

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**For three months period ended 31 March 2022****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 2022:

	At 31 March 2022 (unaudited)	At 31 December 2021
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%
Corporate fund “Development fund”	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 and mobile communication markets, including local, long-distance intercity and international telecommunication services including CIS and non-CIS countries; leases out lines and provides data transfer services, sells mobile devices and provides other telecommunication services.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the three months period ended 31 March 2022 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 2021 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 when otherwise indicated.

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

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

Transactions in foreign currencies are initially recorded by the Group’s entities at their respective functional currency spot rates at the date when the transaction first qualifies for 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**2. BASIS OF PREPARATION (continued)****Foreign currency translation (continued)**

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Foreign exchange rates are presented in the following table:

	31 March 2022 (unaudited)	31 December 2021
US dollar	466.31	431.80
Euro	517.98	489.10
Russian rubles	5.70	5.76

The functional currency of foreign operation KT-IX LLC (Russian Federation) is Russian rubles. During consolidation the assets and liabilities of foreign operation are translated into tenge at the rate of exchange prevailing at the reporting date and its statement of comprehensive income is translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income.

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

	Country of incorporation	Percentage ownership	
		31 March 2022 (unaudited)	31 December 2021
Khan Tengri Holding B.V.	Netherlands	100.00%	100.00%
KT-IX LLC	Russia	100.00%	100.00%
VostokTelecom LLP	Kazakhstan	100.00%	100.00%
Digital Economy Development Center LLP	Kazakhstan	100.00%	100.00%
Nursat+ LLP	Kazakhstan	100.00%	100.00%
KT-Telecom JSC	Kazakhstan	100.00%	100.00%
Kcell JSC	Kazakhstan	51.00%	51.00%

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 2021, except for the adoption of new standards effective as at 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****New and amended standards and interpretations (continued)***Reference to the Conceptual Framework – Amendments to IFRS 3*

The amendments replace a reference to a previous version of the IASB's *Conceptual Framework* with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

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

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

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

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

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

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

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

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

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

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

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

IAS 41 Agriculture – Taxation in fair value measurements

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**4. 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 by business units of Kazakhtelecom JSC and Vostoktelecom LLP;
- Rendering mobile telecommunication services in GSM and LTE standards by business units of Khan Tengri Holding B.V. and Kcell JSC.

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.

The following tables disclose revenue and profit information for the Group's operating segments for the three months period ended 31 March 2022 and 2021.

For the three months ended 31 March 2022 (unaudited)

<i>In thousands of tenge</i>	Fixed line	Mobile tele- communi- cation services in GSM and LTE standards	Other	Elimina- tions and adjustments	Group
Revenue from contracts with customer					
Sales to external customers	53,899,727	87,587,673	257,724	–	141,745,124
Inter-segment	9,886,174	4,658,904	335,527	(14,880,605)	–
Total revenue from contracts with customers	63,785,901	92,246,577	593,251	(14,880,605)	141,745,124
Income from government grants	232,895	1,128,664	–	–	1,361,559
Total	64,018,796	93,375,241	593,251	(14,880,605)	143,106,683
Financial results					
Depreciation and amortisation	(9,912,186)	(20,406,248)	(8,635)	377,371	(29,949,698)
Finance costs	(5,787,146)	(5,127,732)	–	377,368	(10,537,510)
Finance income	2,248,894	1,312,374	6,571	(386,613)	3,183,386
Dividends income	5,039	–	–	(5,039)	–
Share in profits of associates	–	–	22,361	–	22,361
Gain from reversal of impairment on non-financial assets	8,062	155,382	–	–	163,444
Impairment losses on financial assets	(282,035)	(861,885)	168	5,493	(1,138,259)
Segment profit/(loss)	12,665,286	25,017,351	95,066	(40,211)	37,737,492

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**4. SEGMENT INFORMATION (continued)****For the three months ended 31 March 2021 (unaudited)**

<i>In thousands of tenge</i>	Fixed line	Mobile tele- communi- cation services in GSM and LTE standards	Other	Elimina- tions and adjustments	Group
Revenue from contracts with customer					
Sales to external customers	57,180,540	79,306,387	466,173	-	136,953,100
Inter-segment	9,492,440	4,079,468	87,123	(13,659,031)	-
Total revenue from contracts with customer	66,672,980	83,385,855	553,296	(13,659,031)	136,953,100
Financial results					
Depreciation and amortisation	(9,760,689)	(19,683,350)	(7,769)	371,262	(29,080,546)
Finance costs	(6,207,119)	(5,781,738)	-	411,868	(11,576,989)
Finance income	582,329	554,151	-	(389,027)	747,453
Dividends income	31,802	-	-	(31,802)	-
Share in profits of associates	-	-	343,622	-	343,622
Gain from reversal of impairment on non-financial assets	4,299	96,657	-	-	100,956
Impairment losses on financial assets	(164,858)	(334,033)	11,432	(3,383)	(490,842)
Segment profit/(loss)	12,742,151	19,454,153	244,058	(157,701)	32,282,661

The following table presents assets and liabilities information for the Group's operating segments as at 31 March 2022 and 31 December 2021, respectively:

<i>In thousands of tenge</i>	Fixed line	Mobile tele- communi- cation services in GSM and LTE standards	Other	Elimina- tions and adjustments	Group
Operating assets					
As at 31 March 2022 (unaudited)	790,240,449	739,393,636	5,359,978	(316,272,220)	1,218,721,843
As at 31 December 2021	794,655,256	749,504,167	5,467,577	(315,041,705)	1,234,585,295
Operating liabilities					
As at 31 March 2022 (unaudited)	297,955,355	267,028,818	1,270,146	(23,908,818)	542,345,501
As at 31 December 2021	315,082,967	296,628,298	1,438,901	(22,742,237)	590,407,929

Reconciliation of profit

<i>In thousands of tenge</i>	31 March 2022 (unaudited)	31 March 2021 (unaudited)
Segment profit	37,777,703	32,440,362
Other	(40,211)	(157,701)
Profit of the Group	37,737,492	32,282,661

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**4. SEGMENT INFORMATION (continued)****Reconciliation of assets**

<i>In thousands of tenge</i>	31 March 2022 (unaudited)	31 December 2021
Segment operating assets	1,534,994,063	1,549,627,000
Elimination of the Company's investments in subsidiaries	(291,256,203)	(291,256,203)
Elimination of intra-group receivables and payables	(25,016,017)	(23,785,502)
Total assets of the Group	1,218,721,843	1,234,585,295

Reconciliation of liabilities

<i>In thousands of tenge</i>	31 March 2022 (unaudited)	31 December 2021
Segment operating liabilities	566,254,319	613,150,166
Elimination of intra-group receivables and payables	(23,908,818)	(22,742,237)
Total liabilities of the Group	542,345,501	590,407,929

5. PROPERTY AND EQUIPMENT

During the three months period ended 31 March 2022, the Group acquired property and equipment for KZT 9,104,890 thousand (unaudited) (during the three months period ended 31 March 2021: KZT 12,204,328 thousand (unaudited)).

