a collective executive body responsible for administering the day-to-day operations of the Company. The Company recognizes the crucial role played by the Chief Operating Officer, who acts as the Chairman of the Management Board.

During its proceedings, the Management Board adheres to the principles of lawfulness, integrity, good faith, reasonableness, consistency, professionalism, and impartiality. Its members are committed to safeguarding the interests of the shareholders to the fullest extent and are fully accountable to both the General Meeting of Shareholders and the Board of Directors.

COMPOSITION OF THE MANAGEMENT BOARD

The composition of the Management Board underwent the following changes in 2022:

- on April 15, Chief Legal Officer, a member of the Management Board of Kcell JSC S. Gasanova was removed from the office ahead of schedule;
- on April 15, Azamat Dauletovich Uisumbayev was appointed Chief Executive Officer (Corporate Affairs) of Kcell JSC
- on April 27, powers of a member of the Management Board, Chief Technical Officer A. Yeserkegenov were terminated ahead of schedule;
- on May 11, A. Uzbekov was appointed Chief Executive Director, Chairman of the Management Board of Kcell JSC;
- on May 11, Yu. Kharlamov was appointed the Chief Operating Officer, Deputy Chairman of the Management Board of Kcell JSC;
- on June 23, K. Strashenko was appointed the Chief Technical Officer, member of the Management Board of Kcell JSC;
- on June 23, D. Ibrayev was appointed the Chief Security Officer, a member of the Management Board of Kcell JSC;
- on September 15, M. Amardinov was appointed the Chief Digital Development Officer, a member of the Management Board of Kcell JSC;
- on September 16, power of Chief Operating Officer, Deputy Chairman of the Management Board of Kcell JSC, Yu. Kharlamov were terminated ahead of schedule;
- on December 7, powers of the Chief Financial Officer, a member of the Management Board of Kcell JSC, D. Nurpeisova, were terminated ahead of schedule.

As of December 31, 2022, the Management Board consisted of 6 members, including 5 men and one woman.

COMPOSITION OF THE MANAGEMENT BOARD AS OF DECEMBER 31, 2022

Askhat Arkhatovich Uzbekov	Chairman of the Management Board, Chief Operating Officer
Maria Vitalyevna Averchenko	member of the Management Board, Chief Commercial Officer
Azamat Dauletovich Uisumbayev	member of the Management Board, CEO (Corporate Affairs)
Kirill Valeryevich Strashenko	member of the Management Board, Chief Technical Officer
Daniyar Kadylkhanovich Ibrayev	member of the Management Board, Chief Security Officer
Malik Alimzhanovich Amardinov	member of the Management Board, Chief Digital Development Officer

CURRICULA VITAE OF THE MEMBERS OF THE MANAGEMENT BOARD

ASKHAT ARKHATOVICH UZBEKOV

is the Chairman of the Management Board and also holds the position of Chief Operating Officer

Mr. Uzbekov was elected as the Chief Operating Officer and Chairman of the Management Board of Kcell JSC on May 11, 2022.

Askhat Uzbekov graduated from Turan University with a major in International Economics in 2000. In 2022, he was awarded an Executive MBA from the London Business School. Prior to 2005, Askhat Uzbekov worked in the taxation and audit departments of Ernst & Young Kazakhstan LLP. He then held positions in the Treasury Department of KazMunaiGas Exploration Production JSC for seven years until early 2012. From 2012 to December 2014, he served as the Chief Financial Officer of KMG EP International (Netherlands).

In January 2015, Askhat Uzbekov joined Kazakhtelecom JSC as the Director of the Finance Department, the largest telecommunications service provider in the country. In March 2015, he assumed the role of Managing Director and Chief Treasurer of Kazakhtelecom JSC. In January 2016, in addition to his previous responsibilities, Mr. Uzbekov took on the role of Financial Controller for the Kazakhtelecom Group. Since September 2016, he has been serving as the Chief Financial Officer of the Company. He played a direct role in the completion of the transaction to acquire 75% of the shares in Kcell JSC in 2018.

MARIA VITALYEVNA AVERCHENKO

is a member of the Management Board and holds the position of Chief Commercial Officer

Mrs. Averchenko was appointed as the Chief Commercial Officer and became a member of the Company's Management Board on April 9, 2021.

Mrs. Averchenko has over 17 years of experience in the telecommunications and banking sectors, including administration. From 2015 to 2017, she held the position of Chief B2C Commercial Officer at Vimpelcom Ltd in Moscow, and from 2017, she served as the Director of Partner Relations. Prior to that, she held senior positions at RTK (MTS retail chain) and Euroset. Mrs. Averchenko graduated from the Krasnoyarsk State Technical University with a major in Computer and Engineering Graphics Engineering.

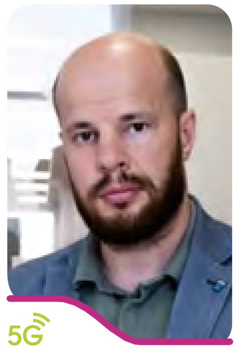
AZAMAT DAULETOVICH UISUMBAYEV

is a member of the Management Board and serves as the Chief Executive Officer (Corporate Affairs)

Mr. Uisumbayev was appointed as the Chief Executive Officer (Corporate Affairs) and a member of the Company's Management Board on April 15, 2022.

Over the past 12 years, Azamat Uisumbayev has held various positions within the Kazakhtelecom JSC Group, including the roles of Managing Director - Financial Controller of Kazakhtelecom JSC and Commercial Director of KT Cloud Lab LLP. Prior to his career in the telecommunications industry, he worked for governmental agencies in the Republic of Kazakhstan.

Mr. Uisumbayev holds a higher education degree with a major in economics and law. He is a Master's degree holder (MRA & MBA) from the Russian Presidential Academy of National Economy and Public Administration in Moscow. He has successfully completed the "Leaders of Digital Transformation" advanced training course at the Moscow School of Management Skolkovo. Currently, he is enrolled in the Executive MBA program at Nazarbayev University.



KIRILL VALERYEVICH STRASHENKO

is a member of the Management Board and holds the position of Chief Technical Officer

Mr. Strashenko was appointed as the Chief Technical Officer and a member of the Company's Management Board on June 23, 2022.

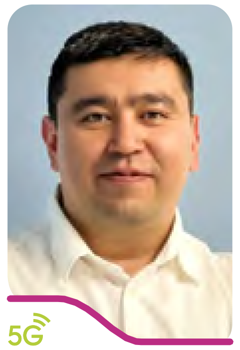
In 2004, Kirill Valeryevich Strashenko graduated from the Almaty University of Power Engineering and Telecommunications (AUPET) with a major in Telecommunications Engineering. From 2004 to 2016, he held various positions at Kcell JSC, starting as a Data Transfer Engineer and eventually becoming the Head of the Data Transfer System Department. From 2016 to 2018, he served as the Network and IT Infrastructure Manager and was also appointed as the Joint LTE Network Project Manager, working in collaboration with Kar-Tel LLP. From 2018 to 2021, he held the position of Deputy Chief Technical Officer. From 2021 to May 2022, he served as the Network Development Manager. In 2019, he was honored with the prestigious government award, "Honorable Communication Man."

DANIYAR KADYLKHANOVICH IBRAYEV

is a member of the Management Board and serves as the Chief Security Officer

Mr. Ibrayev was appointed as the Chief Security Officer and a member of Kcell JSC's Management Board starting from June 23, 2022.

Daniyar Kadylkhanovich Ibrayev completed his studies at the Military Institute of the NSC of the Republic of Kazakhstan (now known as the Academy of the Border Service of the National Security Committee of the Republic of Kazakhstan) in 2000, specializing in Telecommunications Engineering. In 2007, he obtained his Bachelor of Jurisprudence degree from the Kazakh Humanitarian and Legal University in Nur-Sultan. From 2020 onwards, Mr. Ibrayev has held various positions at Kcell JSC, initially serving as an Advisor to the Strategic Development Department, and later assuming the role of Chief Expert in the Security Department. Prior to joining Kcell JSC, he worked at the Unified Accumulative Pension Fund JSC and held positions in governmental agencies.



MALIK ALIMZHANOVICH AMARDINOV

is a member of the Management Board and serves as the Chief Digital Development Officer

Mr. Amardinov was appointed as the Chief Digital Development Officer and a member of the Management Board of Kcell JSC on September 15, 2022.

Malik Alimzhanovich Amardinov holds two higher education degrees. In 2008, he graduated from the Academy of Banking at Kazakh University Alatau, majoring in Finance. In 2016, he obtained a degree from the Kazakhstan Engineering and Technological University, specializing in Computer Engineering and Software. With a total of 16 years of experience in the IT industry, including 12 years in senior positions within the banking sector, he brings valuable expertise to his role. His most recent positions were Executive Director and Chief IT Architect at Fortebank, where he successfully oversaw IT implementation and coordinated over 10 project teams.

Remuneration Information

The total remuneration paid to members of the executive body in 2022 amounted to 819,068,825.14 Tenge (before taxes). This amount includes salaries and year-end bonuses.

Anti-Corruption

The anti-corruption measures implemented by the Company are outlined in the Kcell JSC Anti-Corruption Policy, which was approved by the resolution of Kcell JSC's Board of Directors on August 5, 2022.
The Company adheres to the following key anti-corruption principles:

1. Zero tolerance for any form of corruption;
2. Commitment of senior staff and setting the tone from the top;
3. Engagement of employees;
4. Accountability and inevitability of punishment;
5. Compliance with the laws of the Republic of Kazakhstan and internationally accepted standards;
6. Adequacy of corruption prevention and combating procedures;
7. Efficiency of anti-corruption procedures;
8. Due diligence;
9. Monitoring and control.

In accordance with the Anti-Corruption Policy, the Company conducts annual identification and assessment of corruption risks, as well as develops measures to mitigate such risks. The purpose of this identification and assessment is to identify activities and business processes within the Company that are susceptible to non-compliance with anti-corruption laws and where there is a strong possibility of corruption offenses being committed by the Company's officers and employees for personal gain or the benefit of the Company.

Corruption risks are identified and assessed through anti-corruption monitoring and internal analysis. The anti-corruption monitoring includes, but is not limited to, the following measures:

1. Conducting compliance expertise of the Company's key internal documents and their drafts to identify any provisions that may contribute to corruption (corruptogenic factors) and making recommendations for their elimination;
2. Monitoring the anti-corruption laws of the Republic of Kazakhstan, as well as the anti-corruption laws of foreign countries that affect the Company's operations, in order to promptly align internal documents with changing requirements;
3. Examining reports from individuals and legal entities regarding any instances of corruption involving the Company's officers and employees;
4. Monitoring media publications.

The Company's structural subdivisions undergo internal analysis of corruption risks, which includes:

1. Identifying the trigger points in the business processes that are most susceptible to corruption offenses.
2. Describing corrupt practices, including:
   - characteristics of benefits or advantages that can be obtained through corruption offenses by the Company or its officers and employees;
   - identifying key positions within the Company that are susceptible to corruption offenses;
   - identifying potential forms of corruption payments;
3. Evaluating the presence and effectiveness of internal control procedures.

Conflict of Interest Management

The principles and procedures for resolving conflicts of interest within the Company are outlined in the Provision on Settlement of Conflicts of Interests at Kcell JSC, which was approved by the resolution of Kcell JSC's Board of Directors on August 5, 2022.

The Company takes every reasonable effort to prevent conflicts of interest and identify circumstances that may cause or contribute to such conflicts. The Corporate Secretary and Head of the Compliance Control Service are authorized to request information and explanations from members of the Board of Directors, members of the Management Board, and employees of the Company regarding any violations of shareholders' rights or situations that give rise to conflicts of interest.

If it is not possible to prevent a conflict of interest at the level of a specific subdivision, the head of that subdivision must promptly inform the Chairperson of the Management Board and the Head of the Compliance Control Service about the conflict of interest, its underlying reasons, and the measures that have been taken or may be taken to address it.

The head of the relevant department, in coordination with the employee designated by the Human Resource Department, shall determine the procedure for resolving conflicts of interest among the Company's employees.

When necessary, the Chairperson of the Management Board is authorized to establish a working group to resolve conflicts of interest. The working group should include representatives from the Compliance Control Service, HR Service, Legal Subdivision, and the subdivision where the individual involved in the conflict of interest works, as well as other relevant parties. The composition of the working group should ensure the absence of any conflicts of interest that could influence the decisions made by the group.

The Provision on Settlement of Conflicts of Interests specifies the following methods for resolving conflicts of interest:

- The Company's employee may choose to refrain from participating in decision-making processes that could be influenced by the conflict of interest;
- Access to specific information may be restricted for employees involved in conflicts of interest;
- The employee may be reelected or transferred to another position, subject to their consent, in accordance with the procedures prescribed by the laws of the Republic of Kazakhstan, provided that the new role eliminates any potential conflicts of interest;
- Revision and modification of the employee's official duties and functions;
- Dismissal of the employee in accordance with the procedures prescribed by the laws of the Republic of Kazakhstan;
- Elimination of the private interest by the employee;
- Implementation of other measures by the Company or the employee to prevent or resolve conflicts of interest.

The Compliance Control Service is responsible for preventing business risks, addressing issues, and overseeing compliance with statutory and ethical standards. The presence of a compliance system indicates responsible and transparent operations in line with global practices.

During the reporting year, the Compliance Control Service implemented the following measures:

- Developed and updated internal compliance documents;
- Conducted 14 training sessions for the Company's employees on anti-corruption laws, business conduct, and ethics;
- Conducted 8 background checks on candidates for senior positions within the Company to identify any affiliations or potential conflicts of interest;
- Addressed 16 requests and complaints received through the hotline;
- Conducted security screenings on 107 counterparties in compliance with the Samruk-Kazyna JSC Procurement Procedure;
- In 2022, 231 employees of the Company completed the mandatory declaration form regarding the presence or absence of a conflict of interest, including 21 employees who reported potential conflicts of interest. All cases were reviewed by the Compliance Control Service.

Related Party Transactions

In 2022, the Company engaged in transactions with related parties, involving the purchase of services amounting to 25 billion 620 million Tenge and the sale of services worth 14,122 million Tenge. These related party transactions primarily involved companies within the Kazakhtelecom JSC Group.

Procurement Practices

Kcell JSC adheres to procurement practices that comply with the regulatory requirements of SWF Samruk-Kazyna JSC and the internal documents of the Company. The procurement processes are managed through the Fund's e-procurement system.

During procurement, the Company follows the following principles:

- minimizing costs;
- timely provision of goods, works, and services of high quality;
- ensuring openness and transparency in the procurement process;
- exercising control and taking responsibility for decisions made.

BASIC INFORMATION OF THE COMPANY'S PROCUREMENTS IN 2022

2022 target	52.00 billion Tenge
Number of contracts signed	694
Number of vendors	311
Value of contracts signed	47.46 billion Tenge
Fulfillment of the procurement plan	97.55%
Savings	3.69 billion Tenge
Portion of procurements performed using competitive methods, in % of the total contract value	64.1%
Local content share in goods purchased	1.18%
Local content share in works/services purchased	43.8%

Internal Audit

The Internal Audit Service (IAS) is a body of Kcell JSC responsible for organizing and conducting internal audits within the Company.

The Internal Audit Service is directly subordinate and accountable to the Board of Directors.

The mission of the Internal Audit Service is to provide necessary support to the Board of Directors and the Management Board in fulfilling their obligations and achieving the strategic goals of Kcell JSC.

The main goal of the Service' activities is to provide the Board of Directors with independent and objective assurance, as well as guidance to enhance risk management, internal controls, and corporate governance systems within the Company.

The key objectives of the IAS are as follows:

- assessing the reliability and effectiveness of the Company's internal control system;
- evaluating improvements in the corporate governance process;
- measuring the efficiency and rationality of resource utilization and safeguarding methods;
- ensuring credibility, completeness, and impartiality of the accounting system and reliability of financial statements;
- assessing the Company's compliance with the laws of the RoK and evaluating the adequacy of systems and procedures for compliance;
- assessing fraud risk and the effectiveness of fraud risk management.

The IAS operates in accordance with the Provision on the Internal Audit Service and the Annual Audit Plan approved by the Board of Directors.

Based on the audit findings, the IAS develops relevant recommendations, including proposals for improving internal controls, risk management systems, and business conduct principles. The Service also provides comments on matters within its scope of responsibility.

In its operations, the IAS upholds the principles of integrity, impartiality, confidentiality, and professional competence, as defined by the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing published by the Institute of Internal Auditors.

External Audit

In accordance with the resolution of the extraordinary General Meeting of Shareholders held on December 13, 2022, Ernst & Young LLP has been appointed as the auditing firm to audit the Company's financial statements for the period of 2022 to 2024.

05

RISK MANAGEMENT

RISK MANAGEMENT SYSTEM

The Corporate Risk Management System (CRMS) is an integral component of the activities of Kcell JSC aimed at identifying, assessing, and monitoring all existing risks, as well as taking measures to mitigate such risks.

Kcell JSC's current risk management model is set up in compliance with the international risk management standards COSO ERM and ISO 31000.

The risk management efforts are based on Kcell JSC's Risk Management Policy, which establishes the goals, objectives, and vision of the corporate risk management system. It defines the basic principles of the risk management process, the risk management structure, key components of the risk management system, and ensures a systematic and consistent approach to implementing the risk management process.

The Company's Board of Directors bears overall responsibility for the risk structure to the shareholders in the context of risk management.

The goals of the Corporate Risk Management System are as follows:

- Strategic goals;
- Operating goals;
- Goals related to the preparation of reliable reports;
- Goals related to compliance with applicable laws and internal requirements.

