



**Kcell JSC**

**Interim condensed consolidated  
financial statements (unaudited)**

*30 September 2020*

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Report on review of interim condensed consolidated financial statements

**Interim condensed consolidated financial statements (unaudited)**

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## **Report on review of interim condensed consolidated financial statements**

To the Shareholders of Kcell JSC

### **Introduction**

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

### **Scope of review**

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

### **Conclusion**

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

*Ernst & Young LLP*

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Paul Cohn  
Audit Partner



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Rustamzhan Sattarov  
Auditor / General Director  
Ernst & Young LLP



Audit 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  
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29 October 2020

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

<i>In thousands of tenge</i>	Notes	30 September 2020 (unaudited)	31 December 2019 (restated)*	1 January 2019 (restated)*
<b>Assets</b>				
<b>Non-current assets</b>				
Property and equipment	7	75,316,004	82,283,327	88,437,346
Intangible assets	8	33,498,053	38,819,623	40,114,996
Advances paid for non-current assets		833,441	232,657	729,048
Right-of-use assets	15	21,714,577	24,975,901	27,815,686
Long-term trade receivables	9	2,332,748	1,118,077	3,009,995
Cost to obtain contracts		183,535	239,613	388,802
Deferred tax assets		1,653,382	1,377,725	-
Other non-current assets		-	2,653	38,533
<b>Total non-current assets</b>		<b>135,531,740</b>	<b>149,049,576</b>	<b>160,532,406</b>
<b>Current assets</b>				
Inventories		8,351,752	6,636,242	4,728,092
Trade receivables	9	14,828,323	15,646,942	13,787,025
Other current non-financial assets	10	4,200,423	6,704,397	5,275,663
Other current financial assets		554,378	1,371,295	1,010,707
Prepaid income tax		30,319	30,319	-
Financial assets at fair value through other comprehensive income	11	-	4,964,633	-
Financial assets at amortized cost	12	18,456,640	-	-
Cash and cash equivalents	13	18,879,656	8,825,048	6,029,042
<b>Total current assets</b>		<b>65,301,491</b>	<b>44,178,876</b>	<b>30,830,529</b>
<b>Total assets</b>		<b>200,833,231</b>	<b>193,228,452</b>	<b>191,362,935</b>
<b>Equity and liabilities</b>				
Share capital	6	33,800,000	33,800,000	33,800,000
Retained earnings		46,171,523	37,509,978	33,466,940
<b>Total equity</b>		<b>79,971,523</b>	<b>71,309,978</b>	<b>67,266,940</b>
<b>Non-current liabilities</b>				
Borrowings: non-current portion	14	49,702,933	55,548,314	14,935,969
Long-term lease liabilities	15	20,379,840	23,447,447	25,183,892
Deferred tax liabilities		309,810	1,182,858	1,301,827
Asset retirement obligation	7	3,575,406	1,970,215	1,285,482
Other non-current liabilities		-	-	76,561
<b>Total non-current liabilities</b>		<b>73,967,989</b>	<b>82,148,834</b>	<b>42,783,731</b>
<b>Current liabilities</b>				
Borrowings: current portion	14	22,712,212	6,383,658	51,782,817
Trade and other payables	16	7,498,420	21,174,548	14,047,602
Contracts liabilities	18	2,709,477	4,149,365	3,772,341
Other payables		116,704	187,793	2,910,727
Other current financial liabilities	17	3,347,964	3,171,814	1,716,864
Short-term lease liabilities	15	4,057,110	3,606,155	3,642,230
Income tax payable		5,782,688	594,746	1,853,827
Taxes payable other than income tax		669,144	501,561	1,585,856
<b>Total current liabilities</b>		<b>46,893,719</b>	<b>39,769,640</b>	<b>81,312,264</b>
<b>Total liabilities</b>		<b>120,861,708</b>	<b>121,918,474</b>	<b>124,095,995</b>
<b>Total equity and liabilities</b>		<b>200,833,231</b>	<b>193,228,452</b>	<b>191,362,935</b>

\* Certain amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2019, as they reflect the adjustments made as detailed in Note 4.

Chairman of the Management Board

Kaspars Kukelis

Chief Financial Officer

Alan Kharlamov

The accounting policies and notes on pages 6 to 27 are an integral part of these interim condensed consolidated financial statements (unaudited).

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2020

In thousands of tenge	Notes	For three months ended 30 September		For nine months ended 30 September	
		2020 (unaudited)	2019* (unaudited)	2020 (unaudited)	2019* (unaudited)
Revenue from contracts with customers	18	46,828,245	41,120,319	125,516,162	114,169,525
Cost of sales	19	(30,663,962)	(27,407,499)	(85,749,085)	(80,041,608)
<b>Gross profit</b>		<b>16,164,283</b>	<b>13,712,820</b>	<b>39,767,077</b>	<b>34,127,917</b>
General and administrative expenses		(2,450,534)	(2,210,467)	(7,140,558)	(6,094,513)
Impairment of financial assets	9	(746,168)	(469,553)	(1,635,951)	(1,350,055)
Selling expenses		(356,355)	(499,563)	(1,417,796)	(1,688,316)
Impairment of property and equipment	7	(562,337)	-	(1,406,344)	(1,844,104)
Reversal of tax and related fines and penalties provision	24	36,491	-	538,398	5,068,826
Penalty expenses	20	-	-	-	(14,551,865)
<b>Operating profit</b>		<b>12,085,380</b>	<b>10,533,237</b>	<b>28,704,826</b>	<b>13,667,890</b>
Finance costs		(3,116,449)	(2,984,203)	(8,660,471)	(9,275,808)
Finance income		756,705	128,487	1,484,095	1,353,512
Net foreign exchange gain		790,377	53,803	1,258,887	68,684
Other income		295,063	32,313	603,483	190,680
Other expenses		(65,601)	(86,620)	(112,885)	(164,074)
<b>Profit before tax</b>		<b>10,745,475</b>	<b>7,677,017</b>	<b>23,277,935</b>	<b>5,840,884</b>
Income tax expense	21	(1,621,916)	(1,863,688)	(5,616,390)	(903,677)
<b>Profit for the period</b>		<b>9,123,559</b>	<b>5,813,329</b>	<b>17,661,545</b>	<b>4,937,207</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the period, net of tax</b>		<b>9,123,559</b>	<b>5,813,329</b>	<b>17,661,545</b>	<b>4,937,207</b>
<b>Earnings per share</b>					
Basic and diluted, tenge	6	45.62	29.07	88.31	24.69

\* Certain amounts shown here do not correspond to the consolidated financial statements for the three and nine months ended 30 September 2019, as they reflect the adjustments made as detailed in Note 4.

Chairman of the Management Board

Chief Financial Officer

  
Kaspars Kukelis

  
Irina Barlamov



The accounting policies and notes on pages 6 to 27 are an integral part of these interim condensed consolidated financial statements (unaudited).

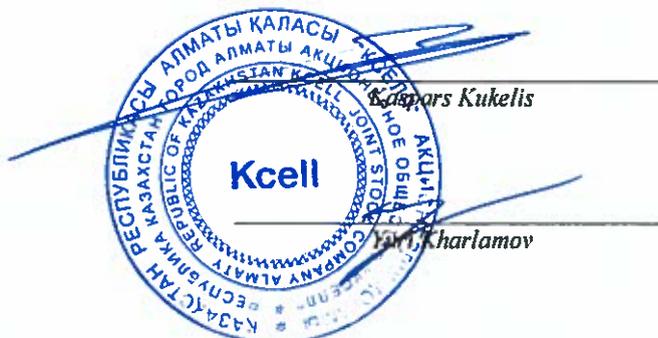
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****For the nine months ended 30 September 2020**

