

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**1. GENERAL INFORMATION**

Kazakhtelecom JSC (the “Company” or “Kazakhtelecom”) was established in June 1994 in accordance with the legislation of the Republic of Kazakhstan.

The Company is incorporated, domiciled and operates in the Republic of Kazakhstan. The legal address of the Company is: 12 Sauran Str., Nur-Sultan, 010000, Republic of Kazakhstan.

The Company is controlled by the Government of the Republic of Kazakhstan through Sovereign Wealth Fund “Samruk-Kazyna” JSC (“Samruk-Kazyna” or the “Parent”), which owns 51% of the Company’s controlling shares. Below is a list of the Company’s shareholders as at 31 March 2020:

	At 31 March 2020 (unaudited)	At 31 December 2019 (audited)
Samruk-Kazyna	51.0%	51.0%
SKYLINE INVESTMENT COMPANY S.A.	24.5%	24.5%
ADR (The Bank of New York – depositor)	9.6%	9.6%
Alatau Capital Invest LLP	3.7%	3.7%
United Accumulative Pension Fund JSC	3.4%	3.4%
Other	7.8%	7.8%
	100%	100%

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

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

2. BASIS FOR PREPARATION

The interim condensed consolidated financial statements for the three months period ended 31 March 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 financial statements as at 31 December 2019.

Foreign currency translation

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**2. BASIS FOR PREPARATION (CONTINUED)****Foreign currency translation (continued)**

Foreign exchange rates are presented in the following table:

	31 March 2020	31 December 2019
US dollar	447.67	382.59
Euro	491.36	429.00
Russian rouble	5.74	6.16

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

	Country of incorporation	Percentage ownership	
		31 March 2020 (unaudited)	31 December 2019 (audited)
Khan Tengri Holding B.V.	Netherlands	100.00%	100.00%
KT-IX LLC	Russia	100.00%	100.00%
KT Cloud Lab LLP	Kazakhstan	100.00%	100.00%
VostokTelecom LLP	Kazakhstan	100.00%	100.00%
Info-Net Wireless LLP	Kazakhstan	100.00%	100.00%
Nursat+ LLP	Kazakhstan	100.00%	100.00%
Kcell JSC	Kazakhstan	75.00%	75.00%

On 28 June 2019, the Group has obtained control over Khan Tengri Holding B.V., in which the Group previously held investment in associate as described in *Note 4*.

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 other 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.

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 accounting policies and notes on pages 8 to 35 are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**New and amended standards and interpretations (continued)***IAS 1 and IAS 8: Definition of Material (continued)*

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.

The Conceptual Framework for Financial Reporting

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. BUSINESS COMBINATIONS**Acquisition in 2019***Acquisition of Khan Tengri Holding B.V.*

On 29 February 2016, the Group acquired 51% share capital and 49.48% of voting shares in Khan Tengri Holding B.V., the company rendering GSM and LTE mobile telecommunication services in the Republic of Kazakhstan. Khan Tengri Holding B.V. is a private entity and not listed on the stock exchange. Khan Tengri Holding B.V. was an equity accounted associate for the Group till 28 June 2019 (*Note 8*).

According to the agreement between the Group and Tele2, the Group had an unconditional right to require Tele2 to sell its 49% of the interest in Khan Tengri Holding B.V. at any time, after three years after the closing date of the transaction on 29 February 2016 (call option). Tele2 had a similar unconditional right to require the Group to acquire a 49% interest in Khan Tengri Holding B.V. (put option).

In connection with the closure of the transaction on the acquisition by Kazakhtelecom JSC of 75% of shares in Kcell JSC in the end of December 2018, on 28 December 2018, the Group received notice on exercising of put option from Tele2 A.B.

On 1 March 2019 the Group's call option in relation to right to require Tele2 to sell its 49% of the interest in Khan Tengri Holding B.V. became exercisable. As of 1 March 2019 neither call or put option provided the Group ability to direct relevant activities of Khan Tengri Holding B.V. as the Group is obliged to transfer shares of Khan Tengri Holding B.V. to a trust management company within 12 months after closing of transaction for acquiring 49% from Tele2 which is also subject to the approval of the Committee on Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan. As at 1 March 2019 the Group did not obtain control over Khan Tengri Holding B.V.

On 23 May 2019, the Group concluded an agreement with Tele2 for the purchase of remaining 49% share of Khan Tengri Holding B.V. and 50.52% of the voting rights of all outstanding shares and completed the acquisition on 28 June 2019. The consideration transferred for 49% interest acquired by the Group was KZT 181,534,893 thousand, including cash paid in the amount of KZT 101,118,483 thousand and loan provided to Mobile Telecom Service LLP in the amount of 80,416,410 thousand tenge for the purpose of consideration payment to the seller, Tele2.

In June 2019, the Group received approval from the Committee on Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan of the terms of the trust management agreement that indicate that the Group has control over Khan Tengri Holding B.V.

On 25 February 2016, the Group provided a guarantee to associate organization Khan Tengri Holding B.V. under the credit facility from Development Bank of Kazakhstan JSC with a credit limit of up to KZT 10,008,780 thousand for the period until 19 December 2024. Guarantee issued in the amount of KZT 937,145 thousand was included into the consideration of business combination due to the acquisition of residual shares in associate of Khan Tengri Holding B.V.

The accounting policies and notes on pages 8 to 35 are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**4. BUSINESS COMBINATIONS (continued)****Acquisition in 2019 (continued)***Acquisition of Khan Tengri Holding B.V. (continued)*

The Group's interest in Khan Tengri Holding B.V. was recorded in the consolidated financial statements using the equity method till the date of control acquisition. Provisional fair value of the identified assets and liabilities of Khan Tengri Holding B.V. as at the date of acquisition were:

<i>In thousands of tenge</i>	Provisional fair value recognized on acquisition
Assets	
Property and equipment	99,771,598
Right-of-use assets	26,457,939
Intangible assets	112,272,032
Advances paid for non-current assets	2,061,017
Cash and cash equivalents	5,391,581
Other non-current financial assets	77,640
Trade receivables	14,921,849
Inventories	909,245
Advances paid	2,439,609
Corporate income tax prepaid	614,125
Other current non-financial assets	2,023,828
Other current financial assets	887,739
Total assets	267,828,202
Liabilities	
Trade payables	(27,070,515)
Borrowings	(8,799,548)
Lease liabilities	(26,913,327)
Contract liabilities	(8,094,854)
Deferred tax liabilities	(9,058,099)
Asset retirement obligations	(4,826,230)
Other current financial liabilities	(2,460,538)
Other current non-financial liabilities	(1,193,897)
Total liabilities	(88,417,008)
Net identifiable assets at fair value	179,411,194
Consideration transferred for 49% interest acquired on 28 June 2019*	181,534,893
Acquisition-date provisional fair value of initial 51% interest	99,211,623
	280,746,516
Acquisition-date provisional fair values of identifiable net assets acquired	179,411,194
Guarantee issued to Mobile Telecom Service LLP	937,145
Goodwill (Note 9)	100,398,177
Analysis of cash flows on acquisition	
Net cash acquired with the subsidiary	5,391,581
Consideration transferred*	(181,534,893)
Net cash outflow	(176,143,312)

* The consideration transferred for 49% interest acquired by the Group was KZT 181,534,893 thousand, including cash paid in the amount of KZT 101,118,483 thousand and loan provided to Mobile Telecom Service LLP in the amount of KZT 80,416,410 thousand.

Net assets recognized in the interim condensed consolidated financial statements as at 31 March 2020 are based on a preliminary assessment of their fair value, while the Group makes an independent assessment of assets owned by Khan Tengri Holding B.V. This estimate has not been completed at the time of issuing the interim condensed consolidated financial statements for the period ended 31 March 2020.