To ensure the efficient operation of its CRMS, the Company is governed by the following interconnected components at all levels of its operations, which correspond to the business life cycles:

1. Management and culture;
2. Strategy and goal setting;
3. Performance;
4. Monitoring and introduction of changes;
5. Information, communication, and reporting.

The organizational framework of the Company's CRMS is represented at several levels and includes the following risk management process participants:

- The Board of Directors;
- The Internal Audit Committee of the Board of Directors;
- The Internal Audit Service;
- The Management Board;
- The Risk Management Committee;
- The Company's Risk Division;
- Structural subdivisions, employees of the Company, and risk coordinators.

Classification of the Key Risks to Which the Company is Exposed

The Company identifies the risks of the following types, which could have a material adverse effect on its activities:

1. Strategic risks;
2. Operational risks;
3. Financial risks;
4. Exchange rate risks;
5. Legal risks;
6. Disaster or catastrophe risks.

I. Strategic risks. Strategic risk is categorized as potential losses incurred as a result of changes or errors in the determination and implementation of the Company's business and development strategies, changes in the political or regional situation, market fluctuations, or consumer behavior. Risk factors also include growing price-based competition caused by actions of other mobile communications providers or newly adopted laws. The Company seeks to reduce such risks by protecting its leadership in regions with a high presence and by launching competitive tariffs and products to increase its share in the Kazakhstani market.

II. Operational risks. Operational risk is defined as the probability of loss caused by defects or errors in internal processes, supply chain, personnel recruitment, culture, and entity rules. The majority of operational risks are classified as low risks, and certain measures have been taken to mitigate them as part of routine risk management procedures.

An exception to low-risk classification is information systems and technologies. The Company associates information systems and technologies with high risks. Protecting customers' privacy and managing data are essential parts of the services provided by the Company. A data breach can have detrimental consequences for the business in both the short term and the long run. Therefore, the Company's networks are backed up by the latest information security systems, which include measures and processes to reduce the risk of cyber attacks.

III. Financial risks. The Company can be exposed to financial fragility from different sources. The Risk Management System aims to minimize potential negative effects on the Company's activities caused by fluctuations in financial markets and other macro- and microeconomic factors.

Credit risk. The Company's credit risk policy ensures that products and services are sold only to customers and distributors with proper credit scores. If corporate customers have independent credit ratings, those ratings are used. Otherwise, a last-minute risk assessment is carried out to measure the prospective customer's creditworthiness, taking into consideration their current financial status, credit score, and other factors. The Company's management analyzes and follows up on outstanding trade accounts receivable and overdue balances, and if customers fail to fulfill their obligations, mobile communications services are cut off.

The Company has a highly diversified portfolio of customers consisting of numerous individuals and legal entities, minimizing credit concentration risk. Although its income may be exposed to economic factors, the management does not identify any material risk of loss. The Company has established partnership relationships with several banks believed to be exposed to minimal default risk.

The Republic of Kazakhstan is viewed as an emerging market and is exposed to risks inherent in such markets. These risks also apply to the banks where the Company deposits its cash and cash equivalents and holds its fixed-term deposits. Therefore, Kcell invests solely in financial instruments with high credit ratings.

Exchange rate risk. The majority of the Company's exchange rate risk stems from fluctuations in the Tenge/US dollar exchange rate. However, the Company's profits are not significantly vulnerable to this factor, despite sales proceeds from certain services (particularly roaming services) being recorded in US dollars. US dollars are predominantly used to purchase equipment, installations, and inventories.

The Company does not use derivative financial instruments to hedge exchange rate risk, considering the immaturity of Kazakhstan's stock market. The Company complies with rules requiring balancing assets and liabilities recognized in foreign currencies if practical and expedient.

IV. Legal risks. Legal risk is defined as the probability of uncertainty arising from legal actions or ambiguity in the application or interpretation of contracts, laws, or regulatory acts.

Therefore, the Company's legal department ensures compliance with current laws, monitors changes in laws, and participates in discussions of bills whenever possible.

V. Disaster or catastrophe risks refer to natural phenomena or processes that can lead to catastrophic situations characterized by a sudden drop in population, infrastructure and property destruction, and/or fatalities. The Company takes measures to help minimize the occurrence of such circumstances, such as fires, accidents, and incidents resulting from a lack of proper care for people.

These measures include fire drills, fire-detecting systems, periodic vehicle maintenance, preventive measures against seasonal diseases, medical insurance, annual medical examinations for personnel, diesel generators for power failure situations, water reserves for employees, and other preventive measures.

06

HR MANAGEMENT

HR Policy and Labour Practices

The HR Policy of Kcell JSC focuses on the efficient and successful building of a professional team. Kcell JSC is not only one of the largest telecommunications companies in Kazakhstan but also an attractive employer for both young and experienced job seekers.

PRINCIPLES OF KCELL JSC PERSONNEL POLICY

Principle	Description of the principle
PRINCIPLE OF MERITOCRACY	The career growth of employees who have performed exceptionally well while working at the company and have proven their ability to deliver excellence.
PRINCIPLE OF EFFICIENT HIRING	The most talented candidates are selected through comprehensive tests, in-depth examination of the candidate's experience, and other methods to assess their professional competence.
HR STRATEGIC PLANNING	The HR Policy takes into consideration the current and anticipated needs of the business, as well as the tone of the labor market.
FOCUS ON EMPLOYEES' PROFESSIONAL GROWTH.	The personnel training is organized according to the "70:20:10" principle: employees' professional growth is ensured through their actual work experience (70%), interactions with others (20%), and educational activities (only 10%).
INTEGRATION OF THE HR SERVICE'S BUSINESS PROCESSES WITH OTHER SUBDIVISIONS.	The HR department tracks the needs of the company's relevant subdivisions for qualified employees and provides upgrade training for existing employees in an online mode.

The Company shall notify its employees of any changes in labor relationships initiated by the Company, in accordance with the deadlines prescribed by the laws of the Republic of Kazakhstan:

- Forthcoming layoff of personnel: 1 month prior to the layoff;
- Expiration of a labor contract: on the last business day;
- Employee's failure to pass probation: during the probation period;
- Change in working conditions: 15 calendar days prior to the effective date of such change.

In 2022, two complaints were filed by the Company's employees and sent to the regulatory authority, specifically the Almaty City Department of Labor Inspection Municipal Public Institution. The regulatory authority conducted an inspection and determined that no violations were found based on the inspection results.

Personnel Structure and Headcount

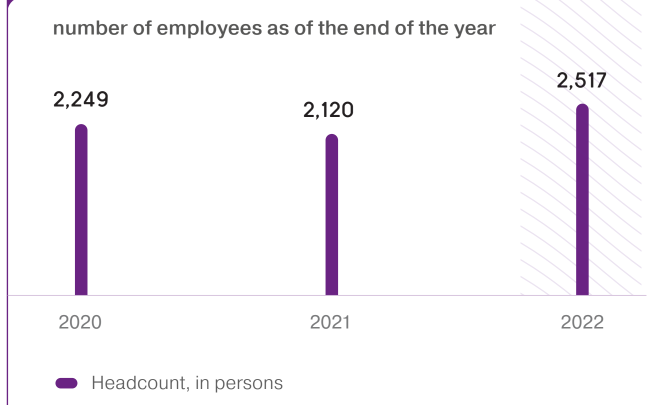
As of the end of 2022, the Company had a regular staff of 2,517 employees, which included 2,247 full-time employees and 270 part-time employees (substituting for other employees during maternity leaves, etc.). The increase in headcount was due to the Company's expanding business volumes and the growing number of services provided to customers.

STRUCTURE OF THE COMPANY'S PERSONNEL AS OF DECEMBER 31, 2022, WITH A BREAKDOWN BY AGE

number of employees as of the end of the year

Employees	18-29	30-39	40-49	50<	total
Part-time	170	82	17	1	270
Full-time	726	1,015	401	105	2,247
Total	**896**	**1,097**	**418**	**106**	**2,517**

DYNAMICS OF THE STAFF NUMBER IN 2020 TO 2022



The majority of employees (1,015 individuals) are aged between 30 and 39 years old, while the second-largest group (896 individuals) consists of employees aged 18 to 29. The proportion of older employees is approximately 20% of the Company's total staff count.

51,4%
The share of women in the Company's staff

48,6%
The share of men in the Company's staff

332
Number of women, hired in 2022

403
Number of men, hired in 2022

When hiring employees, the Company seeks to achieve gender balance

STRUCTURE OF THE COMPANY'S PERSONNEL AS OF DECEMBER 31, 2022, WITH A BREAKDOWN BY GENDER AND REGIONS

number of employees as of the end of the year

	women	men	total	women, in %	men, in %	Total, in %
Full-time	1,149	1,098	2,247	51.13	48.87	100
Aksay		1	1		100	100
Aktau	18	15	33	54.55	45.45	100
Aktobe	21	21	42	50.00	50.00	100
Almaty	662	630	1292	51.24	48.76	100
Atyrau	36	18	54	66.67	33.33	100
Zhanaozen	5	1	6	83.33	16.67	100
Zhezkazgan		1	1		100	100
Zhetysai		1	1		100	100
Karagandy	26	22	48	54.17	45.83	100
Kokshetau	13	11	24	54.11	45.83	100
Kostanai	5	14	19	26.32	73.68	100
Kyzylorda	11	13	24	45.83	54.17	100
Astana	93	95	188	49.47	50.53	100
Pavlodar	9	16	25	36.00	64.00	100
Petropavlovsk	6	10	16	37.50	62.50	100
Saryagash		5	5		100	100
Semey	11	14	25	44.00	56.00	100
Taldykorgan	6	9	15	40.00	60.00	100
Taraz	10	22	32	31.25	68.75	100
Temirtau		1	1		100	100
Turkestan	6	11	17	35.29	64.71	100
Uralsk	11	16	27	40.74	59.26	100
Ust-Kamenogorsk	8	15	23	34.78	65.22	100
Shymkent	192	135	327	58.72	41.28	100
Ekibastuz		1	1		100	100
Part-time	145	125	270	53.70	46.30	100
Aktau	5	5	10	50.00	50.00	100
Aktobe	7	4	11	63.64	36.36	100
Almaty	47	29	76	61.84	38.16	100
Atyrau	10	2	12	83.33	16.67	100
Karagandy	3	4	7	42.86	57.14	100
Kokshetau	2	3	5	40.00	60.00	100
Kostanai	6	5	11	54.55	45.45	100
Kyzylorda	3	3	6	50.00	50.00	100
Astana	12	13	25	48.00	52.00	100
Pavlodar	4	1	5	80.00	20.00	100
Petropavlovsk	3	3	6	50.00	50.00	100
Taldykorgan	3	5	8	37.50	62.50	100
Taraz	2	3	5	40.00	60.00	100
Turkestan		2	2		100	100
Uralsk	3	4	7	42.86	57.14	100
Ust-Kamenogorsk	1	1	2	50.00	50.00	100
Shymkent	34	38	72	47.22	52.78	100
Total	**1,294**	**1,223**	**2,517**	**51.41**	**48.59**	**100**

NUMBER OF NEWLY EMPLOYED PERSONNEL IN 2022, WITH A BREAKDOWN BY GENDER AND REGIONS

	women	men	total
Full-time	238	314	552
Aksay		1	1
Aktau	3	5	8
Aktobe		5	5
Almaty	143	199	342
Atyrau	7	6	13
Zhanaozen	1		1
Karagandy	5	5	10
Kokshetau		2	2
Kostanai	1		1
Kyzylorda	2	4	6
Astana	18	18	36
Pavlodar	2	1	3
Petropavlovsk	2	1	3
Saryagash		2	2
Semey	5	2	7
Taldykorgan	1	2	3
Taraz	1	7	8
Turkestan	4	2	6
Uralsk		2	2
Ust-Kamenogorsk	2	3	5
Shymkent	43	45	88
Part-time	94	89	183
Aktau	4	4	8
Aktobe	5	3	8
Almaty	30	19	49
Atyrau	8	2	10
Karagandy	2	3	5
Kokshetau	2	2	4
Kostanai	4	4	8
Kyzylorda	2	3	5
Astana	6	10	16
Pavlodar	3	1	4
Petropavlovsk	2	3	5
Taldykorgan	1	1	2
Taraz	2	2	4
Turkestan		1	1
Uralsk	2	2	4
Ust-Kamenogorsk		1	1
Shymkent	21	28	49
Total	**332**	**403**	**735**

LABOR TURNOVER IN 2022

	Employees of both genders	Men	Women
Labor contracts terminated, including:	592 (23.01%)	318 (12.52%)	274 (10.49%)
By the employee	538 (19.70%)	280 (10.26%)	258 (9.44%)
By the employer	36 (2.48%)	25 (1.84%)	11 (0.64%)
As agreed by the parties	18 (0.83%)	13 (0.60%)	5 (0.23%)

Labor Remuneration, Staff Evaluation and Incentives

To enhance the performance of the personnel and incentivize, retain, and motivate the best employees, Kcell has implemented a system of key performance indicators (KPIs). These KPIs are designed to encourage employees to work efficiently. The personnel incentive plans, which include bonus payments, need to be reviewed and approved by the Company's senior staff.

"Kcell-Business" Bonus Program is structured around qualitative and quantitative indicators achieved during a specified period. Depending on the approved programs for respective positions, functional motivational bonuses are accrued on a monthly or quarterly basis.

Annual Bonus, based on the results of KPI cards, is calculated according to the corporate KPI, KPI of subdivisions, and individual KPI. The weightage of these indicators varies depending on the employee's position. However, employees who receive bonuses under the "Kcell-Business" Program are not eligible for the Annual Bonus.

To improve the employee Net Promoter Score (eNPS) and working conditions, the Company introduced an action plan in 2022 called the "Happy Job" KPI. This plan consisted of several measures, including:

- Launch of the HR DOS communications system;
- Organizing football classes;
- Partnering with Samsung to provide employees with the opportunity to purchase appliances;
- Enhancing the incentives program for overlapping positions;
- Establishing the Financial Aid Committee;
- Implementing "free Fridays" and "creative reprieve" days;
- Overhauling the entire Corporate University training system;
- Establishing the Employee Mutual Aid Center.

Employee Social Protection

The Company offers its employees an extensive social package, which includes various types of benefits and privileges provided to employees on a regular basis. Additionally, financial aid is available to employees in case of adverse circumstances. The key types of support provided are as follows:

- One-time financial aid is granted in the event of the death of an employee or a close relative of an employee;
- One-time financial aid is provided to employees who are raising physically challenged children;
- One-time financial aid is available to disabled employees;
- Financial assistance is provided to minor children of deceased Company employees;
- Female employees who have been with the Company for more than 3 years are eligible for financial aid if they go on maternity leave, with the exception of the state welfare benefit.

THE SCOPE OF THE SOCIAL PACKAGE AVAILABLE TO EMPLOYEES OF KCELL JSC

Type of aids/support	Situations when the aid shall be payable	Precedent conditions
FINANCIAL AID	• is provided to the minor children of deceased employees	upon completion of the probation period
	• if close relatives die	upon completion of the probation period
	• if an employee dies	upon completion of the probation period
	• to disabled employees	upon completion of the probation period
	• to employees raising physically challenged children	upon completion of the probation period
SICK LEAVE	• 10 business days per year shall be paid for at 80% of the salary	
TRANSPORTING	• transporting is available to employees who work from 11:00 p.m. to 06:00 a.m.	
	• transporting is available to employees working outside the city	
MEDICAL INSURANCE	• up to 185 thousand Tenge per year	upon completion of the probation period
MOBILE COMMUNICATION	• Employees may receive either a corporate tariff plan for mobile communications or compensation, depending on their position and involvement in projects	
GASOLINE	• The Company provides a gasoline card to employees who use their own cars for work-related purposes and have jobs that involve frequent travel	
TAXI	• An additional amount is provided for taxi expenses to employees who do not own cars and have jobs that require frequent travel	

For the purpose of maternity and children protection, the Company provides additional financial support to employees who have been with the Company for more than 3 years. This support includes covering the difference on maternity allowances, calculated based on the employee's full average salary, excluding the welfare benefit received for income loss during pregnancy, childbirth, or adoption of a newborn child/children, in accordance with the laws of the Republic of Kazakhstan on compulsory social insurance.

In 2022, maternity and parental leaves were granted to a total of 166 employees, consisting of 163 women and 3 men.

Personnel Training

Ongoing advanced vocational training and professional growth are essential for the employees' development and crucial for the Company's business growth. The Company provides both internal and external training opportunities for its employees.

In 2022, the total expenses related to external trainings amounted to 85,862,470 Tenge. A total of 983 employees attended external trainings, with a cumulative training duration of 7,209 hours. On average, each employee received 7 hours of training. Among the employees who attended external trainings, 85.9% were men and 14.1% were women.

Internal trainings are conducted through the Kcell Corporate University. In 2022, a total of 123 internal trainings were held, with over 1,800 employees participating. It is worth noting that the trainees expressed high satisfaction with the training sessions, with over 90% of them viewing the trainings favorably.