During the three months period ended 31 March 2022, the Group disposed property and equipment with net book value of KZT 32,510 thousand (unaudited) (during three months period ended 31 March 2021: KZT 251,434 thousand (unaudited)).

During the three months period ended 31 March 2022, the Group recognised increase in changes in estimates in assets retirement obligation for KZT 77,406 thousand (unaudited) (during the three months period ended 31 March 2021: decrease for KZT 20,135 thousand (unaudited)).

During the three months period ended 31 March 2022, the Group recognized depreciation expense amounting to KZT 19,455,687 thousand (unaudited) (during three months period ended 31 March 2021: KZT 18,892,907 thousand (unaudited)).

As at 31 March 2022 and 31 December 2021, 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 2022, the gross carrying value of property and equipment which has been fully depreciated and still in use was KZT 451,950,521 thousand (unaudited) (as at 31 December 2021: KZT 436,917,636 thousand).

As at 31 March 2022, advances paid for non-current assets in the amount of KZT 2,139,161 thousand (unaudited) mainly represented by advances paid for installation of base stations, construction and delivery of fixed assets (as at 31 December 2021: KZT 3,647,122 thousand). During the three months period ended 31 March 2022 the Group has recognized gain from reversal of impairment on its advances paid for non-current assets for KZT 155,382 thousand (unaudited) (during the three months period ended 31 March 2021: nil (unaudited)) (Note 29).

Impairment test

During the three months period ended 31 March 2022, the Group recognized gain from reversal of impairment in the amount of KZT 7,335 thousand (unaudited) (during the three months period ended 31 March 2021, gain from reversal of impairment: KZT 100,078 thousand (unaudited)) for property and equipment and for construction-in-progress (during the three months period ended 31 March 2021: KZT 37 thousand (unaudited)). Reversal of impairment was recognized in the interim condensed consolidated statement of comprehensive income.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**6. INTANGIBLE ASSETS**

During the three months period ended 31 March 2022, the Group acquired intangible assets in the amount of KZT 1,940,541 thousand (unaudited), (during three months period ended 31 March 2021: KZT 1,823,947 thousand (unaudited)).

During the three months period ended 31 March 2022, the Group recognized amortization expense in the amount of KZT 6,857,986 thousand (unaudited) (during the three months period ended 31 March 2021: KZT 6,951,896 thousand (unaudited)).

During the three months period ended 31 March 2022, the Group recognized gain from reversal of impairment in the amount of KZT 1,083 thousand (unaudited) (during the three months period ended 31 March 2021: nil). Gain from reversal of impairment was recognized in the interim condensed consolidated statement of comprehensive income.

As at 31 March 2022 the gross carrying value of intangible assets, which have been fully amortized and still in use was KZT 64,285,272 thousand (unaudited) (as at 31 December 2021: KZT 68,599,192 thousand).

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

7. INVESTMENTS IN ASSOCIATES

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

<i>In thousands of tenge</i>	Primary activities	Country of incorporation	31 March 2022 (unaudited)		31 December 2021	
			Carrying amount	Ownership share	Carrying amount	Ownership share
QazCloud LLP	IT services	Kazakhstan	3,482,481	49%	3,460,120	49%
			3,482,481		3,460,120	

Movements in investments in associates for the three months ended 31 March 2022 and 2021 are as follows:

<i>In thousands of tenge</i>	QazCloud LLP
At 1 January 2021	2,982,957
Share in profits of associates	343,622
At 31 March 2021 (unaudited)	3,326,579
At 1 January 2022	3,460,120
Share in profits of associates	22,361
At 31 March 2022 (unaudited)	3,482,481

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 QazCloud LLP.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**7. INVESTMENTS IN ASSOCIATES (continued)**

The table below provides a summarized financial information on the Group's investment in QazCloud LLP:

<i>In thousands of tenge</i>	31 March 2022 (unaudited)	31 December 2021
Non-current assets	7,113,298	6,934,261
Current assets, including	5,781,452	5,822,194
Cash and cash equivalents	2,515,031	2,490,816
Non-current liabilities, including	(1,604,501)	(1,604,501)
Non-current financial liabilities	(49,642)	(99,284)
Current liabilities, including	(4,183,145)	(4,090,485)
Current financial liabilities	(1,722,570)	(2,657,079)
Equity	7,107,104	7,061,469
Share of the ownership – 49%	3,482,481	3,460,120
Carrying amount of the investment of the Group	3,482,481	3,460,120

<i>In thousands of tenge</i>	31 March 2022 (unaudited)	31 March 2021 (unaudited)
Revenue from contracts with customers	1,891,838	5,022,933
Depreciation and amortization	(612,465)	(421,490)
Finance income	14,817	12,360
Finance costs	(102,599)	(90,213)
Income tax expense	(11,488)	(175,318)
Profit for the period	45,635	701,270
Total comprehensive income	45,635	701,270
Share of the Group in profit for the period	22,361	343,622

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**8. IMPAIRMENT TESTING****Goodwill**

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 2021.