<i>In thousands of tenge</i>	Share capital	Retained earnings	Total equity
<b>Balance at 1 January 2019 (audited)</b>	33,800,000	33,625,889	67,425,889
<b>Effect of changes in accounting policy (Note 4)</b>	-	(158,949)	(158,949)
<b>Balance at 1 January 2019 (restated)*</b>	33,800,000	33,466,940	67,266,940
<b>Net profit for the period (unaudited) (restated)*</b>	-	4,937,207	4,937,207
<b>Other comprehensive income (unaudited)</b>	-	-	-
<b>Total comprehensive income (unaudited, restated)</b>	-	4,937,207	4,937,207
<b>Dividends declared (Note 6)</b>	-	(5,972,000)	(5,972,000)
<b>At 30 September 2019 (restated)</b>	33,800,000	32,432,147	66,232,147
<b>Balance at 1 January 2020 (audited)</b>	33,800,000	37,771,288	71,571,288
<b>Effect of changes in accounting policy (Note 4)</b>	-	(261,310)	(261,310)
<b>Balance at 1 January 2020 (restated)*</b>	33,800,000	37,509,978	71,309,978
<b>Net profit for the period (unaudited)</b>	-	17,661,545	17,661,545
<b>Other comprehensive income (unaudited)</b>	-	-	-
<b>Total comprehensive income (unaudited)</b>	-	17,661,545	17,661,545
<b>Dividends declared (Note 6)</b>	-	(9,000,000)	(9,000,000)
<b>At 30 September 2020 (unaudited)</b>	33,800,000	46,171,523	79,971,523

\* Certain amounts shown here do not correspond to the consolidated financial statements for the three and nine months ended 30 September 2019, as they reflect the adjustments made as detailed in Note 4.

Chairman of the Management Board

Chief Financial Officer



*The accounting policies and notes on pages 6 to 27 are an integral part of these interim condensed consolidated financial statements (unaudited).*

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS****For the nine months ended 30 September 2020**

<i>In thousands of tenge</i>	Notes	For the nine months ended 30 September	
		2020 (unaudited)	2019 (restated)*
<b>Cash flows from operating activities</b>			
Profit before tax		23,277,935	5,840,884
<b>Adjustments for:</b>			
Impairment of financial assets	9	1,635,951	1,350,055
Finance costs		8,660,471	9,275,808
Depreciation of property and equipment and right of use assets	7, 15	14,896,805	16,244,636
Amortization of intangible assets	8	7,986,888	7,447,699
Write-off of inventory to net realisable value		311,620	-
Income from accounts payable write-off		(62,611)	-
Finance income		(1,484,095)	(1,353,512)
Impairment of property and equipment	7	1,406,344	1,844,104
Gain on disposal of property and equipment		(54,263)	(9,365)
Reversal of tax and related fines and penalties provision	24	(538,398)	(5,068,826)
Net foreign exchange gain		(1,258,887)	(68,684)
<b>Operating cash flows before working capital changes</b>		<b>54,777,760</b>	<b>35,502,799</b>
Change in inventories		(1,920,119)	542,020
Change in trade receivables		(1,779,918)	(2,355,866)
Change in other current non-financial assets		2,971,582	5,198,393
Change in other current financial assets		819,570	(1,123,613)
Change in cost to obtain contracts		56,078	107,499
Change in trade payables		(6,219,174)	1,632,900
Change in other current non-financial liabilities		-	116,636
Change in other current financial liabilities		(222,973)	(535,105)
Change in contract liabilities		(1,439,888)	(367,413)
Change in taxes payable other than income tax		167,588	(1,130,640)
<b>Cash flows generated from operations</b>		<b>47,210,506</b>	<b>37,587,610</b>
Income tax paid		(1,577,153)	(3,312,728)
Interest received		918,812	378,490
Interest paid		(8,769,779)	(8,275,411)
<b>Net cash inflows from operating activities</b>		<b>37,782,386</b>	<b>26,377,961</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(10,566,870)	(7,157,513)
Purchase of intangible assets		(4,372,745)	(3,228,413)
Proceeds from disposal of property and equipment		60,774	-
Purchase of financial assets at amortized cost	12	(22,913,385)	-
Proceeds from redemption of financial assets at amortized cost	12	4,860,370	-
Proceeds from redemption of financial assets at fair value through other comprehensive income	11	5,385,385	-
Purchase of financial assets at fair value through other comprehensive income	11	-	(5,021,171)
<b>Net cash flows used in investing activities</b>		<b>(27,546,471)</b>	<b>(15,407,097)</b>

*The accounting policies and notes on pages 6 to 27 are an integral part of these interim condensed consolidated financial statements (unaudited).*

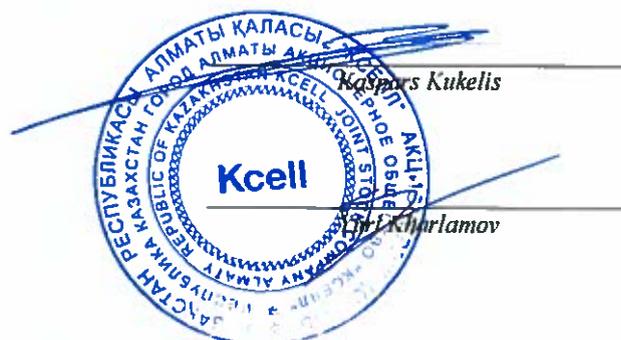
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**

<i>In thousands of tenge</i>	Notes	For the nine months ended 30 September	
		2020 (unaudited)	2019* (unaudited)
<b>Cash flows from financing activities</b>			
Proceeds from loans		19,500,000	20,000,000
Proceeds from bonds issued		-	17,024,647
Repayment of loans		(8,630,000)	(37,000,000)
Repayment of principal portion of lease liabilities		(2,778,409)	(2,391,673)
Dividends paid	6	(9,000,000)	(5,972,000)
<b>Net cash flows used in financing activities</b>		<b>(908,409)</b>	<b>(8,339,026)</b>
<b>Net increase in cash and cash equivalents</b>		<b>9,327,506</b>	<b>2,631,838</b>
Effect of exchange rate changes on cash and cash equivalents held in foreign currency			
		727,102	116,882
<b>Cash and cash equivalents at the beginning of the period</b>		<b>8,825,048</b>	<b>6,029,042</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>18,879,656</b>	<b>8,777,762</b>

\* Certain amounts shown here do not correspond to the interim condensed consolidated financial statements for the nine months ended 30 September 2019, as they reflect the adjustments made, as detailed in Note 4.

Chairman of the Management Board

Chief Financial Officer



*The accounting policies and notes on pages 6 to 27 are an integral part of these interim condensed consolidated financial statements (unaudited).*

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****For the nine months period ended 30 September 2020****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 Samal-2, 100, 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 Nur-Sultan 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.

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 (hereinafter – the “KASE”).

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

As at 30 September 2020 and 31 December 2019 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 30 September 2020 and 31 December 2019, the shareholders of the Company are presented as follow:

	<b>30 September 2020 (unaudited)</b>	31 December 2019
Kazakhtelecom JSC	<b>75.00%</b>	75.00%
Raiffeisenbank JSC	<b>11.60%</b>	11.82%
Other	<b>13.40%</b>	13.18%
	<b>100.00%</b>	100.00%

As at 30 September 2020 and 31 December 2019, the Company has the following principal subsidiaries:

	<b>30 September 2020 (unaudited)</b>	31 December 2019
KazNet Media LLP	<b>100%</b>	100%
KT-Telecom LLP	<b>100%</b>	100%

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

The interim condensed consolidated financial statements were authorized for issue by the Chairman of the Management Board on 29 October 2020.

**2. BASIS OF PREPARATION**

The interim condensed consolidated financial statements for the three and nine months ended 30 September 2020 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2019 and for the year then ended. The interim condensed consolidated financial statements are presented in Kazakhstan tenge, and all amounts are rounded to nearest thousands, except otherwise indicated.

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

### 2. BASIS OF PREPARATION (continued)

#### Going concern

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

#### Foreign currency translation

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates 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 differences are recognized in the interim condensed 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).