INFORMATION ON INTERNAL TRAININGS CONDUCTED AT KCELL CORPORATE UNIVERSITY

School	Topic of the courses	Number of trainings delivered	Number of trained employees	Average level of satisfaction
ONBOARDING PROGRAM (mandatory training to be completed by all new employees)	• "Welcome to Kcell" • "Internal controls system" • "Responsible business. Code of Ethics of Kcell JSC" • "Basics of the mobile communications"	43	1,106	98%
SCHOOL OF PERFORMANCE (development of employees' personal performance)	• "Master of Presentations (+design webinar)" • "Emotional Intelligence" • "Stress Handling Skills" • "Time Management Skills. Procrastination" • "Speak Beautifully" Webinar	32	643	98%
SCHOOL OF MANAGERS	• "Basics of Management Activity" • "Management Cycle. Planning, Organizing and Control" • "Employee Incentives" • "Personnel Training and Development" • "Stress and Conflict Management in Prof. Activity" • "Communication Skills" • "Personnel Recruitment and Employment"	42	200	98%
SCHOOL OF LEADERS	• "Self-Management" • "Emotional Intelligence" • "Stress Management" • "Team Management" • "Motivation Management" • "Process Management"	6	30	92%

Health and Safety

The Company places significant emphasis on health and safety matters, striving to achieve critical objectives in accident prevention, risk minimization, and ensuring the safety of our employees' professional activities.

Work-related accidents are thoroughly documented, and Kcell takes appropriate measures to investigate them in accordance with the Company's internal guidelines and the Labor Code of the Republic of Kazakhstan. These measures are in line with the applicable laws, specifically Chapter 20 of the Labor Code of the Republic of Kazakhstan, and internal guidelines including the Incident Investigation Provision and Incident Notification Provision.

In 2022, the Company recorded one accident resulting in minor bodily injury.

Various fire safety measures have been implemented across the Company's facilities, including:

- 73 premises equipped with automatic gas extinguishing systems;
- 2 facilities equipped with water sprinkler fire suppression, smoke extraction, and air pressurization systems;
- 40 facilities fitted with an automatic fire-alarm system;
- 56 mobile communications base stations equipped with gas extinguishing systems;
- All premises and buildings provided with emergency fire-fighting equipment.

The maintenance staff at the headquarters and regional offices have been supplied with protective clothing and personal protective equipment, including summer and winter clothing, footwear, respirators, gloves, and safety spectacles, to ensure safe working practices.

Managers and employees have undergone training in safety and health, industrial safety, working at heights using industrial climbing techniques, electrical safety, and Fire Safety Basics, with appropriate documentary evidence issued to validate completion of the training programs.

Kcell

07

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

Environmental Policy

As a part of the ICT industry, the Company actively contributes to the development of a sustainable society by providing services that enable consumers to minimize their environmental impact, improve performance, and reduce costs. We strive to create convenience for our customers and society while focusing on improving our environmental footprint, ensuring efficient resource consumption, and reducing costs. The key environmental aspects of our activities include power consumption, reducing greenhouse gas emissions, and waste management.

In terms of environmental protection, the Company adheres to the following principles:

- We adopt a consistent and structured approach to managing environmental impacts and promoting efficient resource use, including conducting risk assessments.
- We prioritize environmentally responsible practices throughout our subdivisions and value chain.
- We aim to develop, use, and promote ecologically clean technologies and services across all our operations and throughout the value chain.
- We regularly measure and monitor environmental indicators, and ensure open, accurate, and timely disclosure of relevant information.

The Company strictly complies with all applicable laws of the Republic of Kazakhstan. Our goal is to achieve sustainable development by minimizing environmental damage and utilizing natural resources in a rational manner. To reduce our environmental impact, the Company invests in the modernization of self-contained systems and transitions to more environmentally friendly fuel types, such as electric power. When installing base stations and equipment, we comply with the laws of the Republic of Kazakhstan, and during repair works, we prioritize the use of environmentally safe materials and technologies. Additionally, we organize voluntary environmental events and initiatives. The Company has implemented an Environmental Management System in line with the international standard ISO 14001, further demonstrating our commitment to responsible environmental practices.

Kcell continues to align with international standards and trends and conducts an analysis and diagnostic assessment of the Company's ESG aspects.

Our goal in the near future is to achieve a strong position in the ESG ratings. To accomplish this, we plan to develop a Company strategy incorporating ESG principles, review procedures and internal normative documents.

WATER CONSUMPTION

The Company's operations do not require or involve any significant water withdrawals; however, we strive to ensure responsible water consumption. The total volume of water used by the Company during the reporting period was 28,473 m³. Water recycling is not implemented in the Company's operational processes (related to the provision of telecommunications services by the Company's subdivisions). The Company uses water solely for its amenities, sanitation, and economic needs. The installed water flow meters are regularly maintained to ensure proper functionality.

POWER CONSUMPTION AND ENERGY EFFICIENCY

The Company plans to conduct an energy audit in 2023 to identify potential energy-saving opportunities. Based on the findings of the energy audit, an implementation plan will be prepared and approved. The results of the energy audit will be disclosed in the next reporting period.

THE TABLE BELOW PRESENTS THE ENERGY CONSUMPTION FOR 2022

Energy resources	Meas. unit	Consumption
Electric power	kWh	238,153,705.00
Heat	Gcal	3,994.17
Motor gasoline	liter	522,630
Diesel fuel	liter	11,008
Natural gas	m³	23,142.00

*Excluding energy resources received from own sources.

GREENHOUSE GAS EMISSIONS

The Company has two stationary sources of airborne emissions that contribute to pollution. The total volume of greenhouse gas emissions in 2022 was 0.02069 tonnes, which is well below the specified maximum permissible volume of 4.08579 tonnes. Additional details regarding the emission volumes during the reporting period are provided in the table below.

Pollutant	Volume of polluting emissions, in tonnes	Specified maximum permissible emissions of specific pollutants in the reporting period, in tonnes
Nitric oxides (expressed as NO2)	0.00800	1.58050
Nitrogen dioxide	0.00800	1.58050
Nitrogen oxide	0.00130	0.25680
Carbon (soft black, black carbon)	0.00050	0.09880
Sulfur dioxide	0.00125	0.24700
Hydrogen sulfide	0.00000	0.00000
Carbon monoxide	0.00650	1.28420
Benzapyrene	0.00000	0.00000
Formaldehyde	0.00013	0.02470
Paraffins (Alkanes C12-19)	0.00301	0.59379
Total	**0.02069**	**4.08579**

WASTE MANAGEMENT

During its operations, the Company primarily generates waste in the form of discarded equipment and household waste. Solid household waste is collected and disposed of by a licensed specialist contractor responsible for waste removal and burial. Telecommunication facilities and office appliances are written off and transferred for disposal and recovery in accordance with the corporate standard "Rules of Dismantling and Disposal of Written-off Telecommunication Facilities". The discarded equipment, cables, and office appliances are handed over to a licensed specialist contractor authorized to collect, store, and dispose of non-ferrous and ferrous metals. The operational service will determine if any components of the equipment can be used as spare parts.

Ensuring Customers' Security

Protection of subscribers' personal data is an essential aspect of the Company's activities, as personal information is increasingly sought-after by intruders in the digital era. The leakage of subscribers' data could be very dangerous and may result in fraud and other cybercrimes.

We regularly check and update our security measures to ensure their efficiency. The Company aims to grant its employees minimal access to information and utilizes various technologies, including secure network protocols and software to prevent data leakage. We also organize audits and provide personnel training.

The Company places special emphasis on the development of its information security and employs qualified full-time employees who hold cybersecurity certificates (CEH, CHFI, GIAG Reverse Engineering Malware, OSCP, OSWE). These measures enable the Company to ensure a reliable level of personal data protection and create the necessary conditions to defend against advanced cyber assaults.

Currently, the Company has its own systems to identify and block fraudulent numbers and restrict incoming fraudulent calls. The Company combats:

- Various types of telecommunication fraudulent practices;
- Calling subscriber's phone number takeovers.

To enhance the system's efficiency and verify traffic with numbers from other mobile communications providers, in 2022, the Company collaborated with Mobile Telecom-Service LLP and Kar-Tel LLP to introduce an integration framework for mutual verification of international traffic. This framework aims to prevent the takeover of phone numbers initiating calls. This measure successfully minimized the number of fraudulent calls from Kazakhstani mobile phone numbers. Since its implementation during the second half of 2022, approximately 19 million calls with phone number takeovers have been blocked. In 2023, the Company plans to develop a technical solution and sign an agreement to introduce a similar integration framework with Kazakhtelecom JSC.

Social Responsibility and Charity

Kazakhtelecom JSC, which holds 51% of the voting shares in Kcell JSC, is a member of the Sovereign Wealth Fund Samruk-Kazyna JSC (SWF) Group. The SWF and its subsidiary organizations implement a unified policy to provide charitable support through the Samruk-Kazyna Trust Corporate Fund.

Samruk-Kazyna Trust is the fund within the SWF Group that focuses on the development of social projects and implements charitable programs and projects in the Republic of Kazakhstan. In close cooperation with the Government of the RoK, Samruk-Kazyna Trust carries out charitable projects in the following areas:

- Support for individuals and communities in the social and medical sectors
- Development of the media, cultural community, and human potential
- Strengthening labor and interethnic relationships, and investing in society's sustainable development
- Support for regional and business initiatives

The SWF Group consistently adheres to the principles of social responsibility, which include creating new jobs, implementing social programs for employees, sponsoring and supporting charitable activities, and organizing environmental and educational events.

Samruk-Kazyna JSC's sponsorship and charitable activities aim to revive spiritual and national values, support culture, science, and education, facilitate scientific and technological progress, promote a healthy lifestyle, provide assistance to underprivileged and low-income citizens, and support sports.

APPENDIX

«Эрнст энд Янг» ЖШС
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Independent auditor's report

To the Shareholders and the Audit committee of the Board of directors of Kcell JSC

Opinion

We have audited the consolidated financial statements of Kcell JSC and its subsidiaries (hereinafter, the Group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	**How our audit addressed the key audit matter**
Revenue recognition	
Recognition and measurement of revenue from provision of telecommunication services was one of the matters of most significance in our audit due to the risk of improper revenue recognition as the billing systems employed by the Group are complex and automated processes. In addition, effect of accounting treatment of changing tariff structures and multi-element arrangements on revenue could be significant. The selection and application of revenue recognition policies, including the application of IFRS 15 *Revenue from contracts with customers*, involve a number of key judgements and estimates, and therefore revenue could be subject to misstatement, whether due to fraud or error, including untimely recognition. The Group's disclosure of information in respect of the accounting policies on revenue recognition is included in Note 3 to the consolidated financial statements, and detailed revenue disclosures are included in Note 23 to the consolidated financial statements.	We have considered the relevant IT systems and the design of controls, and tested the operating effectiveness of controls over capturing and recording data in billing systems related to revenue recognition; authorisation of changes and accounting treatment of tariff rates input to the billing systems; and calculation of amounts billed to the customers. We performed analytical procedures, including monthly fluctuations analysis and analysis of changes in key drivers of revenue, and compared financial and non-financial data. We also analysed the timing of revenue recognition. We analysed the key judgements and estimates, and the accounting policy for compliance with IFRS 15. We considered the disclosures related to revenue recognition in light of the requirements of IFRS 15.

Costs capitalization

The Group capitalises significant internal labour costs and external costs in respect of major capital projects, including mobile network upgrades. There is risk in respect of valuation and allocation of assets, that costs which do not meet the criteria for capitalisation in accordance with IAS 16 *Property, plant and equipment* and IAS 38 *Intangible assets* are capitalised or that assets continue to be recognized as non-current assets despite no longer meeting the relevant capitalisation criteria.

Due to the relative size of the Group's mobile network related property and equipment and intangible assets in the consolidated statement of financial position and the area of judgment around the application of capitalization criteria, we considered this as one of the matters of most significance in our audit.

The Group's policy on the capitalisation of assets is included in Note 3 to the consolidated financial statements, and detailed property and equipment and intangible assets disclosures are included in Note 7 and Note 8, respectively, to the consolidated financial statements.

We obtained an understanding of the process around the property and equipment cycle and intangible assets cycle. We have considered the design and tested the operating effectiveness of related controls.

We analysed the appropriateness of costs capitalization policies of the Group.

As part of audit procedures in relation to each element of capitalised costs we tested supporting documents on a sample basis and obtained understanding of the nature of the costs capitalised. We assessed the timeliness of the transfer of assets from the constructions-in-progress to the property and equipment and intangibles assets. In addition, we analysed assets recognized as non-current assets for compliance with capitalisation criteria.

We considered the related disclosures provided in the Group's consolidated financial statements.

Other information included in the Group's 2022 Annual report

Other information consists of the information included in the Group's 2022 Annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2022 Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and the Audit committee of the Board of directors for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit committee of the Board of directors is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit committee of the Board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit committee of the Board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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From the matters communicated with the Audit committee of the Board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Paul Cohn.

Ernst & Young LLP

Paul Cohn
Audit Partner

Rustamzhan Sattarov
Auditor / General Director
Ernst & Young LLP

Auditor qualification certificate
No. МФ - 0000060 dated 6 January 2012

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

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

14 March 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

In millions of tenge	Notes	31 December 2022	31 December 2021
Assets			
Non-current assets			
Property and equipment	7	**97,724**	85,805
Intangible assets	8	**43,482**	42,284
Investment property	7	**2,210**	–
Advances paid for non-current assets		**4,104**	1,930
Right-of-use assets	16	**15,084**	16,943
Long-term trade receivables	9	**4,345**	4,148
Cost to obtain contracts		**558**	472
Deferred tax assets	29	**1,598**	1,720
Total non-current assets		**169,105**	**153,302**
Current assets			
Inventories	10	**7,980**	6,582
Trade receivables	9	**26,523**	17,751
Other current non-financial assets	11	**6,897**	10,111
Other current financial assets	12	**800**	538
Prepaid income tax		**30**	30
Financial assets at amortized cost	13	**14,833**	–
Cash and cash equivalents	14	**46,248**	51,402
Total current assets		**103,311**	86,414
Total assets		**272,416**	239,716
Equity and liabilities			
Equity			
Share capital	6	**33,800**	33,800
Additional paid in capital	15	**1,260**	1,260
Retained earnings		**103,561**	63,211
Total equity		**138,621**	**98,271**
Liabilities			
Non-current liabilities			
Borrowings: non-current portion	15	**41,646**	48,283
Long-term lease liabilities	16	**12,514**	15,185
Government grants: non-current portion	22	**8,179**	5,688
Asset retirement obligation	20	**3,808**	4,204
Total non-current liabilities		**66,147**	**73,360**
Current liabilities			
Borrowings: current portion	15	**5,597**	11,699
Short-term lease liabilities	16	**5,323**	4,944
Government grant: current portion	22	**3,089**	2,237
Trade payables	17	**34,749**	35,705
Financial guarantee obligation	18	**155**	330
Contracts liabilities	19	**5,645**	3,207
Provisions	21	**3,685**	3,817
Due to employees		**5,708**	4,347
Taxes payable other than income tax		**1,611**	712
Income tax payable		**2,086**	1,087
Total current liabilities		**67,648**	**68,085**
Total liabilities		**133,795**	**141,445**
Total equity and liabilities		**272,416**	**239,716**

Chairman of the Management Board & Chief Executive Officer

Askhat Uzbekov

Deputy Chief Financial Officer

Damir Mullashev

The accounting policies and notes on pages **96 to 154** are an integral part of these consolidated financial statements.

The accounting policies and notes on pages **98 to 150** are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

In millions of tenge	Notes	2022	2021
Revenue from contracts with customers	23	**219,002**	194,081
Income from government grants	22	**2,230**	2,108
Cost of sales	24	**(136,269)**	(125,867)
Gross profit		**84,963**	70,322
General and administrative expenses	25	**(16,260)**	(14,137)
Selling expenses	26	**(2,714)**	(3,106)
Impairment of financial assets	9, 12	**(6,264)**	(2,106)
Impairment of non-financial assets	7, 8	–	(588)
Reversal of tax and related fines and penalties provision	21, 32	–	683
Other operating income	28	**1,186**	715
Other operating expenses	28	**(737)**	(1,298)
Operating profit		**60,174**	50,485
Finance costs	27	**(9,270)**	(10,326)
Finance income	27	**4,350**	2,561
Net foreign exchange (loss) / gain		**(33)**	403
Other non-operating income		–	79
Profit before tax		**55,221**	43,202
Income tax expenses	29	**(14,871)**	(10,696)
Profit for the year		**40,350**	32,506
Other comprehensive income		–	–
Total comprehensive income for the year, net of tax		**40,350**	**32,506**
Earnings per share			
Basic and diluted, tenge	6	**201.75**	162.53

Chairman of the Management Board & Chief Executive Officer

Askhat Uzbekov

Deputy Chief Financial Officer

Damir Mullashev

Kcell

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

In millions of tenge	Share capital	Additional paid-in capital	Retained earnings	Total equity
Balance at 1 January 2021	33,800	–	48,283	82,083
Net profit for the year	–	–	32,506	32,506
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	32,506	32,506
Initial recognition of discount (Note 6)	–	1,260	–	1,260
Dividends declared (Note 6)	–	–	(17,578)	(17,578)
At 31 December 2021	33,800	1,260	63,211	98,271
Balance at 1 January 2022	33,800	1,260	63,211	98,271
Net profit for the year	–	–	**40,350**	**40,350**
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	**40,350**	**40,350**
At 31 December 2022	**33,800**	**1,260**	**103,561**	**138,621**

Председатель Правления и Главный Исполнительный Директор

Асхат Узбеков

Заместитель Финансового Директора

Дамир Муллашев

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

In millions of tenge	Notes	2022	2021
Cash flows from operating activities			
Profit before tax		55,221	43,202
Adjustments for:			
Impairment of financial assets	9,12	6,264	2,106
Impairment of property and equipment and intangible assets		–	588
Finance costs	27	9,270	10,326
Depreciation of property and equipment, investment property and right-of-use assets	7, 16	18,993	20,157
Amortization of intangible assets	8	11,461	10,621
Write-off of inventory to net realisable value	10	396	179
Write-off of non-financial assets	28	553	–
Income from accounts payable write-off	28	(482)	(211)
Gain on cancellation of lease agreements		–	(14)
Finance income	27	(4,350)	(2,561)
Loss on disposal of property and equipment	28	25	1,134
Reversal of tax and related fines and penalties provision	31	–	(683)
Income from government grants	22	(2,230)	(2,108)
Net foreign exchange (loss)/gain		33	(403)
Operating cash flows before working capital changes		95,154	82,333
Change in inventories		(2,350)	2,601
Change in trade receivables		(14,709)	(3,285)
Change in other current non-financial assets		2,364	(7,045)
Change in other current financial assets		(262)	(522)
Change in cost to obtain contracts		(86)	(287)
Change in trade payables		(4,584)	5,645
Change in other current financial liabilities and provisions		(487)	(334)
Change in contract liabilities		2,368	1,229
Change in taxes payable other than income tax		6,505	9,145
Cash flows generated from operations		83,913	89,480
Income tax paid		(12,902)	(7,609)
Interest received		3,569	2,406
Interest paid	30	(8,652)	(10,221)
Net cash inflows from operating activities		65,928	74,056
Cash flows from investing activities			
Purchase of property and equipment		(23,421)	(18,059)
Purchase of intangible assets		(14,254)	(13,102)
Proceeds from disposal of property and equipment		25	96
Proceeds from redemption of financial assets at amortised cost	13	69,350	158,631
Purchase of financial assets at amortised cost	13	(84,163)	(140,018)
Net cash flows used in investing activities		(52,463)	(12,452)
Cash flows from financing activities			
Proceeds from loans	30	–	62,500
Repayment of bonds issued		–	(21,754)
Repayment of loans	30	**(13,000)**	(52,500)
Repayment of principal portion of lease liabilities	30	**(5,370)**	(4,321)
Dividends paid	6	–	(17,578)
Net cash flows used in financing activities		**(18,370)**	(33,653)
Net (decrease) / increase in cash and cash equivalents		**(4,905)**	27,951
Effect of exchange rate changes on cash and cash equivalents held in foreign currency		**(249)**	428
Cash and cash equivalents at the beginning of the year		**51,402**	23,023
Cash and cash equivalents at the end of the year	14	**46,248**	51,402

NON-CASH TRANSACTIONS

In 2022 the Group received government grants in the total amount of 5,573 million tenge (2021: 10,033 million tenge) represented by 90% reduction in the annual fee for use of radio frequencies.

