# Kazakhtelecom JSC

Consolidated financial statements

*For the year ended 31 December 2022*
*together with independent auditor's report*

# CONTENTS

Independent auditor's report

**Consolidated financial statements**

Consolidated statement of financial position ..... 1-2
Consolidated statement of comprehensive income ..... 3-4
Consolidated statement of changes in equity ..... 5
Consolidated statement of cash flows ..... 6-7
Notes to the consolidated financial statements ..... 8-83

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# Independent auditor's report

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

## *Opinion*

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

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

## *Basis for opinion*

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

## *Key audit matters*

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

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

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Revenue recognition*** | |
| Recognition and measurement of revenue from provision of telecommunication services was one of the matters of most significance in our audit due to the risk of improper revenue recognition as the billing systems employed by the Group are complex and automated processes. In addition, effect of accounting treatment of changing tariff structures and multi-element arrangements on revenue could be significant.<br><br>The selection and application of revenue recognition policies, including the application of IFRS 15 *Revenue from contracts with customers*, involve a number of key judgements and estimates, and therefore revenue could be subject to misstatement, whether due to fraud or error, including untimely recognition.<br><br>The Group's disclosure of information in respect of the accounting policies on revenue recognition is included in Note 3 to the consolidated financial statements, and detailed revenue disclosures are included in Note 33 to the consolidated financial statements. | We have considered the relevant IT systems and the design of controls over capturing and recording data in billing systems related to revenue recognition; authorisation of changes and accounting treatment of tariff rates input to the billing systems; and calculation of amounts billed to the customers.<br><br>We performed analytical procedures, including monthly fluctuations analysis and analysis of changes in key drivers of revenue, and compared financial and non-financial data. We also analysed the timing of revenue recognition.<br><br>We analysed the key judgements and estimates, and the accounting policy for compliance with IFRS 15. We considered the disclosures related to revenue recognition in light of the requirements of IFRS 15. |

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***Other information included in the Group's 2022 Annual report***

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ernst & Young LLP

Paul Cohn
Audit Partner

Adil Syzdykov
Auditor

Audit qualification certificate
No. МФ-0000172 dated 23 December 2013

Rustamzhan Sattarov
General Director
Ernst & Young LLP
State audit license for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2, No. 0000003 issued by the Ministry of finance of the Republic of Kazakhstan dated 15 July 2005

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

20 April 2023

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**As at 31 December 2022**

| *In thousands of tenge* | Note | 31 December 2022 | 31 December 2021 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property and equipment | 8 | **501,991,438** | 476,038,092 |
| Investment properties | 12 | **1,976,652** | – |
| Intangible assets | 9 | **195,141,499** | 205,424,785 |
| Goodwill | 11 | **152,402,245** | 152,402,245 |
| Right-of-use assets | 24 | **63,294,805** | 70,849,066 |
| Advances paid for non-current assets | 8, 9 | **6,830,659** | 3,647,122 |
| Investments in associates | 10 | **–** | 3,460,120 |
| Cost to obtain contracts | | **2,781,123** | 2,494,814 |
| Cost to fulfil contracts | | **80,103** | 135,051 |
| Other non-current non-financial assets | 14 | **6,624,903** | 5,601,003 |
| Other non-current financial assets | 13 | **6,973,300** | 7,141,361 |
| Deferred tax assets | 43 | **1,470,763** | 660,170 |
| **Total non-current assets** | | **939,567,490** | 927,853,829 |
| **Current assets** | | | |
| Inventories | 15 | **13,857,314** | 11,962,754 |
| Trade receivables | 16 | **45,305,186** | 36,873,043 |
| Advances paid | 17 | **6,206,238** | 7,500,551 |
| Corporate income tax prepaid | | **3,944,275** | 7,527,978 |
| Cost to fulfil contracts | | **690,565** | 854,321 |
| Other current non-financial assets | 20 | **12,070,418** | 13,310,432 |
| Other current financial assets | 18 | **4,374,070** | 11,592,724 |
| Financial assets carried at amortised cost | 19 | **14,832,821** | – |
| Assets under reverse repurchase agreements | 19 | **–** | 49,999,824 |
| Cash and cash equivalents | 21 | **242,122,154** | 167,109,839 |
| | | **343,403,041** | 306,731,466 |
| Assets held for sale | 10 | **3,763,284** | – |
| **Total current assets** | | **347,166,325** | 306,731,466 |
| **Total assets** | | **1,286,733,815** | 1,234,585,295 |