The accounting policies and notes on pages 8 to 35 are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. BUSINESS COMBINATIONS (continued)**Acquisition in 2019 (continued)***Acquisition of Khan Tengri Holding B.V. (continued)*

The main components of intangible assets are licenses, trademarks, software and subscriber base.

At the date of the acquisition, the fair value of the trade receivables was KZT 14,921,849 thousand. The carrying amount of trade receivables is KZT 14,921,849 thousand and it is expected that the full contractual amounts can be collected.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms.

Transaction costs in the amount of KZT 1,167,150 thousand were included in administrative expenses.

The deferred tax liability is mainly due to the tax effect of accelerated depreciation of fixed assets and intangible assets for tax purposes.

The amount of goodwill equal to KZT 100,398,177 thousand and includes the cost of the expected synergetic effect from the acquisition. The entire amount of goodwill is allocated to the mobile telecommunications segment. It is expected that recognized goodwill will not be deductible for the purposes of the taxation either in full or in part.

During 2019, the Group recognized income from re-measurement of previously held interest in the equity-accounted associate in the amount of KZT 17,310,113 thousand as a result of remeasuring its existing interest in the equity-accounted associate amount of KZT 81,901,510 thousand at the date of obtaining control to its acquisition-date fair value of KZT 99,211,623 thousand.

From the date of acquisition, the contribution of Khan Tengri Holding B.V. to the Group's revenue amounted to KZT 75,553,128 thousand, and to the Group's net profit before tax in the amount of KZT 13,211,745 thousand. If the combination had taken place at the beginning of 2019, the Group's revenues would have been KZT 468,651,157 thousand, and the profit before tax would have been KZT 80,653,198 thousand.

5. SEGMENT INFORMATION

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

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

The Group completed the acquisition of the residual 49% of shares of Khan Tengri Holding B.V. and obtained 100% control over the entity in the late June 2019.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**5. SEGMENT INFORMATION (continued)**

The following tables disclose revenue and profit information for the Group's operating segments for the three months ended 31 March 2020 and 2019.

For the three months ended 31 March 2020 (unaudited)

<i>In thousands of tenge</i>	Fixed line	Mobile tele-communication services in GSM and LTE standards	Other	Eliminations and adjustments	Group
Revenue from contracts with customer					
Sales to external customers	49,721,146	72,033,731	87,471	-	121,842,348
Inter-segment	9,093,641	2,408,751	52,890	(11,555,282)	-
Total revenue from contracts with customers	58,814,787	74,442,482	140,361	(11,555,282)	121,842,348
Financial results					
Depreciation and amortisation	(9,410,250)	(17,827,919)	(7,592)	108,349	(27,137,412)
Finance costs	(6,985,695)	(6,186,524)	-	422,431	(12,749,788)
Finance income	763,924	335,285	3	(229,113)	870,099
Share in profits of associates	-	-	212,102	-	212,102
Impairment losses on non-financial assets	154,275	(473,181)	-	-	(318,906)
Impairment losses on financial assets	(591,075)	(537,250)	(1,765)	(3,682)	(1,133,772)

For the three months ended 31 March 2019 (unaudited)

<i>In thousands of tenge</i>	Fixed line	Mobile tele-communication services in GSM and LTE standards	Other	Eliminations and adjustments	Group
Revenue from contracts with customer					
Sales to external customers	53,507,286	34,911,369	107,309	-	88,525,964
Inter-segment	2,186,556	268,556	56,217	(2,511,329)	-
Total revenue from contracts with customer	55,693,842	35,179,925	163,526	(2,511,329)	88,525,964
Financial results					
Depreciation and amortisation	(9,096,262)	(11,640,433)	(20,537)	-	(20,757,232)
Finance costs	(4,650,690)	(3,068,981)	-	-	(7,719,671)
Finance income	482,283	1,104,675	261	-	1,587,219
Share in profit/(loss) of associates	-	3,128,234	51,318	-	3,179,552
Impairment losses on financial assets	(413,218)	(449,781)	277	-	(862,722)

The accounting policies and notes on pages 8 to 35 are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**5. SEGMENT INFORMATION (continued)**

The following table presents assets and liabilities information for the Group's operating segments as at 31 March 2020 and 31 December 2019, respectively:

<i>In thousands of tenge</i>	Fixed line	Mobile tele- communication services in GSM and LTE standards	Other	Eliminations and adjustments	Group
Operating assets					
As at 31 March 2020 (unaudited)	740,453,073	715,793,506	3,185,676	(387,631,291)	1,071,800,964
As at 31 December 2019	750,602,980	699,934,914	2,677,106	(374,164,950)	1,079,050,050
Operating liabilities					
As at 31 March 2020 (unaudited)	326,483,893	286,738,842	329,417	(26,161,937)	587,390,215
As at 31 December 2019	348,535,158	301,021,346	317,483	(33,689,865)	616,184,122

6. PROPERTY AND EQUIPMENT

During the three months period ended 31 March 2020, the Group acquired property and equipment for KZT 10,546,580 thousand (unaudited) (during three months period ended 31 March 2019: KZT 3,131,703 thousand (unaudited)). During the three months period ended 31 March 2020, the Group disposed property and equipment with net book value of KZT 175,701 thousand (unaudited) (during three months period ended 31 March 2019: KZT 336,128 thousand (unaudited)).

During the three months period ended 31 March 2020, the Group recognized depreciation expense amounting to KZT 16,526,667 thousand (unaudited) (during three months period ended 31 March 2019: KZT 14,204,464 thousand (unaudited)).

During the three months period ended 31 March 2020, the Group recognized an impairment loss of KZT 318,906 thousand, related to write-down of certain property and equipment to the recoverable amount as a result of technological obsolescence and damage (as at 31 March 2019: nil KZT). Impairment was recognized in the interim condensed consolidated statement of comprehensive income as an operating expense.

As at 31 March 2020 and 2019, assets under construction represented by equipment for installation for base transmission stations, mobile switch servers and other telecommunication equipment and services works.

As at 31 March 2020, the gross carrying value of property and equipment which has been fully depreciated and still in use was KZT 345,118,977 thousand (as at 31 December 2019: KZT 347,558,082 thousand).

As at 31 March 2020, advances paid for non-current assets in the amount of KZT 5,606,012 thousand mainly represented by advances paid for «Broadband access to rural settlements of the Republic of Kazakhstan on the technology of fiber-optic communication lines» project and for installation of base stations, construction and delivery of fixed assets (as at 31 December 2019: KZT 8,998,288 thousand). During the three months period ended 31 March 2020, the Group has recognized impairment loss on its advances paid for non-current assets for KZT 428,973 thousand.

7. INTANGIBLE ASSETS

During the three months period ended 31 March 2020, the Group acquired intangible assets for KZT 879,690 thousand (unaudited) (during three months period ended 31 March 2019: KZT 938,216 thousand (unaudited)).

During the three months period ended 31 March 2020, the Group recognized amortization expense amounting to KZT 6,750,256 thousand (unaudited) (during three months period ended 31 March 2019: KZT 4,479,680 thousand (unaudited)).

As at 31 March 2020 the gross carrying value of intangible assets, which have been fully amortized and still in use was KZT 53,433,629 thousand (as at 31 December 2019: KZT 52,411,724 thousand).