The following table summarises the foreign currency exchange rates for tenge:

	30 September 2020	31 December 2019
US dollar	429.51	382.59
Euro	502.14	429.00
Russian ruble	5.42	6.16

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### New and amended standards and interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as at 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

#### *IFRS 3: Definition of a Business*

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

#### *IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform*

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

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

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### New and amended standards and interpretations (continued)

##### *IAS 1 and IAS 8: Definition of Material*

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

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

##### *Conceptual Framework for Financial Reporting issued on 29 March 2018*

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

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

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

### 4. RESTATEMENT OF COMPARATIVE INFORMATION

#### Change in accounting policies [1]

Certain amounts in the consolidated statements of financial position as at 31 December 2019 and 1 January 2019, interim condensed consolidated statements of comprehensive income for the three and nine months ended 30 September 2019, the three months ended 31 March 2020, the three and six months ended 30 June 2020, consolidated financial statements of comprehensive income for the year ended 31 December 2019, interim condensed consolidated statements of cash flows for the nine months ended 30 September 2019, the three months ended 31 March 2020, six months ended 30 June 2020 and consolidated statements of cash flows for the year ended 31 December 2019 were restated to reflect the effect of changes in the accounting policy as a result of a adoption of the IFRIC agenda decision, as described below.

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

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

##### *Lease term*

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

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

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

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

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**4. RESTATEMENT OF COMPARATIVE INFORMATION (continued)****Change in accounting policies [1] (continued)*****IFRS Interpretations Committee's agenda decision on cancellable or renewable leases, and related non-removable leasehold improvements (continued)****Useful life of non-removable leasehold improvements*

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

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

*Effect of agenda decision on the Group accounting policy*

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

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

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

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

**Reclassification of interest paid on lease liabilities [2]**

Interest paid on lease liabilities in interim condensed consolidated statements of cash flows for nine months ended 30 September 2019 was reclassified to conform with the presentation adopted in the interim condensed consolidated statements for three and nine months ended 30 September 2020. The Group changed the presentation of its consolidated financial statements as new presentation provides information that is more relevant to users of the consolidated financial statements.

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

### 4. RESTATEMENT OF COMPARATIVE INFORMATION (continued)

<i>In thousands of tenge</i>	As originally presented	Change in accounting policy	Note	As restated
<b>Consolidated statement of financial position as at 31 December 2019</b>				
<b>Assets</b>				
<b>Non-current assets</b>				
Right-of-use assets	23,066,886	1,909,015	[1]	24,975,901
<b>Total non-current assets</b>	<b>147,140,561</b>	<b>1,909,015</b>		<b>149,049,576</b>
<b>Total assets</b>	<b>191,319,437</b>	<b>1,909,015</b>		<b>193,228,452</b>
<b>Equity</b>				
Retained earnings	37,771,288	(261,310)	[1]	37,509,978
<b>Total equity</b>	<b>71,571,288</b>	<b>(261,310)</b>		<b>71,309,978</b>
<b>Non-current liabilities</b>				
Long-term lease liabilities	21,619,521	1,827,926	[1]	23,447,447
Deferred tax liabilities	1,248,186	(65,328)	[1]	1,182,858
<b>Total non-current liabilities</b>	<b>80,386,236</b>	<b>1,762,598</b>		<b>82,148,834</b>
<b>Current liabilities</b>				
Short term lease liabilities	3,198,428	407,727	[1]	3,606,155
<b>Total current liabilities</b>	<b>39,361,913</b>	<b>407,727</b>		<b>39,769,640</b>
<b>Total liabilities</b>	<b>119,748,149</b>	<b>2,170,325</b>		<b>121,918,474</b>
<b>Total equity and liabilities</b>	<b>191,319,437</b>	<b>1,909,015</b>		<b>193,228,452</b>

<i>In thousands of tenge</i>	As originally presented	Change in accounting policy	Note	As restated
<b>Consolidated statement of financial position as at 1 January 2019</b>				
<b>Assets</b>				
<b>Non-current assets</b>				
Right-of-use assets	24,070,061	3,745,625	[1]	27,815,686
<b>Total non-current assets</b>	<b>156,786,781</b>	<b>3,745,625</b>		<b>160,532,406</b>
<b>Total assets</b>	<b>187,617,310</b>	<b>3,745,625</b>		<b>191,362,935</b>
<b>Equity</b>				
Retained earnings	33,625,889	(158,949)	[1]	33,466,940
<b>Total equity</b>	<b>67,425,889</b>	<b>(158,949)</b>		<b>67,266,940</b>
<b>Non-current liabilities</b>				
Long-term lease liabilities	22,191,923	2,991,969	[1]	25,183,892
Deferred tax liabilities	1,341,565	(39,738)	[1]	1,301,827
<b>Total non-current liabilities</b>	<b>39,831,500</b>	<b>2,952,231</b>		<b>42,783,731</b>
<b>Current liabilities</b>				
Short term lease liabilities	2,689,887	952,343	[1]	3,642,230
<b>Total current liabilities</b>	<b>80,359,921</b>	<b>952,343</b>		<b>81,312,264</b>
<b>Total liabilities</b>	<b>120,191,421</b>	<b>3,904,574</b>		<b>124,095,995</b>
<b>Total equity and liabilities</b>	<b>187,617,310</b>	<b>3,745,625</b>		<b>191,362,935</b>

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

### 4. RESTATEMENT OF COMPARATIVE INFORMATION (continued)

<i>In thousands of tenge</i>	As originally presented	Change in accounting policy	Note	As restated
<b>Interim condensed consolidated statement of comprehensive income for the three months ended 31 March 2020</b>				
Cost of sales	(28,503,893)	50,606	[1]	(28,453,287)
<b>Gross profit</b>	<b>11,558,107</b>	<b>50,606</b>		<b>11,608,713</b>
<b>Operating profit</b>	<b>8,203,357</b>	<b>50,606</b>		<b>8,253,963</b>
Finance cost	(2,551,686)	(63,951)	[1]	(2,615,637)
<b>Profit before income tax</b>	<b>7,691,261</b>	<b>(13,345)</b>		<b>7,677,916</b>
Income tax expense	(2,337,583)	2,669	[1]	(2,334,914)
<b>Total comprehensive income for the period, net of tax</b>	<b>5,353,678</b>	<b>(10,676)</b>		<b>5,343,002</b>

<i>In thousands of tenge</i>	As originally presented	Change in accounting policy	Note	As restated
<b>Interim condensed consolidated statement of comprehensive income for the six months ended 30 June 2020</b>				
Cost of sales	(55,186,334)	101,211	[1]	(55,085,123)
<b>Gross profit</b>	<b>23,501,583</b>	<b>101,211</b>		<b>23,602,794</b>
<b>Operating profit</b>	<b>16,518,235</b>	<b>101,211</b>		<b>16,619,446</b>
Finance cost	(5,419,994)	(124,028)	[1]	(5,544,022)
<b>Profit before income tax</b>	<b>12,555,277</b>	<b>(22,817)</b>		<b>12,532,460</b>
Income tax expense	(3,999,037)	4,563	[1]	(3,994,474)
<b>Total comprehensive income for the period, net of tax</b>	<b>8,556,240</b>	<b>(18,254)</b>		<b>8,537,986</b>

<i>In thousands of tenge</i>	As originally presented	Change in accounting policy	Note	As restated
<b>Interim condensed consolidated statement of comprehensive income for three months ended 30 June 2020</b>				
Cost of sales	(26,682,441)	50,605	[1]	(26,631,836)
<b>Gross profit</b>	<b>11,943,476</b>	<b>50,605</b>		<b>11,994,081</b>
<b>Operating profit</b>	<b>8,314,878</b>	<b>50,605</b>		<b>8,365,483</b>
Finance cost	(2,868,308)	(60,077)	[1]	(2,928,385)
<b>Profit before income tax</b>	<b>4,864,016</b>	<b>(9,472)</b>		<b>4,854,544</b>
Income tax expense	(1,661,454)	1,894	[1]	(1,659,560)
<b>Total comprehensive income for the period, net of tax</b>	<b>3,202,562</b>	<b>(7,578)</b>		<b>3,194,984</b>