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 2022 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

9. OTHER NON-CURRENT FINANCIAL ASSETS

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

<i>In thousands of tenge</i>	31 March 2022 (unaudited)	31 December 2021
Long-term accounts receivable	5,156,315	4,147,622
Loans to employees	1,716,843	1,854,480
Long-term deposits	758,729	830,526
Cash restricted in use	-	43,243
Other	345,114	375,674
	7,977,001	7,251,545
Less: allowance for expected credit losses	(110,184)	(110,184)
	7,866,817	7,141,361

As at 31 March 2022 and 31 December 2021, the Group's other non-current financial assets were denominated in the following currencies:

<i>In thousands of tenge</i>	31 March 2022 (unaudited)	31 December 2021
Tenge	7,866,817	7,098,118
US dollars	-	43,243
	7,866,817	7,141,361

As at 31 March 2022, the long-term accounts receivable represented by special agreements with customers for the purchase of contract phones for KZT 5,156,315 thousand (as at 31 December 2021: KZT 4,147,622 thousand). These long-term accounts receivable were discounted as at market interest rates of 7.5% per annum (2021: 7.5% per annum).

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 9.6% per annum to 19.1% (2021: from 9.6% per annum to 19.1%). 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.

During three months period ended 31 March 2022, the Group placed several long-term deposits in Halyk Bank of Kazakhstan JSC for the total amount of KZT 649,440 thousand with the maturity date in 2037 and an interest rate of 0.1% per annum. These bank deposits were discounted as at the issue date using market interest rates of 4.1% per annum to 8%. As a result, the Group has recognized discount in the amount of KZT 199,701 thousand. At the placement date, long-term deposits were recognized at its fair value equal to KZT 408,907 thousand. During three months period ended 31 March 2022, the Group has recognized amortization of discount for KZT 349,822 thousand.

During three months period ended 31 March 2022, the Group withdrew long-term deposits in Halyk Bank of Kazakhstan JSC in the amount of KZT 871,358 thousand placed in 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**10. TRADE RECEIVABLES**

As at 31 March 2022 and 31 December 2021, trade receivables comprised:

<i>In thousands of tenge</i>	31 March 2022 (unaudited)	31 December 2021
Trade receivables	48,815,766	43,125,578
	48,815,766	43,125,578
Less: allowance for expected credit losses	(7,238,953)	(6,252,535)
	41,576,813	36,873,043

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 2022 (unaudited)	31 March 2021 (unaudited)
Allowance for expected credit losses at the beginning of the period	(6,252,535)	(6,135,606)
Charge for the year (Note 29)	(1,130,748)	(462,846)
Write-off for the year	144,330	1,681,194
Allowance for expected credit losses at the end of the period	(7,238,953)	(4,917,258)

11. OTHER CURRENT FINANCIAL ASSETS

As at 31 March 2022 and 31 December 2021, other current financial assets comprised:

<i>In thousands of tenge</i>	31 March 2022 (unaudited)	31 December 2021
Bank deposits	5,733,050	11,558,500
Loans to employees	1,120,829	1,245,820
Restricted cash	912,769	912,769
Due from employees	264,160	372,763
Other accounts receivable	4,365,929	2,559,341
	12,396,737	16,649,193
Less: allowance for expected credit losses	(5,065,697)	(5,056,469)
	7,331,040	11,592,724

As at 31 March 2022 and 31 December 2021, 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.

As at 31 March 2022 and 31 December 2021, 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.

As at 31 March 2022, the Group placed bank deposits with initial maturity of more than 3 (three) months but less than 12 (twelve) months, in tenge in VTB Bank JSC at the interest rate of 9.0% for KZT 1,000 thousand, in Sberbank JSC at the interest rate of 9.0% for KZT 1,000 thousand, and in USD dollars in Bank RBK JSC at the interest rate of 1.2% for KZT 2,331,550 thousand.

Restricted cash represents cash on the accounts with KazInvestBank JSC and Eximbank Kazakhstan JSC for KZT 413,315 thousand and KZT 499,454 thousand, respectively, which are assessed as unlikely to be recovered due to the revocation of banking licenses. 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 2022 (unaudited)	31 March 2021 (unaudited)
Allowance for expected credit losses at the beginning of the period	(5,056,469)	(4,901,841)
Charge for the year (Note 29)	(10,626)	(29,494)
Write-off for the year	1,398	3,508
Allowance for expected credit losses at the end of the period	(5,065,697)	(4,927,827)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**12. ASSEST UNDER REVERSE REPURCHASE AGREEMENTS****Assets under reverse repurchase agreements**

In December 2021 the Group had entered into reverse repurchase agreement with Halyk Finance JSC. The subject of this agreement is coupon Eurobonds (ISIN XS1120709669) and coupon MEUKAM (ISIN KZKD000915) issued by the Ministry of Finance of the Republic of Kazakhstan. The Group has a right to sell or repledge the transferred securities in the absence of default of the counterparty. Fair value of the transferred securities held as collateral under reverse repurchase agreement amounted to KZT 49,999,824 thousand. The agreement matures on 31 March 2022. The resale prices of the securities purchased is KZT 51,172,262 thousand, and currency of the agreement is tenge.

13. CASH AND CASH EQUIVALENTS

As at 31 March 2022 and 31 December 2021, cash and cash equivalents comprised:

<i>In thousands of tenge</i>	31 March 2022 (unaudited)	31 December 2021
Cash on current bank accounts	116,235,036	97,556,615
Deposits with less than 90 days' maturity from the date of opening	48,748,327	69,547,376
Cash on hand	9,737	14,090
	164,993,100	167,118,081
Less: allowance for expected credit losses	(5,127)	(8,242)
	164,987,973	167,109,839

Cash on current bank accounts earn interest at the rates ranging from 0.1% to 7.0% per annum (2021: from 0.2% to 7.0% per annum).

As at 31 March 2022, short-term deposits for KZT 48,748,327 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 rate of up to 12.50% per annum (as at 31 December 2021: KZT 69,547,376 thousand with a rate of up to 8.90%).