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

The accounting policies and notes on pages 8 to 35 are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**8. INVESTMENTS IN ASSOCIATES**

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

<i>In thousands of tenge</i>	Primary activities	Country of incorporation	31 March 2020 (unaudited)		31 December 2019 (audited)	
			Carrying amount	Ownership share	Carrying amount	Ownership share
QazCloud LLP	IT services	Kazakhstan	2,430,991	49%	2,218,889	49%
			2,430,991		2,218,889	

Movements in investments in associates for the three months ended 31 March 2020 and 2019 are as follows:

<i>In thousands of tenge</i>	Khan Tengri Holding B.V.	QazCloud LLP	Total
At 31 December 2018 (audited)	76,070,585	1,598,639	77,669,224
Share in profit of associates	3,128,234	51,318	3,179,552
Share in other comprehensive income of associates	-	-	-
Dividends declared	-	-	-
At 31 March 2019 (unaudited)	79,198,819	1,649,957	80,848,776
At 31 December 2019 (audited)	-	2,218,889	2,218,889
Additional contribution to the charter capital of an associate	-	-	-
Share in profits of associates	-	212,102	212,102
Share in other comprehensive income of associates	-	-	-
Dividends declared	-	-	-
At 31 March 2020 (unaudited)	-	2,430,991	2,430,991

Investments in Khan Tengri Holding B.V.

The Group obtained control over in Khan Tengri Holding B.V. and since the date of control Khan Tengri Holding B.V. is consolidated. In the consolidated financial statements, the Group's interest in Khan Tengri Holding B.V. was accounted using the equity method till the date of obtaining control.

In June 2019, the Group received approval from the Committee on Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan of the terms of the trust management agreement that indicate that the Group has control over Khan Tengri Holding B.V.

<i>In thousands of tenge</i>	31 March 2020 (unaudited)	31 March 2019 (unaudited)
Revenue from contracts with customers	-	32,440,492
Depreciation and amortization	-	(4,940,514)
Finance income	-	54,463
Finance costs	-	(3,099,158)
Income tax (expense)/benefit	-	(26,705)
Profit for the period	-	6,133,793
Other comprehensive income	-	-
Total comprehensive income for the period	-	6,133,793
Share of the Group in profit for the period	-	3,128,234

The accounting policies and notes on pages 8 to 35 are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**8. INVESTMENTS IN ASSOCIATES (continued)****Investments in QazCloud LLP**

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

On 4 October 2017, Kazakhtelecom Industrial Enterprises Services LLP was re-registered with name being changed to QazCloud LLP.

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

On 15 November 2017, 27 April 2018, 29 April 2019 and 30 December 2019, the Group made contributions to the charter capital of QazCloud LLP, in the amount of KZT 986,980 thousand, KZT 563,000 thousand, KZT 200,000 thousand and KZT 223,980 thousand, respectively. The additional contributions to the charter capital of QazCloud LLP did not lead to the change in share of interest of the Group as the second participant, Samruk-Kazyna Business Service LLP, also made the contributions to the charter capital of QazCloud LLP according to its share.

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

<i>In thousands of tenge</i>	31 March 2020 (unaudited)	31 December 2019 (audited)
Non-current assets	3,691,210	2,982,071
Current assets, including	3,990,948	3,356,967
<i>Cash and cash equivalents</i>	3,278,391	2,621,936
Non-current liabilities, including	(1,238,772)	(395,465)
<i>Non-current financial liabilities</i>	(723,750)	–
Current liabilities, including	(1,425,846)	(1,415,229)
<i>Current financial liabilities</i>	(995,599)	(855,425)
Equity	4,961,206	4,528,344
Share of the ownership – 49%	2,430,991	2,218,889
Carrying amount of the investment of the Group	2,430,991	2,218,889

<i>In thousands of tenge</i>	31 March 2020 (unaudited)	31 March 2019 (unaudited)
Revenue from contracts with customers	1,010,792	632,577
Depreciation and amortization	(211,258)	(151,671)
Finance income	18,818	2,001
Finance costs	(29,095)	(14,364)
Income tax expense	(108,215)	(26,183)
Profit for the period	432,861	104,731
Other comprehensive income	–	–
Total comprehensive income for the period	432,861	104,731
Share of the Group in profit for the period	212,102	51,318

The accounting policies and notes on pages 8 to 35 are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**9. IMPAIRMENT TESTING**

Goodwill is tested by the Group for impairment annually as at 31 December and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill is based on value-in-use calculations. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual consolidated financial statements for the year ended 31 December 2019.

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

As at 31 March 2020 there were no indicators for impairment of all CGUs, including those CGUs to which goodwill was allocated, therefore, management has not updated any of impairment calculations.

10. OTHER NON-CURRENT FINANCIAL ASSETS

As at 31 March 2020 and 31 December 2019 other non-current financial assets comprised:

<i>In thousands of tenge</i>	31 March 2020 (unaudited)	31 December 2019 (audited)
Loans to employees	2,550,406	2,767,965
Long-term accounts receivable	1,448,812	1,118,077
Cash restricted in use	2,653	2,653
Other	264,134	281,464
	4,266,005	4,170,159

As at 31 March 2020 and 31 December 2019, all Group's other non-current financial assets were denominated in tenge.

Loans to employees are interest free loans provided for the period from 1 to 15 years. These loans were discounted as at the issue date using market interest rates of 12.2% per annum to 19.1% (2019: from 12.2 to 19.1% per annum). Repayment of long-term loans to employees is made through withholding of amounts due from employees' salaries. Loans are secured by employees' real estate properties.

As at 31 March 2020, the long-term receivables represented by special agreements with customers for the purchase of contract phones for KZT 1,448,812 thousand (as at 31 December 2019: KZT 1,118,077 thousand).

11. TRADE RECEIVABLES

As at 31 March 2020 and 31 December 2019, trade receivables comprised:

<i>In thousands of tenge</i>	31 March 2020 (unaudited)	31 December 2019 (audited)
Trade receivables	42,696,584	42,206,665
	42,696,584	42,206,665
Less: allowance for expected credit losses	(5,951,169)	(4,950,893)
	36,745,415	37,255,772

Movements in the allowance for expected credit losses were as follows for the three months ended 31 March:

<i>In thousands of tenge</i>	31 March 2020 (unaudited)	31 March 2019 (unaudited)
Allowance for expected credit losses at the beginning of the period	(4,950,893)	(3,175,108)
Charge for the period (Note 29)	(1,079,173)	(835,479)
Write-off for the period	72,864	67,478
Assets held for sale	6,033	–
Allowance for expected credit losses at the end of the period	(5,951,169)	(3,943,109)

The accounting policies and notes on pages 8 to 35 are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**12. OTHER CURRENT FINANCIAL ASSETS**

As at 31 March 2020 and 31 December 2019 other current financial assets comprised:

<i>In thousands of tenge</i>	31 March 2020 (unaudited)	31 December 2019 (audited)
Bank deposits	3,399,500	3,399,500
Loans to employees	1,820,040	1,879,405
Restricted cash	923,060	929,499
Due from employees	226,235	283,688
Other accounts receivable	2,972,268	3,555,821
	9,341,103	10,047,913
Less: allowance for expected credit losses	(4,879,751)	(4,820,587)
	4,461,352	5,227,326

As at 31 March 2020, the Group does not have bank deposits with initial maturity of more than 3 (three) months but less than 12 (twelve) months, except deposit placed in Eximbank Kazakhstan JSC (2019: does not have bank deposits).

As at 31 December 2019, the allowance for expected credit losses includes a provision in the amount of KZT 3,399,500 thousand accrued on a deposit placed in Eximbank Kazakhstan JSC due to the liquidation of the bank.

Cash restricted in use represents cash on the accounts with KazInvestBank JSC and Eximbank Kazakhstan JSC for KZT 423,606 thousand and KZT 499,454 thousand, respectively, which are assessed as unlikely to be recovered due to the revocation of its banking license. In 2019 allowance for expected credit loss was recorded for the whole amount of this cash.