*The accounting policies and notes on pages 8 to 83 are an integral part of these consolidated financial statements.*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

| *In thousands of tenge* | Note | 31 December 2022 | 31 December 2021 |
|---|---|---|---|
| **Equity and liabilities** | | | |
| Share capital | 22 | **12,136,529** | 12,136,529 |
| Treasury shares | 22 | **(7,065,614)** | (7,065,614) |
| Foreign currency translation reserve | | **26,183** | (18,338) |
| Other reserves | 22 | **1,820,479** | 1,820,479 |
| Retained earnings | | **641,236,831** | 569,486,063 |
| | | **648,154,408** | 576,359,119 |
| Non-controlling interests | 6 | **82,453,415** | 67,818,247 |
| **Total equity** | | **730,607,823** | 644,177,366 |
| **Non-current liabilities** | | | |
| Borrowings: non-current portion | 23 | **222,858,631** | 282,246,983 |
| Lease liabilities: non-current portion | 24 | **28,360,505** | 33,810,098 |
| Other non-current financial liabilities | | **414** | 707 |
| Employee benefit obligations | 25 | **16,687,529** | 21,848,722 |
| Debt component of preferred shares | 22 | **814,868** | 814,868 |
| Non-current contract liabilities | 26 | **7,554,205** | 8,188,122 |
| Government grants: non-current portion | 32 | **20,690,473** | 14,596,405 |
| Asset retirement obligation | 27 | **6,595,165** | 7,416,005 |
| Deferred tax liabilities | 43 | **31,521,131** | 34,571,582 |
| **Total non-current liabilities** | | **335,082,921** | 403,493,492 |
| **Current liabilities** | | | |
| Borrowings: current portion | 23 | **25,018,246** | 33,544,325 |
| Lease liabilities: current portion | 24 | **12,465,379** | 15,341,478 |
| Other current financial liabilities | 29 | **27,616,881** | 19,952,085 |
| Employee benefit obligations: current portion | 25 | **1,562,857** | 1,526,442 |
| Trade payables | 28 | **104,832,254** | 75,100,611 |
| Current corporate income tax payable | | **2,131,847** | 1,087,723 |
| Current contract liabilities | 30 | **26,742,107** | 21,880,659 |
| Government grants: current portion | 32 | **6,167,493** | 4,202,083 |
| Other current non-financial liabilities | 31 | **14,506,007** | 14,279,031 |
| | | **221,043,071** | 186,914,437 |
| **Total current liabilities** | | **221,043,071** | 186,914,437 |
| **Total liabilities** | | **556,125,992** | 590,407,929 |
| **Total equity and liabilities** | | **1,286,733,815** | 1,234,585,295 |

Chairman of the Management Board _____ *Yessekeyev K.B.*

Chief financial officer _____ *Atamuratova L.V.*

Chief accountant _____ *Urazimanova M.M.*

*The accounting policies and notes on pages 8 to 83 are an integral part of these consolidated financial statements.*

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**For the year ended 31 December 2022**

| *In thousands of tenge* | Note | 2022 | 2021 |
|---|---|---|---|
| Revenue from contracts with customers | 33 | **621,837,582** | 581,495,220 |
| Compensation for provision of universal services in rural areas | 34 | **6,326,916** | 6,412,945 |
| Income from government grants | 32 | **6,331,898** | 6,285,022 |
| | | **634,496,396** | 594,193,187 |
| Cost of sales | 35 | **(399,170,034)** | (368,002,607) |
| **Gross profit** | | **235,326,362** | 226,190,580 |
| General and administrative expenses | 36 | **(44,158,784)** | (48,922,105) |
| Impairment losses on financial assets | 47 | **(7,622,160)** | (3,256,363) |
| Impairment losses on non-financial assets | 47 | **(1,478,876)** | (6,001,959) |
| Selling expenses | 37 | **(16,908,727)** | (13,681,240) |
| Reversal of tax and related fines and penalties provision | 31, 48 | **–** | 682,820 |
| Income from compensation from Telia and Turkcell | 41 | **–** | 9,386,963 |
| Loss on disposal of property and equipment, net | | **(229,712)** | (671,797) |
| Other operating income | 42 | **17,052,723** | 4,249,587 |
| Other operating expenses | 42 | **(1,322,018)** | (998,537) |
| **Operating profit** | | **180,658,808** | 166,977,949 |
| Share in profits of associates | 10 | **380,019** | 512,364 |
| Loss from disposal of a subsidiary | 44 | **–** | (425,818) |
| Finance costs | 39 | **(40,469,547)** | (46,436,473) |
| Finance income | 39 | **15,977,954** | 5,842,984 |
| Net foreign exchange gain | 40 | **7,901,638** | 2,259,417 |
| **Profit before tax** | | **164,448,872** | 128,730,423 |
| Income tax expenses | 43 | **(35,695,727)** | (31,286,637) |
| **Profit for the year** | | **128,753,145** | 97,443,786 |