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

### 4. RESTATEMENT OF COMPARATIVE INFORMATION (continued)

<i>In thousands of tenge</i>	As originally presented	Change in accounting policy	Note	As restated
<b>Interim condensed consolidated statement of comprehensive income for the nine months ended 30 September 2019</b>				
Cost of sales	(80,257,553)	215,945	[1]	(80,041,608)
<b>Gross profit</b>	<b>33,911,972</b>	<b>215,945</b>		<b>34,127,917</b>
<b>Operating profit</b>	<b>13,451,945</b>	<b>215,945</b>		<b>13,667,890</b>
Finance cost	(8,949,018)	(326,790)	[1]	(9,275,808)
<b>Profit before income tax</b>	<b>5,951,729</b>	<b>(110,845)</b>		<b>5,840,884</b>
Income tax expense	(925,846)	22,169	[1]	(903,677)
<b>Total comprehensive income for the period, net of tax</b>	<b>5,025,883</b>	<b>(88,676)</b>		<b>4,937,207</b>

<i>In thousands of tenge</i>	As originally presented	Change in accounting policy	Note	As restated
<b>Interim condensed consolidated statement of comprehensive income for three months ended 30 September 2019</b>				
Cost of sales	(27,474,137)	66,638	[1]	(27,407,499)
<b>Gross profit</b>	<b>13,646,182</b>	<b>66,638</b>		<b>13,712,820</b>
<b>Operating profit</b>	<b>10,466,599</b>	<b>66,638</b>		<b>10,533,237</b>
Finance cost	(2,886,403)	(97,800)	[1]	(2,984,203)
<b>Profit before income tax</b>	<b>7,708,179</b>	<b>(31,162)</b>		<b>7,677,017</b>
Income tax expense	(1,869,921)	6,233	[1]	(1,863,688)
<b>Total comprehensive income for the period, net of tax</b>	<b>5,838,258</b>	<b>(24,929)</b>		<b>5,813,329</b>

<i>In thousands of tenge</i>	As originally presented	Change in accounting policy	Note	As restated
<b>Consolidated statement of comprehensive income for the year ended 31 December 2019</b>				
Cost of sales	(109,194,996)	266,550	[1]	(108,928,446)
<b>Gross profit</b>	<b>47,461,865</b>	<b>266,550</b>		<b>47,728,415</b>
<b>Operating profit</b>	<b>22,813,916</b>	<b>266,550</b>		<b>23,080,466</b>
Finance cost	(11,500,011)	(394,501)	[1]	(11,894,512)
<b>Profit before income tax</b>	<b>12,870,391</b>	<b>(127,951)</b>		<b>12,742,440</b>
Income tax expense	(2,752,992)	25,590	[1]	(2,727,402)
<b>Total comprehensive income for the period, net of tax</b>	<b>10,117,399</b>	<b>(102,361)</b>		<b>10,015,038</b>

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

### 4. RESTATEMENT OF COMPARATIVE INFORMATION (continued)

<i>In thousands of tenge</i>	As originally presented	Change in accounting policy	Note	As restated
<b>Interim condensed consolidated statement of cash flows for the three months ended 31 March 2020</b>				
Profit before tax	7,691,261	(13,345)	[1]	7,677,916
Finance costs	2,551,686	63,951	[1]	2,615,637
Depreciation of property and equipment and right of use assets	4,899,984	110,605	[1]	5,010,589
Interest paid	(3,130,799)	(63,951)	[1]	(3,194,750)
<b>Net cash flows from operating activities</b>	<b>11,185,304</b>	<b>97,260</b>		<b>11,282,564</b>
Repayment of principal portion of lease liabilities	(807,327)	(97,260)	[1]	(904,587)
<b>Net cash flows used in financing activities</b>	<b>(1,307,327)</b>	<b>(97,260)</b>		<b>(1,404,587)</b>
<b>Net increase in cash and cash equivalent</b>	<b>1,804,985</b>	<b>-</b>		<b>1,804,985</b>

<i>In thousands of tenge</i>	As originally presented	Change in accounting policy	Note	As restated
<b>Interim condensed consolidated statement of cash flows for the six months ended 30 June 2020</b>				
Profit before tax	12,555,277	(22,817)	[1]	12,532,460
Finance costs	5,419,994	124,028	[1]	5,544,022
Depreciation of property and equipment and right of use assets	9,789,983	221,210	[1]	10,011,193
Interest paid	(5,045,400)	(124,028)	[1]	(5,169,428)
<b>Net cash flows from operating activities</b>	<b>26,665,156</b>	<b>198,393</b>		<b>26,863,549</b>
Repayment of principal portion of lease liabilities	(1,632,647)	(198,393)	[1]	(1,831,040)
<b>Net cash flows generated from financing activities</b>	<b>3,867,353</b>	<b>(198,393)</b>		<b>3,668,960</b>
<b>Net increase in cash and cash equivalent</b>	<b>1,248,206</b>	<b>-</b>		<b>1,248,206</b>

<i>In thousands of tenge</i>	As originally presented	Change in accounting policy and adjustment	Note	As restated
<b>Interim condensed consolidated statement of cash flows for the nine months ended 30 September 2019</b>				
Profit before tax	5,951,729	(110,845)	[1]	5,840,884
Finance costs	8,949,018	326,790	[1]	9,275,808
Depreciation of property and equipment and right of use assets	15,791,587	453,049	[1]	16,244,636
Interest paid	(5,659,862)	(2,615,549)	[1]	(8,275,411)
<b>Net cash flows from operating activities</b>	<b>28,324,516</b>	<b>(1,946,555)</b>		<b>26,377,961</b>
Repayment of principal portion of lease liabilities	(4,338,228)	1,946,555	[2]	(2,391,673)
<b>Net cash flows used in financing activities</b>	<b>(10,285,581)</b>	<b>1,946,555</b>		<b>(8,339,026)</b>
<b>Net increase in cash and cash equivalent</b>	<b>2,631,838</b>	<b>-</b>		<b>2,631,838</b>

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

### 4. RESTATEMENT OF COMPARATIVE INFORMATION (continued)

<i>In thousands of tenge</i>	As originally presented	Adjustment	Note	As adjusted
<b>Consolidated statement of cash flows for the year ended 31 December 2019</b>				
Profit before tax	12,870,391	(127,951)	[1]	12,742,440
Finance cost	11,500,011	394,501	[1]	11,894,512
Depreciation of property and equipment and right of use assets	20,558,245	563,654	[1]	21,121,899
Interest paid	(9,604,966)	(394,501)	[1]	(9,999,467)
<b>Net cash flows from operating activities</b>	<b>34,846,290</b>	<b>435,703</b>		<b>35,281,993</b>
Repayment of principal portion of lease liabilities	(2,649,442)	(435,703)	[1]	(3,085,145)
<b>Net cash flows used in financing activities</b>	<b>(13,817,442)</b>	<b>(435,703)</b>		<b>(14,253,145)</b>
<b>Net increase in cash and cash equivalent</b>	<b>2,846,296</b>	<b>-</b>		<b>2,846,296</b>

- [1] The Group has adopted IFRS Interpretations Committee's agenda decision on cancellable or renewable leases, and related non-removable leasehold improvements and restated comparative financial statement.
- [2] The Group reclassified interest paid on lease liabilities in the amount of 1,946,555 thousand tenge from repayment of principal amount of lease liabilities in financing cash flow to interest paid in operating cash flows.

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

### 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:

	30 September 2020		31 December 2019	
	Share	Number of shares	Share	Number of shares
Kazakhtelecom JSC	75.00%	150,000,000	75.00%	150,000,000
Raiffeisenbank JSC	11.60%	23,209,124	11.82%	23,641,857
Other	13.40%	26,790,876	13.18%	26,358,143
	<b>100.00%</b>	<b>200,000,000</b>	<b>100.00%</b>	<b>200,000,000</b>

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.

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

### 6. SHARE CAPITAL AND EARNINGS PER SHARE (continued)

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

<i>In thousands of tenge</i>	Three months ended		Nine months ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Profit for the period attributable to equity shareholders	9,123,559	5,813,329	17,661,545	4,937,207
Weighted average number of ordinary shares	200,000,000	200,000,000	200,000,000	200,000,000
<b>Earnings per share (Kazakhstani tenge), basic and diluted</b>	<b>45.62</b>	29.07	<b>88.31</b>	24.69

The Group has no dilutive or potentially dilutive securities outstanding.