Changes in allowance for expected credit losses were as follows for the three months ended 31 March::

<i>In thousands of tenge</i>	31 March 2020 (unaudited)	31 March 2019 (unaudited)
Allowance for expected credit losses at the beginning of the period	(4,820,587)	(4,220,670)
Charge for the period (<i>Note 29</i>)	(59,164)	(18,678)
Write-off for the period	-	1,255
Allowance for expected credit losses at the end of the period	(4,879,751)	(4,238,093)

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 March 2020 financial assets at fair value through other comprehensive income in the amount of 5,803,813 thousand tenge (31 December 2019: 4,964,633 thousand tenge) were represented by investments in US treasury bills acquired in August 2019. The Group recognized the financial assets at fair value through other comprehensive income 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 and selling financial assets. Nominal amount is 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 0.09%. Fair value of debt instrument is determined by reference to published price quotations in an active market (Level 1).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**14. CASH AND CASH EQUIVALENTS**

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

<i>In thousands of tenge</i>	31 March 2020 (unaudited)	31 December 2019 (audited)
Cash on current bank accounts	74,473,470	67,674,762
Deposits with less than 90 days' maturity from the date of opening	9,312,740	3,631,562
Cash on hand	48,511	34,830
	83,834,611	71,341,154
Less: allowance for expected credit losses	(5,309)	(19,332)
Total cash and cash equivalents	83,829,302	71,321,822

Cash on current bank accounts earn interest at the rates ranging from 0.2% to 8.0% per annum (2019: from 0.2% to 8.0% per annum).

As at 31 March 2020, short-term deposits for KZT 9,312,740 thousand were placed for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and earned interest at the rates ranging from 7% to 10.5% per annum (as at 31 December 2019: KZT 3,631,562 thousand).

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 March 2020 and 31 December 2019:

<i>In thousands of tenge</i>	31 March 2020 (unaudited)	31 December 2019 (audited)
Cash on current bank accounts	74,473,470	67,674,762
Deposits with less than 90 days' maturity from the date of opening	9,312,740	3,631,562
Cash on current bank accounts attributable to disposed group (Note 26)	172,259	315,556
Cash on hand	48,511	34,830
	84,006,870	71,656,710
Less: allowance for expected credit losses	(5,309)	(19,332)
Total cash and cash equivalents	84,001,561	71,637,378

As at 31 March 2020 and 31 December 2019 cash and cash equivalents were denominated in the following currencies:

<i>In thousands of tenge</i>	31 March 2020 (unaudited)	31 December 2019 (audited)
US dollars	66,783,934	43,199,243
Tenge	16,576,722	27,356,685
Euro	327,139	652,984
Russian roubles	128,859	107,521
Other	12,648	5,389
	83,829,302	71,321,822

Movements in the allowance for expected credit losses were as follows for the periods ended 31 March:

<i>In thousands of tenge</i>	31 March 2020 (unaudited)	31 March 2019 (unaudited)
Allowance for expected credit losses at the beginning of the year	(19,332)	(506,765)
Write-off/(charge) for the period (Note 29)	14,023	(6,718)
Allowance for expected credit losses at the end of the period	(5,309)	(513,483)

The accounting policies and notes on pages 8 to 35 are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**15. EQUITY****Authorised and issued shares**

	Number of shares		In thousands of tenge		Total issued shares
	Common shares	Preferred non-voting shares	Common shares	Preferred non-voting shares	
At 31 December 2018	10,922,876	1,213,653	10,922,876	1,213,653	12,136,529
At 31 December 2019	10,922,876	1,213,653	10,922,876	1,213,653	12,136,529
At 31 March 2020	10,922,876	1,213,653	10,922,876	1,213,653	12,136,529

Treasury shares

	Number of shares		In thousands of tenge		Total
	Common shares	Preferred non-voting shares	Common shares	Preferred non-voting shares	
At 31 December 2018 (audited)					
Treasury shares reacquired	215,553	893,097	2,966,250	3,498,124	6,464,374
Sale of treasury shares	1,299	21,771	86,367	514,873	601,240
	-	-	-	-	-
At 31 December 2019 (audited)					
Treasury shares reacquired	216,852	914,868	3,052,617	4,012,997	7,065,614
Sale of treasury shares	-	-	-	-	-
	-	-	-	-	-
At 31 March 2020 (unaudited)	216,852	914,868	3,052,617	4,012,997	7,065,614

Shares issued less reacquired shares

As at 31 March 2020, number of common and preferred shares issued net of reacquired shares was 10,706,024 and 298,785 shares, respectively (31 December 2019: 10,706,024 and 298,785 shares, respectively).

In the period from 13 December 2018 to 8 January 2019, the Group received applications from non-controlling shareholders demanding the Group to repurchase their shares in connection with their disagreement with the decision of the Board of Directors of the Group, adopted on 12 December 2018, to conclude a major transaction on acquisition of 75% of shares of Kcell JSC. In total, 34,911 common and 21,962 preference shares were presented for repurchase (taking into account the withdrawal of a number of applications). In April, May and July 2019, the Group repurchased 21,771 preferred shares and 1,299 common shares at a price of KZT 26,377 per preferred shares and of KZT 66,487 per common shares for the amount of KZT 660,616 thousand from non-controlling shareholders.

Preferred shares

Holders of preferred shares are entitled to receive annual cumulative dividends of 300 tenge per share, and not less than the amount of the dividends per share paid to holders of common shares. Payment of preferred shares dividends does not require a resolution of Kazakhtelecom JSC shareholders meeting. The discounted value of future cash flows of annual cumulative dividends is recorded as a financial liability as at 31 March 2020 in the amount of KZT 814,868 thousand (31 December 2019: KZT 814,868 thousand). This liability has been included in non-current liabilities as a debt component of preferred shares.

Dividends

The preferred shares earn a non-discretionary dividend of 300 tenge per share in accordance with the Company's charter documents. Preferred shares are considered to be compound financial instruments, and accordingly the liability and equity components are presented separately in the interim condensed consolidated statement of financial position. Dividends in the amount of KZT 22,409 thousand were accrued as at 31 March 2020 (at 31 March 2019: KZT 24,042 thousand) and are recorded as interest expenses in the interim condensed consolidated statement of comprehensive income (*Note 24*).

The accounting policies and notes on pages 8 to 35 are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**15. EQUITY (continued)**

Movements in dividends payable for the periods ended 31 March were as follow:

<i>In thousands of tenge</i>	31 March 2020 (unaudited)	31 March 2019 (unaudited)
Dividends payable at the beginning of the year	1,598,354	2,033,495
Dividends declared on common shares	–	–
Dividends declared on preferred shares in excess of the obligatory amount	–	–
Interest on debt component of preferred shares (<i>Note 24</i>)	22,409	24,042
Withholding tax	–	–
Dividends paid on common and preferred shares	(1,580,782)	(2,678)
Dividends payable at the end of the period (<i>Note 18</i>)	39,981	2,054,859

Other reserves

According to the Company's Charter, the Company created a reserve capital equal to 15% of the authorized share capital. This reserve capital was created through appropriation of the retained earnings. There were no movements in the reserve capital at 31 March 2020 and at 31 December 2019.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of the subsidiaries, whose functional currency is not tenge and whose financial statements are included in these interim condensed consolidated financial statements in accordance with the accounting policy disclosed in *Note 2*.

Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to common equity holders of the Parent (after adjusting for the after-tax amount of dividends on preferred shares) by the weighted average number of common and preferred shares outstanding during the year.

Diluted earnings per share are equal to basic earnings per share, as the Group does not have any dilutive potential common shares.

