

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**For nine months period ended 30 September 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., Astana, 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 30 September 2022:

	At 30 September 2022 (unaudited)	At 31 December 2021
Samruk-Kazyna	51.0%	51.0%
Committee of State Property and Privatization of the Ministry of finance of the Republic of Kazakhstan	28.2%	–
ADR (The Bank of New York – depositor)	9.6%	9.6%
Corporate fund “Development fund”	3.4%	3.4%
SKYLINE INVESTMENT COMPANY S.A.	–	24.5%
Alatau Capital Invest LLP	–	3.7%
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.

The interim condensed consolidated financial statements of the Group were authorised for issue by the Chief financial officer and the Chief accountant on behalf of the Management of the Company on 18 November 2022.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the nine month period ended 30 September 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 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.

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

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.

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:

	30 September 2022 (unaudited)	31 December 2021
US dollar	476.71	431.80
Euro	467.03	489.10
Russian rouble	8.36	5.76

The functional currency of foreign operation KT-IX LLC (Russian Federation) and Khan Tengri Holding B.V. (Netherlands) are Russian Roubles and US Dollars, respectively. 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:

		Percentage ownership	
	Country of incorporation	30 September 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 of 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**New and amended standards and interpretations (continued)***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 as the Group does not have any onerous contracts.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****New and amended standards and interpretations (continued)***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.

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 and nine months ended 30 September 2022 and 2021.

For the three months ended 30 September 2022 (unaudited):

<i>In thousands of tenge</i>	Fixed line	Mobile tele- communication services in GSM and LTE standards	Other	Elimina- tions and adjustments	Group
Revenue from contracts with customer					
Sales to external customers	69,641,683	100,688,398	467,289	-	170,797,370
Inter-segment	10,013,484	5,372,097	529,889	(15,915,470)	-
Total revenue from contracts with customers	79,655,167	5,372,097	997,178	(15,915,470)	170,797,370
Income from government grants	232,896	1,193,249	-	-	1,426,145
Total	79,888,063	107,253,744	997,178	(15,915,470)	172,223,515
Financial results					
Depreciation and amortisation	(9,733,905)	(20,729,577)	(9,654)	(771,115)	(29,702,021)
Finance costs	(6,367,941)	(5,116,302)	-	627,289	(10,856,954)
Finance income	2,871,062	2,129,903	20,119	(346,788)	4,674,296
Income from dividends	30,584,727	-	-	(30,584,727)	-
Share in profits of associates	-	-	(15,881)	-	(15,881)
Gain from reversal of impairment on non-financial assets/(Loss from impairment)	(176,586)	(1,544,802)	-	-	(1,721,388)
Impairment losses on financial assets	(573,151)	(1,582,117)	(2,202)	5,944	(2,151,526)
Segment profit/(loss) before tax	52,499,846	27,133,315	155,053	(28,015,509)	53,134,264

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

For the three months ended 30 September 2021 (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	57,993,182	90,133,298	265,619	-	148,392,099
Inter-segment	9,852,309	4,032,369	455,830	(14,340,508)	-
Total revenue from contracts with customers	67,845,491	94,165,667	721,449	(14,340,508)	148,392,099
Compensation for provision of universal services in rural areas	1,603,380	-	-	-	1,603,380
Total	69,448,871	94,165,667	721,449	(14,340,508)	149,995,479
Financial results					
Depreciation and amortisation	(9,618,683)	(19,833,829)	(8,223)	399,045	(29,061,690)
Finance costs	(6,406,481)	(5,463,295)	-	416,218	(11,453,558)
Finance income	684,226	1,009,985	-	(397,188)	1,297,023
Income from dividends	-	-	-	-	-
Share in loss of associates	-	-	(20,393)	-	(20,393)
Impairment losses on non-financial assets	(5,682)	(275,890)	-	-	(281,572)
Gain from reversal of impairment/(impairment losses) on financial assets	(224,010)	(367,158)	4,059	2,313	(584,796)
Segment profit/(loss)	17,536,435	23,311,285	39,703	(6,026,520)	34,860,903

For the nine months ended 30 September 2022 (unaudited)

<i>In thousands of tenge</i>	Fixed line	Mobile tele- communication services in GSM and LTE standards	Other	Elimina- tions and adjustments	Group
Revenue from contracts with customer					
Sales to external customers	183,353,227	286,208,562	1,012,778	-	470,574,567
Inter-segment	29,626,627	15,175,283	1,332,858	(46,134,768)	-
Total revenue from contracts with customers	212,979,854	301,383,845	2,345,636	(46,134,768)	470,574,567
Income from government grants	698,687	3,510,728	-	-	4,209,415
Total	213,678,541	304,894,573	2,345,636	(46,134,768)	474,783,982
Financial results					
Depreciation and amortisation	(28,984,633)	(62,166,527)	(27,368)	1,344,136	(89,834,392)
Finance costs	(18,182,035)	(15,344,440)	-	1,369,529	(32,156,946)
Finance income	7,633,184	4,692,790	43,851	(1,111,625)	11,258,200
Income from dividends	45,548,416	-	-	(45,548,416)	-
Share in profits of associates	-	-	28,291	-	28,291
Gain from reversal of impairment on non-financial assets/(Loss from impairment)	(123,972)	(1,885,739)	-	-	(2,009,711)
Impairment losses on financial assets	(1,245,140)	(3,642,569)	(10,779)	34,538	(4,863,950)
Segment profit/(loss) before tax	90,605,346	79,542,429	465,973	(45,136,449)	125,477,299

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

For the nine months ended 30 September 2021 (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	173,790,968	252,884,982	1,037,902	-	427,713,852
Inter-segment	28,505,873	12,286,303	1,191,623	(41,983,799)	-
Total revenue from contracts with customers	202,296,841	265,171,285	2,229,525	(41,983,799)	427,713,852
Compensation for provision of universal services in rural areas	4,810,146	-	-	-	4,810,146
Total	207,106,987	265,171,285	2,229,525	(41,983,799)	432,523,998

Financial results

Depreciation and amortisation	(29,251,900)	(59,493,597)	(24,206)	1,163,659	(87,606,044)
Finance costs	(19,263,363)	(16,877,057)	-	1,240,675	(34,899,745)
Finance income	2,074,954	2,169,579	-	(1,185,707)	3,058,826
Income from dividends	13,215,302	-	-	(13,215,302)	-
Share in profits of associates	-	-	604,541	-	604,541
Gain from reversal of impairment/(impairment losses) on non-financial assets	2,882	(184,945)	1	-	(182,062)
Gain from reversal of impairment/(impairment losses) on financial assets	(578,124)	(1,366,342)	9,500	1,586	(1,933,380)
Segment profit/(loss)	65,759,526	65,235,819	859,735	(19,455,592)	112,399,488

The following table presents assets and liabilities information for the Group's operating segments as at 30 September 2022 and 31 December 2021, 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 30 September 2022 (unaudited)	863,952,437	772,149,466	5,548,079	(353,947,025)	1,287,702,957
As at 31 December 2021 (audited)	794,655,256	749,504,167	5,467,577	(315,041,705)	1,234,585,295
Operating liabilities					
As at 30 September 2022 (unaudited)	268,841,412	287,859,466	1,095,660	(13,946,582)	543,849,956
As at 31 December 2021 (audited)	315,082,967	296,628,298	1,438,901	(22,742,237)	590,407,929