*The accounting policies and notes on pages 8 to 83 are an integral part of these consolidated financial statements.*

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

| *In thousands of tenge* | Note | 2022 | 2021 |
|---|---|---|---|
| **Other comprehensive income/(loss)** | | | |
| *Other comprehensive loss to be reclassified to profit or loss in subsequent periods (net of tax)* | | | |
| Foreign exchange differences from translation of financial statements of foreign subsidiaries | | **44,521** | (1,138) |
| **Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods** | | **44,521** | (1,138) |
| *Other comprehensive loss not to be reclassified to profit or loss in subsequent periods (net of tax)* | | | |
| Actuarial losses on defined benefits plans | 25 | **(3,348,018)** | (6,830,107) |
| Tax effect | 43 | **387,506** | 527,236 |
| **Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods** | | **(2,960,512)** | (6,302,871) |
| **Other comprehensive loss for the year, net of tax** | | **(2,915,991)** | (6,304,009) |
| **Total comprehensive income for the year, net of tax** | | **125,837,154** | 91,139,777 |
| **Profit attributable to:** | | | |
| Equity holders of the Parent | | **114,117,977** | 90,759,490 |
| Non-controlling interests | 6 | **14,635,168** | 6,684,296 |
| | | **128,753,145** | 97,443,786 |
| **Total comprehensive income attributable to:** | | | |
| Equity holders of the Parent | | **111,201,986** | 84,455,481 |
| Non-controlling interests | 6 | **14,635,168** | 6,684,296 |
| | | **125,837,154** | 91,139,777 |
| **Earnings per share** | | | |
| Basic and diluted, profit for the year attributable to ordinary equity holders of the parent, tenge | 22 | **10,377.97** | 8,255.40 |

Chairman of the Management Board

*Yessekeyev K.B.*

Chief financial officer

*Atamuratova L.V.*

Chief accountant

*Urazimanova M.M.*

*The accounting policies and notes on pages 8 to 83 are an integral part of these consolidated financial statements.*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**For the year ended 31 December 2022**

| | Attributable to equity holders of the Parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *In thousands of tenge* | **Shares outstanding** | **Treasury shares** | **Foreign currency translation reserve** | **Other reserves** | **Retained earnings** | **Total** | **Non-controlling interests** | **Total Equity** |
| **Note** | 22 | 22 | | 22 | | | 6 | |
| **At 1 January 2021** | 12,136,529 | (7,065,614) | (17,200) | 1,820,479 | 476,006,801 | 482,880,995 | 35,659,002 | 518,539,997 |
| Net profit for the year | – | – | – | – | 90,759,490 | 90,759,490 | 6,684,296 | 97,443,786 |
| Other comprehensive loss | – | – | (1,138) | – | (6,302,871) | (6,304,009) | – | (6,304,009) |
| **Total comprehensive income** | – | – | (1,138) | – | 84,456,619 | 84,455,481 | 6,684,296 | 91,139,777 |
| Dividends *(Note 22)* | – | – | – | – | (18,958,368) | (18,958,368) | (4,394,500) | (23,352,868) |
| Discount on loan received from non-controlling interests *(Note 23)* | – | – | – | – | – | – | 1,260,102 | 1,260,102 |
| Other transactions with owners *(Note 22)* | – | – | – | – | 1,310,411 | 1,310,411 | – | 1,310,411 |
| Change in interests in subsidiaries that do not result in a loss of control *(Note 5)* | – | – | – | – | 26,670,600 | 26,670,600 | 28,609,347 | 55,279,947 |
| **At 31 December 2021** | **12,136,529** | **(7,065,614)** | **(18,338)** | **1,820,479** | **569,486,063** | **576,359,119** | **67,818,247** | **644,177,366** |
| Net profit for the year | – | – | – | – | **114,117,977** | **114,117,977** | **14,635,168** | **128,753,145** |
| Other comprehensive loss | – | – | **44,521** | – | **(2,960,512)** | **(2,915,991)** | – | **(2,915,991)** |
| **Total comprehensive income** | – | – | **44,521** | – | **111,157,465** | **111,201,986** | **14,635,168** | **125,837,154** |
| Dividends *(Note 22)* | – | – | – | – | **(39,421,921)** | **(39,421,921)** | – | **(39,421,921)** |
| Other transactions | – | – | – | – | **15,224** | **15,224** | – | **15,224** |
| **At 31 December 2022** | **12,136,529** | **(7,065,614)** | **26,183** | **1,820,479** | **641,236,831** | **648,154,408** | **82,453,415** | **730,607,823** |