As at 31 March 2022 and 31 December 2021, cash and cash equivalents were denominated in the following currencies:

<i>In thousands of tenge</i>	31 March 2022 (unaudited)	31 December 2021
US dollars	114,888,792	104,821,000
Tenge	48,326,917	60,770,210
Euro	1,357,133	1,212,064
Russian roubles	348,562	305,666
Other	66,569	899
	164,987,973	167,109,839

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 2022 (unaudited)	31 March 2021 (unaudited)
Allowance for expected credit losses at the beginning of the period	(8,242)	(3,412)
Reversal/(charge) for the period (Note 29)	3,115	(451)
Allowance for expected credit losses at the end of the period	(5,127)	(3,863)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**14. 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 2020	10,922,876	1,213,653	10,922,876	1,213,653	12,136,529
At 31 December 2021	10,922,876	1,213,653	10,922,876	1,213,653	12,136,529
At 31 March 2022	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 2020 (audited)	216,852	914,868	3,052,617	4,012,997	7,065,614
Treasury shares reacquired	–	–	–	–	–
Sale of treasury shares	–	–	–	–	–
At 31 December 2021 (audited)	216,852	914,868	3,052,617	4,012,997	7,065,614
Treasury shares reacquired	–	–	–	–	–
Sale of treasury shares	–	–	–	–	–
At 31 March 2022 (unaudited)	216,852	914,868	3,052,617	4,012,997	7,065,614

Shares issued less reacquired shares

As at 31 March 2022 and 31 December 2021, number of common and preferred shares issued net of reacquired shares was 10,706,024 and 298,785 shares, respectively.

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 2022 in the amount of KZT 814,868 thousand (31 December 2021: KZT 814,868 thousand).

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 consolidated statement of financial position. Dividends in the amount of KZT 22,409 thousand were accrued as at 31 March 2022 (at 31 March 2021: KZT 22,409 thousand) and are recorded as interest expenses in the interim condensed consolidated statement of comprehensive income (*Note 25*).

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

<i>In thousands of tenge</i>	31 March 2022 (unaudited)	31 March 2021 (unaudited)
Dividends payable at the beginning of the period	17,573	17,577
Interest on debt component of preferred shares (<i>Note 25</i>)	22,409	22,409
Dividends paid to equity holders of the Parent	–	(4)
Dividends payable at the end of the period (<i>Note 18</i>)	39,982	39,982

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**14. EQUITY (continued)****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 2022 and at 31 December 2021.

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 reflect profit and share data used in the basic and diluted earnings per share computations:

<i>In thousands of tenge</i>	31 March 2022 (unaudited)	31 March 2021 (unaudited)
Net profit	25,995,920	23,818,960
Interest on preferred shares (<i>Note 25</i>)	22,409	22,409
Net profit for calculating of basic and diluted earnings per share	26,018,329	23,841,369
Weighted average number of common and preferred shares for calculation of basic and diluted earnings per share	11,004,809	11,004,809
Basic and diluted earnings per share, tenge	2 364,27	2,166,45

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of preparation of these interim condensed consolidated financial statements.

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 2022 (unaudited)	31 December 2021
Total assets	1,218,721,843	1,234,585,295
Less: intangible assets, including goodwill	352,910,396	357,827,030
Less: total liabilities	542,345,501	590,407,929
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	323,167,161	286,051,551
Number of ordinary shares	10,706,024	10,706,024
Cost of ordinary share, calculated in accordance with listing requirements of KASE (in tenge)	30,186	26,719

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**14. EQUITY (continued)****Additional information disclosed in accordance with Kazakhstan Stock Exchange (KASE) requirements (continued)**

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

Another requirement for disclosure is the amount of the dividends payable to owners of preferred non-voting shares. The carrying book value of one preferred non-voting share is calculated as the sum of the preferred non-voting shares in the equity and debt component of preferred non-voting shares, divided by the 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 March 2022, this indicator amounted to 3,727 tenge (as at 31 December 2021: 3,727 tenge).

15. BORROWINGS

As at 31 March 2022 and 31 December 2021, borrowings comprised:

<i>In thousands of tenge</i>	Weighted average effective interest rate	31 March 2022 (unaudited)	Weighted average effective interest rate	31 December 2021
Bonds with a fixed interest rate of 11.84% to 11.86% per annum	11.85%	158,248,999	11.85%	158,100,718
Borrowings with a fixed interest rate of 7.12% to 12.20% per annum	10.87%	152,511,751	10.90%	157,690,590
		310,760,750		315,791,308

Borrowings are repayable as follows:

<i>In thousands of tenge</i>	31 March 2022 (unaudited)	31 December 2021
Current portion of borrowings	34,059,571	33,544,325
Maturity between 1 and 2 years	22,453,132	24,453,132
Maturity between 2 and 5 years	238,907,312	239,849,225
Maturity over 5 years	15,340,735	17,944,626
Total non-current portion of borrowings	276,701,179	282,246,983
Total borrowings	310,760,750	315,791,308

As at 30 March 2022 and 31 December 2021, loans represented by the following:

Borrowings	Maturity date	Currency	Effective interest rate	31 March 2022 (unaudited)	31 December 2021
Halyk Bank of Kazakhstan JSC	21 May 2027	Tenge	12.20%	55,383,443	58,057,949
First Heartland Jusan Bank JSC	10 November 2024	Tenge	11.70%	39,931,607	39,870,617
Development Bank of Kazakhstan JSC (Note 28)	30 June 2032	Tenge	7.95%-8.41%	24,038,443	23,611,713
Development Bank of Kazakhstan JSC (Note 28)	19 December 2024	Tenge	7.12%-9.30%	15,006,908	16,039,080
Bank of China Kazakhstan JSC	20 August 2022	Tenge	10.70%	13,105,253	13,105,003
VTB Bank JSC	15 October 2023	Tenge	11.90%	5,046,097	7,006,228
Total				152,511,751	157,690,590

As at 31 March 2022 and 31 December 2021 the Group's borrowings have fixed interest rates.

Halyk Bank of Kazakhstan JSC (with maturity date – 21 May 2027)

During three months period ended 31 March 2022, the Group made repayment of principal amount for KZT 2,607,048 thousand and interest amount for KZT 1,710,586 thousand under the credit line agreements concluded with the Halyk Bank JSC with the maturity in 21 May 2027 (2021: KZT 10,428,192 thousand and KZT 7,546,064 thousand, respectively).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**15. BORROWINGS (continued)***First Heartland Jusan Bank JSC (with maturity date – 10 November 2024)*

On 10 November 2021, the Group's subsidiary, Kcell JSC, and First Heartland Jusan Bank JSC signed a credit line agreement in the amount of KZT 60,500,000 thousand. On 11 November 2021 two tranches were received from First Heartland Jusan Bank JSC in the amount of KZT 22,000,000 thousand and KZT 12,000,000 thousand with an interest rate of 11% per annum and 10.7% per annum, respectively. Additionally, on 25 November 2021, third tranche was received from First Heartland Jusan Bank JSC in the amount of KZT 6,500,000 thousand with an interest rate of 11% per annum, with a maturity until 10 November 2024. At the date of initial recognition, the loan was recognized at fair value based on expected cash outflows at a market rate observable for similar instruments of 12.9% at the time the loan was issued. On initial recognition of all three tranches total discount in the amount of KZT 1,260,102 thousand was recognised within equity in 'Non-controlling interest' part. During three months period ended 31 March 2022, the Group made repayment of interest amount for KZT 1,146,817 thousand under the credit line agreements concluded with the First Heartland Jusan Bank JSC with the maturity in 10 November 2024.