### 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 30 September 2020 and 31 December 2019 is presented below.

<i>In thousands of tenge</i>	30 September 2020	31 December 2019
Net assets, excluding intangible assets	46,473,470	32,490,355
Number of ordinary shares in issue	200,000,000	200,000,000
<b>Cost of ordinary share, calculated in accordance with listing requirements of the KASE (Kazakhstani tenge)</b>	<b>232.40</b>	162.50

During the nine months ended 30 September 2020 and 2019, the Group declared and paid dividends payable in the amount of 9,000,000 thousand tenge and 5,972,000 thousand tenge, respectively.

### 7. PROPERTY AND EQUIPMENT

During the three and nine-month period ended 30 September 2020, additions to property and equipment totaled to 2,157,397 thousand tenge and 4,526,105 thousand tenge, respectively (during three and nine-month period ended 30 September 2019: 1,196,397 thousand tenge and 3,427,577 thousand tenge, respectively).

During the three and nine-month period ended 30 September 2020, transfer from construction-in-progress to property and equipment amounted to 1,926,429 thousand tenge and 5,306,637 thousand tenge, respectively (during three and nine-month period ended 30 September 2019: 1,993,517 thousand tenge and 6,285,284 thousand tenge, respectively).

During the three and nine-month period ended 30 September 2020, the Group recognised depreciation expense in the amount of 3,758,320 thousand tenge and 11,473,724 thousand tenge, respectively (during three and nine-month ended 30 September 2019: 4,137,196 thousand tenge and 12,985,945 thousand tenge, respectively).

As at 30 September 2020, the Group recognised assets retirement obligation in the amount of 3,575,406 thousand tenge, (31 December 2019: 1,970,215 thousand tenge). In 2020 the Group revised provision amount considering current best estimates, including decommissioning cost of technical sites facilities and discount rate. As a result, during the three and nine-month period ended 30 September 2020, the Group recognised changes in estimates in assets retirement obligation in the amount of 1,777,420 thousand tenge and 1,497,304 thousand tenge, respectively (during three and nine-month period ended 30 September 2019: nil).

During three and nine-month period ended 30 September 2020, the Group has sold property and equipment with gross book value in the amount of 36,411 thousand tenge and 175,166 thousand tenge, respectively, with net book value nil and 3,655 thousand tenge (during three and nine-month ended 30 September 2019: gross book value 47,427 thousand tenge and 100,351 thousand tenge, respectively, net book value: nil).

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

### 7. PROPERTY AND EQUIPMENT (continued)

During the three and nine-month period ended 30 September 2020, the impairment loss in the amount of 562,337 thousand tenge and 1,406,344 thousand tenge, respectively (during three and nine-month period ended 30 September 2019: nil and 1,844,104 thousand tenge, respectively) represented write-down of certain property and equipment to the recoverable amount as a result of technological obsolescence and damage. Loss was recognized in the interim condensed consolidated statement of comprehensive income as an operating expense.

As at 30 September 2020, the gross carrying value of property and equipment which has been fully depreciated and still in use, was 160,776,715 thousand tenge (as at 31 December 2019: 150,824,435 thousand tenge).

### 8. INTANGIBLE ASSETS

During the three and nine-month ended 30 September 2020, the Group acquired intangible assets in the amount of 1,365,543 thousand tenge and 2,665,318 thousand tenge (during three and nine-month ended 30 September 2019: 696,667 thousand tenge and 2,729,067 thousand tenge, respectively).

During the three and nine-month ended 30 September 2020, the Group recognized amortization expense in the amount of 2,777,940 thousand tenge and 7,986,888 thousand tenge (during three and nine-month ended 30 September 2019: 2,481,184 thousand tenge and 7,447,699 thousand tenge, respectively).

During the three and nine-month ended 30 September 2020, the Group written-off fully amortized intangible assets with gross book value 16,495 thousand tenge and 509,752 thousand tenge, respectively (during three and nine-month ended 30 September 2019: nil and 677,778 thousand tenge).

As at 30 September 2020, the carrying amount of 3G license was 1,750,000 thousand tenge (31 December 2019: 2,000,000 thousand tenge) and its remaining amortization period was 6 years. As at 30 September 2020, the carrying amount of the 4G license was 17,911,111 thousand tenge (31 December 2019: 19,211,111 thousand tenge) and its remaining amortization period was 11 years.

As at 30 September 2020, the gross carrying value of intangible assets, which have been fully amortized and still in use, was 35,866,983 thousand tenge (31 December 2019: 36,192,358 thousand tenge).

### 9. TRADE RECEIVABLES

As at 30 September 2020 and 31 December 2019, trade receivables comprised of the following:

<i>In thousands of tenge</i>	<b>30 September 2020 (unaudited)</b>	31 December 2019
Trade receivables from subscribers	<b>24,956,240</b>	23,734,679
Trade receivables from interconnect services	<b>810,665</b>	406,524
Trade receivables from roaming operators	<b>153,021</b>	301,760
Trade receivables from dealers and distributors	<b>193,269</b>	40,328
Trade receivables from related parties (Note 22)	<b>1,100,914</b>	887,217
Less: allowance for expected credit losses	<b>(10,053,038)</b>	(8,605,489)
	<b>17,161,071</b>	16,765,019
Less: long-term portion of trade receivable from subscribers	<b>(2,332,748)</b>	(1,118,077)
	<b>14,828,323</b>	15,646,942

During the nine months ended 30 September 2020 and 2019, movements in the allowance for expected credit losses were as follows:

<i>In thousands of tenge</i>	<b>30 September 2020 (unaudited)</b>	30 September 2019 (unaudited)
<b>Allowance for expected credit losses at the beginning of the period</b>	<b>(8,605,489)</b>	(6,680,113)
Charge for the period	<b>(1,635,951)</b>	(1,350,055)
Write-offs for the period	<b>188,402</b>	330,906
<b>Allowance for expected credit losses at the end of the period</b>	<b>(10,053,038)</b>	(7,699,262)

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

### 10. OTHER CURRENT NON-FINANCIAL ASSETS

As at 30 September 2020 and 31 December 2019, other current non-financial assets comprised of the following:

<i>In thousands of tenge</i>	<b>30 September 2020 (unaudited)</b>	31 December 2019
Advances paid	2,990,927	2,928,205
VAT recoverable	593,661	1,890,908
Prepaid taxes other than income taxes	528,949	1,883,164
Prepaid expenses	86,886	2,120
	<b>4,200,423</b>	<b>6,704,397</b>

### 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 30 September 2020 financial assets at fair value through other comprehensive income represented by investments in US treasury bills acquired in August 2019, were fully repaid (31 December 2019: 4,964,633 thousand tenge). The Group recognized the financial assets at fair value through other comprehensive income as the contractual cash flows were solely principal and interest and the financial assets were held within a business model for collecting contractual cash flows and selling financial assets. Nominal amount was 12,880,000 USD (equivalent to 5,021,171 thousand tenge at the date of acquisition), with maturity till August 2020 and yield to maturity at 0.012%. Fair value of debt instrument was determined by reference to published price quotations in an active market (Level 1). On 18 August 2020 US treasury bills were repaid and the Group received the nominal amount and coupon income in the amount of 12,880,000 USD and 338,100 USD, respectively (equivalent to 5,385,385 thousand tenge and 141,366 thousand tenge, respectively).

### 12. FINANCIAL ASSETS AT AMORTISED COST

As at 30 September 2020 financial assets at amortized cost in the amount of 18,456,640 thousand tenge (31 December 2019: nil) were represented by short-term discount notes of National Bank of the Republic of Kazakhstan (“NBRK”) denominated in tenge, which were acquired at purchase price 22,913,385 thousand tenge in May-September 2020. On 21 August 2020, short-term NBRK discount note was redeemed for a total amount of 4,860,370 thousand tenge of nominal value and interest income of 139,631 thousand tenge.