Reconciliation of profit

<i>In thousands of tenge</i>	For three months ended 30 September		For nine months ended 30 September	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Segment profit	81,149,774	40,887,423	170,613,748	131,855,080
Other	(28,015,510)	(6,026,520)	(45,136,449)	(19,455,592)
Profit of the Group	53,134,264	34,860,903	125,477,299	112,399,488

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

<i>In thousands of tenge</i>	30 September 2022 (unaudited)	31 December 2021
Segment operating assets	1,641,649,982	1,549,627,000
Elimination of the Company's investments in subsidiaries	(304,964,170)	(291,256,203)
Elimination of intra-group receivables and payables	(48,982,855)	(23,785,502)
Total assets of the Group	1,287,702,957	1,234,585,295

Reconciliation of liabilities

<i>In thousands of tenge</i>	30 September 2022 (unaudited)	31 December 2021
Segment operating liabilities	557,796,538	613,150,166
Elimination of intra-group receivables and payables	(13,946,582)	(22,742,237)
Total liabilities of the Group	543,849,956	590,407,929

5. PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTY

During the three and nine months periods ended 30 September 2022, the Group acquired property and equipment for KZT 12,596,805 thousand and KZT 30,366,977 thousand, respectively (during the three and nine months periods ended 30 September 2021: KZT 15,188,393 thousand and KZT 41,393,860 thousand, respectively).

During the three and nine months periods ended 30 September 2022, the Group disposed property and equipment with net book value of KZT 69,411 thousand and KZT 164,756 thousand, respectively (during the three and nine months periods ended 30 September 2021: KZT 302,104 thousand and KZT 662,257 thousand, respectively).

During the three and nine months periods ended 30 September 2022, the Group recognised decrease in changes in estimates in assets retirement obligation for KZT 77,590 thousand and KZT 586,081 thousand, respectively (during the three and nine months periods ended 30 September 2021: increase for KZT 254,545 thousand and KZT 18,463 thousand, respectively).

During the three and nine months periods ended 30 September 2022, the Group recognized impairment loss for KZT 1,213,248 thousand and KZT 1,281,115 thousand, respectively, which represented the write down of certain assets to the recoverable amount as a result of technological obsolescence and damage (during the three and nine months periods ended 30 September 2021: impairment loss for KZT 288,079 thousand and KZT 189,363 thousand, respectively).

During nine-month period ended 30 September 2022, a building with carrying amount of KZT 2,226,406 thousand was transferred to investment property, because it was no longer used by the Group and it was decided that the building would be leased to third parties. As of 30 September 2022, the fair value of the investment property equalled to KZT 6,573,000 thousand (Level 3 hierarchy).

During the three and nine months periods ended 30 September 2022, the Group recognized depreciation expense amounting to KZT 17,983,345 thousand and KZT 58,317,314 thousand, respectively (during the three and nine months periods ended 30 September 2021: KZT 18,998,172 thousand and KZT 56,913,874 thousand, respectively).

As at 30 September 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 30 September 2021, the gross carrying value of property and equipment which has been fully depreciated and still in use was KZT 470,492,149 thousand (as at 31 December 2021: KZT 436,917,636 thousand).

As at 30 September 2022, advances paid for non-current assets in the amount of KZT 1,211,053 thousand 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). The decrease in the advances paid for non-current assets is due to the receipt of network equipment, the supply of which the Group paid at the end of 2021.

During the three and nine months periods ended 30 September 2022, the Group recognize impairment losses on advances paid for non-current assets in the amount of KZT 710,172 thousand and KZT 547,072 thousand on its advances paid for non-current assets (during the three and nine months periods ended 30 September 2021 recognize gain from reversal of impairment: KZT 17,124 thousand).

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

During the three and nine months periods ended 30 September 2022, the Group acquired intangible assets in the amount of KZT 4,101,063 thousand and KZT 9,672,150 thousand, respectively (during the three and nine months periods ended 30 September 2021: KZT 1,921,535 thousand and KZT 4,541,040 thousand, respectively).

During the three and nine months periods ended 30 September 2022, the Group disposed intangible assets with net book value of KZT 4,365 thousand and KZT 4,376 thousand, respectively (during the three and nine months periods ended 30 September 2021: KZT 6,475 thousand and KZT 6,767 thousand, respectively).

During the three and nine months periods ended 30 September 2022, the Group recognized amortization expense in the amount of KZT 7,421,103 thousand and KZT 21,529,851 thousand, respectively (during the three and nine months periods ended 30 September 2021: KZT 6,785,629 thousand and KZT 20,704,721 thousand, respectively).

As at 30 September 2022 the gross carrying value of intangible assets, which have been fully amortized and still in use was KZT 68,150,353 thousand (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 interim condensed consolidated financial statements:

<i>In thousands of tenge</i>	Primary activities	Country of incorporation	30 September 2022 (unaudited)		31 December 2021	
			Carrying amount	Ownership share	Carrying amount	Ownership share
QazCloud LLP	IT services	Kazakhstan	3,411,556	49%	3,460,120	49%
			3,411,556		3,460,120	

Movements in investments in associates for the nine months ended 30 September 2022 and 2021 are as follows:

<i>In thousands of tenge</i>	QazCloud LLP
At 1 January 2021	2,982,957
Share in profit of associates	604,541
Dividends received	(35,201)
At 30 September 2021 (unaudited)	3,552,297
At 1 January 2022	3,460,120
Share in profits of associates	28,291
Dividends received	(76,855)
At 30 September 2022 (unaudited)	3,411,556

Based on the decision of the Board of Directors of Kazakhtelecom JSC, on 17 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.

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

<i>In thousands of tenge</i>	30 September 2022 (unaudited)	31 December 2021
Non-current assets	8,963,619	6,934,261
Current assets, including	4,034,605	5,822,194
<i>Cash and cash equivalents</i>	2,184,081	2,490,816
Non-current liabilities, including	(2,975,261)	(1,604,501)
<i>Non-current financial liabilities</i>	-	(99,284)
Current liabilities, including	(3,060,603)	(4,090,485)
<i>Current financial liabilities</i>	(1,364,126)	(2,657,079)
Equity	6,692,360	7,061,469
Share of the ownership – 49%	3,411,556	3,460,120
Carrying amount of the investment of the Group	3,411,556	3,460,120

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

<i>In thousands of tenge</i>	For three months ended 30 September	
	2022 (unaudited)	2021 (unaudited)
Revenue from contracts with customers	2,505,558	1,972,256
Depreciation and amortization	(661,497)	(542,561)
Finance income	1,350	3,294
Finance costs	(95,600)	(128,398)
Income tax benefit	8,103	10,405
Loss for the period	(32,410)	(41,618)
Total comprehensive loss for the period	(32,410)	(41,618)
Share of the Group in loss for the period	(15,881)	(20,393)

<i>In thousands of tenge</i>	For nine months ended 30 September	
	2022 (unaudited)	2021 (unaudited)
Revenue from contracts with customers	6,485,302	11,018,205
Depreciation and amortization	(1,914,929)	(1,478,229)
Finance income	36,969	32,682
Finance costs	(286,933)	(299,323)
Income tax expense	(14,434)	(308,439)
Profit for the period	57,737	1,233,757
Total comprehensive income for the period	57,737	1,233,757
Share of the Group in profit for the period	28,291	604,541