The following tables reflects profit and share data used in the basic and diluted earnings per share computations:

<i>In thousands of tenge</i>	31 March 2020 (unaudited)	31 March 2019 (unaudited)
Net profit	20,547,337	9,137,313
Interest on preferred shares (<i>Note 24</i>)	22,409	24,042
Net profit for calculating of basic and diluted earnings per share	20,569,746	9,161,355
Weighted average number of common and preferred shares for calculation of basic earnings per share	11,010,577	11,027,879
Basic earnings per share, tenge	1,868.18	830.75
Weighted average number of common and preferred shares for calculation of diluted earnings per share	11,010,577	11,056,731
Diluted earnings per share, tenge	1,868.18	828.58

The accounting policies and notes on pages 8 to 35 are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**15. EQUITY (continued)****Additional information disclosed in accordance with Kazakhstan Stock Exchange (KASE) requirements**

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

Below is the cost of one ordinary share, calculated in accordance with the requirements of the KASE:

<i>In thousands of tenge</i>	31 March 2020 (unaudited)	31 December 2019 (audited)
Total assets	1,071,800,964	1,079,050,050
Less: intangible assets, including goodwill	376,154,601	382,025,167
Less: total liabilities	587,390,215	616,184,122
Less: preferred shares issued net of reacquired shares	298,785	298,785
Net assets for calculation of cost of ordinary share in accordance with listing requirements of KASE	107,957,363	80,541,976
Number of ordinary shares	10,706,024	10,706,024
Cost of ordinary share, calculated in accordance with listing requirements of KASE (in tenge)	10,084	7,523

Another requirement for disclosure is the amount of the dividends payable to owners of preferred non-voting shares, preferred non-voting shares in the equity and debt component of preferred non-voting shares, divided by number of preferred non-voting shares. At the same time, according to the methodology of KASE, the dividend payable on preferred shares, which are not paid due to the lack of up-to-date information about the shareholders, their payment details, are not taken into account. As at 31 March 2020, this indicator amounted to 3,727 tenge (as at 31 December 2019: 3,727 tenge).

16. BORROWINGS

As at 31 March 2020 and 31 December 2019, borrowings comprised:

<i>In thousands of tenge</i>	Weighted average interest rate	31 March 2020 (unaudited)	Weighted average interest rate	31 December 2019 (audited)
Bonds with a fixed interest rate of 7.78% to 12.18% per annum	12.14%	205,658,931	12.14%	206,857,207
Borrowings with a fixed interest rate of 7.25% to 13.06% per annum	11.07%	161,981,970	11.18%	160,758,517
		367,640,901		367,615,724

On 6 November and 12 December 2018, the Group made a listing of coupon bonds on the stock exchange of the International Financial Center Astana (AIX) for amount of KZT 100,000,000 thousand at an effective interest rate of 12.18% and maturity in November 2024. The nominal value of one bond is one thousand tenge. Bonds on these issues were purchased by the Parent company.

In accordance with the terms of the bonds sale agreements concluded with the Parent, the Group is obliged to provide collateral represented by shares of Kcell JSC sufficient to cover the total amount of the agreements before 31 December 2019 or the primary/secondary public offering of shares of Kazakhtelecom JSC on the stock market, depending on what comes last.

The Board of Directors of Kazakhtelecom JSC resolved to pledge shares of Kcell JSC as collateral for these coupon bonds within the time limit specified above. On 31 March 2020, shares were not pledged.

On 21 February 2019, the Group undertook a bond placement at the Kazakhstan Stock Exchange, in which bonds to the value of KZT 17,024,648 thousand were placed with an effective interest rate of 11.84% and on 16 January 2018 a bond placement with the value of KZT 4,950,000 thousand. This was the first placement in the 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 22 May 2019, the Group and Halyk Bank JSC entered into credit facility agreement with the credit line limit in the amount of KZT 90,000,000 thousand and effective interest rate equal to 12.2%. The maturity of the loan is 21 May 2027.

The accounting policies and notes on pages 8 to 35 are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**16. BORROWINGS (continued)**

On 19 June 2019, the Group placed bonds on the Kazakhstan Stock Exchange JSC for amount of KZT 80,000,000 thousand at an effective interest rate of 12.18% and maturity in June 2026. The nominal value of one bond is one thousand tenge.

On 18 October 2019, the Group and Development bank of Kazakhstan JSC entered into credit facility agreement with the credit line limit in the amount of KZT 26,666,667 thousand. The loan is secured by property – the right to claim future cash proceeds under a public-private partnership agreement on the project “Broadband Access to Rural Communities of the Republic of Kazakhstan by the Technology of Fiber Optic Communication Lines”.

Borrowings are repayable as follows:

<i>In thousands of tenge</i>	31 March 2020 (unaudited)	31 December 2019 (audited)
Current portion of borrowings	44,277,384	28,477,663
Maturity between 1 and 2 years	17,385,856	38,648,363
Maturity between 2 and 5 years	200,961,503	196,418,649
Maturity over 5 years	105,016,158	104,071,049
Total non-current portion of borrowings	323,363,517	339,138,061
Total borrowings	367,640,901	367,615,724

As at 31 March 2020 and 31 December 2019, debt securities issued and loans represented by the following:

Bonds	Maturity date	Currency	Effective interest rate	31 March 2020 (unaudited)	31 December 2019 (audited)
Local bonds of Kazakhtelecom JSC (KTCB.1024 and KTCB2.1024)	1 November 2024	Tenge	12.18%	100,958,333	103,833,333
Local bonds of Kazakhtelecom JSC (KZTKb3)	19 June 2026	Tenge	12.18%	82,494,003	80,189,473
Local bonds of Kcell JSC (KCELB1)	16 January 2021	Tenge	11.84%	22,206,595	22,828,111
Local bonds of Kazakhtelecom JSC (KZTKb3)	10 January 2020	Tenge	7.78%	-	6,290
				205,658,931	206,857,207

Borrowings	Maturity date	Currency	Effective interest rate	31 March 2020 (unaudited)	31 December 2019 (audited)
Halyk Bank of Kazakhstan JSC	21 May 2027	Tenge	12.20%	76,497,998	79,135,027
Eurasian Development Bank JSC	20 May 2024	Tenge	13.06%	28,987,464	28,956,330
Development Bank of Kazakhstan JSC	19 December 2024	Tenge	7.25%-9.41%	27,816,095	29,226,311
Development Bank of Kazakhstan JSC	30 June 2032	Tenge	8.10%	19,102,392	13,293,317
Bank of China Kazakhstan JSC	20 August 2022	Tenge	10.07%	9,578,021	5,059,792
VTB Bank JSC	1 February 2020	Tenge	11.90%	-	5,087,740
Total				161,981,970	160,758,517

As at 31 March 2020, the Parent is a guarantor of the two out of three credit facilities received by the Group from Development Bank of Kazakhstan JSC in the amount of KZT 20,295,926 thousand (as at 31 December 2019: KZT 20,902,442 thousand).

As at 31 March 2020 and at 31 December 2019, the Group's borrowings are not collateralized by any property other than the above-mentioned guarantee.

Covenants

The Group is required to ensure execution of the financial and non-financial covenants under the terms of the loan agreements. Failure to comply with financial covenants gives the lenders the right to demand early repayment of loans. As at 31 March 2020 and 31 December 2019, the Group complied with all financial and non-financial covenants.