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

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

<i>In thousands of tenge</i>	<b>Maturity date</b>	<b>Yield to maturity</b>	<b>Nominal value</b>	<b>30 September 2020 (unaudited)</b>	31 December 2019
NBRK note	4 December 2020	10.10%	9,900,000	9,725,082	-
NBRK note	25 December 2020	10.30%	3,000,000	2,928,919	-
NBRK note	22 January 2021	9.90%	3,000,000	2,910,420	-
NBRK note	22 January 2021	9.90%	2,000,000	1,914,742	-
NBRK note	25 December 2020	9.80%	1,000,000	977,477	-
			18,900,000	<b>18,456,640</b>	-

### 13. CASH AND CASH EQUIVALENTS

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

<i>In thousands of tenge</i>	<b>30 September 2020 (unaudited)</b>	31 December 2019
Bank deposits with original maturity of less than 90 days	13,427,777	3,255,562
Cash on current bank accounts	5,409,700	5,548,613
Cash on hand	42,179	20,873
	<b>18,879,656</b>	<b>8,825,048</b>

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

### 13. CASH AND CASH EQUIVALENTS (continued)

As of 30 September 2020, short-term bank deposit in the amount of 4,913,950 thousand tenge represents overnight deposits in tenge placed in Altyn Bank JSC at interest rate 8.5%, 9,529 thousand tenge represents short-term deposit in tenge placed in CitiBank JSC at interest rate 6.5% and 8,504,298 thousand tenge represents short-term deposit in US dollars placed in Halyk Bank of Kazakhstan JSC at interest rate 0.2%.

As at 30 September 2020 and 31 December 2019, cash and cash equivalents were denominated in various currencies as follows:

<i>In thousands of tenge</i>	<b>30 September 2020 (unaudited)</b>	31 December 2019
US dollars	<b>12,806,746</b>	3,767,034
Tenge	<b>5,401,903</b>	4,923,274
Euro	<b>668,930</b>	111,234
Russian rubles	<b>1,222</b>	18,117
Other	<b>855</b>	5,389
	<b>18,879,656</b>	8,825,048

### 14. BORROWINGS

As at 30 September 2020 and 31 December 2019, borrowings comprised of the following:

<i>In thousands of tenge</i>	<b>Currency</b>	<b>Effective interest rate</b>	<b>Maturity date</b>	<b>30 September 2020 (unaudited)</b>	31 December 2019
Eurasian Development Bank JSC	Tenge	13.06%	20 May 2024	<b>25,394,717</b>	28,956,330
Bonds	Tenge	11.84%	16 January 2021	<b>22,228,989</b>	22,828,110
Halyk Bank of Kazakhstan JSC	Tenge	11.20%	21 April 2023	<b>15,213,272</b>	-
Bank of China Kazakhstan JSC	Tenge	10.70%	20 August 2022	<b>9,578,167</b>	5,059,792
VTB Bank JSC	Tenge	11.90%	1 February 2020	-	5,087,740
				<b>72,415,145</b>	61,931,972
Less: non-current portion				<b>(49,702,933)</b>	(55,548,314)
				<b>22,712,212</b>	6,383,658

The Group's borrowings are denominated in Kazakhstani tenge and represent unsecured loans and bonds. 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 30 September 2020, there have been no breaches of the covenants.

As at 30 September 2020 current portion of borrowings includes principal amount and interest accrued of bonds in the amount of 22,228,989 thousand tenge and interest accrued of other borrowings in the amount of 483,223 thousand tenge.

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

On 21 February 2019, the Group undertook a bond placement at the Kazakhstan Stock Exchange, in which bonds to the value of 17,024,648 thousand tenge were placed with investors at a yield of 11.5% and on 16 January 2018 a bond placement with the value of 4,950,000 thousand tenge. Both placements were part of program, which the Group had announced on 14 December 2017, aimed at expanding and diversifying the Group's funding sources, increasing the average term of the Group's financial liabilities and decreasing its funding costs.

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

On 16 March 2020, the Group obtained additional loan in the amount of 4,500,000 thousand tenge within credit line agreement with Bank of China Kazakhstan JSC with a repayment period of 30 months and a fixed interest rate of 10.5% per annum. The agreement is guaranteed by Kazakhtelecom JSC at rate of 0.7% per annum.

On 23 April 2020, the Group obtained loan in the amount of 15,000,000 thousand 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.

On 21 September 2020, the Group repaid principal amount of the loan obtained from Eurasian Development Bank in the amount of 3,630,000 thousand tenge ahead of schedule.

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

### 15. 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:

<i>In thousands of tenge</i>	<b>Total</b>
<b>Cost</b>	
<b>At 1 January 2019</b>	27,815,686
<b>At 30 September 2019</b>	28,602,950
<b>At 1 January 2020</b>	29,132,970
Modification	<b>161,757</b>
<b>At 30 September 2020</b>	<b>29,294,727</b>
<b>Accumulated depreciation</b>	
<b>At 1 January 2019</b>	-
Depreciation charge	(3,258,691)
<b>At 30 September 2019</b>	(3,258,691)
<b>At 1 January 2020</b>	(4,157,069)
Depreciation charge	<b>(3,423,081)</b>
<b>At 30 September 2020</b>	<b>(7,580,150)</b>
<b>Net book value</b>	
<b>At 31 December 2019</b>	24,975,901
<b>At 30 September 2020</b>	<b>21,714,577</b>

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

<i>In thousands of tenge</i>	<b>30 September 2020 (unaudited)</b>	30 September 2019 (unaudited)
<b>At the beginning of the period</b>	<b>27,053,602</b>	28,826,122
Interest expenses	<b>2,397,945</b>	2,615,549
Payments	<b>(5,176,354)</b>	(5,007,222)
Additions	-	326,026
Modifications	<b>161,757</b>	474,003
Disposal	-	(22,128)
<b>At the end of the period</b>	<b>24,436,950</b>	27,212,350

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

	<b>30 September 2020 (unaudited)</b>	31 December 2019
Long-term lease liabilities	<b>20,379,840</b>	23,447,447
Short-term lease liabilities	<b>4,057,110</b>	3,606,155

The following amounts are recognised in profit or loss:

<i>In thousands of tenge</i>	<b>For three months ended 30 September</b>		<b>For nine months ended 30 September</b>	
	<b>2020 (unaudited)</b>	2019 (unaudited)	<b>2020 (unaudited)</b>	2019 (unaudited)
Depreciation expense of right-of-use assets	<b>1,127,292</b>	1,112,125	<b>3,423,081</b>	3,258,691
Interest expense on lease liabilities	<b>780,211</b>	873,529	<b>2,397,945</b>	2,615,549
	<b>1,907,503</b>	1,985,654	<b>5,821,026</b>	5,874,240

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

### 16. TRADE PAYABLES

As at 30 September 2020 and 31 December 2019, trade payables comprised of the following:

<i>In thousands of tenge</i>	<b>30 September 2020 (unaudited)</b>	31 December 2019
Trade payables to third parties	<b>6,539,292</b>	20,042,873
Trade payables to related parties (Note 22)	<b>959,128</b>	1,131,675
	<b>7,498,420</b>	21,174,548

### 17. OTHER CURRENT FINANCIAL LIABILITIES

As at 30 September 2020 and 31 December 2019, other current financial liabilities comprised of the following:

<i>In thousands of tenge</i>	<b>30 September 2020 (unaudited)</b>	31 December 2019
Accrued salaries and bonuses to employees	<b>3,347,964</b>	3,171,814
	<b>3,347,964</b>	3,171,814

### 18. REVENUE FROM CONTRACTS WITH CUSTOMERS

<i>In thousands of tenge</i>	<b>For three months ended 30 September</b>		<b>For nine months ended 30 September</b>	
	<b>2020 (unaudited)</b>	2019 (unaudited)	<b>2020 (unaudited)</b>	2019 (unaudited)
Voice and other services	<b>18,448,448</b>	20,687,725	<b>54,835,079</b>	58,552,283
Data services	<b>15,239,078</b>	13,471,111	<b>42,759,467</b>	37,736,265
Sale of handsets and equipment	<b>10,987,356</b>	4,909,330	<b>22,393,823</b>	12,115,900
Value added services	<b>2,153,363</b>	2,052,153	<b>5,527,793</b>	5,765,077
	<b>46,828,245</b>	41,120,319	<b>125,516,162</b>	114,169,525
Services transferred over time	<b>35,840,889</b>	36,210,989	<b>103,122,339</b>	102,053,625
Goods transferred at a point of time	<b>10,987,356</b>	4,909,330	<b>22,393,823</b>	12,115,900
	<b>46,828,245</b>	41,120,319	<b>125,516,162</b>	114,169,525

As at 30 September 2020 and 31 December 2019, the contract liabilities in the amount of 2,709,477 thousand tenge and 4,149,365 thousand tenge, respectively, were represented by deferred revenue.