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 30 September 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 30 September 2022 and 31 December 2021, other non-current financial assets comprised:

<i>In thousands of tenge</i>	30 September 2022 (unaudited)	31 December 2021
Long-term accounts receivable	6,886,582	4,147,622
Loans to employees	1,526,401	1,854,480
Long-term deposits	574,272	830,526
Cash restricted in use	–	43,243
Other	388,256	375,674
	9,375,511	7,251,545
Less: allowance for expected credit losses	(110,184)	(110,184)
	9,265,327	7,141,361

As at 30 September 2022 and 31 December 2021, all Group's other non-current financial assets were denominated in tenge.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**9. OTHER NON-CURRENT FINANCIAL ASSETS (continued)**

<i>In thousands of tenge</i>	30 September 2022 (unaudited)	31 December 2021
Tenge	9,265,327	7,098,118
US dollars	-	43,243
	9,265,327	7,141,361

As at 30 September 2022, the long-term accounts receivable represented by special agreements with customers for the purchase of contract phones for KZT 6,886,582 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 the nine months ended 30 September 2022, the Group placed long-term deposits with Halyk Bank of Kazakhstan JSC in the amount of KZT 669,440 thousand with 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% and 8% per annum. As a result, the Group recognized a discount in the amount of KZT 426,610 thousand. At the date of placement, long-term deposits were recognized at its fair value equal to KZT 242,790 thousand. During the nine months ended 30 September 2022, the Group recognized depreciation of the discount in the amount of KZT 372,274 thousand.

During the nine months ended 30 September 2022, the Group withdrew long-term deposits with Halyk Bank of Kazakhstan JSC in the amount of KZT 921,972 thousand placed in 2021.

10. TRADE RECEIVABLES

As at 30 September 2022 and 31 December 2021, trade receivables comprised:

<i>In thousands of tenge</i>	30 September 2022 (unaudited)	31 December 2021
Trade receivables	64,642,687	43,125,578
	64,642,687	43,125,578
Less: allowance for expected credit losses	(10,501,555)	(6,252,535)
	54,141,132	36,873,043

Movements in the allowance for expected credit losses were as follows for the three and nine months periods ended 30 September:

<i>In thousands of tenge</i>	For three months ended 30 September		For nine months ended 30 September	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Allowance for expected credit losses at the beginning of the period	(8,587,887)	(5,630,568)	(6,252,535)	(6,135,606)
Charge for the period (<i>Note 30</i>)	(2,123,130)	(536,777)	(4,792,155)	(1,872,684)
Write-off for the period	209,462	262,423	543,135	2,103,368
Allowance for expected credit losses at the end of the period	(10,501,555)	(5,904,922)	(10,501,555)	(5,904,922)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**11. OTHER CURRENT FINANCIAL ASSETS**

As at 30 September 2022 and 31 December 2021, other current financial assets comprised:

<i>In thousands of tenge</i>	30 September 2022 (unaudited)	31 December 2021
Bank deposits	5,785,050	11,558,500
Loans to employees	976,381	1,245,820
Restricted cash	912,769	912,769
Due from employees	331,318	372,763
Other accounts receivable	3,483,514	2,559,341
	11,552,575	16,649,193
Less: allowance for expected credit losses	(5,117,297)	(5,056,469)
	6,435,278	11,592,724

As at 30 September 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 30 September 2022, the Group had 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 Bereke Bank 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 2,383,550 thousand. As of 30 September 2022, the Group withdrew cash from deposits placed in VTB Bank JSC in the amount of KZT 2,999,000 thousand and Bereke Bank JSC in the amount of KZT 2,999,000 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.

Movements in the allowance for expected credit losses were as follows for the three and nine months periods ended 30 September:

<i>In thousands of tenge</i>	For three months ended 30 September		For nine months ended 30 September	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Allowance for expected credit losses at the beginning of the period	(5,091,432)	(4,911,107)	(5,056,469)	(4,901,841)
Charge for the period (<i>Note 30</i>)	(25,926)	(41,467)	(67,658)	(55,182)
Write-off for the period	61	336	6,830	4,785
Allowance for expected credit losses at the end of the period	(5,117,297)	(4,952,238)	(5,117,297)	(4,952,238)

12. ASSEST 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 expired on 31 March 2022. The resale prices of the securities purchased is KZT 51,172,262 thousand, and currency of the agreement is tenge. Total repayment of funds under REPO transactions of KZT 51,172,262 thousand, included interest of KZT 1,172,438 thousand (presented in operating cash flows).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**13. CASH AND CASH EQUIVALENTS**

As at 30 September 2022 and 31 December 2021, cash and cash equivalents comprised:

<i>In thousands of tenge</i>	30 September 2022 (unaudited)	31 December 2021
Cash on current bank accounts	168,131,897	97,556,615
Deposits with less than 90 days' maturity from the date of opening	139,142,149	69,547,376
Cash on hand	27,682	14,090
	307,301,728	167,118,081
Less: allowance for expected credit losses	(12,379)	(8,242)
	307,289,349	167,109,839

Interest is accrued on funds placed on current bank accounts at interest rates from 0.2 to 7.25% per annum. As at 30 September 2022, cash on current bank accounts included an amount of KZT 108,087,206 thousand placed on overnight deposits with interest rates up to 13.35%.

As at 30 September 2022, short-term bank deposits opened for a period of one day to three months, depending on the Group's current cash needs, as at 30 September 2022 amounted to KZT 31,054,943 thousand with an interest rate of up to 13.55%.

Movements in the allowance for expected credit losses were as follows for the three and nine months periods ended 30 September:

<i>In thousands of tenge</i>	For three months ended 30 September		For nine months ended 30 September	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Allowance for expected credit losses at the beginning of the period	(9,909)	(3,528)	(8,242)	(3,412)
Charge for the period (<i>Note 30</i>)	(2,470)	(3,616)	(4,137)	(3,732)
Allowance for expected credit losses at the end of the period	(12,379)	(7,144)	(12,379)	(7,144)

As at 30 September 2022 and 31 December 2021, cash and cash equivalents were denominated in the following currencies:

<i>In thousands of tenge</i>	30 September 2022 (unaudited)	31 December 2021
Tenge	154,568,074	60,770,210
US dollars	150,187,836	104,821,000
Euro	1,844,807	1,212,064
Russian roubles	579,795	305,666
Other	108,837	899
	307,289,349	167,109,839

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 30 September 2022 (unaudited)	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 30 September 2022 (unaudited)	216,852	914,868	3,052,617	4,012,997	7,065,614

Shares issued less reacquired shares

As at 30 September 2022 and 31 December 2021, number of common and preferred shares issued net of treasury 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 30 September 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 interim condensed consolidated statement of financial position. Dividends in the amount of KZT 67,227 thousand were accrued as at 30 September 2022 (at 30 September 2021: KZT 67,227 thousand) and are recorded as interest expenses in the interim condensed consolidated statement of comprehensive income (*Note 24*).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**14. EQUITY (continued)**

Movements in dividends payable for the nine months ended 30 September were as follow:

<i>In thousands of tenge</i>	30 September 2022 (unaudited)	30 September 2021 (unaudited)
Dividends payable at the beginning of the period	17,573	17,577
Dividends declared on common shares to equity holders of the parent	-	18,530,843
Dividends declared on common shares to non-controlling interests	-	4,394,500
Dividends declared on preferred shares in excess of the obligatory amount	-	427,525
Interest on debt component of preferred shares (<i>Note 24</i>)	67,227	67,227
Offsetting	-	(1,386,421)
Dividends paid to equity holders of the Parent	-	(17,571,952)
Dividends paid to non-controlling interests	-	(4,394,500)
Dividends payable at the end of the period (<i>Note 18</i>)	84,800	84,799

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 30 September 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**14. EQUITY (continued)**

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

<i>In thousands of tenge</i>	For three months ended 30 September		For nine months ended 30 September	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Net profit	32,043,418	26,880,293	74,404,759	82,410,715
Interest on preferred shares (Note 24)	22,409	22,409	67,227	67,227
Net profit for calculating of basic and diluted earnings per share	32,065,827	26,902,702	74,471,986	82,477,942
Weighted average number of common and preferred shares for calculation of basic earnings per share	11,004,809	11,004,809	11,004,809	11,004,809
Basic and diluted earnings per share, tenge	2,913.80	2,444.63	6,767.22	7,494.72

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>	30 September 2022 (unaudited)	31 December 2021
Total assets	1,287,702,957	1,234,585,295
Less: intangible assets, including goodwill	344,499,490	357,827,030
Less: total liabilities	543,849,956	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	399,054,726	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)	37,274	26,719

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 30 September 2022, this indicator amounted to 3,727 tenge (as at 31 December 2021: 3,727 tenge).

15. BORROWINGS

As at 30 September 2022 and 31 December 2021, borrowings comprised:

<i>In thousands of tenge</i>	Weighted average effective interest rate	30 September 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%	158,258,059	11.85%	158,100,718
Borrowings with a fixed interest rate of 7.12% to 12.20% per annum	10.94%	130,861,903	10.90%	157,690,590
		289,119,962		315,791,308

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**15. BORROWINGS (continued)**

Borrowings are repayable as follows:

<i>In thousands of tenge</i>	30 September 2022 (unaudited)	31 December 2021
Current portion of borrowings	56,268,835	33,544,325
Maturity between 1 and 2 years	34,034,136	24,453,132
Maturity between 2 and 5 years	187,143,656	239,849,225
Maturity over 5 years	11,673,335	17,944,626
Total non-current portion of borrowings	232,851,127	282,246,983
Total borrowings	289,119,962	315,791,308

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

Borrowings	Maturity date	Currency	Effective interest rate	30 September 2022 (unaudited)	31 December 2021
Halyk Bank of Kazakhstan JSC	21 May 2027	Tenge	12.20%	50,146,862	58,057,949
First Heartland Jusan Bank JSC	10 November 2024	Tenge	11.70%	40,110,464	39,870,617
Development Bank of Kazakhstan JSC (<i>Note 29</i>)	30 June 2032	Tenge	7.95%-8.41%	22,937,234	23,611,713
Development Bank of Kazakhstan JSC (<i>Note 29</i>)	19 December 2024	Tenge	7.12%-9.30%	10,320,432	16,039,080
Bank of China Kazakhstan JSC	20 August 2022	Tenge	10.70%	2,032,581	13,105,003
VTB Bank JSC	15 October 2023	Tenge	11.90%	5,314,330	7,006,228
Total				130,861,903	157,690,590

As at 30 September 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 nine months period ended 30 September 2022, the Group made repayment of principal amount for KZT 7,821,144 thousand and interest amount for KZT 4,848,603 thousand under the credit line agreements concluded with the Halyk Bank JSC with the maturity in 21 May 2027 (during nine months period ended 30 September 2021: KZT 7,821,144 thousand and KZT 5,758,028 thousand, respectively).

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 nine months period ended 30 September 2022, the Group made repayment of interest amount for KZT 3,374,550 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 nine months period ended 30 September 2022, the Group made repayment of principal amount for KZT 1,066,666 thousand and interest amount for KZT 856,559 thousand under the credit line agreements concluded with the Development Bank of Kazakhstan JSC with the maturity in June 2032 (during nine months period ended 30 September 2021: KZT 1,066,666 thousand and KZT 924,160 thousand, respectively).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**15. BORROWINGS (continued)***Development Bank of Kazakhstan JSC (with maturity date – 19 December 2024)*

During nine months period ended 30 September 2022, the Group made repayment of principal amount for KZT 5,688,489 thousand and interest amount for KZT 800,157 thousand under the credit line agreements concluded with the Development Bank of Kazakhstan JSC with the maturity in December 2024 (during nine months period ended 30 September 2021: KZT 6,002,285 thousand and KZT 1,467,017 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 nine months period ended 30 September 2022, the Group made repayment of principal amount for KZT 11,000,000 thousand and interest repayment for KZT 974,781 thousand (during nine months period ended 30 September 2021: interest repayment for KZT 913,553 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 30 September 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 nine months period ended 30 September 2022, the Group made repayment of principal amount for KZT 2,000,000 thousand and interest amount for KZT 127,227 thousand (during nine months period ended 30 September 2021: interest repayment for KZT 534,981 thousand).

As of 30 September 2022 and 31 December 2021, debt securities issued represented by the following.

Bonds	Maturity date	Currency	Effective interest rate	30 September 2022 (unaudited)	31 December 2021
Local bonds of Kazakhtelecom JSC (KZTKb3)	19 June 2026	Tenge	11.86%	82,539,309	80,225,718
Local bonds of Kazakhtelecom JSC (KTCB.1024 and KTCB2.1024) (Note 29)	1 November 2024	Tenge	11.84%	75,718,750	77,875,000
				158,258,059	158,100,718

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 nine months period ended 30 September 2022, the Group has repaid interest for KZT 4,600,000 thousand (during nine months period ended 30 September 2021: interest repayment for KZT 4,600,000 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**15. BORROWINGS (continued)***Local bonds of Kazakhtelecom JSC (KTCB.1024 and KTCB2.1024) (continued)*

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 nine months period ended 30 September 2022, the Group has repaid interest for KZT 8,625,001 thousand (during nine months period ended 30 September 2021: interest repayment for KZT 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 30 September 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	3,959,169	-	3,959,169
Modifications	1,974,330	-	1,974,330
Disposals	(1,482,055)	-	(1,482,055)
At 30 September 2021	65,297,745	42,848,491	108,146,236
At 1 January 2022	65,534,951	42,848,491	108,383,442
Additions	3,832,708	-	3,832,708
Modifications	493,612	-	493,612
Disposals	(103,446)	-	(103,446)
Recognition of right-of use assets as a result of lease back transactions	2,954	-	2,954
At 30 September 2022	69,760,779	42,848,491	112,609,270
Accumulated depreciation			
At 1 January 2021	16,569,720	7,430,654	24,000,374
Depreciation charge	7,191,999	2,795,450	9,987,449
At 30 September 2021	23,761,719	10,226,104	33,987,823
At 1 January 2022	26,916,142	10,618,234	37,534,376
Depreciation charge	1,514,136	8,493,289	10,007,425
At 30 September 2022	28,430,278	19,111,523	47,541,801
Net book value			
At 31 December 2021	38,618,809	32,230,257	70,849,066
At 30 September 2022	41,330,501	23,736,968	65,067,469