The accounting policies and notes on pages 8 to 35 are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

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>	Buildings and construction	Equipment	Other	Total
Cost				
At 1 January 2019	3,988,249	89,242,086	–	93,230,335
Additions	3,961,878	23,224,432	–	27,186,310
At 31 March 2019	7,950,127	112,466,518	–	120,416,645
At 1 January 2020	12,056,300	113,145,614	22,844,250	148,046,164
Additions	121,819	10,948	1,083,710	1,216,477
At 31 March 2020	12,178,119	113,156,562	23,927,960	149,262,641
Accumulated depreciation				
At 1 January 2019	–	(45,370,778)	–	(45,370,778)
Depreciation charge	(717,332)	(3,896,439)	–	(4,613,771)
At 31 March 2019	(717,332)	(49,267,217)	–	(49,984,549)
At 1 January 2020	(2,189,378)	(54,354,203)	(1,832,535)	(58,376,116)
Depreciation charge	(435,161)	(1,796,679)	(958,270)	(3,190,110)
At 31 March 2020	(2,624,539)	(56,150,882)	(2,790,805)	(61,566,226)
Net book value				
At 31 December 2019	9,866,922	58,791,411	21,011,715	89,670,048
At 31 March 2020	9,553,580	57,005,680	21,137,155	87,696,415

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

<i>In thousands of tenge</i>	31 March 2020 (unaudited)	31 March 2019 (unaudited)
At the beginning of the year	70,527,520	53,201,569
New agreements	826,206	573,588
Interest expenses	2,215,032	1,628,555
Payments	(5,496,209)	(4,180,696)
Modifications	289,430	–
At the end of the period	68,361,980	51,223,016

18. OTHER NON-CURRENT AND CURRENT FINANCIAL LIABILITIES**Other non-current financial liabilities**

As at 31 March 2020 and 31 December 2019 other non-current financial liabilities comprised:

<i>In thousands of tenge</i>	31 March 2020 (unaudited)	31 December 2019 (audited)
Non-current accounts payable	1,220	1,318
	1,220	1,318

The accounting policies and notes on pages 8 to 35 are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**18. OTHER NON-CURRENT AND CURRENT FINANCIAL LIABILITIES (continued)****Other current financial liabilities**

As at 31 March 2020 and 31 December 2019 other current financial liabilities comprised:

<i>In thousands of tenge</i>	31 March 2020 (unaudited)	31 December 2019 (audited)
Payable to employees	10,405,564	16,111,648
Dividends payable (Note 15)	39,981	1,598,354
Other	1,522,416	2,441,911
	11,967,961	20,151,913

As at 31 March 2020 and 31 December 2019, other current financial liabilities was not interest bearing and the balances were mainly denominated in tenge.

19. NON-CURRENT AND CURRENT CONTRACT LIABILITIES**Non-current contract liabilities**

As at 31 March 2020 and 31 December 2019 non-current contract liabilities comprised:

<i>In thousands of tenge</i>	31 March 2020 (unaudited)	31 December 2019 (audited)
Contract liabilities from operators	4,071,777	4,292,035
Contract liabilities for connection of subscribers	849,055	889,219
Other contract liabilities	1,621,402	1,697,055
	6,542,234	6,878,309

Current contract liabilities

As at 31 March 2020 and 31 December 2019 current contract liabilities comprised:

<i>In thousands of tenge</i>	31 March 2020 (unaudited)	31 December 2019 (audited)
Advances received	17,383,204	17,052,535
Contract liabilities from operators	1,338,555	1,338,555
Contract liabilities for connection of subscribers	397,504	409,310
Other contract liabilities	82,669	74,662
Other	231,314	96,872
	19,433,246	18,971,934

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

20. OTHER CURRENT NON-FINANCIAL LIABILITIES**Other current non-financial liabilities**

As at 31 March 2020 and 31 December 2019 other current liabilities comprised:

<i>In thousands of tenge</i>	31 March 2020 (unaudited)	31 December 2019 (audited)
Taxes payable other than income tax	6,980,552	2,042,840
Payable to pension funds	1,116,799	558,931
Asset retirement obligations	137,738	345,500
Other	471,146	300,713
	8,706,235	3,247,984

The accounting policies and notes on pages 8 to 35 are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**21. REVENUE FROM CONTRACTS WITH CUSTOMERS**

Revenue from contracts with customers for the three months ended 31 March comprised:

<i>In thousands of tenge</i>	For the three months ended 31 March 2020			
	Fixed line	Mobile connection	Other	Total
Data transfer services	26,405,104	18,122,632	3,588	44,531,324
Rendering of fixed line and wireless phone services	9,767,232	44,568,711	–	54,335,943
Interconnect	3,829,748	2,442,570	–	6,272,318
Rent of channels	762,079	–	–	762,079
Sale of equipment and mobile devices	758	5,441,384	–	5,442,142
Other	8,956,223	1,458,436	83,883	10,498,542
	49,721,144	72,033,733	87,471	121,842,348
B2C*	26,983,248	59,823,048	–	86,806,296
B2B**	9,061,493	6,080,896	87,471	15,229,860
B2O***	4,373,133	6,060,636	–	10,433,769
B2G****	9,303,270	69,153	–	9,372,423
	49,721,144	72,033,733	87,471	121,842,348

<i>In thousands of tenge</i>	For the three months ended 31 March 2019			
	Fixed line	Mobile connection	Other	Total
Data transfer services	27,777,748	13,352,304	4,306	41,134,358
Rendering of fixed line and wireless phone services	10,467,017	12,641,644	–	23,108,661
Rent of channels	3,953,787	–	–	3,953,787
Interconnect	3,842,249	5,011,270	–	8,853,519
Sale of equipment and mobile devices	–	3,526,152	–	3,526,152
Other	7,466,485	379,999	103,003	7,949,487
	53,507,286	34,911,369	107,309	88,525,964
B2C*	26,456,072	25,663,198	–	52,119,270
B2B**	5,868,623	4,236,868	107,309	10,212,800
B2O***	12,007,167	5,011,269	–	17,018,436
B2G****	9,175,424	34	–	9,175,458
	53,507,286	34,911,369	107,309	88,525,964

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

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

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

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

22. COMPENSATION FOR PROVISION OF UNIVERSAL SERVICES IN RURAL AREAS

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

At the reporting date, the Group lacked reasonable assurance that it will be designated as the universal communications services operator and that it will meet all the conditions related to compensation and its receipt. Accordingly, the Group has not recognised compensation revenue for provision of universal services in rural areas for the three months ended 31 March 2020 and 2019.

The accounting policies and notes on pages 8 to 35 are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**23. COST OF SALES**

Cost of sales for the three months ended 31 March comprised:

<i>In thousands of tenge</i>	31 March 2020 (unaudited)	31 March 2019 (unaudited)
Depreciation and amortization	25,498,548	19,865,070
Personnel costs	18,594,397	16,690,499
Interconnect	8,458,864	6,869,329
Cost of SIM-card, scratch card and handsets	5,127,893	2,916,597
Repair and maintenance	4,419,589	3,186,473
Fees for radiofrequencies use	3,595,373	1,670,356
Fee for usage of channels	2,443,432	3,862,422
Electricity	2,291,361	1,748,051
Fee to provide telecom services	1,785,885	780,642
Content	1,082,097	1,229,590
Inventories	847,235	1,157,360
Utilities	731,529	499,437
Security and safety	670,131	583,028
Rental of property and equipment	444,901	275,816
Business trip expenses	258,018	188,466
Rent of transponders related to satellite communications	221,028	199,567
Insurance	146,746	153,631
Fees for usage of GSM radiofrequencies of Mobile Telecom Services LLP	-	1,330,569
Fees for usage of billing system of Mobile Telecom Services LLP	-	55,440
Other	1,747,794	1,518,804
	78,364,821	64,781,147

24. FINANCE COSTS

Finance costs for the three months period ended 31 March comprised:

<i>In thousands of tenge</i>	31 March 2020 (unaudited)	31 March 2019 (unaudited)
Finance costs		
Interest expense on loans	9,962,210	5,339,392
Interest expense on lease liabilities (<i>Note 17</i>)	2,215,032	1,628,555
Discounting of long-term loans to employees	309,301	290,231
Unwinding of discount (provision for asset retirement obligations)	148,696	11,966
Discounting of other non-current financial assets	41,112	21,669
Unwinding of discount on long-term accounts payable	31,134	403,816
Interest on debt component of preferred shares (<i>Note 15</i>)	22,409	24,042
Other costs	19,894	-
	12,749,788	7,719,671

25. INCOME TAX EXPENSES

Income tax expense for the three months period ended 31 March comprised the following:

<i>In thousands of tenge</i>	31 March 2020 (unaudited)	31 March 2019 (unaudited)
Current corporate income tax expenses	8,459,418	3,137,943
Deferred income tax benefit	(934,199)	(151,504)
	7,525,219	2,986,439

The accounting policies and notes on pages 8 to 35 are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**26. DISPOSAL GROUP****KT Cloud Lab LLP**

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

On 13 November 2019, the results of the tender for realization of 100% share in the charter capital of KT Cloud Lab LLP were announced with the selling price of KZT 1,435,000 thousand. The tender winner was Soft Art LLP. In accordance with the tender terms, the conclusion of sale and purchase agreement can only be made after the approval of Samruk-Kazyna, the Parent of the Group. The Group assesses the approval as highly probable and expects to receive it from Samruk-Kazyna in April 2020.