Development Bank of Kazakhstan JSC (with maturity date – 30 June 2032)

During three months period ended 31 March 2022, the Group did not repay under the credit line agreements concluded with the Development Bank of Kazakhstan JSC with the maturity in June 2032 (2021: KZT 2,133,332 thousand and KZT 1,814,734 thousand, respectively).

Development Bank of Kazakhstan JSC (with maturity date – 19 December 2024)

During three months period ended 31 March 2022, the Group made repayment of principal amount for KZT 1,042,570 thousand and interest amount for KZT 293,473 thousand under the credit line agreements concluded with the Development Bank of Kazakhstan JSC with the maturity in December 2024 (2021: KZT 7,425,363 thousand and KZT 1,813,732 thousand, respectively).

Bank of China Kazakhstan JSC (with maturity date – 20 August 2022)

During 2019 and 2020, the Group obtained loan in the amount of KZT 5,000,000 thousand and KZT 6,000,000 thousand tenge, respectively, within credit line agreement with Bank of China Kazakhstan JSC with a repayment period of 36 months and a fixed interest rate of 10.5% per annum. On 14 October 2020 the Group has signed addendum to loan agreement with Bank of China to decrease interest rate from 10.5% to 10.3% per annum under credit line agreement. The change in the interest rate does not represent a substantial modification as in accordance with IFRS 9 and thus, it did not lead to the derecognition of the original liability.

On 2 June 2021 the Group obtained additional tranche in the amount of KZT 2,000,000 thousand from Bank of China JSC within the same credit line agreement. During three months period ended 31 March 2022, the Group made interest repayment for KZT 337,611 thousand (2021: KZT 1,253,453 thousand).

VTB Bank JSC (with maturity date – 15 October 2023)

On 28 October 2020 the Group obtained loan in the amount of KZT 6,000,000 thousand within the credit line agreement with VTB Bank JSC with maturity till October 2023 at interest rate 10.7% per annum. On 31 March 2021 the Group signed an additional agreement with VTB Bank JSC to increase the amount of the credit line from KZT 6,000,000 thousand to KZT 7,000,000 thousand, and obtained KZT 1,000,000 thousand with a maturity until 15 October 2023 and an interest rate of 10.7% per annum. During three months period ended 31 March 2022, the Group made repayment of principal amount for KZT 2,000,000 thousand and interest amount for KZT 127,227 thousand (2021: 721,718 thousand).

As at 31 March 2022 and 31 December 2021, debt securities issued represented by the following:

Bonds	Maturity date	Currency	Effective interest rate	31 March 2022 (unaudited)	31 December 2021
Local bonds of Kazakhtelecom JSC (KZTKb3)	19 June 2026	Tenge	11.86%	82,530,249	80,225,718
Local bonds of Kazakhtelecom JSC (KTCB.1024 and KTCB2.1024) (Note 28)	1 November 2024	Tenge	11.84%	75,718,750	77,875,000
				158,248,999	158,100,718

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**15. BORROWINGS (continued)***Local bonds of Kazakhtelecom JSC (KZTKb3)*

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 11.86% and maturity in June 2026. The nominal value of one bond is one thousand tenge. During three months period ended 31 March 2022, the Group did not repay interest (2021: 9,200,001 thousand).

Local bonds of Kazakhtelecom JSC (KTCB.1024 and KTCB2.1024)

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 11.84% 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. On 18 August 2020, 150 million shares or 75% of shares of Kcell JSC were pledged to the Parent as a collateral for the bonds of the Group.

On 10 December 2020, the Group early redeemed local bonds with the maturity till 1 November 2024 in the amount of KZT 25,000,000 thousand from Parent company.

During three months period ended 31 March 2022, the Group has repaid interest for KZT 4,312,500 thousand (2021: 8,625,000 thousand).

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 2022 and 31 December 2021, the Group complied with all financial and non-financial covenants.

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Set out below are the carrying amounts of right-of-use assets and the movements during the period:

<i>In thousands of tenge</i>	Buildings and constructions	Equipment	Total
Cost			
At 1 January 2021	60,846,301	42,848,491	103,694,792
Additions	139,820	-	139,820
Modifications	(43,701)	-	(43,701)
Disposals	(44,263)	-	(44,263)
At 31 March 2021 (unaudited)	60,898,157	42,848,491	103,746,648
At 1 January 2022	65,534,951	42,848,491	108,383,442
Additions	3,632,411	-	3,632,411
Modifications	(144,857)	-	(144,857)
At 31 March 2022 (unaudited)	69,022,505	42,848,491	111,870,996
Accumulated depreciation			
At 1 January 2021	16,569,720	7,430,654	24,000,374
Depreciation charge	(2,443,492)	(796,895)	(3,240,387)
At 31 March 2021 (unaudited)	(19,013,212)	(8,227,549)	(27,240,761)
At 1 January 2022			
Depreciation charge	26,916,142	10,618,234	37,534,376
Disposals	(2,839,130)	(796,895)	(3,636,025)
At 31 March 2022 (unaudited)	(29,755,272)	(11,415,129)	(41,170,401)
Net book value			
At 31 december 2021	38,618,809	32,230,257	70,849,066
At 31 March 2022 (unaudited)	39,267,233	31,433,362	70,700,595

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)**

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

<i>In thousands of tenge</i>	31 March 2022 (unaudited)	31 March 2021 (unaudited)
At the beginning of the period	49,151,576	59,110,635
Additions	3,632,411	139,820
Modifications	313,917	(43,701)
Cancellation	–	(109,402)
Interest expenses (Note 25)	1,544,489	1,793,327
Payment of interest part	(1,544,489)	(1,793,327)
Payment of principal part	(3,379,554)	(4,193,266)
At the end of the period	49,718,350	54,904,086