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>	30 September 2022 (unaudited)	30 September 2021 (unaudited)
At the beginning of the period	49,151,576	59,110,635
Additions	3,835,888	3,959,169
Modifications	493,612	1,974,330
Disposals	(103,446)	(1,067,743)
Interest expenses (Note 24)	4,329,426	5,448,564
Payment of interest part	(4,329,426)	(5,448,564)
Payment of principal part	(10,523,955)	(11,960,811)
At the end of the period	42,853,675	52,015,580

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

<i>In thousands of tenge</i>	30 September 2022 (unaudited)	31 December 2021
Lease liabilities: non-current portion	31,100,873	33,810,098
Lease liabilities: current portion	11,752,802	15,341,478

The following are the amounts recognised in the interim condensed consolidated statement of comprehensive income:

<i>In thousands of tenge</i>	For three months ended 30 September 2022 (unaudited)		For nine months ended 30 September 2022 (unaudited)	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Depreciation expense of right-of-use assets	3,317,525	3,277,889	10,007,425	9,987,449
Interest expense on lease liabilities	1,372,293	1,692,041	4,329,426	5,448,564
Expense relating to short-term leases and leases of low-value assets (included in cost of sales) (Note 23)	409,481	266,238	732,034	588,037
Expense relating to short-term leases (included in general and administrative expenses)	51,332	44,712	106,676	68,732
	5,150,631	5,280,880	15,175,561	16,092,782

During nine months period ended 30 September 2022, the Group had total cash outflows (principal and interest amount) for leases of KZT 15,419,073 thousand, including cash outflow of KZT 565,692 thousand related to leases of low-value assets and short-term leases (during nine months period ended 30 September 2021: KZT 18,066,144 thousand and KZT 656,769 thousand, respectively). During nine months period ended 30 September 2022, the Group also had non-cash additions to right-of-use assets and lease liabilities of KZT 3,835,662 thousand (during nine months period ended 30 September 2021: KZT 3,959,169 thousand).

17. NON-CURRENT CONTRACT LIABILITIES

As at 30 September 2022 and 31 December 2021, non-current contract liabilities comprised:

<i>In thousands of tenge</i>	30 September 2022 (unaudited)	31 December 2021
Contract liabilities from operators	4,336,418	4,766,404
Contract liabilities for connection of subscribers	462,031	544,722
Other contract liabilities	2,848,230	2,876,996
	7,646,679	8,188,122

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

As at 30 September 2022 and 31 December 2021, other current financial liabilities comprised:

<i>In thousands of tenge</i>	30 September 2022 (unaudited)	31 December 2021
Payable to employees	16,795,769	19,363,782
Dividends payable (Note 14)	84,800	17,573
Other	2,622,355	570,730
	19,502,924	19,952,085

As at 30 September 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 30 September 2022 and 31 December 2021, current contract liabilities comprised:

<i>In thousands of tenge</i>	30 September 2022 (unaudited)	31 December 2021
Advances received	21,557,126	19,697,210
Contract liabilities from operators	1,714,702	1,674,654
Contract liabilities for connection of subscribers	274,035	312,099
Other contract liabilities	95,566	82,586
Other	123,868	114,110
	23,765,297	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 30 September 2022 and 31 December 2021, other current non-financial liabilities comprised:

<i>In thousands of tenge</i>	30 September 2022 (unaudited)	31 December 2021
Provisions		
Tax provisions	5,145,862	3,842,611
Legal claims on contractual obligation and penalties	3,684,675	3,684,675
Asset retirement obligations	3,170,513	2,868,319
	12,001,050	10,395,605
Other non-financial liabilities		
Taxes payable other than income tax	8,803,669	2,745,141
Payable to pension funds	652,612	712,895
Other	474,205	425,390
	9,430,486	3,883,426
	21,431,536	14,279,031

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

As at 30 September 2022 and 2021, government grants comprised:

<i>In thousands of tenge</i>	30 September 2022 (unaudited)	30 September 2021 (unaudited)
Government grants at the beginning of the period	18,798,488	-
Received during the period	11,745,254	-
Released to the consolidated statement of comprehensive income	(4,209,415)	-
Government grants at the end of the period	26,334,327	-

Set out below are the carrying amounts of non-current and current government grants:

<i>In thousands of tenge</i>	30 September 2022 (unaudited)	31 December 2021
Current portion	5,263,949	4,202,083
Non-current portion	21,070,278	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 nine months period ended 30 September 2022 in the amount of KZT 11,745,254 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 30 September 2022 the balance of government grants was equal to KZT 26,334,327 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 4,209,415 thousand.

As of 30 September 2021 there were no reasonable assurance that the Group complies with the conditions attached to the government grant as the methodology for recognizing the expenditures related to the financing of the broadband internet projects has not yet been approved. Thus, the government grants were not recognized as of 30 September 2021.

As at 30 September 2022 there are no unfulfilled conditions or contingencies attached to these grants.

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

Revenue from contracts with customers for the three and nine months ended 30 September comprised:

<i>In thousands of tenge</i>	For the three months ended 30 September 2022			
	Fixed line	Mobile connection	Other	Total
Data transfer services	39,256,353	41,947,886	6,447	81,210,687
Rendering of fixed line and wireless phone services	11,951,227	30,478,780	–	42,430,007
Sale of equipment and mobile devices	3,062	11,888,131	–	11,891,193
Interconnect	5,337,922	3,354,599	–	8,692,521
Rent of channels	697,539	–	–	697,539
Other	13,095,806	2,361,290	468,195	15,925,290
	70,341,909	90,030,686	474,642	160,847,237
Services transferred over time	70,338,848	78,142,554	474,642	148,956,044
Goods transferred at a point of time	3,062	11,888,131	–	11,891,193
	70,341,909	90,030,686	474,642	160,847,237
B2C*	39,545,507	78,618,048	449,213	118,612,768
B2B**	13,135,747	1,095,947	25,429	14,257,123
B2O***	4,658,005	7,681,035	–	13,339,040
B2G****	13,002,650	2,635,656	–	15,638,306
	70,341,909	90,030,686	474,642	160,847,237

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 30 September 2021			
	Fixed line	Mobile connection	Other	Total
Data transfer services	31,015,292	40,880,288	3,570	71,899,150
Rendering of fixed line and wireless phone services	8,989,894	33,955,150	-	42,945,044
Sale of equipment and mobile devices	1,212	9,702,055	-	9,703,267
Interconnect	3,933,980	3,487,561	-	7,421,541
Rent of channels	761,022	-	-	761,022
Other	13,291,782	2,108,244	262,049	15,662,075
	57,993,182	90,133,298	265,619	148,392,099
Services transferred over time	57,991,970	80,431,243	265,619	138,688,832
Goods transferred at a point of time	1,212	9,702,055	-	9,703,267
	57,993,182	90,133,298	265,619	148,392,099
B2C*	30,240,161	77,027,612	877,743	108,145,516
B2B**	9,790,914	6,396,119	(612,124)	15,574,909
B2O***	4,581,500	6,594,693	-	11,176,193
B2G****	13,380,607	114,874	-	13,495,481
	57,993,182	90,133,298	265,619	148,392,099