Chairman of the Management Board

*Kesekeyev K.B.*

Chief financial officer

*Atamuratova L.V.*

Chief accountant

*Urazimanova M.M.*

*The accounting policies and notes on pages 8 to 83 are an integral part of these consolidated financial statements.*

# CONSOLIDATED STATEMENT OF CASH FLOWS

**For the year ended 31 December 2022**

| *In thousands of tenge* | Note | 2022 | 2021 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before tax for the year | | **164,448,872** | 128,730,423 |
| **Adjustments for:** | | | |
| Depreciation of property and equipment and right of use assets | 8, 24 | **90,445,532** | 90,332,002 |
| Amortisation of intangible assets | 9 | **28,203,711** | 27,512,149 |
| Impairment loss of non-financial assets | 47 | **1,478,876** | 6,001,959 |
| Impairment loss on financial assets | 47 | **7,622,160** | 3,256,363 |
| Net foreign exchange gain | 40 | **(7,901,638)** | (2,259,417) |
| Changes in employee benefit obligations | | **(8,472,796)** | (871,089) |
| Write-down of inventories to net realizable value | 36 | **314,205** | 521,450 |
| Share in profits of associates | 10 | **(380,019)** | (512,364) |
| Finance costs | 39 | **40,469,547** | 46,436,473 |
| Finance income | 39 | **(15,977,954)** | (5,842,984) |
| Provisions for tax risks | 31 | **1,019,959** | 2,226,548 |
| Income from government grants | 32 | **(6,331,898)** | (6,285,022) |
| Loss on disposal of property and equipment, net | | **229,712** | 671,797 |
| Loss on cancellation of lease agreements | 24 | **–** | 319,436 |
| Reversal of tax and related fines and penalties provision | 31, 48 | **(2,130,246)** | (682,820) |
| **Operating cash flows before changes in operating assets and liabilities** | | **293,038,023** | 289,554,904 |
| **Changes in operating assets and liabilities** | | | |
| Change in trade receivables | | **(15,518,083)** | (5,253,423) |
| Change in inventories | | **(2,208,765)** | 3,005,825 |
| Change in other current assets | | **3,700,055** | (7,199,343) |
| Change in advances paid | | **1,294,313** | (2,829,011) |
| Change in trade payables | | **18,881,620** | 6,895,576 |
| Change in cost to obtain contracts and cost to fulfil contracts | | **(67,605)** | (535,474) |
| Change in contract liabilities | | **2,645,145** | 5,123,969 |
| Changes in other current liabilities | | **21,808,177** | 16,944,554 |
| **Cash flows from operating activities** | | **323,572,880** | 305,707,577 |
| Income tax paid | | **(33,721,779)** | (28,239,119) |
| Interest paid | 47 | **(39,103,847)** | (44,661,377) |
| Interest received | | **14,224,876** | 4,372,735 |
| **Net cash flows from operating activities** | | **264,972,130** | 237,179,816 |

*The accounting policies and notes on pages 8 to 83 are an integral part of these consolidated financial statements.*

## CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

| *In thousands of tenge* | Note | 2022 | 2021 |
|---|---|---|---|
| **Investing activities** | | | |
| Purchase of property and equipment | | **(101,551,623)** | (83,802,273) |
| Purchase of intangible assets | | **(19,948,771)** | (17,425,609) |
| Proceeds from sale of property and equipment, intangible assets | | **1,724,661** | 1,797,882 |
| Cash paid for assets under reverse repurchase agreements | 19 | **–** | (49,999,824) |
| Purchase of financial assets at amortized cost | 19 | **(84,163,285)** | (140,018,401) |
| Proceeds from redemption of financial assets at amortized cost | 19 | **69,350,275** | 158,630,603 |
| Cash received from assets under reverse repurchase agreement | 19 | **49,999,824** | – |
| Placement of deposits | 13, 18 | **(908,440)** | (10,136,700) |
| Refund on deposits | 13, 18 | **9,227,472** | – |
| Proceeds from disposal of subsidiary, net of cash disposed | 44 | **–** | 987,132 |
| Issue of long-term loans to employees | | **(2,018,873)** | (935,162) |
| Repayment of loans by employees | | **496,026** | 472,912 |
| Return of cash restricted in use | | **–** | 7,548 |
| Dividends received from associate | 10 | **76,855** | 35,201 |
| **Net cash flows used in investing activities** | | **(77,715,879)** | (140,386,691) |
| **Financing activities** | | | |
| Borrowings received | 47 | **–** | 62,500,000 |
| Borrowings repaid | 47 | **(66,673,091)** | (107,240,887) |
| Dividends paid to equity holders of the Parent | 22 | **(39,511,557)** | (17,661,587) |
| Dividends paid to non-controlling interests | 6, 22 | **–** | (4,394,500) |
| Repayment of principal portion of lease liabilities | 47 | **(13,759,891)** | (15,072,509) |
| Proceeds from sale of non-controlling shares | 5 | **–** | 55,279,947 |
| **Net cash flows used in financing activities** | | **(119,944,539)** | (26,589,536) |
| Effect of exchange rate changes on cash and cash equivalents | | **7,703,007** | 2,201,914 |
| Effect of changes in expected credit losses | 21 | **(2,404)** | (4,830) |
| **Net change in cash and cash equivalents** | | **75,012,315** | 72,400,673 |
| Cash and cash equivalents, as at 1 January | 21 | **167,109,839** | 94,709,166 |
| **Cash and cash equivalents, as at 31 December** | 21 | **242,122,154** | 167,109,839 |

Disclosure of significant non-cash transactions is presented in *Note 45*.

Chairman of the Management Board

*Yessekeyev K.B.*

Chief financial officer

*Atamuratova L.V.*

Chief accountant

*Urazimanova M.M.*

*The accounting policies and notes on pages 8 to 83 are an integral part of these consolidated financial statements.*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**For the year ended 31 December 2022**

## 1. GENERAL INFORMATION

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 31 December 2022:

| | **At 31 December 2022** | 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 5* (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.

These consolidated financial statements of the Group were approved for issue by the Chairman of the Management Board on behalf of the Management of the Company on 20 April 2023.

## 2. BASIS OF PREPARATION

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (hereinafter, "IFRS"), as issued by International Accounting Standard Board (hereinafter, "IASB").

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

### Going concern

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

### Basis of consolidation

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

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

### 2. BASIS FOR PREPARATION (continued)

**Basis of consolidation (continued)**

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

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

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

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

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

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**New and amended standards and interpretations**

For the first time, the Group has applied certain standards and amendments that are effective for annual reporting periods beginning on or after 1 January 2022 (unless otherwise indicated). The Group has not prematurely applied standards, clarifications or amendments that have been issued but are not yet effective.

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

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

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

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

*Reference to the Conceptual Framework – Amendments to IFRS 3*

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

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

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

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

*Reference to the Conceptual Framework – Amendments to IFRS 3 (continued)*

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

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

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

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

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

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

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

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

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

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

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

*IAS 41 Agriculture – Taxation in fair value measurements*

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

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

**Standards issued but not yet effective**

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

*IFRS 17 Insurance Contracts*

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

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

**Standards issued but not yet effective (continued)**

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

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

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

This standard is not applicable to the Group.

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

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

*Right to defer settlement*

The Board decided that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. Furthermore, the Board specified that the requirements in paragraph 72B apply only to liabilities arising from loan arrangements.