### 19. COST OF SALES

<i>In thousands of tenge</i>	<b>For three months ended 30 September</b>		<b>For nine months ended 30 September</b>	
	<b>2020 (unaudited)</b>	2019 (unaudited)	<b>2020 (unaudited)</b>	2019 (unaudited)
Cost of SIM-cards, scratch cards and handsets	<b>8,761,650</b>	4,317,892	<b>18,303,639</b>	11,033,857
Depreciation and amortization	<b>6,793,548</b>	6,845,636	<b>20,366,136</b>	21,133,739
Interconnect fees and expenses	<b>4,249,930</b>	6,622,346	<b>14,489,618</b>	18,697,378
Personnel costs	<b>2,559,564</b>	2,109,901	<b>7,843,754</b>	6,336,427
Transmission services	<b>2,551,895</b>	2,278,184	<b>7,488,891</b>	6,907,223
Repair and maintenance	<b>1,770,786</b>	1,847,043	<b>5,394,692</b>	5,245,544
Fees for use of frequency range	<b>1,681,642</b>	1,416,607	<b>4,708,333</b>	4,155,394
Electricity	<b>687,650</b>	785,810	<b>2,350,145</b>	2,647,055
Mobile tax	<b>501,528</b>	461,575	<b>1,443,135</b>	1,384,725
Network sharing expenses	<b>268,758</b>	-	<b>543,140</b>	-
Materials	<b>82,998</b>	57,115	<b>213,050</b>	154,622
Security and safety	<b>79,574</b>	83,773	<b>264,180</b>	280,331
Other	<b>674,439</b>	581,617	<b>2,340,372</b>	2,065,313
	<b>30,663,962</b>	27,407,499	<b>85,749,085</b>	80,041,608

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

### 20. PENALTY EXPENSES

On 12 April 2019, the Group received from Kar-Tel LLP a notice on termination of the Network Sharing Agreement (hereinafter referred to as the “Agreement”), since there was a change in the Group’s controlling shareholder in December 2018, which represents, in accordance with the Agreement, a breach of conditions of the Agreement, giving the right to the second party to terminate the Agreement and request payment of termination fine, determined in accordance with the methodology specified in the Agreement. The Group received from Kar-Tel LLP an invoice for payment of a termination fine in the amount of 14,551,865 thousand tenge. The Group repaid the termination fine in full in September 2019.

### 21. INCOME TAX EXPENSES

<i>In thousands of tenge</i>	For three months ended 30 September		For nine months ended 30 September	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Current income tax expense	(2,755,077)	(2,318,293)	(6,112,975)	(2,567,554)
Adjustments in respect of current income tax of previous year	-	-	(652,120)	-
Deferred income tax benefit	1,133,161	454,605	1,148,705	1,663,877
	<b>(1,621,916)</b>	<b>(1,863,688)</b>	<b>(5,616,390)</b>	<b>(903,677)</b>

### 22. 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.

For the three and nine-month period ended 30 September 2020, the Group recognised reversal of allowance for expected credit losses in the amount of 109,559 thousand tenge and 51,398 thousand tenge, respectively (accrual for the three and nine-month period ended 30 September 2019: 53,118 thousand tenge and 58,860 thousand tenge, respectively).

As at 30 September 2020, the Group recognized an allowance for expected credit losses in the amount of 46,904 thousand tenge in respect of receivables from related parties (31 December 2019: 98,302 thousand tenge).

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 during three and nine months ended 30 September 2020 and 2019, and the balances with related parties as at 30 September 2020 and 31 December 2019, were as follows:

<i>In thousands of tenge</i>	For three months ended 30 September		For nine months ended 30 September	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
<b>Sales of goods and services</b>				
Entities of Samruk Kazyna group	46,442	40,712	152,307	147,096
Entities of Kazakhtelecom group	3,274,099	3,094,414	9,033,275	8,230,245
Government entities	240,280	79,133	380,357	155,077
	<b>3,560,821</b>	<b>2,790,331</b>	<b>9,565,939</b>	<b>8,532,418</b>
<b>Purchases of goods and services</b>				
Entities of Samruk Kazyna group	111,252	201,482	326,661	535,359
Entities of Kazakhtelecom group	5,296,501	4,989,836	14,703,983	14,219,627
Government entities	33,745	7,747	48,436	24,251
	<b>5,441,498</b>	<b>5,199,065</b>	<b>15,079,080</b>	<b>14,779,237</b>

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

### 22. RELATED PARTY DISCLOSURES (continued)

<i>In thousands of tenge</i>	30 September 2020 (unaudited)	31 December 2019
<b>Trade receivables (Note 9)</b>		
Entities of Samruk Kazyna group	41,087	65,448
Entities of Kazakhtelecom group	836,207	816,404
Government entities	223,620	5,365
	<b>1,100,914</b>	<b>887,217</b>
<b>Advances paid</b>		
Entities of Kazakhtelecom group	1,154,914	-
	<b>1,154,914</b>	<b>-</b>
<b>Trade payable (Note 16)</b>		
Entities of Samruk Kazyna group	48,484	155,618
Entities of Kazakhtelecom group	909,132	975,617
Government entities	1,512	440
	<b>959,128</b>	<b>1,131,675</b>

### Compensation to key management personnel

For the three and nine-month period ended 30 September 2020, the total compensation to key management personnel included in the accompanying consolidated statement of comprehensive income under general and administrative expenses was 32,627 thousand tenge and 217,313 thousand tenge, respectively (for the three and nine-month period ended 30 September 2019: 31,937 thousand and 86,511 thousand 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.

### 23. FINANCIAL INSTRUMENTS

#### 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 30 September 2020 and 31 December 2019 was as follows:

<i>In thousands of tenge</i>	Date of valuation	Price quotation on active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<b>Assets for which fair values are disclosed</b>					
Financial assets at amortised cost	30 September 2020	18,456,640	-	-	18,456,640
Short-term trade receivables	30 September 2020	-	-	14,828,323	14,828,323
Long-term trade receivables	30 September 2020	-	-	2,397,856	2,397,856
Other current financial assets	30 September 2020	-	-	554,378	554,378
<b>Liabilities for which fair values are disclosed</b>					
Borrowings	30 September 2020	-	-	72,519,506	72,519,506
Trade payables	30 September 2020	-	-	7,498,420	7,498,420
Other current financial liabilities	30 September 2020	-	-	3,347,964	3,347,964

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

### 23. FINANCIAL INSTRUMENTS (continued)

#### Fair values (continued)

<i>In thousands of tenge</i>	Date of valuation	Price quotation on active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<b>Assets measured at fair value</b>					
Financial assets at fair value through other comprehensive income					
	31 December 2019	4,964,633	-	-	4,964,633
<b>Assets for which fair values are disclosed</b>					
Short-term trade receivables	31 December 2019	-	-	15,646,942	15,646,942
Long-term trade receivables	31 December 2019	-	-	1,146,506	1,146,506
Other current financial assets	31 December 2019	-	-	1,371,295	1,371,295
<b>Liabilities for which fair values are disclosed</b>					
Borrowings	31 December 2019	-	-	61,777,730	61,777,730
Trade payables	31 December 2019	-	-	21,174,548	21,174,548
Other current financial liabilities	31 December 2019	-	-	3,171,814	3,171,814