<i>In thousands of tenge</i>	For the nine months ended 30 September 2022			
	Fixed line	Mobile connection	Other	Total
Data transfer services	100,820,687	127,974,511	11,507	228,806,705
Rendering of fixed line and wireless phone services	27,409,340	94,439,152	-	121,848,492
Sale of equipment and mobile devices	6,628	35,767,607	-	35,774,235
Interconnect	13,642,236	11,133,873	-	24,776,109
Rent of channels	2,160,699	-	-	2,160,699
Other	38,965,427	5,931,635	999,573	45,896,635
	183,005,017	275,246,778	1,011,080	459,262,875
Services transferred over time	182,998,389	239,479,171	1,011,080	423,488,640
Goods transferred at a point of time	6,628	35,767,607	-	35,774,235
	183,005,017	275,246,778	1,011,080	459,262,875
B2C*	97,029,704	230,753,541	942,487	328,725,732
B2B**	31,667,995	20,869,004	68,593	52,605,592
B2O***	14,715,665	19,698,377	-	34,414,042
B2G****	39,591,653	3,925,856	-	43,517,509
	183,005,017	275,246,778	1,011,080	459,262,875

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

<i>In thousands of tenge</i>	For the nine months ended 30 September 2021			
	Fixed line	Mobile connection	Other	Total
Data transfer services	92,109,743	116,917,466	10,513	209,037,722
Rendering of fixed line and wireless phone services	27,543,027	94,899,772	–	122,442,799
Sale of equipment and mobile devices	4,691	25,315,549	–	25,320,240
Interconnect	11,830,793	9,655,495	–	21,486,288
Rent of channels	2,252,959	–	–	2,252,959
Other	40,049,755	6,096,700	1,027,389	47,173,844
	173,790,968	252,884,982	1,037,902	427,713,852
Services transferred over time	173,786,277	227,569,433	1,037,902	402,393,612
Goods transferred at a point of time	4,691	25,315,549	–	25,320,240
	173,790,968	252,884,982	1,037,902	427,713,852
B2C*	90,364,257	214,901,947	877,743	306,143,947
B2B**	29,492,565	19,435,410	160,159	49,088,134
B2O***	13,704,773	18,345,198	–	32,049,971
B2G****	40,229,373	202,427	–	40,431,800
	173,790,968	252,884,982	1,037,902	427,713,852

* 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. COST OF SALES

Cost of sales for the three and nine months periods ended 30 September comprised:

<i>In thousands of tenge</i>	For three months ended 30 September		For nine months ended 30 September	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Depreciation and amortization	27,959,892	27,558,314	85,579,569	83,200,083
Personnel costs	24,410,158	20,879,757	74,849,718	62,453,070
Cost of SIM-card, scratch card and handsets	11,022,018	8,945,113	31,620,466	23,681,288
Interconnect	7,873,617	7,647,714	22,838,990	22,639,122
Fees for radiofrequencies use	4,892,344	3,718,230	13,936,008	11,590,115
Repair and maintenance	4,911,485	5,392,502	13,831,441	14,883,788
Electricity	2,727,411	2,606,340	8,636,582	7,815,043
Fee to provide telecom services	2,276,134	2,007,534	6,678,289	5,928,857
Rent of channels	2,280,145	2,206,689	6,626,570	7,114,368
Content	1,394,804	1,250,267	4,089,926	3,644,856
Inventories	1,438,833	1,327,453	3,520,689	3,236,136
Security and safety	664,537	773,467	1,911,249	2,249,039
Business trip expenses	496,654	353,584	1,196,563	881,273
Utilities	119,832	539,771	871,474	1,764,948
Insurance	234,007	243,117	793,755	647,061
Satellite communication services	198,903	200,271	596,585	600,072
Short-term leases and leases of low-value assets (Note 16)	409,481	266,238	732,034	588,037
Network sharing agreement	–	192,293	–	649,451
Other	5,565,622	4,491,800	12,250,151	9,446,300
	98,875,877	90,600,454	290,560,059	263,012,907

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**24. FINANCE COSTS**

Finance costs for the three and nine months periods ended 30 September comprised:

<i>In thousands of tenge</i>	For three months ended 30 September		For nine months ended 30 September	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Interest expense on loans	8,147,308	8,828,275	25,111,831	27,599,745
Interest expense on lease liabilities (Note 16)	1,372,293	1,692,041	4,329,426	5,448,564
Unwinding of discount (provision for asset retirement obligations)	251,292	141,111	614,073	445,138
Discounting of other non-current financial assets	22,695	631,830	452,941	1,095,556
Unwinding of discount (accounting payables)	133,899	71,934	172,611	111,714
Interest on debt component of preferred shares (Note 14)	22,409	22,409	67,227	67,227
Discounting of long-term loans to employees	(2,546)	52,941	8,972	86,878
Other costs	909,604	13,017	1,399,865	44,923
	10,856,954	11,453,558	32,156,946	34,899,745

25. INCOME FROM COMPENSATION FROM TELIA AND TURKCELL

On 20 May 2021, Kazakhtelecom JSC, Telia Company A. B. and Turkcell İletişim Hizmetleri A. Ş. settled out of court within the framework of arbitration proceedings initiated by Kazakhtelecom JSC in 2019 at the London Court of International Arbitration on claims related to violation of certain guarantees contained in the Contract for the Purchase of Shares of Kcell JSC dated 12 December 2018.

As consequence of negotiations, Telia Company A. B. and Turkcell İletişim Hizmetleri A. Ş. agreed to repay compensation to Kazakhtelecom JSC in the amount of USD 22,000 thousand, equivalent to KZT 9,386,963 thousand. In May 2021, the Group received amount of compensation in full.

26. OTHER OPERATING INCOME

Other operating income for the three and nine months periods ended 30 September comprised:

<i>In thousands of tenge</i>	For three months ended 30 September		For nine months ended 30 September	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Rental income	719,928	440,505	1,224,059	1,121,238
Income from liabilities write-off	171,143	7,805	223,784	240,093
Non-core operations	98,774	34,897	98,774	90,253
Fines and penalties	16,682	(24,256)	66,329	1,291,203
Reimbursement of expenses	-	-	-	1,386,421
Services for the provision of secure communication channels	-	24,441	-	79,665
Other	586,181	982,880	1,431,716	2,479,117
	1,592,708	1,466,272	3,044,662	6,687,990

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**27. INCOME TAX EXPENSES**

Income tax expense for the three and nine months periods ended 30 September comprised the following:

<i>In thousands of tenge</i>	For three months ended 30 September		For nine months ended 30 September	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Current income tax expenses	19,853,040	8,431,362	40,941,423	28,059,765
Deferred income tax benefit	(4,918,025)	(2,126,073)	(4,197,363)	(2,340,688)
	14,935,015	6,305,289	36,744,060	25,719,077

28. NON-CASH TRANSACTIONS

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

During the nine months period ended 30 September 2022, the Group received government grants in the total amount of KZT 11,745,254 thousand represented by 90% reduction in the annual fee for use of radio frequencies.