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

In 2022, the Group paid an amount of 21,736 million tenge for property and equipment purchased in prior year (2021: 15,961 million tenge). Property and equipment in the amount of 26,700 million was purchased in 2022 but not paid as at 31 December 2022 (2021: 21,736 million tenge).

Chairman of the Management Board & Chief Executive Officer

Askhat Uzbekov

Deputy Chief Financial Officer

Damir Mullashev

The accounting policies and notes on pages **98 to 150** are an integral part of these consolidated financial statements.

The accounting policies and notes on pages **98 to 150** are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

Kcell JSC (the "Company") was established as a limited liability partnership (GSM Kazakhstan OAO Kazakhtelecom LLP) on 1 June 1998 to design, construct and operate a cellular telecommunications network in the Republic of Kazakhstan, using the GSM (Global System for Mobile Communications) standard.

The Company's registered address is Alimzhanova 51, Almaty, the Republic of Kazakhstan.

On 25 December 2010, the Committee of Communications, Informatization and Information under the Ministry of Investments and Development of the Republic of Kazakhstan signed an addendum to the existing GSM license, which provided the Group with a right to operate a 3G network. In December 2010, the Group launched 3G services in Astana and Almaty. As at 1 January 2015, the Group provided all locations with a population of over 10,000 people with mobile services using UMTS/WCDMA based on the terms of the addendum.

On 27 August 2012, the Ministry of Justice registered the Company as a Joint Stock Company. Under Kazakhstani law, upon the conversion, retained earnings as at the date of the conversion became share capital of the Company and ceased to be available for distribution to shareholders.

In 2016 the Group paid 26,000 million tenge for LTE radio frequencies. On 1 March 2016, the Group launched LTE in its network on the previously granted frequencies.

On 13 December 2012, the Company successfully completed its offering of Global Depositary Receipts at the London Stock Exchange and common shares at the Kazakhstan Stock Exchange. On 14 June 2021, the Group officially completed delisting of Global Depositary Receipts (GDR) on LSE and Astana International Exchange (AIX).

As at 31 December 2022 and 2021 the Company is controlled by Kazakhtelecom JSC. Kazakhtelecom JSC is controlled by the Government of the Republic of Kazakhstan through Sovereign Wealth Fund "Samruk-Kazyna" JSC ("Samruk-Kazyna") which owns 51% of Kazakhtelecom's controlling shares.

As at 31 December 2022 and 2021, the shareholders of the Company are presented as follow:

	31 December 2022	31 December 2021
Kazakhtelecom JSC	**51.00%**	51.00%
PIONEER TECHNOLOGIES S.A.R.L	**14.87%**	14.87%
First Heartland Jusan Bank JSC	**9.08%**	9.08%
Single accumulative pension fund JSC	**7.06%**	7.07%
Raiffeisenbank JSC	**1.54%**	1.54%
AROYGROUP LLP	**1.39%**	0%
EVEREX LLP	**1.16%**	0%
Other	**13.90%**	16.44%
	100.00%	**100.00%**

As at 31 December 2022 and 2021, the Company has the following principal subsidiary:

	31 December 2022	31 December 2021
KazNet Media LLP	**100%**	**100%**

The accompanying consolidated financial statements include the financial statements of Kcell JSC and its subsidiary (further referred to as "the Group").

The consolidated financial statements were authorised for issue by the Chairman of the Management Board on 14 March 2023.

2. BASIS OF PREPARATION

These consolidated financial statements for the year ended 31 December 2022 have been prepared in accordance with International Financial Reporting Standards (hereinafter, "IFRS"), as issued by International Accounting Standard Board (hereinafter, "IASB").

These consolidated financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these consolidated financial statements. The consolidated financial statements are presented in Kazakhstani tenge ("tenge") and all amounts are rounded to the nearest millions, except when otherwise indicated.

GOING CONCERN

The 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.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, noncontrolling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments had no impact on the consolidated financial statements of the Group as there were no onerous contracts within the scope of these amendment that arose during the period.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments that arose during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the consolidated financial statements of the Group as it is not a first-time adopter.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the consolidated financial statements of the Group as it did not have assets in scope of IAS 41 as at the reporting date.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification;
- Disclosures.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Group is currently assessing the impact of the amendments.

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

In September 2022, the Board issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).

The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8.

A seller-lessee applies the amendment to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted, and that fact must be disclosed. The Group is currently assessing the impact of the amendments.

FOREIGN CURRENCY TRANSLATION

- The consolidated financial statements of the Group are presented in tenge, which is the functional currency of the Company and its subsidiary. Tenge is the currency of the primary economic environment in which the Company and its subsidiary operate. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the official rate established by the "KASE" and published by the National Bank of the Republic of Kazakhstan (the "NBRK") at the reporting date. All translation differences are recognized in the consolidated statement of comprehensive income.

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:

	31 December 2022	31 December 2021
US dollar	**462.65**	431.67
Euro	**492.86**	487.79
Russian ruble	**6.43**	5.77

CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within 12 (twelve) months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 (twelve) months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 (twelve) months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 (twelve) months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

FAIR VALUE MEASUREMENT

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the Note 31.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The respective unit of the Group (hereinafter, the "Working Group") determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted financial assets at fair value, and for nonrecurring measurement, such as assets held for distribution in discontinued operations. The composition of the Working Group is determined by the Management of the Group.

External valuers are involved for valuation of significant assets, such as investment properties and unquoted financial assets, and significant liabilities, such as contingent consideration. Involvement of external valuers is determined annually by the Working Group after discussion with and approval by the Group's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The Working Group decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Working Group analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Valuation Committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Working Group also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Please refer to asset retirement obligation (Note 20) for further information about decommissioning provision recognised.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

	Years
Buildings and constructions	10-50
Machinery	3-10
Equipment, tools and installations	2-8

Land is not depreciated.

An item of property and equipment and any significant component initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Construction-in-progress

Construction-in-progress represents property and equipment under construction and machinery and equipment awaiting installation and is recorded at cost. Construction-in-progress includes cost of construction and equipment and other direct costs. When construction of such assets is completed or when the machinery and equipment are ready for their intended use, construction-in-progress is transferred to the appropriate category of depreciable assets. Construction-in-progress is not depreciated.

INVESTMENT PROPERTIES

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at historical cost less accumulated depreciation and impairment.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

	Years
Buildings and constructions	10-50

nvestment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. Intangible assets have finite useful lives.

Intangible assets with finite useful lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Expenses on amortization of intangible assets with finite useful life are recognized in the consolidated statement of comprehensive income in the category of expenses, which corresponds to the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of comprehensive income when the asset is derecognised.

Intangible assets are amortized on a straight-line basis within the following estimated useful lives.

	Years
Software and license	3-8
Other telecom licenses	10
Other	8-10

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's or cash-generating unit's (CGU) recoverable amount is the higher of: the fair value of an asset (cash generating unit) less costs of disposal and its value in use (cash generating unit). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of 5 (five) years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of comprehensive income.

FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Financial assets of the Group include cash and cash equivalents, trade and other accounts receivable, financial assets at amortized cost.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other receivables.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized (i.e. excluded from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, the Group evaluates if it has retained the risks and rewards of the property, and to which extent, if any. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial assets carried at amortised cost

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

FINANCIAL LIABILITIES

INITIAL RECOGNITION AND MEASUREMENT

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities comprise trade and other accounts payable, loans and borrowings, lease liabilities and financial guarantees.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

This category is the most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the consolidated statement of comprehensive income.

This category generally applies to interest-bearing loans and borrowings. Further details are contained in Note 15.

Financial guarantees

The Group has financial guarantee issued to the Parent. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. The financial guarantee obligation issued to the Parent is initially recognized though equity. Subsequently, the liability is measured at the higher of the amount of the loss allowance determined in accordance with IFRS 9 Financial Instruments and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with IFRS 15 Revenue from Contracts with Customers. Further details are contained in Note 18.

Trade and other accounts payable

Liabilities for trade and other accounts payable are recognised at fair value to be paid in the future for goods and services received, whether or not billed to the Group.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are only offset and reported at the net amount in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Group intends to either settle on a net basis, to realise the asset and settle the liability simultaneously.

LEASES

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, as follows:

	Years
Buildings and constructions	5-15

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of nonfinancial assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of base station that have a lease term of 12 months or less from the commencement date and the lessor has unconditional right to terminate contract. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

INVENTORIES

Inventories are valued at the lower of cost of acquisition and net realisable value.

Cost comprise expenses incurred in bringing inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The same cost formula is used for all inventories having a similar nature and use. All inventories are determined based on weighted average cost method.

PROVISIONS

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Decommissioning liability

Decommissioning liabilities are recognized in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the reporting period when the related environmental disturbance occurs. Decommissioning costs are recorded at the discounted value of expected liability settlement costs calculated using estimated cash flows and recognized as part of the initial cost of the particular asset. Cash flows are discounted at the current rate before tax, which reflects risks inherent to the decommissioning obligations. Unwinding of discount is expensed as incurred and recognised in the consolidated statement of comprehensive income as finance costs. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

EMPLOYEE BENEFIT

Social tax

The Group pays social tax according to the current statutory requirements of the Republic of Kazakhstan. Social tax expenses are charged to expenses as incurred.

Besides, the Group withholds 10% of the salary of employees paid as contributions of employees to the accumulating pension funds. Under the legislation, employees are responsible for their retirement benefits and the Group has no present or future obligation to further compensate its employees upon their retirement, except as provided below.

Pension payments

The Group does not incur any expenses in relation to provision of pensions or other post-employment benefits to its employees. In accordance with the legal requirements of the Republic of Kazakhstan, the Group withholds pension contributions from employee salaries and transfers them into state or private pension funds on behalf of its employees. Pension contributions are the responsibility of employees, and the Group has no current or future obligations to make payments to employees following their retirement. Upon retirement of employees, all pension payments are administered by the pension funds directly.

CASH DIVIDEND AND NON-CASH DISTRIBUTION TO EQUITY HOLDERS OF THE PARENT

The Group recognises a liability to make cash or non-cash distributions to equity holders of the Parent when the distribution is authorised and the distribution is no longer at the discretion of the Group. According to the legislation, distribution is approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the consolidated statement of comprehensive income.

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue is categorised as follows: voice and other services, data services, value added services, and sale of handsets.

Voice service includes call out revenue, interconnect fees, roaming revenues charged to the Group's subscribers for roaming in other wireless operators' network, and roaming revenues charged to other wireless operators for non-Group subscribers using the Group's network.

Data services include revenues from 3G, 4G and LTE internet, WAP services and other data services.

Value added services consists of SMS, MMS, info services and providing content of third parties, fax and voice mail services.

The Group may bundle services and products into one customer offering. Offerings may involve the delivery or performance of multiple products, services, or rights to use assets (multiple deliverables). In some cases, the arrangements include initial installation, initiation, or activation services and involve consideration in the form of a fixed fee or a fixed fee coupled with a continuing payment stream. Costs associated with the equipment are recognised when revenue is recognised. The revenue is allocated to separate product and services on a relative stand-alone selling price method.

The stand-alone selling prices are determined based on the list prices at which the Group sells the mobile devices and telecommunication services. Customised equipment that can be used only in connection with services or products provided by the Group is not accounted for separately and revenue is deferred over the total service arrangement period.

In revenue arrangements where more than one performance obligation, transaction price is allocated between the goods and services using relative stand-alone selling price method. Determining the transaction price for each separate performance obligation can require complex estimates. The Group generally determines the stand-alone selling price for each separate performance obligation based on prices at which the good or services are regularly sold on a stand-alone basis after considering volume discounts where appropriate.

As a practical expedient, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

1. **Call out revenue**

Call out revenue is recognised based on the actual airtime used by the subscribers. Prepayments received for call out revenue are not recognised as revenue until the related service has been provided to the subscriber. Revenue is recognised based on the actual traffic time elapsed, at the customer selected calling plan rates.

2. **Interconnect revenues and costs**

The Group charges interconnect per minute fees and fixed monthly payments to other local wireless and fixed line operators for calls originated outside and terminated within the Group's network. The Group recognises such revenues when the services are provided. The Group is charged interconnect fees per minute and fixed monthly payments by other local wireless and fixed line operators for calls originated within the Group's network and terminated outside of the network. The Group recognises such costs when the services are provided.

3. **Data revenue**

The data service is recognised when a service is used by a subscriber based on actual data volume traffic or passage of time (monthly subscription fee).

4. **Roaming revenues charged to the Group's subscribers**

Roaming revenue from the Group's subscribers for roaming in other operators' network is charged based on information provided by other operators to the Group.

5. **Roaming fees charged to other wireless operators**

The Group charges roaming per minute fees to other wireless operators for non-Group subscribers utilising the Group's network. The Group recognises such revenues when the services are provided.

6. Value added services

Value added services mainly consists of content provided by third parties, different info services, fax and voice mail. When invoicing the end-customer for third party content service, amounts collected on behalf of the principal are excluded from revenue.

Roaming discounts

The Group enters into roaming discount agreements with a number of wireless operators. According to the terms of the agreements the Group is obliged to provide and entitled to receive a discount that is generally dependent on the volume of inter operator roaming traffic. The Group uses various estimates and assumptions, based on historical data and adjusted for known changes, to determine the amount of discount to be received or granted. Such estimates are adjusted monthly to reflect newly-available information.

The Group accounts for discounts received as a reduction of roaming expenses and discounts granted as reduction of roaming revenue. The Group considers terms of the various roaming discount agreements to determine the appropriate presentation of amount of receivable from and payable to its roaming partners in its consolidated statements of financial position.

Costs to obtain a contract

The Group sells part of payment scratch cards, sim cards, and handsets using dealers. The Group pays a certain commission to dealers depending on the number of payment scratch cards, sim cards or handset sold. Sales commissions and equipment subsidies granted to dealers for obtaining a specific contract are capitalised and deferred over the period over which the Group expects to provide services to the customer. Other commissions to dealers are recognised when the item is sold to the subscriber.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

CONTRACT BALANCES

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section “Financial instruments – initial recognition and subsequent measurement”.

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

INTEREST INCOME

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The interest income is recorded as part of finance income in the consolidated statement of comprehensive income.

DIVIDENDS

Revenue is recognised when the Group’s right to receive the payment is established, which is generally when shareholders approve the dividend.

EXPENSE RECOGNITION

Expenses are recognized as incurred and reported in the consolidated statement of comprehensive income in the period to which they relate on the accrual basis.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

TAXES

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

- Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in transaction that is not a business combination and, at the same time of transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

- Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.
- Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

CONTINGENT ASSETS AND LIABILITIES

Contingent assets are not recognized in the consolidated financial statements. Where an inflow of economic benefits is probable, they are disclosed.

Contingent liabilities are not recognized in the consolidated financial statements unless an outflow of resources embodying economic benefits has become probable. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

RELATED PARTIES

In accordance with IAS 24 Related Party Disclosures, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Transactions with related parties are used to reflect the status of settlements for property, works and services received from companies or sold to companies that are related parties to the Group. Items of a similar nature are disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the consolidated financial statements.

CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Financial instruments and financial risk management objectives and principles Note 31.