*Existence at the end of the reporting period*

The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date.

*Management expectations*

IAS 1.75A has been added to clarify that the 'classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period'. That is, management's intention to settle in the short run does not impact the classification. This applies even if settlement has occurred when the financial statements are authorised for issuance.

*Meaning of the term 'settlement'*

The Board added two new paragraphs (paragraphs 76A and 76B) to IAS 1 to clarify what is meant by 'settlement' of a liability. The Board concluded that it was important to link the settlement of the liability with the outflow of resources of the entity.

Settlement by way of an entity's own equity instruments is considered settlement for the purpose of classification of liabilities as current or non-current, with one exception.

In cases where a conversion option is classified as a liability or part of a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current. Only if the conversion option itself is classified as an equity instrument would settlement by way of own equity instruments be disregarded when determining whether the liability is current or non-current.

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

**Standards issued but not yet effective (continued)**

*Meaning of the term 'settlement'(continued)*

Unchanged from the current standard, a rollover of a borrowing is considered the extension of an existing liability and is therefore not considered to represent 'settlement'.

*Disclosures*

IAS 1.76ZA has been added to require an entity to provide disclosure when a liability arising from a loan agreementis classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

*Definition of Accounting Estimates - Amendments to IAS 8*

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

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

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

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

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

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

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

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

On 7th May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

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

The Group is currently assessing the impact of the amendments.

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

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

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

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

**Standards issued but not yet effective (continued)**

*Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 (continued)*

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

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

**Foreign currency translation**

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

*Transactions and balances*

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

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

Foreign exchange rates are presented in the following table:

| | **31 December 2022** | 31 December 2021 |
|---|---|---|
| US dollar | **462.65** | 431.8 |
| Euro | **492.86** | 489.1 |
| Russian rubles | **6.43** | 5.76 |

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

**Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

**Business combinations and goodwill (continued)**

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

**Investments in associates and joint ventures**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

**Investments in associates and joint ventures (continued)**

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

**Current versus non-current classification**

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

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

All other assets are classified as non-current.

A liability is current when:

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

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

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

**Fair value measurement**

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the *Note 47*.

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

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

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

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

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

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

**Fair value measurement (continued)**

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

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

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

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

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

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

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

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

The Working Group and external valuers of the Group provide valuation results to the Audit Committee and independent auditors of the Group on a regular basis that assumes discussion of main assumptions used in valuation.

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

**Non-current assets held for sale and discontinued operations**

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

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

**Non-current assets held for sale and discontinued operations (continued)**

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of comprehensive income.

**Property and equipment**

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Please refer to asset retirement obligation *(Note 27)* for further information about decommissioning provision recognised. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

| | Years |
|---|---|
| Buildings | 50 |
| Constructions | 10-20 |
| Telecommunication equipment | 3-20 |
| Other | 3-20 |

Land is not depreciated.

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

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

*Construction-in-progress*

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

**Investment properties**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing component of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss. Depreciation is calculated on a straight-line basis over the estimated useful life, which is 50 years.

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

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

**Investment properties (continued)**

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

**Intangible assets**

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

Intangible assets have finite useful lives.

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

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

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

| | Years |
|---|---|
| Licenses | 3-20 |
| Computer software | 1-14 |
| Customer base | 8-10 |
| Other | 2-15 |

**Impairment of non-financial assets**

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

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

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

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

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

**Impairment of non-financial assets (continued)**

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

*Goodwill*

Goodwill is tested for impairment annually as at 31 December (*Note 11*), and when circumstances indicate that the carrying amount may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

**Financial assets**

***Initial recognition and measurement***

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

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

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

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

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

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

***Subsequent measurement***

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

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

**Financial assets (continued)**

***Subsequent measurement (continued)***

*Financial assets at amortised cost (debt instruments)*

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Group's financial assets at amortised cost includes trade receivables, loans to employees, bank deposits and other non-current and current financial assets.