During the nine months period ended 30 September 2022, the Group paid an amount of KZT 46,818,019 thousand (unaudited) for property and equipment purchased in prior year (during the nine month periods ended 30 September 2021: KZT 34,791,217 thousand (unaudited)). Property and equipment in the amount of KZT 13,591,855 thousand (unaudited) were purchased during the nine months periods ended 30 September 2022 but not paid by 30 September 2022 (purchased, but not paid by 30 September 2021: KZT 21,547,897 thousand (unaudited)).

During the three and nine months periods ended 30 September 2022, the Group received repayment of loans provided to employees in the amount of KZT 272,745 thousand and KZT 960,354 thousand, respectively (during the three and nine months periods ended 30 September 2021: KZT 384,928 thousand and KZT 1,232,789 thousand, respectively). The repayments were withheld from the salary of employees.

29. 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 30 September 2022, the Group recognized a provision for expected credit loss in the amount of KZT 444,903 thousand in respect of receivables from related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**29. RELATED PARTY TRANSACTIONS (continued)**

Sales and purchases with related parties during the periods of three and nine months ended 30 September 2022 and 30 September 2021 and the balances with related parties at 30 September 2022 and 31 December 2022 were as follows:

<i>In thousands of tenge</i>	For three months ended 30 September		For nine months ended 30 September	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Sales of goods and services				
Parent	3,280	–	10,458	1,329,758
Parent-controlled entities	1,025,668	466,537	1,975,076	1,495,136
Associate (Qaz Cloud LLP)	350,290	251,285	889,633	717,399
Government-related entities	12,965,483	18,648,455	39,845,554	40,433,849
Purchases of goods and services				
Parent-controlled entities	695,328	359,738	1,953,913	3,104,884
Associate (Qaz Cloud LLP)	366,669	394,927	958,068	936,207
Government-related entities	77,031	59,468	217,400	189,708
Interest accrued on borrowings				
Entities under state control (Development Bank of Kazakhstan JSC)	710,966	844,115	2,018,744	2,652,129
<i>Average interest rate on borrowings</i>	7.98%	8.05%	7.98%	8.05%
Parent*	2,095,530	2,156,250	6,468,750	6,468,750
<i>Average interest rate on borrowings</i>	11.84%	11.84%	11.84%	11.84%

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

<i>In thousands of tenge</i>	30 September 2022 (unaudited)	31 December 2021
Cash and cash equivalents		
Entities under state control (Development Bank of Kazakhstan JSC)	792	229
Borrowings and bonds (Note 15)		
Entities under state control (Development Bank of Kazakhstan JSC)	33,257,666	39,650,793
Parent*	75,718,750	77,875,000
Trade receivables		
Parent	1,245	1,521
Parent-controlled entities	462,182	378,563
Associate (Qaz Cloud LLP)	394,299	130,273
Government-related entities	16,488,692	8,970,497
Trade payables		
Parent	59	59
Parent-controlled entities	457,441	1,069,641
Associate (Qaz Cloud LLP)	212,447	423,755
Government-related entities	1,031,153	1,676,754
Other non-current assets		
Long-term loans to key management personnel	–	11,655

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Impairment losses on financial assets for the nine months ended 30 September 2022, comprise accrued allowance for expected credit loss for trade receivables in amount of KZT 4,792,155 thousand (*Note 10*), other current financial assets in amount of KZT 67,658 thousand (*Note 11*), cash and cash equivalents in amount of KZT 4,137 thousand (*Note 13*) (for the nine months ended 30 September 2021: trade receivables in amount of KZT 1,872,684 thousand (*Note 10*), trade receivables of disposal group (KT Cloud Lab LLP) in amount of KZT 1,782 thousand, other current financial assets in amount of KZT 55,182 thousand (*Note 11*), cash and cash equivalents in amount of KZT 3,732 thousand (*Note 13*)).

Impairment losses on financial assets for the three months ended 30 September 2022, comprise accrued allowance for expected credit loss for trade receivables in amount of KZT 2,123,130 thousand (*Note 10*), other current financial assets in amount of KZT 25,926 thousand (*Note 11*), cash and cash equivalents in amount of KZT 2,470 thousand (*Note 13*) (for the three months ended 30 September 2021: trade receivables in amount of KZT 536,777 thousand (*Note 10*), trade receivables of disposal group (KT Cloud Lab LLP) in amount of KZT 2,936 thousand, other current financial assets in amount of KZT 41,467 thousand (*Note 11*), cash and cash equivalents in amount of KZT 3,616 thousand (*Note 13*)).

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

(Gain from reversal of impairment) / impairment losses on non-financial assets for the nine months ended 30 September 2022, comprise accrued/(reversed) allowance for impairment of advances paid for current assets for KZT 547,072 thousand (*Note 5*), impairment of property and equipment for KZT 1,281,115 thousand (*Note 5*) and impairment of intangible assets for KZT 2,826 thousand (*Note 6*) (for the nine months ended 30 September 2021: accrued/(reversed) allowance for impairment of advances paid for non-current assets for KZT (17,124) thousand, advances paid for current assets for KZT 9,823 thousand, fixed assets for KZT 189,363 thousand (*Note 5*)).

(Gain from reversal of impairment) / impairment losses on non-financial assets for the three months ended 30 September 2022, comprise accrued allowance for impairment of advances paid for current assets for KZT 326,979 thousand, impairment of property and equipment for KZT 1,210,932 thousand (*Note 5*) (for the three months ended 30 September 2021: comprise accrued/(reversed) allowance for impairment of advances paid for current assets for KZT (17,124) thousand (*Note 5*), thousand and impairment of fixed assets for KZT 10,617, fixed assets for KZT 288,079 thousand (*Note 5*)).

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)**30. 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 tables below present fair value hierarchy of assets and liabilities of the Group. Disclosure of quantitative information of fair value hierarchy of financial instruments as at 30 September 2022 was as follow:

<i>In thousands of tenge</i>	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					
Investment property	30 September 2022	-	-	6,573,000	6,573,000
Other non-current financial assets	30 September 2022	-	-	9,265,327	9,265,327
Other current financial assets	30 September 2022	-	-	6,435,278	6,435,278
Trade receivables	30 September 2022	-	-	54,141,132	54,141,132
Liabilities for which fair values are disclosed					
Borrowings	30 September 2022	-	-	286,012,525	286,012,525
Other non-current financial liabilities	30 September 2022	-	-	488	488
Other current financial liabilities	30 September 2022	-	-	19,502,924	19,502,924
Trade payables	30 September 2022	-	-	37,931,737	37,931,737

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

<i>In thousands of tenge</i>	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 CONSOLIDATED FINANCIAL STATEMENTS (continued)**30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (continued)****Fair value (continued)**

During nine months period ended 30 September 2022 the Group acquired short term discount notes of National Bank of the Republic of Kazakhstan (“NBRK”) denominated in tenge in the amount of 69,350,275 thousand tenge, which were fully redeemed as of 30 September 2022 (During nine months period ended 30 September 2021 the Group acquired short term discount notes of NBRK denominated in tenge in the amount of 87,141,339 thousand tenge, which were fully redeemed as of 30 September 2021). The Group recognizes the notes as financial assets at amortized cost as the contractual cash flows are solely principal and interest and the financial assets are held within a business model for collecting contractual cash flows.