ESTIMATES AND ASSUMPTIONS

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Leases – estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Useful lives of property and equipment and intangible assets

The Group assesses the remaining useful lives of items of property and equipment and intangible assets at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

In 2021 the Group along with Kazakhtelecom JSC and Mobile Telecom-Service LLP ("MTS LLP") developed network integration plan in order to achieve strategic goals to strengthen and form leading positions in the telecommunication markets of the Republic of Kazakhstan. According to integration framework, the Group in conjunction with MTS LLP plans to dismantle certain base stations on locations where there are base stations of both entities. Such business operation shall provide further savings on capital expenditures and provide a better competitive position in the market. Therefore, in 2021, the Group reassessed the remaining useful lives of certain telecommunication equipment that is subject for dismantling earlier than initially planned or otherwise would not be used once integration process is finalized. The Group performed reassessment from 1 December 2021, which resulted in decrease in remaining useful life of those assets by 3 years on average. The change in the remaining useful lives resulted in a total increase in depreciation expenses for the year ended 31 December 2021 in the amount of 15 million tenge. The effect of change in estimate for 2022-2025 approximated to 750 million tenge.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model.

The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Decommissioning liability

Decommissioning liabilities are recognized in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs in the reporting period when the related environmental disturbance occurs. Decommissioning costs are recorded at the discounted value of expected liability settlement costs calculated using estimated cash flows and recognized as part of the initial cost of the particular asset. Cash flows are discounted at the current rate before tax, which reflects risks inherent to the decommissioning obligations. Unwinding of discount is expensed as incurred and recognised in the consolidated statement of comprehensive income as finance costs. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

In 2021, Kazakhtelecom JSC together with its subsidiaries, Kcell JSC and MTS LLP developed network integration plan as mentioned above. In accordance with integration plan, the Group reassessed maturity of decommissioning of certain telecommunication base stations across Kazakhstan and reflected effect on asset retirement obligation estimation. Impacts are disclosed in Note 20.

Provision for expected credit losses

The Group recognizes provision for expected credit losses for trade and other accounts receivable and funds in credit institutions (cash and cash equivalents, bank deposits).

For trade and other receivable, the Group has applied the standard's simplified approach and has calculated expected credit losses based on lifetime of these financial instruments. The Group used a provision model that is prepared taking into account Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group will calibrate the matrix to adjust the historical credit loss experience with forwardlooking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 9.

For funds in credit institutions (cash and cash equivalent, bank deposits), the Group calculated expected credit losses based on the 12-month period. The 12-month expected credit losses is the portion of lifetime expected credit losses that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit losses.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. Also it is considered a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Thus, as at 31 December 2022 provision for expected credit losses was created in the amount of 12,915 million tenge (as at 31 December 2021: 6,651 million tenge) (Notes 9). Changes in the economy, industry or specific customer conditions would have impact to these allowances recorded in the consolidated financial statements.

Costs to obtain a contract

The Group considers commission to sales agents to be an additional cost to obtain a contract and capitalizes such costs as an asset on expenses under contracts with customers. The Group depreciates the costs to obtain a contract with customers on a systematic basis, which corresponds to the timing of the provision of services to customers. The Group reviews depreciation periods if the expected service dates have changed.

Contract liabilities

Deferred revenues are recognized as contract liabilities and recognized over the expected period of the customer relationship. In making its judgments, management considered the detailed criteria for the recognition of revenues from contract with customers set out in IFRS 15, industry practice and the Group's historical churn rate.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

As at 31 December 2022, net deferred tax assets of the Group were equal to 1,598 million tenge (at 31 December 2021: 1,720 million tenge). Further details are contained in Note 29.

Fair value measurement of financial instruments

When the fair value of financial instruments and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on data in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the fair value reported in the consolidated financial statements. For more details on the fair values refer to Note 31.

5. SEGMENT INFORMATION

The Group's main operations are concentrated in the Republic of Kazakhstan and are mainly represented by provision of mobile communication services. The Group identifies the segment in accordance with the criteria set in IFRS 8 Operating Segments and based on the way the operations of the Group are regularly reviewed by the chief operating decision maker to analyse performance and allocate resources among business units of the Group.

The Group's Chairman of the Management Board has been determined as the chief operating decision-maker ("CODM"). The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements prepared in accordance with IFRS. Management has determined a single operating segment being mobile communication services based on these internal reports.

6. SHARE CAPITAL AND EARNINGS PER SHARE

Share capital of the Group is as follows:

	31 December 2022		31 December 2021	
	Share	Number of shares	Share	Number of shares
Kazakhtelecom JSC	51.00%	102,000,000	51.00%	102,000,000
PIONEER TECHNOLOGIES S.A.R.L	14.87%	29,745,215	14.87%	29,745,215
First Heartland Jusan Bank JSC	9.08%	18,167,753	9.08%	18,167,753
Single accumulative pension fund JSC	7.06%	14,116,287	7.07%	14,144,273
Raiffeisenbank JSC	1.54%	3,070,664	1.54%	3,070,664
AROYGROUP LLP	1.39%	2,788,927	0%	–
EVEREX LLP	1.16%	2,315,226	0%	–
Other	13.90%	27,795,928	16.44%	32,872,095
	100.00%	200,000,000	100.00%	200,000,000

The total authorized number of ordinary shares is 200,000,000 shares with a par value of 169 tenge per share, all of which are issued and fully paid.

The calculation of basic and diluted earnings per share is based on the following data:

In millions of tenge	2022	2021
Profit for the year attributable to equity shareholders	40,350	32,506
Weighted average number of ordinary shares	200,000,000	200,000,000
Earnings per share (Kazakhstani tenge), basic and diluted	201.75	162.53

The Group has no dilutive or potentially dilutive securities outstanding.

During the year ended 31 December 2022, the Group did not declare and did not pay any dividends (during year ended 31 December 2021, the Group declared and paid dividends in the amount of 17,578 million tenge). Dividends per share for the year ended 31 December 2021 was equal 87.89 tenge.

ADDITIONAL INFORMATION DISCLOSED IN ACCORDANCE WITH "KASE" REQUIREMENTS

The cost of ordinary shares, calculated in accordance with the requirements of the "KASE"

According to the requirements of the "KASE", the Group has calculated its cost per ordinary share, which was calculated based on the number of ordinary shares outstanding at the reporting date. The cost per ordinary share as at 31 December 2022 and 2021 is presented below.

In millions of tenge	31 December 2022	31 December 2021
Net assets, excluding intangible assets	95,139	55,987
Number of ordinary shares in issue	200,000,000	200,000,000
Cost of ordinary share, calculated in accordance with listing requirements of KASE (Kazakhstani tenge)	475.70	279.94

7. PROPERTY AND EQUIPMENT

Movements of property and equipment for the years ended 31 December 2022 and 2021 were as follows:

In millions of tenge	Land	Buildings and construction	Machinery	Equipment, tools and installations	Assets under construction	Total
Cost						
At 1 January 2021	2,122	20,363	235,897	39,069	17,258	314,709
Additions	–	130	117	1,676	22,525	24,448
Provision for dismantling (Note 20)	–	–	135	–	–	135
Transfer between the groups	–	–	9,529	–	(9,529)	–
Disposals	(13)	(143)	(4,729)	(10)	(1,013)	(5,908)
At 31 December 2021	2,109	20,350	240,949	40,735	29,241	333,384
Additions	–	**42**	–	**1,576**	**27,274**	**28,892**
Transfer to investment property	–	**(3,769)**	–	–	–	**(3,769)**
Provision for dismantling (Note 20)	–	–	**(702)**	–	–	**(702)**
Transfer between the groups	–	–	**13,216**	–	**(13,216)**	–
Disposals	–	–	**(759)**	**(3,111)**	–	**(3,870)**
At 31 December 2022	**2,109**	**16,623**	**252,704**	**39,200**	**43,299**	**353,935**
Accumulated depreciation and impairment						
At 1 January 2021	–	(7,432)	(193,635)	(31,022)	(4,511)	(236,600)
Depreciation charge	–	(361)	(11,933)	(3,204)	–	(15,498)
Disposals	–	114	4,554	10	–	4,678
Impairment	–	–	(73)	(85)	(1)	(159)
At 31 December 2021	–	(7,679)	(201,087)	(34,301)	(4,512)	(247,579)
Depreciation charge	–	**(361)**	**(11,115)**	**(2,580)**	–	**(14,056)**
Transfer to investment property	–	**1,554**	–	–	–	**1,554**
Disposals	–	–	**759**	**3,111**	–	**3,870**
At 31 December 2022	–	**(6,486)**	**(211,443)**	**(33,770)**	**(4,512)**	**(256,211)**
Net book value						
At 31 December 2021	2,109	12,671	39,862	6,434	24,729	85,805
At 31 December 2022	**2,109**	**10,137**	**41,261**	**5,430**	**38,787**	**97,724**

During the year ended 31 December 2022, a building with carrying amount of 2,215 million tenge was transferred to investment property, because it was no longer used by the Group as it was leased to third and related parties. As of 31 December 2022, fair value of investment property equaled to 2,700 million tenge.

As of 31 December 2022, the Group made prepayments for certain property and equipment mainly represented by equipment for base stations in the amount of 1.179 million tenge (31 December 2021: 329 million tenge).

As at 31 December 2022, the gross carrying value of property and equipment which has been fully depreciated and still in use, was 182,092 million tenge (as at 31 December 2021: 173,272 million tenge).

During 2022, the Group has written off the fully amortized property and equipment with gross book value in the amount of 1,070 million tenge (2021: nil tenge).

IMPAIRMENT TEST

The war in Ukraine and related sanctions in Russia and Belarus has affected many countries and resulted in significant volatility in financial and commodity markets around the world. The Group's management analyzed external and internal sources of information, including the current and future impact of the war on the Group and on macroeconomic environment, and did not observe any significant negative impacts on the Group's business, financial conditions and results of operations. During 2022, the Group did not identify impairment factors for all CGUs related with the war in Ukraine and related sanctions in Russia and Belarus.

8. INTANGIBLE ASSETS

Movements of intangible assets for the years ended 31 December 2022 and 2021 were as follows:

In millions of tenge	Software and licenses	Intangible assets in development stage	Total
Cost			
At 1 January 2021	108,022	472	108,494
Additions	13,604	–	13,604
Disposals	(2,640)	–	(2,640)
At 31 December 2021	118,986	472	119,458
Additions	12,659	–	12,659
Disposals	(2,983)	–	(2,983)
At 31 December 2022	**128,662**	**472**	**129,134**
Accumulated amortization and impairment			
At 1 January 2021	(68,292)	(472)	(68,764)
Amortisation charge	(10,621)	–	(10,621)
Disposals	2,640	–	2,640
Impairment	(429)	–	(429)
At 31 December 2021	(76,702)	(472)	(77,174)
Amortisation charge	(11,461)	–	(11,461)
Disposals	2,983	–	2,983
At 31 December 2022	**(85,180)**	**(472)**	**(85,652)**
Net book value			
At 31 December 2021	42,284	–	42,284
At 31 December 2022	**43,482**	**–**	**43,482**

As at 31 December 2022, the carrying amount of 3G license was 1,000 million tenge (31 December 2021: 1,333 million tenge) and its remaining amortization period was 3 years. As at 31 December 2022, the carrying amount of the 4G license was 14,011 million tenge (31 December 2021: 15,744 million tenge) and its remaining amortization period was 8 years.

During 2021, the Group recognized an impairment loss of 429 million tenge, which represents part of billing system that was in non-operating condition. Loss was recognized in the consolidated statement of comprehensive income as an operating expense.

As at 31 December 2022, the gross carrying value of intangible assets, which have been fully amortized and still in use, was 39,792 million tenge (31 December 2021: 42,175 million tenge).

During 2022, the Group has written off the fully amortized intangible assets with gross book value in the amount of 2,983 million tenge (during 2021: nil tenge).

9. TRADE RECEIVABLES

As at 31 December 2022 and 2021, trade receivables comprised of the following:

In millions of tenge	31 December 2022	31 December 2021
Trade receivable from subscribers	**35,363**	23,262
Trade receivable from interconnect services	**1,838**	1,129
Trade receivables from roaming operators	**358**	173
Trade receivables from dealers and distributors	**574**	748
Trade receivables from related parties (Note 29)	**5,650**	3,238
Less: allowance for expected credit losses	**(12,915)**	(6,651)
	30,868	21,899
Less: long-term portion of trade receivable from subscribers	**(4,345)**	(4,148)
	26,523	17,751

During the years ended 31 December 2022 and 2021, movements in the allowance for expected credit losses were as follows:

In millions of tenge	2022	2021
Allowance for expected credit losses at the beginning of the year	**(6,651)**	(9,964)
Charge for the year	**(6,264)**	(1,914)
Write-off for the year	**–**	1,117
Sales of trade receivables	**–**	4,110
Allowance for expected credit losses at the end of the year	**(12,915)**	(6,651)

On 18 and 19 February 2021 the Group sold overdue receivables with gross value in the amount of 4,548 million tenge and net book value of 438 million tenge for 438 million tenge.

Below is information as of 31 December 2022 and 31 December 2021 about the credit risk exposure on the Group's trade receivables using a provision matrix:

In millions of tenge	Total	Current	Days past due				
			1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 180 days
31 December 2022							
Estimated total gross book value for default	**43,783**	**24,543**	**1,964**	**1,393**	**1,148**	**2,782**	**11,953**
Expected credit loss rate		**0.11%**	**2%**	**18%**	**32%**	**45%**	**92%**
Expected credit losses	**12,915**	**26**	**45**	**257**	**368**	**1,249**	**10,970**

In millions of tenge	Total	Current	Days past due				
			1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 180 days
31 December 2021							
Estimated total gross book value for default	28,550	18,422	1,825	903	580	922	5,898
Expected credit loss rate		0.1%	2%	13%	23%	49%	99.6%
Expected credit losses	6,651	23	41	118	136	454	5,879

As at 31 December 2022 and 2021 the Group's trade receivables were denominated in the following currencies:

In millions of tenge	31 December 2022	31 December 2021
Tenge	**30,781**	21,726
US dollars	**87**	173
	30,868	21,899

10. INVENTORY

As at 31 December 2022 and 2021, inventories comprised:

In millions of tenge	31 December 2022	31 December 2021
Handsets and accessories (at lower of cost and net realizable value)	**7,407**	5,898
Start packages (at cost)	**235**	207
Marketing materials (at cost)	**42**	70
SIM-cards (at cost)	**108**	85
Other materials (at cost)	**188**	322
	7,980	6,582

During 2022, the Group recognised as an expense 396 million tenge (2021: 179 million tenge) for inventories carried at net realisable value, which is recognised within general and administrative expenses. In addition, during 2022 the Group wrote-off inventory in the amount of 553 million tenge due to consequences of protests held in Kazakhstan in January 2022 (Note 23).

11. OTHER CURRENT NON-FINANCIAL ASSETS

As at 31 December 2022 and 2021, other current non-financial assets comprised of the following:

In millions of tenge	31 December 2022	31 December 2021
VAT recoverable	**3,738**	3,578
Advances paid	**1,858**	3,120
Prepaid expenses	**1,090**	878
Prepaid taxes other than income taxes	**211**	2,535
	6,897	10,111

12. OTHER CURRENT FINANCIAL ASSETS

As at 31 December 2022 and 2021, other current financial assets comprised of the following:

In millions of tenge	31 December 2022	31 December 2021
Other receivables	**706**	394
Due from employees	**160**	336
Less: allowance for expected credit losses due from employees	**(66)**	(192)
	800	538

As at 31 December 2022 and 2021, other current non-financial assets were fully denominated in tenge.

During 2022 the Group has accrued allowance for amounts due from employees in the amount of 66 million tenge (31 December 2021: 192 million tenge).

13. FINANCIAL ASSETS AT AMORTIZED COST

As at 31 December 2022 financial assets at amortized cost in the amount of 14,833 million tenge, represented by short-term discount notes of National Bank of the Republic of Kazakhstan ("NBRK") denominated in tenge. In 2022 and 2021, the Group acquired short term discount notes at purchase price 84,163 million tenge and 140,018 million tenge, respectively. In 2022 short term discount notes with nominal value in the amount of 69,350 million tenge and interest income in the amount of 650 million tenge was redeemed (2021: 158,631 million tenge and 1,369 million tenge, respectively).

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 31 December 2022 and 2021 financial assets at amortized cost comprised of the following:

In millions of tenge	Maturity date	Yield to maturity	Nominal value	31 December 2022	31 December 2021
NB RK Note	25 January 2023	16.46%	15,000	**14,833**	–
				14,833	–

14. CASH AND CASH EQUIVALENTS

As at 31 December 2022 and 2021, cash and cash equivalents comprised of the following:

In millions of tenge	31 December 2022	31 December 2021
Bank deposits with original maturity of less than 90 days	**36,134**	45,018
Cash on current bank accounts	**10,111**	6,380
Cash on hand	**3**	4
	46,248	51,402

As of 31 December 2022, short-term bank deposits represent overnight deposits in tenge in Altyn Bank JSC at interest rate 15.6% in the amount of 7,026 million tenge, Halyk Bank JSC at interest rate 15.6 % in the amount of 17,200 million tenge, Citi Bank JSC at interest rate 6.5% in the amount of 38 million tenge, deposits in tenge at First Heartland Jusan Bank JSC at interest rate 14.85 % in the amount of 10 million tenge. Deposits in USD at Halyk Bank JSC at interest rate 1.5% in the amount of 11,852 million tenge and First Heartland Jusan Bank JSC at interest rate 2 % in the amount of 9 million tenge.