The sale of KT Cloud Lab LLP is expected to be completed within a year from the reporting date. At 31 March 2020, KT Cloud Lab LLP was classified as a disposal group held for sale.

The major classes of assets and liabilities of KT Cloud Lab LLP classified as held for sale as at 31 March are, as follows:

<i>In thousands of tenge</i>	31 March 2020
Assets	
Property and equipment	683,840
Intangible assets	483,934
Other non-current financial assets	80,777
Inventories	7,346
Trade receivables	240,210
Other current non-financial assets	37,946
Other current financial assets	145,083
Advanced paid	4,371
Cash and cash equivalents	172,259
Assets held for sale	1,855,766
Liabilities	
Deferred tax liabilities	17,450
Trade payables	124,003
Other current financial liabilities	157,446
Contract liabilities	2,806
Other current non-financial liabilities	119,061
Liabilities directly associated with assets held for sale	420,766
Net assets directly associated with disposal group	1,435,000

27. NON-CASH TRANSACTIONS

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

During the three months period ended 31 March 2020, the Group paid an amount of KZT 23,766,948 thousand (unaudited) for property and equipment purchased in prior year ((during the three months period ended 31 March 2019: KZT 17,220,080 thousand (unaudited)). Property and equipment in the amount of KZT 10,064,356 thousand (unaudited) were purchased during the three months period ended 31 March 2020 but not paid by 31 March 2020 (purchased, but not paid by 31 March 2019: KZT 4,899,052 thousand (unaudited)).

During the three months period ended 31 March 2020, in accordance with the lease agreements, the Group did not received telecommunication equipment (during the three months period ended 31 March 2019: KZT 573,588 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**28. RELATED PARTY TRANSACTIONS**

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

Related party transactions (including transactions with Khan Tengri Holdings B.V. and its subsidiary Mobile Telecom Service LLP before 28 June 2019) were made on terms, agreed to between the parties, which do not necessarily represent market terms and maybe not accessible to third parties. Outstanding balances at the end of the year are not secured, are short-term, and settlements are made in cash, except as described below.

At 31 March 2020, the Group recognized a provision for expected credit loss in the amount of KZT 173,995 thousand in respect of receivables from related parties.

Sales and purchases with related parties during the periods of three months period ended 31 March 2020 and 31 March 2019 and the balances with related parties at 31 March 2020 and 31 December 2019 were as follows:

<i>In thousands of tenge</i>	31 March 2020 (unaudited)	31 March 2019 (unaudited)
Sales of goods and services		
Parent	13,563	24,448
Parent-controlled entities	600,298	578,178
Associate (Khan Tengri Holding B.V.)	–	8,604,399
Associate (Qaz Cloud LLP)	180,646	164,706
Government-related entities	9,376,510	9,175,423
Purchases of goods and services		
Parent	(18)	667
Parent-controlled entities	530,154	748,741
Associate (Khan Tengri Holding B.V.)	–	4,886,067
Associate (Qaz Cloud LLP)	174,452	55,389
Government-related entities	42,391	2,287
Interest accrued on borrowings		
Entities under state control (Development Bank of Kazakhstan JSC)	828,170	469,277
<i>Average interest rate on borrowings</i>	8.21%	8.00%
Parent	2,875,000	2,875,000
<i>Average interest rate on borrowings</i>	12.18%	11.50%

The accounting policies and notes on pages 8 to 35 are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**28. RELATED PARTY TRANSACTIONS (continued)**

<i>In thousands of tenge</i>	31 March 2020 (unaudited)	31 December 2019 (audited)
Cash and cash equivalents		
Entities under state control (Development Bank of Kazakhstan JSC)	83	64
Borrowings		
Entities under state control (Development Bank of Kazakhstan JSC)	46,918,487	42,519,628
Parent	100,958,333	103,833,333
Trade and other accounts receivable		
Parent	12,210	17,425
Parent-controlled entities	621,074	678,645
Associate (Qaz Cloud LLP)	200,163	98,055
Government-related entities	6,022,054	7,030,150
Accounts payable		
Parent	73	73
Parent-controlled entities	179,382	352,044
Associate (Qaz Cloud LLP)	61,199	75,991
Government-related entities	590,150	991,114
Other non-current assets		
Long-term loans to key management personnel	26,992	28,707

During the three months period ended 31 March 2020 and 2019, the Group provided communication services for the entities controlled by the Parent, and purchased goods and services to support operating activities related to provision of telecommunication services from such entities.

Sales and purchases with MTS during the the three months ended 31 March 2020 and 2019 were as follows:

<i>In thousands of tenge</i>	31 March 2020 (unaudited)	31 March 2019 (unaudited)
Sales		
Data transmission [A]	–	3,738,451
Interconnect [B]	–	2,758,256
Rent of channels [C]	–	1,386,009
Base cell stations maintenance [D]	–	174,012
Rent of sites for base stations	–	145,298
Other	–	402,373
	–	8,604,399
Purchases		
Interconnect [E]	–	2,154,334
Fee for usage of GSM radiofrequencies [F]	–	1,330,569
Mobile traffic at wholesale tariffs [G]	–	1,208,109
Fee for usage of billing system [H]	–	55,440
Other	–	137,615
	–	4,886,067

[A] Data transmission represented revenue from provision of fixed and wireless communication channels, and access to the internet. It is calculated on the basis of provided communication channels capacity (Mb/s), as well as the number of communication channels provided.

The accounting policies and notes on pages 8 to 35 are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. RELATED PARTY TRANSACTIONS (continued)

- [B] Revenue from interconnect is calculated based on the actual volumes of minutes of the connection.
- [C] Rent of channels represents revenue from the provision to the temporary use of channels with the specified technical characteristics, organized based on LTE base cell stations (i.e. 4G license radiofrequencies). It is calculated based on the actual number of rented channels. In February 2016, the Group concluded an agreement with MTS for renting out 4G license radiofrequencies. Rental fees are payable on a monthly basis. Simultaneously upon concluding the agreement for renting out 4G license radiofrequencies the Group and MTS agreed to increase fees for use of GSM radiofrequencies and fee for usage of the billing system payable by the Group as described below. For the three months ended 31 March 2020 revenue from rent of channels amounted to nil KZT (for the three months ended 31 March 2019: KZT 1,386,009 thousand).
- [D] Revenue from base cell stations maintenance represents revenue from the provision of various services to ensure the stable and uninterrupted operation of radio access networks, and is calculated based on the actual number of base stations served.
- [E] Expenses on interconnect are calculated based on the actual volume of minutes of the connections.
- [F] Fee for usage of GSM radiofrequencies is fixed monthly payment for the usage of the GSM radiofrequencies owned by MTS. For the three months ended 31 March 2020 fee for usage of GSM radiofrequencies amounted to nil KZT (for the three months ended 31 March 2019: KZT 1,330,569 thousand).
- [G] Cost of mobile traffic at wholesale tariffs is the actual traffic used by Kazakhtelecom JSC customers in the mobile operator's network and is calculated based on the actual number of outgoing minutes, short messages (SMS), and megabytes of mobile traffic.
- [H] Fee for usage of billing system is fixed monthly payment for the usage of the MTS billing system. For the three months ended 31 March 2020 fee for usage of billing system amounted to nil KZT (for the three months ended 31 March 2019: KZT 55,440 thousand).