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

<i>In thousands of tenge</i>	Carrying amount 30 September 2020	Fair value 30 September 2020	Unrecognised gain/(loss)	Carrying amount 31 December 2019	Fair value 31 December 2019	Unrecognised gain/(loss)
<b>Financial assets</b>						
Cash and cash equivalents	18,879,656	18,879,656	-	8,825,048	8,825,048	-
Financial assets at fair value through other comprehensive income	-	-	-	4,964,633	4,964,633	-
Financial assets at amortized cost	18,456,640	18,049,622	(407,018)	-	-	-
Short-term trade receivables	14,828,323	14,828,323	-	15,646,942	15,646,942	-
Long-term trade receivables	2,332,748	2,397,856	65,108	1,118,077	1,146,506	28,429
Other current financial assets	554,378	554,378	-	1,371,295	1,371,295	-
<b>Financial liabilities</b>						
Borrowings	72,415,145	72,519,506	104,361	61,931,972	61,777,730	(154,242)
Trade payables	7,498,420	7,498,420	-	21,174,548	21,174,548	-
Other current financial liabilities	3,347,964	3,347,964	-	3,171,814	3,171,814	-
<b>Total unrecognised change in unrealised fair value</b>			<b>(237,549)</b>			<b>(125,813)</b>

### 24. 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.

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

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### 24. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

#### Coronavirus pandemic and market conditions

Starting from March 2020, there has been significant volatility in the stock, currency and commodity markets, including a drop in oil prices and a devaluation of tenge against the US dollar and the euro. Moreover, in connection with the recent rapid development of the coronavirus pandemic (COVID-19), on 16 March 2020 Kazakhstan introduced state emergency measures during the period through 16 April 2020, and subsequently extended until 15 May 2020, including quarantine in major cities, which had a significant impact on the level and scale of business activity. Later the Government of Kazakhstan introduced new quarantine period from 5 July 2020 till 2 August 2020.

As the date of issuance of the interim condensed consolidated financial statements, Kazakhstan has not introduced strict quarantine measures to confront the possible second wave of coronavirus pandemic. However, if measures such as smart distancing do not succeed in keeping the rate of new infections to a minimum and restrictions cannot be eased further to restore a sense of safety to businesses and households, then a sustained period of weakness is to be expected. The Group keeps analysing and monitoring the situation.

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

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

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

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

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

#### Capital commitments

The Group generally enters into contracts for the completion of construction projects and purchase of equipment. As at 30 September 2020, the Group had contractual commitments totaling 13,252,429 thousand tenge, excluding VAT (unaudited) (as at 31 December 2019: 5,213,491 thousand tenge, excluding VAT). Increase in the Group's capital commitments relates to additional requirements of the Committee of the National Security to the telecommunication equipment that include expansion of technical capabilities of equipment to conduct operative search activities, collection and storage of subscribers' information, as detailed below in *New technical regulations*.

#### 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.

Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 30 September 2020. Management believes that as at 30 September 2020 its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these interim condensed consolidated financial statements.

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

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**24. COMMITMENTS AND CONTINGENT LIABILITIES (continued)****Taxation (continued)***Tax audit for 2012 – 3<sup>rd</sup> quarter 2015*

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

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

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

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

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

*Tax risks assessment*

In the beginning of 2020, the Group performed recalculation of the tax risk provisions recognized by the Group in previous years. For the three and nine-month ended 30 September 2020, the Group recognized income from reversal of the tax and related fines and penalties provision in the total amount of 36,491 thousand tenge and 538,398 thousand tenge, respectively, in the consolidated statement of comprehensive income.

Income from reversal of the tax and related fines and penalties provision for the nine month period ended 30 September 2020 included income in the amount of 70,789 thousand tenge recognized due to expiration of the limitation period for tax liabilities and income from reversal of provision on VAT and personal income tax in the amount of 256,782 thousand tenge and 210,827 thousand tenge, respectively.

Income from reversal of the tax and related fines and penalties provision for the three month period ended 30 September 2020 included income in the amount of 36,491 thousand tenge recognized due to expiration of the limitation period for tax liabilities.

Additionally, based on the assessment the Group recognized reserve on CIT expenses in the amount of 488,380 thousand tenge and adjustments in current income tax of previous year in the amount of 163,740 thousand tenge (*Note 21*) in the consolidated statement of comprehensive income.

**New technical regulations**

Order No. 91 of the Committee of the National Security dated 20 December 2016 on approval of the Technical Regulations *General Requirements to the Telecommunication Equipment in Ensuring Conducting of Operative Search Measures, Collection and Storage of Subscribers' Information* was published on 7 February 2017 and came into force on 8 February 2018. According to the new regulations, there are additional requirements to the telecommunication equipment that include expansion of technical capabilities of equipment to conduct operative search activities, collection and storage of subscribers' information (hereinafter – "ORA"). Currently, the Group is in the process of modernization of the telecommunication equipment of the Kcell's network in order to comply with the requirements of the Technical Regulations.

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

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**24. COMMITMENTS AND CONTINGENT LIABILITIES (continued)****Cases related to the abuse of dominant position***Tariffication of Kcell's mobile internet services*

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

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

The Group did not agree with the order issued by the Committee. On 3 July 2019, the Group appealed to the Court.

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

*Billing cycle of mobile phone plans*

On 27 December 2019, the Company received a notification from the Committee on Regulation and Protection of Competition of the Ministry of National Economy of the Republic of Kazakhstan ("Committee") prescribing that the Group should bring its existing and legacy mobile phone plans in line with Rules for provision of mobile services ("Rules"), namely to set a calendar month as default billing cycle, as follows from the definition of the term "accounting period". According to the Committee, by establishing a one-day, a weekly, a 28-day or a 30-day billing cycle on mobile phone plans the Group breaches article 174.1 of the Business Code of the Republic of Kazakhstan. The Committee also sees the reduction of billing cycle as possible abuse of the dominant position through violation of the rights of consumers. On 15 July 2020 the Company received a copy of the Committee's Order on conducting an investigation. In the course of the investigation, the Company has provided the relevant data and information requested by the Committee. On 7 September 2020 the Company received Investigation Report stating that there were no violations of the legislation in the actions of the mobile operator. The investigation in relation to the Company's activity was terminated.

**Kcell Solution tax legal case**

In 2018, tax authorities initiated tax audit in respect to Kcell Solutions LLP (Kcell Solutions) with regard to CIT and VAT. According to the result of audit tax, generated tax losses carried forward and recognized VAT input by Kcell Solutions in 2013-2017 have been reduced by the total amount of 427,245 thousand tenge and 165,266 thousand tenge respectively.

Kcell Solutions disputed the results of the tax authority in Judicial Board for Civil Cases of Almaty City Court. On 29 January 2020, Judicial Board for Civil Cases of Almaty City Court dismissed the appeal of Kcell Solutions. Kcell Solutions did not agree with results and filed an appeal to the Supreme Court of the Republic of Kazakhstan. Based on resolution of the Supreme Court of the Republic of Kazakhstan dated 25 August 2020, the Kcell Solutions's appeal was fully satisfied, thus previously reduced tax losses carried forward and VAT input in the amount of 427,245 thousand tenge and 165,266 thousand tenge, respectively, were fully recovered. Accordingly, the Group recognised deferred tax assets on the tax losses carried forward and other income on recovered VAT input in the amount of 427,245 thousand tenge and 107,846 thousand tenge, respectively.

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

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**24. COMMITMENTS AND CONTINGENT LIABILITIES (continued)****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 on possible 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 possible 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. The Group cannot estimate probability and amount of possible additional charge, fines and penalties. On 15 October 2020 the Customs Control Department issued the notice to postpone the customs inspection of the Group for an indefinite period.

**25. SEASONALITY OF OPERATIONS**

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

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

**26. SUBSEQUENT EVENTS**

On 14 October 2020 the Group signed addendum to loan agreement with Bank of China to change interest rate from 10.5% to 10.3% per annum under credit line agreement.

On 15 October 2020 the Group signed credit line agreement with VTB Bank JSC for the amount of 6,000,000 thousand tenge at interest rate of 10.7% per annum.

On 16 October 2020 the Group additionally acquired NBRK Notes in the amount of 3,908,308 thousand tenge with yield to maturity 9.41% and maturity date 15 January 2021.

On 28 October 2020 the Group obtained loan in the amount of 6,000,000 thousand tenge under the credit line agreement with VTB Bank JSC and partially repaid principal of loan obtained from the Eurasian Development Bank in the amount of 6,000,000 thousand tenge.