Set out below are the carrying amounts of non-current and current lease liabilities:

<i>In thousands of tenge</i>	31 March 2022 (unaudited)	31 December 2021
Non-current portion of liabilities	35,545,464	33,810,098
Current portion of lease liabilities	14,172,886	15,341,478

The following are the amounts recognised in profit or loss:

<i>In thousands of tenge</i>	31 March 2022 (unaudited)	31 March 2021 (unaudited)
Depreciation expense of right-of-use assets	3,636,025	3,240,387
Interest expense on lease liabilities (Note 25)	1,544,489	1,793,327
Expense relating to short-term leases and leases of low-value assets (included in cost of sales) (Note 24)	637,881	354,605
Expense relating to short-term leases (included in general and administrative expenses)	54,961	18,719
	5,873,356	5,407,038

During the three months period ended 31 March 2022, the Group had total cash outflows (principal and interest amount) for leases of KZT 5,616,885 thousand, including cash outflow of KZT 692,842 thousand related to leases of low-value assets and short-term leases (during three months period ended 30 March 2021: KZT 6,359,917 thousand and KZT 373,324 thousand, respectively). During three months period ended 31 March 2022, the Group also had non-cash additions to right-of-use assets and lease liabilities of KZT 3,632,411 thousand (during three months period ended 31 March 2021: KZT 139,820 thousand).

17. NON-CURRENT CONTRACT LIABILITIES

As at 31 March 2022 and 31 December 2021, non-current contract liabilities comprised:

<i>In thousands of tenge</i>	31 March 2022 (unaudited)	31 December 2021
Contract liabilities from operators	4,612,400	4,766,404
Contract liabilities for connection of subscribers	521,445	544,722
Other contract liabilities	3,100,169	2,876,996
	8,234,014	8,188,122

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**18. OTHER CURRENT FINANCIAL LIABILITIES**

As at 31 March 2022 and 31 December 2021, other current financial liabilities comprised:

<i>In thousands of tenge</i>	31 March 2022 (unaudited)	31 December 2021
Payable to employees	13,710,122	19,363,782
Dividends payable (Note 14)	39,982	17,573
Other	672,962	570,730
	14,423,066	19,952,085

As at 31 March 2022 and 31 December 2021, other current financial liabilities were not interest bearing and the balances were mainly denominated in tenge.

19. CURRENT CONTRACT LIABILITIES

As at 31 March 2022 and 31 December 2021, current contract liabilities comprised:

<i>In thousands of tenge</i>	31 March 2022 (unaudited)	31 December 2021
Advances received	19,899,466	19,697,210
Contract liabilities from operators	1,642,732	1,674,654
Contract liabilities for connection of subscribers	299,412	312,099
Other contract liabilities	80,186	82,586
Other	106,597	114,110
	22,028,393	21,880,659

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

As at 31 March 2022 and 31 December 2021, other current non-financial liabilities comprised:

<i>In thousands of tenge</i>	31 March 2022 (unaudited)	31 December 2021
Provisions		
Tax provisions	3,858,261	3,842,611
Legal claims on contractual obligation and penalties	3,684,675	3,684,675
Asset retirement obligation	3,043,489	2,868,319
	10,586,424	10,395,605
Other non-financial liabilities		
Taxes payable other than income tax	5,957,704	2,745,141
Payable to pension funds	865,989	712,895
Other	597,445	425,390
	7,421,138	3,883,426
	18,007,563	14,279,031

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**21. GOVERNMENT GRANTS**

As at 31 March 2022 and 31 December 2021, government grants comprised:

<i>In thousands of tenge</i>	31 March 2022 (unaudited)	31 December 2021
Government grants at the beginning of the period	18,798,488	-
Received during the period	2,177,266	25,083,510
Released to the statement of profit or loss	(1,361,559)	(6,285,022)
Government grants at the end of the period	19,614,195	18,798,488
Current portion	4,548,524	4,202,083
Non-current portion	15,065,671	14,596,405

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

The funds released as a result of reduction in the annual fee for use of radio frequencies for the three months period ended 31 March 2022 in the amount of KZT 2,177,266 thousand were used by the Group for the purchase and construction of certain items of property and equipment (mainly base stations). Government grants related to assets are recognized as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset. As at 31 March 2022 the balance of government grants was equal to KZT 19,614,195 thousand, and part of the government grants released to the profit and loss over the period necessary to match the related depreciation charges equal to KZT 1,361,559 thousand.

As at 31 March 2022 there are no unfulfilled conditions or contingencies attached to these grants.

22. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

For the three months ended 31 March 2022				
<i>In thousands of tenge</i>	Fixed line	Mobile connection	Other	Total
Data transfer services	28,970,310	40,481,523	2,381	69,454,214
Rendering of fixed line and wireless phone services	7,462,500	30,877,266	-	38,339,766
Sale of equipment and mobile devices	1,566	10,488,022	-	10,489,588
Interconnect	4,296,875	4,025,205	-	8,322,080
Rent of channels	737,352	-	-	737,352
Other	12,431,124	1,715,657	255,343	14,402,124
	53,899,727	87,587,673	257,724	141,745,124
Services transferred over time	53,898,161	77,099,651	257,724	131,255,536
Goods transferred at a point of time	1,566	10,488,022	-	10,489,588
	53,899,727	87,587,673	257,724	141,745,124
B2C*	26,034,106	72,327,856	227,391	98,589,353
B2B**	9,095,951	9,152,351	30,333	18,278,635
B2O***	5,072,819	6,060,941	-	11,133,760
B2G****	13,696,851	46,525	-	13,743,376
	53,899,727	87,587,673	257,724	141,745,124

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**22. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)**

<i>In thousands of tenge</i>	For the three months ended 31 March 2021			
	Fixed line	Mobile connection	Other	Total
Data transfer services	30,320,821	37,363,126	3,471	67,687,418
Rendering of fixed line and wireless phone services	9,370,416	29,105,532	–	38,475,948
Sale of equipment and mobile devices	2,241	7,938,551	–	7,940,792
Interconnect	3,860,260	2,887,720	–	6,747,980
Rent of channels	743,055	–	–	743,055
Other	12,883,748	2,011,457	462,702	15,357,907
	57,180,541	79,306,386	466,173	136,953,100
Services transferred over time	57,178,300	71,367,835	466,173	129,012,308
Goods transferred at a point of time	2,241	7,938,551	–	7,940,792
	57,180,541	79,306,386	466,173	136,953,100
B2C*	29,619,902	67,178,271	–	96,798,173
B2B**	9,664,804	6,583,339	466,173	16,714,316
B2O***	4,465,198	5,501,555	–	9,966,753
B2G****	13,430,637	43,221	–	13,473,858
	57,180,541	79,306,386	466,173	136,953,100

* 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.