The provision of these service is governed by different agreements that are not related to each other. Under each such agreement, the Group is either receiving or providing a certain type of services, for which the Group receives or pays a fee, which may differ from the terms under agreements with third parties. The difference from the terms under agreements with third parties could be explained by volume discounts and other special conditions between the Group and its associate. Volumes of services purchased from / sold to MTS exceed the volume of similar transactions with third party operators.

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

Impairment losses on financial assets for the three months ended 31 March 2020, comprise accruing reserve for trade receivables in amount of KZT 1,079,173 thousand (*Note 11*), other current financial assets in amount of KZT 59,164 thousand (*Note 12*), cash and cash equivalents in amount of KZT (14,023) thousand (*Note 14*) (for the three months ended 31 March 2019: trade receivables in amount of KZT 835,479 thousand, other current financial assets in amount of KZT 18,678 thousand, cash and cash equivalents in amount of KZT 6,718 thousand).

The Group's principal financial instruments include loans, lease obligations, cash and cash equivalents, bank deposits and accounts receivable and accounts payable. The main risks associated with the Group's financial instruments include interest rate risk, currency and credit risk. In addition, the Group monitors market risk and liquidity risk associated with all financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (continued)****Fair value**

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

<i>In thousands of tenge</i>	Carrying amount as at 31 March 2020 (unaudited)	Fair value as at 31 March 2020 (unaudited)	Unrecog- nised gain/ (loss) as at 31 March 2020 (unaudited)	Carrying amount as at 31 December 2019 (audited)	Fair value as at 31 December 2019 (audited)	Unrecognised gain/(loss) as at 31 December 2019 (audited)
Financial assets						
Cash and cash equivalents	83,829,302	83,829,302	–	71,321,822	71,321,822	–
Other non-current financial assets	4,266,005	4,266,005	–	4,170,159	4,198,588	28,429
Other current financial assets	4,461,352	4,461,352	–	5,227,326	5,227,326	–
Financial assets at fair value through other comprehensive income	5,803,813	5,803,813	–	4,964,633	4,964,633	–
Trade receivables	36,745,415	36,745,415	–	37,255,772	37,255,772	–
Financial liabilities						
Borrowings	367,640,901	345,575,721	22,065,180	367,615,724	367,110,944	504,780
Lease liabilities	68,361,980	68,361,980	–	70,527,520	70,527,520	–
Other non-current financial liabilities	1,220	1,220	–	1,318	1,318	–
Other current financial liabilities	11,967,961	11,967,961	–	20,151,913	20,151,913	–
Trade payables	32,784,931	32,784,931	–	59,397,839	59,397,839	–
Total unrecognised change in unrealised fair value			22,065,180			533,209

30. COMMITMENTS AND CONTINGENCIES**Operating environment**

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

Coronavirus pandemic and market conditions

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 30 April 2020, including quarantine in major cities, which had a significant impact on the level and scale of business activity. It is expected that both the pandemic itself and measures to minimize its consequences can affect the activities of companies from various industries.

The Group evaluated that those events may have negative impact on revenue from sales of handsets, however it would be compensated by increased demand for voice and data services that the Group already observed during three month period ended 31 March 2020. The Group monitored consumer behavior and credit worthiness of the subscribers and concluded that cash collections are not significantly affected since the Group provides mainly services on pre-paid basis. In addition, the Group analysed any possible impact of worldwide lockdown on importing goods and services, including telecommunication equipment and maintenance and technical support services for its software systems.

The accounting policies and notes on pages 8 to 35 are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

The Group believes that there were no impairment indicators of its long-term assets as at 31 March 2020. However, the Group evaluated that at the moment the quantitative effect of pandemic cannot be estimated with a sufficient degree of confidence due to the uncertainty as to the severity and duration of the pandemic. 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 telecommunication equipment. As at 31 March 2020, the Group had contractual obligations in the total amount of KZT 38,285,931 thousand, excluding VAT (31 December 2019: KZT 38,186,280 thousand, excluding VAT) mainly related to purchase of telecommunication equipment and construction of telecommunication network.

License commitments

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

Taxation

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

Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 31 March 2020. Management believes that as at 31 March 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.

In July 2017, the Kazakhstan tax authority completed its comprehensive tax audit for the period of 2012 – 3rd 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. COMMITMENTS AND CONTINGENCIES (continued)**Taxation (continued)**

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 2,839,574 thousand tenge.

Group recognized income from reversal of the tax and related fines and penalties provision in the total amount of 12,698 thousand tenge in the interim condensed consolidated statement of comprehensive income for the period ended 31 March 2020 due to expiration of the limitation period.

Tax risks assessment

In the beginning of 2020 the Group performed recalculation of the tax risk provisions recognized by the Group in previous years. Accordingly, the Group recognised reversal of provision on VAT and personal income tax in the amount of 256,782 thousand tenge and 210,827 thousand tenge, respectively. In addition, the Group recognized reserve on CIT expenses in the amount of 488,380 thousand tenge in the interim condensed consolidated statement of comprehensive income for three months ended 31 March 2020 (Note 25).

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.

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. The management of the Group believed that the appeal would be successful and assessed the probability of outflow of cash as possible.

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 has 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. The case was initiated and submitted to the judge for preliminary consideration of the motion for re-examination of the case. The cassation court hearing has not been appointed yet. The management of the Group believes that the Committee's claims against the Group are not supported and an outflow of economic resources related to the above matter is remote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. COMMITMENTS AND CONTINGENCIES (continued)**Cases related to the abuse of dominant position (continued)**

Tariffication of Kcell's mobile Internet services (continued)

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.

The management of the Group believes that the Committee's claims against the Group are not supported. As of 31 March 2020, the Group did not receive an act of the Committee on the investigation initiation and assessed the probability of the investigation and any outflow of economic resources related to the above matter as remote.

5G services

In accordance with the Order of Committee of competition protection of the Ministry of national economics, the Group has an obligation to start providing 5G services not later than 31 December 2022 (not later than 31 December 2021 if 5G standard is approved in 3rd Generation Partnership Project (3GPP) and International Telecommunications Union (ITU) before 31 December 2020).

31. 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 six 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.

32. SUBSEQUENT EVENTS

On 10 April 2020, the President of Kazakhstan extended the emergency situation period until 30 April 2020. The Group is analysing the possible impact of extension of emergency situation on the financial statements and considering alternatives to minimise negative impact on the operations of the Group.

On 10 April 2020, the Group received loan in the amount of KZT 5,678,100 thousand within a credit facility agreement of The Development Bank of Kazakhstan JSC interest rate of 7.22% per annum.

On 23 April 2020, the Group obtained loan in the amount of KZT 15,000,000 thousand within credit line agreement with Halyk Bank of Kazakhstan JSC with a maturity of 36 months and a fixed interest rate of 11.5% per annum.

On 30 April 2020 on the basis of the decision made at the annual shareholders general meeting of Kazakhtelecom JSC, the Company declared dividends on preferred shares based on 2019 results in the amount of KZT 142,852 thousand and dividends on common shares in the amount of KZT 8,330,464 thousand.