As at 31 December 2022 and 2021, cash and cash equivalents were denominated in various currencies as follows:

In millions of tenge	31 December 2022	31 December 2021
Tenge	**26,876**	34,133
US dollars	**19,206**	16,651
Euro	**117**	526
Russian roubles	**48**	91
Other currency	**1**	1
	46,248	51,402

15. BORROWINGS

As at 31 December 2022 and 2021, borrowings comprised of the following:

In millions of tenge	Currency	Effective interest rate	Maturity date	31 December 2022	31 December 2021
First Heartland Jusan Bank JSC	Tenge	12.90%	10 ноября 2024 года	**40,208**	39,871
VTB Bank JSC	Tenge	11.90%	15 октября 2023 года	**5,002**	7,006
Bank of China Kazakhstan JSC	Tenge	10.70%	1 июня 2024 года	**2,033**	13,105
				47,243	59,982
Less: non-current portion				**(41,646)**	(48,283)
				5,597	11,699

Borrowings are repayable as follows:

In millions of tenge	31 December 2022	31 December 2021
Current portion of borrowings	**5,597**	**11,699**
Maturity between 1 and 2 years	**41,646**	7,000
Maturity between 2 and 5 years	**–**	41,283
Maturity over 5 years	**–**	–
Total non-current portion of borrowings	**41,646**	**48,283**

The Group's borrowings are denominated in Kazakhstani tenge and represented by unsecured loans. The borrowings have financial and non-financial covenants. Breaches in meeting the covenants would permit the banks to immediately call loans and borrowings. As at 31 December 2022 and 2021, there have been no breaches of the covenants.

The Group has not entered into any hedging arrangements in respect of its interest rate exposures.

First Heartland Jusan Bank JSC

On 10 November 2021, the Group and First Heartland Jusan Bank JSC, one of the shareholders of the Company, signed a credit line agreement in the amount of 60,500 million tenge. On 11 November 2021 two tranches were received from First Heartland Jusan Bank JSC in the amount of 22,000 million tenge and 12,000 million tenge with a nominal interest rate of 11% per annum and 10.7% per annum, respectively. Additionally, on 25 November 2021, third tranche was received from First Heartland Jusan Bank JSC in the amount of 6,500 million tenge with a nominal interest rate of 11% per annum, with a maturity until 10 November 2024.

At the date of initial recognition, the loan was recognized at fair value based on expected cash outflows at a market rate observable for similar instruments of 12.9% at the time the loan was issued. On initial recognition of all three tranches total discount in the amount of 1,260 million tenge was recognised within equity as the additional paid-in capital.

VTB Bank JSC

On 28 October 2020 the Group obtained loan in the amount of 6,000 million tenge 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 6,000 million tenge to 7,000 million tenge, and obtained 1,000 million tenge with a maturity until 15 October 2023 and an interest rate of 10.7% per annum. On 1 March 2022, the Group partially repaid principal in the amount of 2,000 million tenge.

Bank of China Kazakhstan JSC

During 2019 and 2020, the Group obtained loan in the amount of 5,000 million and 6,000 million tenge, 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 33 million tenge as a result of change in the interest rate. The loan is secured by the financial guarantee provided by Kazakhtelecom JSC, the Parent. The Group considers the financial guarantee provided by the parent to be an integral part of the loan, and therefore does not recognize the guarantee received separately in its consolidated financial statements.

On 2 June 2021 the Group obtained additional tranche in the amount of 2,000 million tenge from Bank of China JSC within the same credit line agreement.

During 2022, the Group partially repaid principal in the amount of 11,000 million tenge.

Halyk Bank of Kazakhstan JSC

On 23 April 2020, the Group obtained loan in the amount of 15,000 million tenge 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 rates of loan was decreased from 11.5% to 11.2% per annum under credit line agreement. The change in the interest rate from 11.5% to 11.2% does not represent a substantial modification as in accordance with IFRS 9 and thus, it did not lead to the derecognition of the original liability. The Group recognized finance income in the amount of 115 million tenge as a result of change in the interest rate. On 24 February 2021 the Group obtained two loans in the amount of 2,100 million tenge and 4,900 million tenge from Halyk Bank JSC within the same credit line agreement. On 11 November 2021, the Group fully repaid principal and interest in the amount of 22,000 million tenge and 2,358 million tenge, respectively, ahead of the schedule.

Alfa Bank JSC

On 6 January 2021 the Group obtained a loan in the amount of 12,000 million tenge from Alfa Bank JSC with maturity till 5 January 2024 at interest rate 10.7% per annum. On 19 May 2021 the Group entered into an additional agreement to increase the credit limit from 14 billion tenge to 21 billion tenge, for a period until 19 May 2026, with an availability period until 19 May 2025 at interest rate of 10.7% per annum. On 11 November 2021 the Group fully repaid principal and interest in the amount of 12,000 million tenge and 1,102 million tenge, respectively, ahead of the schedule.

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

In millions of tenge	Bcero
Cost	
At 1 January 2021	29,485
Modification	814
Additions	77
Cancellation	(138)
At 31 December 2021	30,238
Additions	281
Modification	2,797
At 31 December 2022	**33,316**
Accumulated depreciation	
At 1 January 2021	(8,681)
Depreciation charge	(4,659)
Cancellation	45
At 31 December 2021	**(13,295)**
Depreciation charge	(4,937)
At 31 December 2022	(18,232)
Net book value	
At 31 December 2021	16,943
At 31 December 2022	**15,084**

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

In millions of tenge	31 December 2022	31 December 2021
At the beginning of the year	20,129	23,666
Interest expenses (Note 27)	2,543	2,772
Payments	(7,913)	(7,093)
Modifications	2,797	814
Additions	281	77
Cancellation	–	(107)
At the end of the year	17,837	20,129
Long-term lease liabilities	12,514	15,185
Short-term lease liabilities	5,323	4,944

The following amounts are recognised in profit or loss:

In millions of tenge	2022	2021
Depreciation expense of right-of-use assets	4,937	4,659
Interest expense on lease liabilities (Note 27)	2,543	2,772
Expenses related to short-term leases	37	45
Total amount recognised in profit or loss	7,517	7,476

The Group had total cash outflows for leases of 7,950 million tenge in 2022 (2021: 7,138 million tenge).

17. TRADE PAYABLES

As at 31 December 2022 and 2021, trade payables comprised of the following:

In millions of tenge	31 December 2022	31 December 2021
Trade payables to third parties	31,529	32,603
Trade payables to related parties (Note 29)	3,220	3,102
	34,749	35,705

As at 31 December 2022 and 2021, the Group's trade payables were denominated in the following currencies:

In millions of tenge	31 December 2022	31 December 2021
Tenge	33,127	33,119
US dollars	87	1,460
Other currency	1,535	1,126
	34,749	35,705

18. FINANCIAL GUARANTEE OBLIGATION

On 27 November 2020 the Group issued the financial guarantee on loan agreement of Kazakhtelecom JSC obtained from Development Bank of Kazakhstan JSC in the amount of 18,266 million tenge. The financial guarantee has maturity till 19 December 2024. The Group initially recognised the financial guarantee at fair value in the amount of 592 million tenge through retained earnings in equity. As at 31 December 2022 and 31 December 2021, the Group measured financial guarantee obligation at the higher of the amount of the loss allowance determined in accordance with IFRS 9 Financial Instruments and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with IFRS 15 Revenue from Contracts with Customers. As of 31 December 2022, financial guarantee obligation equaled to 155 million tenge, which represents the initial amount less the cumulative amount of income recognised in accordance with IFRS 15 (31 December 2021: 330 million tenge).

19. CONTRACT LIABILITIES

As at 31 December 2022 and 2021, trade contract liabilities comprised of the following:

In millions of tenge	2022	2021
Contract liabilities as at 1 January	3,207	1,978
Deferred during the year	201,634	159,344
Recognised as revenue during the year	(199,196)	(158,115)
Contract liabilities as at 31 December	5,645	3,207

20. ASSET RETIREMENT OBLIGATION

DECOMMISSIONING LIABILITIES

Provision for decommissioning liabilities is recorded at the discounted value of expected costs to bring the sites and facilities to their original condition using estimated cash flows and is recognised as part of the cost of the specific asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability.

Movements in provision for decommissioning liabilities for the years ended 31 December 2022 and 31 December 2021 were as follows:

In millions of tenge	2022	2021
Provision for decommissioning liabilities as at 1 January	4,204	4,007
Change in estimate (Note 7)	(702)	135
Unwinding of discount (Note 27)	306	194
Provision for decommissioning liabilities as at 31 December	3,808	**4,336**
Current portion (Note 21)	–	132
Non-current portion	3,808	4,204

The provision was determined at the end of the reporting period using the projected inflation rate for the expected period of the fulfilment of obligation, and the discount rate at the end of the year which is presented below:

	2022 год	2021 год
Discount rate	9.61%	7.03%
Inflation rate	15.1%	5.5%
Period of fulfillment of obligation	9 лет	10 лет

In 2021, the Group approved network integration project with Parents and MTS LLP, according to which the Group plans to decommission certain assets in 2022-2025.

21. PROVISIONS

In 2020 the Group accrued provision related to legal claims on contractual obligation and fines and penalties that Management considers as probable in the amount of 3,685 million tenge and 701 million tenge, respectively. Portion of provision of fines and penalties in the amount of 683 million tenge was derecognised in 2021 due to finalization of custom audit and receipt of notice with actual amount of fine and penalties.

In millions of tenge	31 December 2022	31 December 2021
Legal claims on contractual obligation	**3,685**	3,685
Asset retirement obligation: current portion (Note 20)	**–**	132
	3,685	3,817

Movements in provision for decommissioning liabilities for the years ended 31 December 2022 and 2021 were as follows:

In millions of tenge	2022	2021
Provision as at 1 January	**3,817**	4,502
Reclassification of short-term portion of decommissioning liabilities	**–**	132
Reversal of fines and penalties provision	**–**	(683)
Reclassification to long-term portion of decommissioning liabilities	**(132)**	(18)
Reversal of other provision (Note 28)	**–**	(116)
Provision as at 31 December	**3,685**	3,817

22. GOVERNMENT GRANTS

In millions of tenge	31 December 2022	31 December 2021
Government grants as at 1 January	7,925	–
Received during the year	**5,573**	10,033
Released to the consolidated statement of comprehensive income	**(2,230)**	(2,108)
Government grants as at 31 December	**11,268**	**7,925**
Government grants current portion	**2,237**	2,237
Government grants non-current portion	**9,031**	5,688

In 2021 the Government approved the changes to the Rules for the assignment of frequency bands, radio frequencies, operation of radio-electronic means and high-frequency devices ("the Rules"), based on which the Group is eligible for government grants in form of 90% reduction in the annual fee for use of radio frequencies from 1 January 2020 till 1 January 2025. The government grants are subject to conditions, namely financing of the projects related to broadband internet in rural and urban areas. If the financing of the projects related to broadband internet is lower than the amount of the tax incentive received, the Group should pay the annual fee equal for use of radio frequencies to the amount of unfulfilled obligations to the authorities.

The funds released as a result of reduction in the annual fee for use of radio frequencies for 2020 and 2021 in the amount of 4,725 million tenge and 5,308 million tenge, respectively, were used by the Group for the purchase and construction of broadband internet. Government grants related to assets are recognized as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset. As of 31 December 2022 the balance of deferred income recognized was equal to 11,268 million tenge (As of 31 December 2021: 7,925 million tenge), and part of the government grants released to the profit and loss over the period necessary to match the related depreciation charges equal to 2,230 million tenge.

As of 31 December 2022 there are no unfulfilled conditions or contingencies attached to these grants.

23. REVENUE FROM CONTRACTS WITH CUSTOMERS

In millions of tenge	2022	2021
Voice and data services	**166,865**	146,030
Sale of handsets and equipment	**45,310**	39,027
Value added services	**6,646**	9,024
Other	**181**	–
	219,002	194,081
Over time	**173,511**	155,054
At a point of time	**45,491**	39,027
	219,002	194,081

As at 31 December 2022 and 31 December 2021, the contract liabilities in the amount of 5,645 million tenge and 3,207 million tenge, respectively, were represented by deferred revenue.

24. COST OF SALES

In millions of tenge	2022	2021
Cost of handsets, SIM-card and scratch card sales	**38,081**	32,963
Depreciation and amortization	**25,361**	26,078
Interconnect fees and expenses	**18,559**	18,231
Personnel costs	**13,346**	11,274
Transmission services	**10,704**	10,245
Repair and maintenance	**8,753**	8,163
Fees for use of frequency range	**7,493**	6,931
Electricity	**4,875**	3,777
Network sharing agreement	**3,846**	2,829
Mobile service tax	**2,442**	2,169
Security and safety	**321**	350
Materials	**162**	219
Short-term rent expenses	**37**	45
Other	**2,289**	2,593
	136,269	125,867

25. GENERAL AND ADMINISTRATIVE EXPENSES

In millions of tenge	2022	2021
Personnel costs	**5,331**	4,542
Depreciation and amortization	**5,093**	4,700
Taxes other than income tax	**2,810**	1,175
Consulting services	**779**	2,473
Repair and maintenance	**396**	179
Write-down of inventories to net realizable value	**415**	335
Representative expenses	**236**	97

In millions of tenge	2022	2021
Business trips	133	99
Insurance	74	28
Trainings	47	55
Inventories	42	25
Security and safety	7	32
Other	897	397
	16,260	14,137

26. SELLING EXPENSES

In millions of tenge	2022	2021
Marketing and advertising	1,562	2,426
Amortization of cost to obtain a contract	466	285
Commissions for dealers and cash collection	410	192
Other	276	203
	2,714	3,106

27. FINANCE COSTS / FINANCE INCOME

In millions of tenge	2022	2021
Finance costs		
Interest expense on loans and bonds	6,370	7,158
Interest on lease liabilities (Note 16)	2,543	2,772
Unwinding of discount (provision for decommissioning liability) (Note 20)	306	194
Other	51	202
	9,270	10,326
Finance income		
Interest income on cash balances and deposit	2,939	979
Interest income on financial assets at amortised cost	670	1,058
Penalty income from late payments for contract phones	461	244
Unwinding of issued financial guarantee	175	233
Other	105	47
	4,350	2,561

28. OTHER OPERATING INCOME/OTHER OPERATING EXPENSES

In millions of tenge	2022	2021
Other operating income		
Rental income	572	–
Income from accounts payable write-off	482	211
Income from 4G sharing fines	19	–
Income from frequency fee sharing	–	170
Income from reversal of provisions (Note 21)	–	116
Other	113	218
	1,186	715
Other operating expenses		
Write-off of inventories (Note 32)	553	–
4G sharing fines expenses	67	–
Loss on disposal of property and equipment	25	1,134
Frequency fee sharing expenses	–	135
Other	92	29
	737	1,298

29. INCOME TAX EXPENSES

In millions of tenge	2022	2021
Current income tax expense	(15,458)	(11,532)
Adjustments in respect of income tax of previous year	709	1,053
Deferred income tax benefit	(122)	(217)
	(14,871)	(10,696)

The Group are subject to taxation in the Republic of Kazakhstan. Tax rate for the Group and its subsidiary was 20% in 2022 and 2021.

A reconciliation of income tax expenses applicable to profit before taxation at the statutory rate, with the current corporate income tax expenses for the years ended 31 December 2022 and 2021 is set out below:

In millions of tenge	2022	2021
Profit before taxation	55,221	43,202
Income tax at statutory income tax rate of 20%	11,044	8,640
Non-taxable income	(165)	(436)
Non-deductible expenses	3,767	1,131
Change in unrecognised tax loss carry forward	(1,530)	1,530
Recognition of tax loss carry forward	1,804	(192)
Adjustments in respect of income tax of previous year	(709)	(1,053)
Adjustments in respect of deferred income tax of previous year	660	1,076
Total income tax expenses	14,871	10,696

Non-taxable income is mainly represented by income from reversal of tax and related fines and penalties provision in the amount of 553 million tenge and interest income on NBRK notes in the amount of 134 million tenge. Non-deductible expenses mainly represented by representative expenses, taxes at own expenses, and other expenses which are in accordance with Tax Code of the Republic of Kazakhstan are non-deductible.

Deferred tax assets and liabilities are presented in the consolidated statement of financial position as follows:

In millions of tenge	Consolidated statement of financial position 31 December 2022	31 December 2021	Consolidated statement of comprehensive income 2022	2021
Deferred tax assets				
Expected credit losses	**780**	322	**458**	(69)
Accrued bonuses to employees	**708**	498	**210**	96
Tax loss carry forward	**–**	1,804	**(1,804)**	192
Lease liabilities	**551**	637	**(86)**	65
Provision for unused vacation	**276**	199	**77**	33
Asset retirement obligation	**762**	821	**(59)**	20
Deferred services	**82**	641	**(559)**	(152)
Other	**322**	142	**180**	(6)
Government grants	**2,254**	1,585	**669**	1,585
Unrecognised deferred tax assets	**–**	(1,530)	**1,530**	(1,530)
Deferred tax assets	**5,735**	5,119	**616**	234
Deferred tax liabilities				
Property and equipment and intangible asset	**(4,025)**	(3,351)	**(674)**	(497)
Other	**(112)**	(48)	**(64)**	46
Deferred tax liabilities	**(4,137)**	(3,399)	**(738)**	(451)
Deferred tax assets, net	**1,598**	1,720		
Change in deferred tax assets/(liabilities), net			**(122)**	(217)

The Group performs offsetting of tax assets and liabilities only if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred tax assets and deferred tax liabilities relating to income tax collected by the same taxation authority.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. In accordance with legislation of the Republic of Kazakhstan, tax losses may be deferred for 10 (ten) years from the date of their origination. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be utilised. During 2022 the Group derecognised deferred tax assets related to tax loss carried forward in the amount of 274 million tenge.