23. 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 2022 and 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**24. COST OF SALES**

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

<i>In thousands of tenge</i>	31 March 2022 (unaudited)	31 March 2021 (unaudited)
Depreciation and amortization	28,551,317	27,682,796
Personnel costs	23,628,080	20,061,853
Cost of SIM-card, scratch card and handsets	8,575,885	7,466,718
Interconnect	7,989,008	7,207,070
Fees for radiofrequencies use	4,480,369	4,194,763
Repair and maintenance	4,170,077	4,474,959
Electricity	3,121,841	2,557,907
Fee to provide telecom services	2,179,505	1,943,159
Rent of channels	1,945,015	2,507,936
Content	1,321,176	1,161,802
Inventories	810,984	836,205
Short-term leases and leases of low-value assets (Note 16)	637,881	354,605
Security and safety	564,137	750,241
Utilities	525,132	708,527
Business trip expenses	221,816	220,092
Satellite communication services	198,697	200,137
Insurance	184,974	225,841
Network sharing agreement	163,596	261,849
Other	2,818,352	2,118,986
	92,087,842	84,935,446

25. FINANCE INCOME

Finance costs and finance income for the three months ended 31 March comprised:

<i>In thousands of tenge</i>	31 March 2022 (unaudited)	31 March 2021 (unaudited)
Finance costs		
Interest expense on loans	8,547,274	9,272,215
Interest expense on lease liabilities (Note 16)	1,544,489	1,793,327
Discounting of other non-current financial assets	214,811	15,018
Unwinding of discount (provision for asset retirement obligation)	167,654	161,769
Unwinding of discount on long-term accounts payable	25,764	288,205
Interest on debt component of preferred shares (Note 14)	22,409	22,409
Discounting of long-term loans to employees	13,344	4,983
Other costs	1,765	19,063
	10,537,510	11,576,989

26. INCOME TAX EXPENSES

Income tax expenses for the three months ended 31 March comprised:

<i>In thousands of tenge</i>	31 March 2022 (unaudited)	31 March 2021 (unaudited)
Current corporate income tax expenses	9,312,535	8,654,682
Deferred income tax benefit	(808,599)	(1,322,170)
	8,503,936	7,332,512

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**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 2022, the Group received government grants in the total amount of KZT 2,177,266 thousand represented by 90% reduction in the annual fee for use of radio frequencies.

During the three months period ended 31 March 2022, the Group paid an amount of KZT 46,945,570 thousand (unaudited) for property and equipment purchased in prior year (during the three months period ended 31 March 2021: KZT 34,791,217 thousand (unaudited)). Property and equipment in the amount of KZT 14,248,746 (unaudited) thousand was purchased during the three months period ended 31 March 2022 but not paid as at 31 March 2022 (during the three months period ended 31 March 2021: KZT 17,148,249 thousand (unaudited)).

During the three months period ended 31 March 2022, the Group withhold from the salary of employees the amount of previously issued loans for KZT 306,168 thousand (during the three months period ended 31 March 2021: KZT 423,065 thousand (unaudited)).

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 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 2022, the Group recognized a provision for expected credit loss in the amount of KZT 216,679 thousand in respect of receivables from related parties.

Sales and purchases with related parties during the periods of three months period ended 31 March 2022 and 31 March 2021 and the balances with related parties at 31 March 2022 and 31 December 2021 were as follows:

<i>In thousands of tenge</i>	31 March 2022 (unaudited)	31 March 2021 (unaudited)
Sales of goods and services		
Parent	3,924	7,189
Parent-controlled entities	450,258	496,567
Associate (Qaz Cloud LLP)	274,550	222,814
Government-related entities	13,932,493	11,757,216
Purchases of goods and services		
Parent	—	3
Parent-controlled entities	609,398	2,182,964
Associate (Qaz Cloud LLP)	260,990	125,540
Government-related entities	64,058	72,058
Interest accrued on borrowings and bonds		
Entities under state control (Development Bank of Kazakhstan JSC)	725,211	913,701
Average interest rate on borrowings	8.06%	8.11%
Parent*	2,156,250	2,156,250
Average interest rate on bonds	11.84%	11.84%

* Local bonds of Kazakhtelecom JSC (KTCB.1024 and KTCB2.1024) were purchased by the parent company, Samruk-Kazyna.

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

<i>In thousands of tenge</i>	31 March 2022 (unaudited)	31 December 2021
Cash and cash equivalents		
Entities under state control (Development Bank of Kazakhstan JSC)	758	229
Borrowings and bonds (Note 15)		
Entities under state control (Development Bank of Kazakhstan JSC)	39,045,351	39,650,793
Parent*	75,718,750	77,875,000
Trade receivables		
Parent	1,382	1,521
Parent-controlled entities	417,601	378,563
Associate (Qaz Cloud LLP)	213,784	130,273
Government-related entities	9,654,403	8,970,497
Trade payables		
Parent	59	59
Parent-controlled entities	898,295	1,069,641
Associate (Qaz Cloud LLP)	158,577	423,755
Government-related entities	891,420	1,676,754
Other non-current assets		
Long-term loans to key management personnel	11,713	11,655

* Local bonds of Kazakhtelecom JSC (KTCB.1024 and KTCB2.1024) were purchased by the parent company, Samruk-Kazyna.

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

Impairment losses on financial assets for the three months period ended 31 March 2022, comprise accrued/(reversed) allowance for expected credit loss for trade receivables in amount of KZT 1,130,748 thousand (Note 10), other current financial assets in amount of KZT 10,626 thousand (Note 11), cash and cash equivalents in amount of KZT (3,115) thousand (Note 13) (for the three months period ended 31 March 2021: trade receivables in amount of KZT 462,846 thousand, other current financial assets in amount of KZT 29,494 thousand, cash and cash equivalents in amount of KZT 451 thousand and trade receivables of KT Cloud Lab LLP in amount of KZT (1,949) thousand).