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 30 September 2022 (unaudited)	Fair value as at 30 September 2022 (unaudited)	Unrecognised gain/(loss) as at 30 September 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	307,289,349	307,289,349	-	167,109,839	167,109,839	-
Other non-current financial assets	9,265,327	9,265,327	-	7,141,361	6,752,172	(389,189)
Other current financial assets	6,435,278	6,435,278	-	11,592,724	11,592,724	-
Assets under reverse repurchase	-	-	-	49,999,824	49,999,824	-
Investment property	2,226,406	6,573,000	(4,346,594)	-	-	-
Trade receivables	54,141,132	54,141,132	-	36,873,043	36,873,043	-
Financial liabilities						
Borrowings	289,119,962	286,012,525	3,107,437	315,791,308	319,483,880	(3,692,572)
Other non-current financial liabilities	488	488	-	707	707	-
Other current financial liabilities	19,502,924	19,502,924	-	19,952,085	19,952,085	-
Trade payables	37,931,737	37,931,737	-	75,100,611	75,100,611	-
Total unrecognised change in unrealised fair value			(1,239,167)			(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. 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.

Capital commitments

The Group generally enters into contracts for the completion of construction projects and purchase of telecommunication equipment. As at 30 September 2022, the Group had contractual obligations in the total amount of KZT 56,414,603 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 30 September 2022. Management believes that as at 30 September 2022 its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these interim condensed consolidated financial statements.

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 30 September 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 equaled to KZT 7,644,748 thousand.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. COMMITMENTS AND CONTINGENCIES (continued)**Protests in Kazakhstan**

On 2 January 2022 protests started in Mangystau region of Kazakhstan related to significant increase in the liquified natural gas retail price. These protests spread to other cities and resulted in riots, damage to property and loss of life. On 5 January 2022 the government declared a state of emergency.

As a result of the above protests and state of emergency the President of Kazakhstan has made certain public announcements regarding possible measures including amendments to the tax legislation, introducing measures for financial stability, controlling and stabilizing the inflation rate and the tenge exchange rate.

During the protests, six Kcell Stores located in Almaty and Almaty region, were looted and two large offices of the Group were attacked. Also, several base stations of Khan Tengri Holding B.V. were burned out in Almaty city.

The Management of the Group formed operational headquarters due to state emergency announcement for timely decision making on operational issues for uninterrupted communication of subscribers and facilitate the Government with urgent actions.

Providing subscribers with continuous cellular communications was a priority of the Group and the Management decided to support its subscribers including small and medium sized businesses during the state of emergency. During the state of emergency declared throughout Kazakhstan, and until the end of January 2022, corporate clients of Kcell and MTS LLP with a lack of balance on their account were not limited to communication and access to the Internet.

As a result of the above protests and state of emergency the President of Kazakhstan has made certain public announcements regarding possible measures including amendments to the tax legislation, introducing measures for financial stability, controlling and stabilizing the inflation rate and the tenge exchange rate.

On 10 January 2022 the National Security Committee of Kazakhstan reported that the situation in the country has stabilized and was under control. On 19 January 2022 the state emergency was lifted.

The Group incurred losses from those events in amount of KZT 553,000 thousand that represents robbery of inventories (goods for resale) and damage of stores, which was recognized within other operating expenses in interim condensed consolidated statement of comprehensive income for nine months ended 30 September 2022.

Events in Ukraine and Coronavirus pandemic

The war in Ukraine has had a significant negative impact on the global economic outlook. In response to the offensive, extensive sanctions have been imposed on Russia that largely exclude the country from the international financial markets and significantly curtail trade in goods. These sanctions are intended to have a negative economic impact on the Russian Federation. The Group's business activities and hence its results of operations and financial position are not significantly impacted by the consequences of the war in Ukraine, as the Group does not operate any networks in Russia or Ukraine.

Due to geopolitical events around Ukraine and Russia, on 24 February 2022, oil prices exceeded \$100 per barrel. On 23 February 2022, the exchange rate of tenge against the US dollar began to weaken sharply.

In addition, the development of the global economy continues to be impacted by the coronavirus pandemic. Due to the spread of the Omicron variant in China, largescale lockdowns have been imposed in Shanghai and other major Chinese cities. Although the pandemic has only had a limited negative impact on the telecommunications sector so far, if the global pandemic were to re-escalate, it could lead to prolonged and increased supply-side shortages. However, visitor and roaming revenues increased slightly thanks to travel returning to more normal levels despite the coronavirus pandemic.

Possible future effects on the measurement of individual assets and liabilities due to war in Ukraine and coronavirus pandemic are being analyzed on an ongoing basis. It is not yet possible to assess with certainty how the Group will be indirectly affected, in particular by the impact on the global economy. The overall economic outlook has deteriorated significantly as a result of the extensive sanctions and limitations on trade in goods. Based on experience so far, the Group expects the war in Ukraine and coronavirus pandemic to only impact business to a limited extent going forward.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. COMMITMENTS AND CONTINGENCIES (continued)**Government grant related to frequency fee**

The Group has submitted consolidated report on expenditures used to finance broadband projects access to the Internet in urban and rural areas included capital and operational costs that are necessary for the provision of broadband Internet access services in urban and rural settlements throughout the territory of the Republic of Kazakhstan. Management believes that there are no unfulfilled conditions or contingencies attached to these grants.

In case if, based on the results of the audited information, the fact of non-fulfillment by the telecom operator of obligations to allocate at least released funds from the reduction of the corresponding fee rate to finance broadband Internet access projects in urban and rural areas is confirmed, the authorized body in the field of communications not earlier than one year after of the year following the reporting year, recalculates the amount of the annual fee for the use of frequency fee for the reporting year, which should be proportional to the unfulfilled volume of financial obligations for this reporting year.

Legal proceedings

On 13 March 2022, Kairat Satybaldy, the ultimate owner of Skyline Investment Company S.A. and Alatau Capital Invest LLP, was detained by the anti-corruption service of Kazakhstan on suspicion of abuse of office and embezzlement of Kazakhtelecom JSC funds on an especially large scale. As of the date of financial statements the legal proceedings against Kairat Satybaldy is still in process and the management of the Group is not aware regarding any final potential outcome of the legal case.

By the agreement dated 8 September 2022 on the settlement of the dispute and reconciliation of the parties in the procedure of judicial mediation in the dispute that arose as part of the criminal case on the episodes "Discounts" and "The Last Mile", the Group recognized damages in the amount of KZT 12,733,024 thousand. Court No. 2 of the "Baykonyr" district of Astana city issued a verdict dated 26 September 2022 in one of the criminal cases against Satybaldyuly K. and other involved persons accused of committing criminal offenses under Articles 28, part 3, 189, part 4, paragraph 2, 195, part 4, paragraph 2 of the Criminal Code of the Republic of Kazakhstan. At the date of the financial statements, legal proceedings against Kairat Satybaldy are still pending.

33. SUBSEQUENT EVENTS

On 10 October 2022, the Group made a partial early redemption of bonds KTCB.1024 (ISIN KZX000000013) placed on the Astana International Exchange Ltd in November 2018. The total value of the repurchased bonds amounted to KZT 34,000,000 thousand, the amount of interest paid was KZT 423,583 thousand.

From 11 November to 17 November 2022, the Group, with the involvement of a paying agent (Central Securities Depository JSC), paid dividends in the amount of KZT 39,421,921 thousand.