30. RELATED PARTY DISCLOSURES

Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Group's primary transactions with related parties are consulting services, technical assistance and operational support, transmission rent, roaming and interconnect.

As at 31 December 2022, the Group recognized an allowance for expected credit losses in the amount of 237 million tenge in respect of receivables from related parties (31 December 2021: 143 million tenge).

Parent ("Kazakhtelecom JSC") is controlled by the Government of the Republic of Kazakhstan through Sovereign Wealth Fund "Samruk-Kazyna" JSC ("Samruk-Kazyna") which owns 51% of Kazakhtelecom's controlling shares (Note 1). Governmental entities include entities under common control and associates of the Government of the Republic of Kazakhstan.

Related party transactions were made on terms agreed between parties that may not necessarily be at market rate. Sales and purchases with related parties for three and nine months ended 31 December 2022 and 2021, and the balances with related parties as at 31 December 2022 and 2021, were as follows:

In millions of tenge	2022	2021
Sales of goods and services		
Entities of Samruk Kazyna group	**220**	197
Entities of Kazakhtelecom group	**13,672**	13,942
Government entities	**230**	251
	14,122	14,390
Purchases of goods and services		
Entities of Samruk Kazyna group	**514**	447
Entities of Kazakhtelecom group	**24,997**	24,708
Government entities	**109**	92
	25,620	25,247
Finance expense		
Other shareholders	**4,480**	588
	4,480	588

In millions of tenge	2022	2021
Trade receivables (Note 9)		
Entities of Samruk Kazyna group	**100**	36
Entities of Kazakhtelecom group	**5,472**	3,155
Government entities	**78**	47
	5,650	3,238
Trade payable (Note 17)		
Entities of Samruk Kazyna group	**34**	14
Entities of Kazakhtelecom group	**3,186**	3,050
Government entities	**–**	38
	3,220	3,102
Borrowings (Note 15)		
Other Shareholders	**40,208**	39,871
Cash and deposit accounts		
Other Shareholders	**10,244**	11,010

COMPENSATION TO KEY MANAGEMENT PERSONNEL

For the years ended 31 December 2022 and 31 December 2021, the total compensation to key management personnel included in the accompanying consolidated statement of comprehensive income under general and administrative expenses was 1,445 million tenge and 1,218 million tenge, respectively. Compensation to key management personnel consists of wages fixed in the employment agreement, as well as remuneration based on the performance for the year.

31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES

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

IMPAIRMENT LOSSES ON FINANCIAL ASSETS

Impairment losses on financial assets for the year ended 31 December 2022 and 2021, comprise accruing reserve on expected credit losses for trade and other receivables in amount of 6,264 million tenge and 2,106 million tenge, respectively (Note 9, 12).

INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As at 31 December 2022 and 2021, the Group had no loans or borrowings with floating interest rates and was not subjected to the risk of changes in market interest rates.

FOREIGN CURRENCY RISK

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The majority of the Group's purchases of property, plant and equipment and inventories, as well as certain services such as roaming are denominated in US dollars, the Group's consolidated statement of financial position can be affected significantly by movement in the US dollar / tenge exchange rates.

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rates of US dollar to tenge, with all the variables held constant, of the Group's profit before income tax (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Group's equity.

	2022		2021	
In millions of tenge	Increase/ (decrease) in exchange rate	Effect on profit before tax	Increase/ (decrease) in exchange rate	Effect on profit before tax
US dollars	**21%**	**4,002**	13%	1,997
	-21%	**(4,002)**	-10%	(1,536)

CREDIT RISK

Credit risk is the risk that the Group will incur finance costs because its customers, clients or counterparties failed to discharge their contractual obligations. The Group is exposed to credit risk associated with its operating activities (primarily with respect to trade receivables) and financial activities, including bank deposits and financial organizations, foreign exchange transactions and other financial instruments.

TRADE RECEIVABLES

Financial instruments in which the Group's credit risk is concentrated are primarily trade receivables. The credit risk associated with these assets is limited due to the large number of the Group's customers and the continuous monitoring procedures for customers and other debtors.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than three years and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 9 and 12. The Group does not hold collateral as security.

FINANCIAL INSTRUMENTS AND CASH DEPOSITS

In accordance with the financial policy, the Group places free cash in several of the largest Kazakhstani banks (with the highest credit ratings). To manage the credit risk associated with the placement of free cash in banks, the Group's management periodically conducts procedures for assessing the solvency of banks. To facilitate such an assessment, deposits are primarily placed in banks, where the Group already has comparable credit obligations, a current checking account and can easily monitor the activities of such banks.

In millions of tenge	Rating	Rating	Cash balance		Balance on deposit accounts	
			2022	2021	2022	2021
Citibank Kazakhstan JSC	**AA-**	BB-	**7,499**	174	**38**	1
Jusan Bank JSC	**B+**	B-	**–**	10	**19**	11,000
Credit Suisse (Schweiz) AG	**A-**	A+	**12**	1,839	**–**	–
Halyk Bank Kazakhstan JSC	**BB+**	BB	**1,090**	2,824	**29,051**	14,017
Altyn Bank JSC	**BBB-**	BBB-	**–**	488	**7,026**	20,000
Kaspi Bank JSC	**BB-**	BB-	**199**	54	**–**	–
Bereke Bank JSC	**Нет рейтинга**	Нет рейтинга	**4**	–	**–**	–
SB Sberbank JSC	**Нет рейтинга**	BBB-	**–**	38	**–**	–
Bank CenterCredit JSC	**B+**	B+	**312**	30	**–**	–
Electronic money	**Нет рейтинга**	Нет рейтинга	**995**	923	**–**	–
Total			**10,111**	6,380	**36,134**	45,018

LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances.

The Group monitors its risk of a shortage of funds using a liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., accounts receivables, other financial assets) and projected cash flows from operations.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

In millions of tenge	On demand	1 to 3 months	3 months to 1 year	From 1 to 5 years	More than 5 years	Total
At 31 December 2022						
Borrowings	–	1,306	8,807	47,037	–	57,150
Financial guarantee obligation*	–	743	3,910	4,971	–	9,624
Trade payables	–	34,749	–	–	–	34,749
Lease liabilities	–	1,870	5,622	12,397	1,144	21,033
Due to employees	–	5,708	–	–	–	5,708
	–	44,376	18,339	64,405	1,144	128,264
At 31 December 2021						
Borrowings	–	1,669	15,609	59,320	–	76,598
Financial guarantee obligation*	–	798	4,164	9,624	–	14,586
Trade payables	–	35,705	–	–	–	35,705
Lease liabilities	–	1,815	5,444	17,460	1,515	26,234
Due to employees	–	4,347	–	–	–	4,347
	–	44,334	25,217	86,404	1,515	157,470

* Based on the maximum amount that can be called for under the financial guarantee's contract (Note 17).

CASH FLOW RISK

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount.

Cash flows requirements are monitored on a regular basis and management provides for availability of sufficient funds required to fulfil any liabilities when they arise. The management of the Group believes that any possible fluctuations of future cash flows associated with a monetary financial instrument will not have material impact on the Group's operations

CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to the holders of common shares, return equity to shareholders or issue new shares. No changes were made by the Group in the capital management objectives, policies or processes in 2022 and 2021.

FAIR VALUES

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

The tables below present fair value hierarchy of assets and liabilities of the Group. Disclosure of quantitative information of fair value hierarchy of financial instruments as at 31 December 2022 and 2021 was as follow:

In millions of tenge	Date of valuation	Price quotation on active market (Level 1)	Significant observable in-puts (Level 2)	Significant unobservable in-puts (Level 3)	Total
Assets for which fair values are disclosed					
Financial assets at amortized cost	31 December 2022	14,897	–	–	14,897
Short-term trade receivables	31 December 2022	–	–	26,523	26,523
Long-term trade receivables	31 December 2022	–	–	4,345	4,345
Other current financial assets	31 December 2022	–	–	800	800
Liabilities for which fair values are disclosed					
Borrowings	31 December 2022	–	–	43,142	43,142
Trade payables	31 December 2022	–	–	34,749	34,749
Financial guarantee obligation	31 December 2022	–	–	155	155
Due to employees	31 December 2022	–	–	5,708	5,708

In millions of tenge	Date of valuation	Price quotation on active market (Level 1)	Significant observable in-puts (Level 2)	Significant unobservable in-puts (Level 3)	Total
Assets for which fair values are disclosed					
Short-term trade receivables	31 December 2021	–	–	17,751	17,751
Long-term trade receivables	31 December 2021	–	–	3,115	3,115
Other current financial assets	31 December 2021	–	–	538	538
Liabilities for which fair values are disclosed					
Borrowings	31 December 2021	–	–	56,289	56,289
Trade payables	31 December 2021	–	–	35,705	35,705
Financial guarantee obligation	31 December 2021	–	–	564	564
Due to employees	31 December 2021	–	–	4,347	4,347

As at 31 December 2022 and 2021, the carrying amounts of the Group's financial assets and liabilities presented as follow

In millions of tenge	Carrying amount 31 December 2022	Fair value 31 December 2022	Unrecognised gain/(loss)	Carrying amount 31 December 2021	Fair value 31 December 2021	Unrecognised gain/(loss)
Financial assets						
Cash and cash equivalents	46,248	46,248	–	51,402	51,402	–
Financial assets at amortized cost	14,833	14,897	64	–	–	–
Short-term trade receivables	26,523	26,523	–	17,751	17,751	–
Long-term trade receivables	4,345	4,345	–	4,148	3,758	(390)
Other current financial assets	800	800	–	538	538	–
Financial liabilities						
Borrowings	47,243	43,142	4,101	59,982	56,289	3,693
Trade payables	34,749	34,749	–	35,705	35,705	–
Due to employees	5,708	5,708	–	4,347	4,347	–
Financial guarantee obligation	155	155	–	–	–	–
Total unrecognised change in unrealised fair value			4,165			3,303

VALUATION TECHNIQUES AND ASSUMPTIONS

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that their fair value approximates to the carrying amount. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Financial liabilities carried at amortised cost

The fair value of loans obtained is measured by discounting future cash flows using rates currently existing for outstanding amounts with similar terms, credit risk and maturity.

CHANGES IN LIABILITIES ARISING FROM FINANCIAL ACTIVITIES

Changes in liabilities due to financial activities for 2022 were as follows:

In millions of tenge	1 January 2022	New leases	Principal repaid	Interest accrued	Interest paid	Reclassification	Modifications	31 December 2022
Borrowings: non-current portion	48,283	–	(2,000)	363	–	(5,000)	–	41,646
Borrowings: current portion	11,699	–	(11,000)	6,007	(6,109)	5,000	–	5,597
Long-term lease liabilities	15,185	281	–	–	–	(5,749)	2,797	12,514
Short-term lease liabilities	4,944	–	(5,370)	2,543	(2,543)	5,749	–	5,323
Total	80,111	281	(18,370)	8,913	(8,652)	–	2,797	65,080

Changes in liabilities arising from financial activities for 2021 were as follows:

In millions of tenge	1 January 2021	Loan obtained	New leases	Principal repaid	Interest accrued	Interest paid	Reclassifi-cation	Modifica-tions	Cancellation of leases	Discount recognized	31 December 2021
Borrowings: non-current portion	49,933	62,500	–	(52,500)	610	–	(11,000)	–	–	(1,260)	48,283
Borrowings: current portion	23,354	–	–	(21,754)	6,548	(7,449)	11,000	–	–	–	11,699
Long-term lease liabilities	19,447	–	77	–	–	–	(5,153)	814	–	–	15,185
Short-term lease liabilities	4,219	–	–	(4,321)	2,772	(2,772)	5,153	–	(107)	–	4,944
Total	96,953	62,500	77	(78,575)	9,930	(10,221)	–	814	(107)	(1,260)	80,111

32. COMMITMENTS AND CONTINGENT LIABILITIES

OPERATING ENVIRONMENT

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

Protests in Kazakhstan

On 2 January 2022 protests started in Mangystau region of Kazakhstan related to significant increase in the liquified natural gas retail price. These protests spread to other cities and resulted in riots, damage to property and loss of life. On 5 January 2022 the government declared a state of emergency.

During the protests, six Kcell Stores located in Almaty and Almaty region, were looted and two large offices of the Group were attacked.

The Management of the Group formed operational headquarters due to state emergency announcement for timely decision making on operational issues for uninterrupted communication of subscribers and facilitate the Government with urgent actions.

Providing subscribers with continuous cellular communications was a priority of the Group and the Management decided to support its subscribers including small and medium sized businesses during the state of emergency. During the state of emergency declared throughout Kazakhstan, and until the end of January 2022, corporate clients of Kcell with a lack of balance on their account were not limited to communication and access to the Internet.

As a result of the above protests and state of emergency the President of Kazakhstan has made certain public announcements regarding possible measures including amendments to the tax legislation, introducing measures for financial stability, controlling and stabilizing the inflation rate and the tenge exchange rate.

On 10 January 2022 the National Security Committee of Kazakhstan reported that the situation in the country has stabilized and was under control. On 19 January 2022 the state emergency was lifted.

The Group incurred losses from those events in amount of 553 million tenge (Note 28) that represents robbery of inventories (goods for resale) and damage of stores, which was recognized within other operating expenses in the consolidated statement of comprehensive income for the year ended 31 December 2022.

Events in Ukraine and Coronavirus pandemic

The events in Ukraine has had a significant negative impact on the global economic outlook. In response to the offensive, extensive sanctions have been imposed on Russia that largely exclude the country from the international financial markets and significantly curtail trade in goods. These sanctions are intended to have a negative economic impact on the Russian Federation. Sanctions were imposed on certain Russian banks, including JSC "Alfa Bank" and PJSC "Sberbank", in whose subsidiary located in Kazakhstan the Group held cash as at 31 December 2021 in the total amount of 39 million tenge. The Group timely transferred funds to other banks. The Group's business activities and hence its results of operations and financial position are not significantly impacted by the consequences of the war in Ukraine, as the Group does not operate any networks in Russia or Ukraine.

Due to geopolitical events around Ukraine and Russia, on 24 February 2022, oil prices exceeded $100 per barrel. However, after some stabilization in global economy level, on 25 September 2022, oil prices decreased to $90 per barrel. On 28 March 2022, the exchange rate of tenge against the US dollar began to strengthen gradually and stabilized to approximately 470 KZT per 1 USD. On 26 October 2022, the National Bank of the Republic of Kazakhstan decided to raise the base rate by 2.50 percentage points to 16.0% while maintaining the +/-1% band.

Possible future effects on the measurement of individual assets and liabilities due to war in Ukraine and coronavirus pandemic are being analyzed on an ongoing basis. It is not yet possible to assess with certainty how the Group will be indirectly affected, in particular by the impact on the global economy. The overall economic outlook has deteriorated significantly as a result of the extensive sanctions and limitations on trade in goods. Based on experience so far, the Group expects the events in Ukraine and coronavirus pandemic to only impact business to a limited extent going forward.

CAPITAL COMMITMENTS

The Group generally enters into contracts for the completion of construction projects and purchase of equipment. As at 31 December 2022, the Group had contractual commitments totaling 17,811 million tenge, excluding VAT (as at 31 December 2021: 21,016 million tenge, excluding VAT), which includes capital expenditures in respect to new technical regulation in the amount of 8,025 million tenge (as of 31 December 2021: 7,586 million tenge) described below.

TAXATION

Tax legislation and regulatory framework of the Republic of Kazakhstan are subject to constant changes and allow for different interpretations. 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 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.

Management believes that as at 31 December 2022 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 consolidated financial statements.

GOVERNMENT GRANT RELATED TO FREQUENCY FEE

The Group has submitted consolidated report on expenditures used to finance broadband projects access to the Internet in urban and rural areas included capital and operational costs that are necessary for the provision of broadband Internet access services in urban and rural settlements throughout the territory of the Republic of Kazakhstan. Management believes that there are no unfulfilled conditions or contingencies attached to these grants.

In case if, based on the results of the audited information, the fact of non-fulfilment by the telecom operator of obligations to allocate at least released funds from the reduction of the corresponding fee rate to finance broadband Internet access projects in urban and rural areas is confirmed, the authorized body in the field of communications not earlier than one year after of the year following the reporting year, recalculates the amount of the annual fee for the use of frequency fee for the reporting year, which should be proportional to the unfulfilled volume of financial obligations for this reporting year.

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 (new Technical Regulation of 27 July 2021 No. 85/қе). 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").

As of 31 December 2022 the Group partially implemented modernization and expansion of license and port capacity for the total amount of 4,612 million tenge since 2018. The Group plans to complete expansion in full till 2025 and expect that total amount of capital expenditures in respect to modernization and expansion will be equaled to 8,025 million tenge.

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 fines and penalties in the amount of 701 million tenge (Note 21).

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 39 million tenge and late payment penalty in the amount of 18 million tenge. 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 57 million tenge 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 the year ended 31 December 2021 the Group reversed unutilized part of provision in the amount of 683 million tenge, respectively (Note 21).

ARBITRATION AGAINST AMDOCS COMPANIES

Amdocs-Kazakhstan LLP and Amdocs Software Solutions LLC (jointly referred to as "Amdocs") was to develop, implement and deliver the Convergent Billing System to Kcell under Master Agreement dated April 2014 between TeliaSonera AB and Amdocs Software System Ltd ("Master Agreement"), and Supply Agreement, including Addendums (further as "Supply Agreement").