(Gain from reversal of impairment) / impairment losses on non-financial assets

(Gain from reversal of impairment) / impairment losses on non-financial assets for the three months period ended 31 March 2022, comprise accrued/(reversed) allowance for impairment for advances paid for non-current assets for KZT (155,382) thousand (Note 5), advances paid for current assets for KZT 356 thousand, impairment of property and equipment for KZT (7,335) thousand (Note 5) and impairment of intangible assets for KZT (1,083) thousand (Note 6) (for the three months period ended 31 March 2021: advances paid for current assets for KZT (841) thousand, impairment of property and equipment for KZT (100,115) thousand).

The Group's principal financial instruments include loans, lease obligations, cash and cash equivalents, bank deposits and accounts receivable and accounts payable, assets under reverse repurchase agreements and financial assets at amortized cost. 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 INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (continued)****Fair value**

For the purpose of disclosing the fair value, the Group determined classes of assets and liabilities based on characteristics and risks of assets or liabilities and fair value hierarchy level as described above.

The table below presents fair value hierarchy of assets and liabilities of the Group. Disclosure of quantitative information of fair value hierarchy of financial instruments as at 31 March 2022 was as follows:

In thousands of tenge	Date of valuation	Fair value measurement using			Total
		Price	Significant observable in-puts (Level 2)	Significant unobservable in-puts (Level 3)	
		quotations on active markets (Level 1)			
Assets for which fair values are disclosed					
Assets under reverse repurchase agreements	31 March 2022	-	49,999,824	-	49,999,824
Other non-current financial assets	31 March 2022	-	-	7,866,817	7,866,817
Other current financial assets	31 March 2022	-	-	7,331,040	7,331,040
Trade receivables	31 March 2022	-	-	41,576,813	41,576,813
Liabilities for which fair values are disclosed					
Borrowings	31 March 2022	-	-	310,759,550	310,759,550
Other non-current financial liabilities	31 March 2022	-	-	634	634
Other current financial liabilities	31 March 2022	-	-	14,423,066	14,423,066
Trade payables	31 March 2022	-	-	33,364,969	33,364,969

The table below presents fair value hierarchy of assets and liabilities of the Group. Disclosure of quantitative information of fair value hierarchy of financial instruments as at 31 December 2021 was as follows:

In thousands of tenge	Date of valuation	Fair value measurement using			Total
		Price quotations on active markets (Level 1)	Significant observable in-puts (Level 2)	Significant unobservable in-puts (Level 3)	
Assets for which fair values are disclosed					
Assets under reverse repurchase agreements	31 December 2021	-	49,999,824	-	49,999,824
Other non-current financial assets	31 December 2021	-	-	6,752,172	6,752,172
Other current financial assets	31 December 2021	-	-	11,592,724	11,592,724
Trade receivables	31 December 2021	-	-	36,873,043	36,873,043
Liabilities for which fair values are disclosed					
Borrowings	31 December 2021	-	-	319,483,880	319,483,880
Other non-current financial liabilities	31 December 2021	-	-	707	707
Other current financial liabilities	31 December 2021	-	-	19,952,085	19,952,085
Trade payables	31 December 2021	-	-	75,100,611	75,100,611

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

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 2022 (unaudited)	Fair value as at 31 March 2022 (unaudited)	Unrecognised gain/(loss) as at 31 March 2022 (unaudited)	Carrying amount as at 31 December 2021	Fair value as at 31 December 2021	Unrecognised gain/(loss) as at 31 December 2021
Financial assets						
Cash and cash equivalents	164,987,973	164,987,973	-	167,109,839	167,109,839	-
Other non-current financial assets	7,866,817	7,866,817	-	7,141,361	6,752,172	(389,189)
Other current financial assets	7,331,040	7,331,040	-	11,592,724	11,592,724	-
Assets under reverse repurchase agreements	49,999,824	49,999,824	-	49,999,824	49,999,824	-
Trade receivables	41,576,813	41,576,813	-	36,873,043	36,873,043	-
Financial liabilities						
Borrowings	310,760,750	310,759,550	1,200	315,791,308	319,483,880	(3,692,572)
Other non-current financial liabilities	634	634	-	707	707	-
Other current financial liabilities	14,423,066	14,423,066	-	19,952,085	19,952,085	-
Trade payables	33,364,969	33,364,969	-	75,100,611	75,100,611	-
Total unrecognised change in unrealised fair value			1,200			(4,081,761)

Valuation techniques and assumptions

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that their fair value approximates to the carrying amount. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Financial liabilities carried at amortised cost

The fair value of loans obtained is measured by discounting future cash flows using rates currently existing for outstanding amounts with similar terms, credit risk and maturity.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**30. COMMITMENTS AND CONTINGENCIES (continued)****Capital commitments**

The Group generally enters into contracts for the completion of construction projects and purchase of telecommunication equipment. As at 31 March 2022, the Group had contractual obligations in the total amount of KZT 44,040,873 thousand, including VAT (31 December 2021: KZT 45,138,707 thousand, including 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 December 2021. Management believes that as at 31 December 2021 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.

Tax Review for the period from 2016 till 2020

In the period from August 2021 to February 2022, Kazakhtelecom JSC carried out a tax review of historical data for the period from 2016 till 2020 in the format of a tax audit. The review was conducted by representatives of the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan, as part of the implementation of the Horizontal Monitoring project, which in the future implies a new type of interaction between the taxpayer and the tax authority for the purposes of control and correctness of tax calculation.

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").

As at 31 March 2022, the Group partially implemented modernization and expansion of license and port capacity for the total amount of KZT 4,390,109 thousand. The Group plans to complete expansion in full in 2022 and expect that total amount of capital expenditures in respect to modernization and expansion will be equalled to KZT 7,644,748 thousand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)

30. COMMITMENTS AND CONTINGENCIES (continued)**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.

31. SUBSEQUENT EVENTS

On April 01, 2022, according to the reverse repurchase agreement with Halyk Finance JSC, the Group received a refund on the purchased securities in the total amount of KZT 51,172,262 thousand.