In November 2018, the Group notified the Supplier of termination of the Supply Agreement, except for the technical support services due to the quality of the Converged Billing System and Amdoc's performance of contractual obligations were not consistent with the terms of the Supply Agreement and the Group's requirements. Moreover, there was delay in delivery and implementation of the OLC (On-line charging) system. In May 2020, the Group notified the Supplier of its withdrawal from the technical support agreement as well. Amdocs did not agree with the Group's reasoning for termination of the Supply Agreement and withdrawal from the technical support agreement.

The contractual relationships between the Group and Amdocs are governed by and construed in accordance with Swedish law, and any dispute, controversy or claim arising out of that relationship should ultimately be settled in arbitration in Stockholm in accordance with the Rules of the Arbitration Institute of the Stockholm Chamber of Commerce ("International Arbitration").

On 18 December 2020, the Group applied to International Arbitration with a request to initiate arbitration proceedings against Amdocs. The total amount of the Group's asserted claims equaled to approximately 25.8 million EUR (equivalent to 12,823 million tenge).

The Group's request for arbitration was registered with the Arbitration Institute of the Stockholm Chamber of Commerce (hereinafter - "SCC") in December 2020. On 29 December 2020, SCC sent a notice to the Amdocs companies of commencement of arbitration and set a deadline for responding to the request for arbitration.

On 26 January 2021 the response from Amdocs JSC was received and Amdocs agreed to consider the dispute in SCC. In addition, Amdocs had submitted the counterclaim, at this point in the preliminary amount of 13.9 million USD (equivalent to 6.046 million tenge) and unpaid fees for extra work L2 and other out of scope service the amount of which was not calculated and payment related to allegedly the Group's delays in OLC and Phase 1 – the amount was not calculated.

On 16 and 23 April 2021 organizational sessions of arbitration tribunal were held, as a result of which the parties managed to agree on the procedural rules and schedule. It is planned that consideration of the case on the merits will take place during 5-16 September 2022, and the tribunal's decision will be granted in December 2022.

In accordance with the procedural timetable, the next stage of the proceedings, the Group claimed below extended relief (90% increase of the initial amount):

- To declare that the Group's partial termination of the Delivery Contract by notice dated 22 November 2018 was valid and effective;
- To order the Respondents to pay – jointly and severally –59.773 million USD (equivalent to 26,001 million tenge) and to order payment of the pre-award and post-award interest on the above amounts and reimburse the Claimant its legal and other costs in relation to these proceedings.

On 5 November 2021, Amdocs filed extended counterclaims in the amount of 17.7 million USD (equivalent to 7,699 million tenge), plus interest applicable under Swedish law (8% per annum; from the date of incurrence of the obligation the dates may differ, depending on stated claims), including reimbursement of costs incurred by Amdocs in connection with the arbitration proceedings (fees to arbitrators, legal consultants and other costs incurred):

- To invalidate the partial termination of the Delivery Contract (Contract) initiated by the Group to recognize such termination as a breach of the Contract terms; to recognize that the Group is liable for damage associated with such a breach;
- Reimbursement of the arbitration fees paid by Amdocs from the date of the judgement until the date when the amount claimed is received in full, pursuant to Section 6 of the Swedish Interest Act and reimbursement of fees paid by Amdocs to their legal consultants and other costs associated with the arbitration from the date of the judgement until the date when the amount claimed is received in full, pursuant to Section 6 of the Swedish Interest Act.

On 1 March 2022 Kcell filed the response to Amdocs extended counterclaims and declined all claims submitted by the defendant. Kcell has also filed the additional claim, according to which shall the Tribunal decide that the Company is not entitled for contract price reduction, then Kcell claims the right for compensation of funds in the amount of 16 million USD (equivalent to 7,920 million tenge), overpaid for the supplied solution (BSS). The correspondent expert report with the estimate of supplied solution was prepared by the independent financial expert and submitted by Kcell to the Tribunal.

Amdocs response to Kcell claims was received on 24 May 2022. Amdocs made no new claims, confirmed the previously filed claims and agreed with Kcell that the Supply Agreement can be considered as a contract in US dollars and that any claims under it can only be expressed in US dollars.

On 21 June 2022, Kcell sent the final document with additional arguments and evidence (including testimony and responses to the arguments listed in Amdocs document dated 24 May 2022).

Kcell received a document from Amdocs on 15 July 2022 containing the final counterclaim amounts. In addition to the previously announced figures, Amdocs is claiming the payment of a 400 000 USD invoice dated 4 May 2018 under Additional Agreement 3 for the “Final delivery to UAT 20%” stage. So, before the hearing in September, Amdocs’s claims amount to 18 million USD (equivalent to 8,657 million tenge) plus % (calculated at the rate of 8% according to the Swedish Interest Act. Depending on the date of obligation, it will be calculated and confirmed based on the hearing outcomes and stated in the arbitration award).

In-person hearings to consider mutual claims between Kcell JSC and Amdocs-Kazakhstan LLP and Amdocs Software Solutions LLC connected to the Supply Agreement were held from 5 to 16 September 2022 in Stockholm (Sweden). During the hearing, Kcell has made the following proposals, which were supported by Amdocs and the tribunal:

- If the tribunal satisfies, fully or partially, the claims of both parties, the offset principle will be applied;
- If the tribunal satisfies the claims filed in tenge, apply the exchange rate as of the date of the arbitration award and state those amounts in US dollars in the tribunal’s decision.

At the request of the parties and with the Tribunal’s approval, the date of filing of final claims by the parties was postponed to 31 October 2022, and the date of filing documents for the recovery of costs related to the arbitration proceedings was postponed to 11 November 2022.

In December 2022, the Tribunal requested additional time to prepare a decision, citing the technical complexity of the case. The SCC granted the requested postponement, setting 14 March 2023 as the deadline for the Award.

At year ended 31 December 2022 and 2021, the Group has accrued provision for arbitration against Amdocs in the amount of 3,685 million tenge (31 December 2021: 3,685 million tenge) (Note 21). As at year ended 31 December 2022 the Management cannot reliably estimate the probability and amount of additional provision.

33. SUBSEQUENT EVENTS

There were no significant subsequent events.

APPENDIX 2. CODE OF CORPORATE GOVERNANCE COMPLIANCE REPORT

Information regarding compliance with the Code of Corporate Governance of Kcell Joint Stock Company (the “Code”), approved by the resolution of the General Meeting of Shareholders of Kcell JSC on May 24, 2021 (minutes #18), is provided below.

Based on the results of 2022, Kcell JSC (the “Company”) successfully adhered to all the principles outlined in the Code. The provisions of the Code were followed in their entirety.

# para. of the Code	Provisions of the Code of Corporate Governance	Complied with/ Is not complied with / Partially complied with	Information of the compliance/ noncompliance with the principles

CHAPTER 1. CORPORATE GOVERNANCE PRINCIPLES

SECTION 1. DEFINITION AND PRINCIPLES

The Company complies with the following Corporate Governance Principles, to the fullest extent:

1.1 PRINCIPLE OF PROTECTION OF THE RIGHTS AND SAFEGUARDING OF INTERESTS OF THE SHAREHOLDERS

1.2 (A) PRINCIPLES OF PROCEEDINGS OF THE BOARD OF DIRECTORS

1.2 (B) PRINCIPLES OF PROCEEDINGS OF THE MANAGEMENT BOARD

1.3 PRINCIPLES OF TRANSPARENCY AND IMPARTIAL DISCLOSURE OF THE INFORMATION OF THE COMPANY’S ACTIVITIES

1.4 PRINCIPLES OF LAWFULNESS AND ETHICS

1.5 PRINCIPLE OF AN EFFICIENT DIVIDEND POLICY

1.6 PRINCIPLE OF AN EFFICIENT HR POLICY

The Company complies with the provisions of this Section to the fullest extent, excluding:

41.	**41.** The Personnel Policy primarily focuses on three key areas: (a) job retention, wherever feasible and based on the Company's performance; (b) enhancement of working conditions; and (c) adherence to social protection standards applicable to the Company's employees.	Partially complied with	The Company's personnel-related activities are primarily focused on job retention and enhancing working conditions, as well as providing social protection for its employees. These objectives are clearly outlined in several internal documents of the Company and effectively implemented. In 2023, the Company plans to develop and approve the internal guidelines - HR Policy of Kcell JSC.

1.7 PRINCIPLE OF SUSTAINABLE DEVELOPMENT

44, 45	**44.** The Company acknowledges the significance of its influence on the economy, environment, and society. In its pursuit of enhancing long-term value, the Company is committed to achieving sustainable development while carefully considering the interests of its stakeholders.	Partially complied with	In 2022, the Company initiated measures to enhance its sustainable development practices. Currently, it is in the process of obtaining an ESG rating and reviewing the applicability of ESG practices to the Company.
	45. The Company ensures the alignment of its economic, environmental, and social objectives in pursuit of long-term sustainable development. This commitment encompasses various aspects, including enhancing long-term value for its shareholders and investors.		For more information, please refer to Section VII: Environmental and Social Responsibility in the Annual Report.

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SECTION 2. INTERNAL DOCUMENTS OF THE COMPANY

The Company complies with the provisions of this Section to the fullest extent, excluding:

59	**59.** The specific corporate governance structures, procedures and practices are subject to the Company's Charter and internal documents, including: • on the Board of Directors; • on the Management Board; • on the Committees (as they are created); • on risk management; • on the Internal Audit Service; • on the Corporate Secretary; • on disclosures.	Partially complied with	The provisions governing the Board of Directors of Kcell JSC, the Management Board of Kcell JSC, the Committees of Kcell JSC's Board of Directors, and the Risk Management have been approved by the Company and are currently in effect. In 2023, there are plans to develop and approve internal guidelines for the Corporate Secretary, as well as for information disclosure practices.

SECTION 3. OVERALL CORPORATE GOVERNANCE STRUCTURE

The Company complies with the provisions of this Section to the fullest extent.

CHAPTER 2. PROPER PROCEEDINGS OF THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD

SECTION 1. THE BOARD OF DIRECTORS

The Company complies with the provisions of this Section to the fullest extent, excluding:

	67. The Board of Directors is responsible for determining the Company's development strategy, including focus areas and desired outcomes. They establish and monitor key performance indicators outlined in the development plan. Additionally, the Board organizes and oversees the efficient functioning of the risk management system and internal controls, with the involvement of the Internal Audit Service. They approve and monitor the implementation of major strategic projects within the Board's jurisdiction. Furthermore, the Board places special emphasis on the election, remuneration, succession planning, and oversight of the Management Board and its members. They also prioritize corporate governance and ethics. Collaboration with the Management team is crucial to ensure effective decision-making and implementation. The Board shall ensure the establishment and implementation of an effective sustainable development system.	Partially complied with	The Board of Directors determines the development strategy of the Company (focus areas and outcomes), establishes and monitors the key performance indicators under the development plan; organizes and supervises for the efficient functioning of the risk management system and internal controls, by engaging the Internal Audit Service for these purposes; approves and monitors the implementation of the key strategic projects, subject to the competence of the Board of Directors; pays special attention to matters related to the election, remuneration, succession planning and supervision of the proceedings of the Management Board and the latter's members, as well as to corporate governance and ethics; together with the Management Board, ensures the creation of a proper sustainable development system and introduction thereof.
	The Board of Directors is required to convene annual meetings to discuss and approve the Company's development strategy.		In 2022, the Board of Directors held no meeting to discuss and approve the Company's development strategy. In August 2022, a strategic session was held with the participation of members of the Board of Directors, where the progress in and updates to the Company's development strategy were discussed.

100, 101	100. The remuneration amount should be sufficient to attract, retain, and motivate the Directors, thus encouraging them to work efficiently. 101. The Company must establish a transparent Directors' Remuneration Policy. The remuneration for Directors should be commensurate with the time they dedicate to their duties and the quality of their performance.	Partially complied with	Since 2019, the Provision on the Size, Terms, and Conditions of Remuneration and Expense Reimbursement for Independent Members of Kcell JSC's Board of Directors has been in effect within the Company. This provision serves as an internal document that outlines the payment procedures and conditions for remuneration and compensation of Independent Directors. However, the Company currently does not have a document in place that regulates remuneration for Board members representing shareholders.

SECTION 2. THE MANAGEMENT BOARD

The Company complies with the provisions of this Section to the fullest extent.

SECTION 3. INTERACTION BETWEEN THE BOARD OF DIRECTORS AND THEY THE MANAGEMENT BOARD; CORPORATE SECRETARY

The Company complies with the provisions of this Section to the fullest extent..

CHAPTER 3. INTERACTION WITH SHAREHOLDERS AND STAKEHOLDERS

The Company complies with the provisions of this Chapter to the fullest extent.

CHAPTER 4. DISCLOSURES AND TRANSPARENCY

The Company complies with the provisions of this Chapter to the fullest extent.

CHAPTER 5. CONCLUSION

The Company complies with the provisions of this Chapter to the fullest extent.

GLOSSARY

NAMES OF ORGANIZATIONS, SUBDIVISIONS AND INTERNAL GUIDELINES OF THE COMPANY

Kcell JSC, Kcell, Company – Kcell Joint Stock Company

SWF Samruk-Kazyna JSC – Sovereign Wealth Fund Samruk-Kazyna Joint Stock Company

GSM Kazakhstan LLP – "GSM Kazakhstan OAO Kazakhtelecom" Limited Liability Partnership

HR, HR Service (Human Resources) – a HR subdivision

ITU – International Telecommunication Union

Nexign Converged BSS, Nexign – unified billing system Nexign Converged Business Support System

BNS ASP&R of the RoK – Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan

ISSEK – Institute for Statistical Studies and Economics of Knowledge - Higher School of Economics, Moscow

CCG – Code of Corporate Governance

CRMS – Corporate Risk Management System

NB of the RoK – National Bank of the Republic of Kazakhstan

RoK – Republic of Kazakhstan

IAS – Internal Audit Service

CIS – Commonwealth of Independent States

USA – United States of America

JSC (in an entity's name) – Joint Stock Company

LLP (in an entity's name) – Limited Liability Partnership

TECHNICAL TERMS AND ABBREVIATIONS

AI – Artificial Intelligence

3G, 3G networks (3rd Generation) – third generation mobile networks

4G, 4G networks (4th Generation) – fourth generation mobile networks

4G+, LTE advanced – standard for wireless high-speed data transfer that ensures a higher data transfer rate versus the basic LTE standard

5G, 5G networks (5th Generation) – fifth generation mobile networks

6G, 6G networks (6th Generation) – sixth generation mobile networks

DevOps (Development & Operations) – a method to automate technological processes of software development and introduction, ensuring an active interaction between specialists of different profiles and deep integration of technological processes.

eSIM (electronic SIM) – electronic SIM-card built in a smartphone

GSM (French Groupe spécial mobile – name of the standard author) – global standard of the digital mobile cellular communications with channels divided by time and frequencies

GSM-1800 – GSM network, operating at 1 800 MHz

GPRS (General Packet Radio Service) – technology of packet data transmission via mobile networks

FWA (Fixed Wireless Access) – fixed wireless Internet access

IMT-2020 (International Mobile Telecommunications-2020) – the designation of the 5G standard under the International Telecommunication Union specification

IoT – Internet of Things, a concept of the data transfer between devices to interact with each other or environment

LTE, 4G LTE (Long-Term Evolution) – a standard for wireless high-speed data transfer based on the 4G mobile networks

MMS – Multimedia Message Service

mMTC (Massive Machine-Type Communications) – technology used to connect numerous devices (sensors, meters, etc.) to the information networks

OTT (Over the Top) – method to provide video services through the Internet, which does not require any direct contact with the telecommunications service provider's network

pLTE (Private LTE) – dedicated private mobile networks

SIM-card (Subscriber Identification Module) – a subscriber's identification electronic module that is used in mobile communications

SMS (Short Message Service) – short text message

BBA – Broadband Internet Access

MARKETING, FINANCIAL AND ECONOMIC TERMS AND ABBREVIATIONS

ARPU – Average Revenue per User

CAPEX – Capital Expenses

CFF – Cash Flow from Financing

CFI – Cash Flow from Investing

CFO – Cash Flow from Operating

CPA (Cost per Action) – a model of payment for the Internet advertisement, when only certain actions of the user on the advertiser's web-site are paid for

CVM (Customer Value Management) – customer base's profitability management

EBITDA – Earnings before Interest, Taxes, Depreciation and Amortization

cNPS – customer Net Promoter Score

eNPS – employee Net Promoter Score

KPI – Key Performance Indicators

M2M (Machine-to-Machine) – technology ensuring direct data exchange between devices in the network

MAU – Monthly Active Users

MOU (Minutes of Use) – number of minutes of voice data transfer per subscriber

NCF – Net Cash Flow

ROA – Return on Assets

ROE – Return on Equity

ROS – Return on Sales

VAS (Value-Added Services) – additional paid services

GDP – Gross Domestic Product

dollar – US dollar

CPI – Consumer Price Index

QI – Quantum Index

CIT – Corporate Income Tax

MFS – mobile financial system

CCEA of the RoK – Common Classifier of Economic Activity of the Republic of Kazakhstan

MEASURING UNITS

un. – unit

Gcal – gigacalorie (heat energy unit that is equal to 109 calories)

kWh – kilowatt*hour (power consumption unit)

m³ – cubic meter

Mbit – megabit (unit of measurement of data size, equal to 106 bits)

MHz – megahertz (unit of measurement of frequency (radio frequency), equal to 1 million Hz)

mln – million

bln – billion

PByte – petabyte (unit of measurement of data size, equal to 1015 bytes)

p.p. – percentage points

Kcell

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