***Derecognition***

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

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

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

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

***Impairment of financial assets***

*Financial assets carried at amortised cost*

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

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

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

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

**Financial assets (continued)**

***Impairment of financial assets (continued)***

*Financial assets carried at amortised cost (continued)*

For long-term trade receivable that contain a significant financing component the Group measures the loss allowance at an amount equal to lifetime expected losses. An entity applies the simplified approach for ECL calculation of long-term trade receivables

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

**Financial liabilities**

***Initial recognition and measurement***

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

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

The Group's financial liabilities comprise trade payables, loans and borrowings, lease liabilities, debt component of preferred shares.

***Subsequent measurement***

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

*Loans and borrowings*

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

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

This category generally applies to interest-bearing loans and borrowings. Further details are contained in *Note 23*.

*Financial guarantee obligations*

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of the loss allowance determined in accordance with IFRS 9 *Financial Instruments* and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with IFRS 15 *Revenue from Contracts with Customers*.

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

**Financial liabilities (continued)**

***Subsequent measurement (continued)***

*Debt component of preferred shares recorded in liabilities*

The debt component of the preferred shares that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of transaction costs. The corresponding minimal guaranteed dividends on those shares are charged as interest expense in the consolidated statement of comprehensive income. On initial recognition, the fair value of the liability component is determined by discounting expected future cash flows at a market interest rate for a comparable debt instrument. The fair value of the equity component on initial recognition is assigned the residual amount after deducting from the initial carrying amount of the instrument as a whole the fair value determined for the liability component. Subsequently, the liability component is measured according to the same principles used for loans and borrowings, and the equity component is not remeasured in subsequent years.

*Trade payables*

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

***Derecognition***

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

**Offsetting of financial instruments**

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

**Leases**

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

***Group as a lessee***

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

*Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease

liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

| | Years |
|---|---|
| Buildings and constructions | 5-10 |
| Equipment | 3-15 |

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

**Leases (continued)**

***Group as a lessee (continued)***

*Right-of-use assets (continued)*

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

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

*Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

*Short-term leases*

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment that have a lease term of 12 months or less from the commencement date. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

***Group as a lessor***

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**Inventories**

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

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

**Cash and short-term deposits**

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

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

**Reverse repurchase agreements**

Securities purchased under agreements to resell at a specified future date are not recognised in the consolidated statement of financial position. The consideration paid, including accrued interest, is recorded in the consolidated statement of financial position, within cash collateral on securities borrowed and reverse repurchase agreements, reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in net interest income and is accrued over the life of the agreement using the EIR. If securities purchased under an agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within financial liabilities held for trading and measured at fair value with any gains or losses included in net trading income.

**Provisions**

*General*

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

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

*Decommissioning liability*

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

**Employee benefit**

*Social tax*

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

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

*Pension payments*

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

*Defined benefits pension plan*

In accordance with the Collective Agreement the Company provides certain long-term and retirement benefits to some of its employees (the "Defined Benefit Scheme").

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

**Employee benefit (continued)**

*Defined benefits pension plan (continued)*

Long-term benefits are paid to employees upon completion of a certain number of years of service whereas retirement benefits represent one-off payments paid upon retirement in accordance with the the Collective Agreement. Both items vary according to the employee's average salary and length of service.

Cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit obligation and the return on plan assets (excluding amounts included in net interest on the net defined benefit obligation), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Group recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit obligation or asset. The Group recognises the outlined changes of net defined benefit obligation in the lines: "cost of sales", "general and administrative expenses" in the consolidated statement of comprehensive income.

**Cash dividend and non-cash distribution to equity holders of the Parent**

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

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

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

**Treasury shares**

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the acquisition, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in equity.

**Revenue from contracts with customers**

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

The Group's activities mainly relates to the provision of data transmission services, rendering of fixed line and wireless phone services, rent of channels, local, intercity and international calls, interconnect / traffic transmission of other operators, value added services and sale of equipment and mobile devices.

At the beginning of the contract, the Group assesses the goods and services promised in the contract with the buyer and defines as a performance obligation each promise to transfer to the buyer a certain product or service or a set of certain goods or services.

The Group has concluded that it is acting as a principal in all of its revenue arrangements, since in all cases it is the main party that assumed obligations under the contract, controls the goods and services before transferring them to the customer.

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

**Revenue from contracts with customers (continued)**

*Rendering of services*

The main sources of income of the Group are the provision of wireless and fixed line local, long-distance and international telecommunication services.

Interconnection fees from domestic and foreign telecommunication operators are recognized when the services are rendered based on the actual minutes of traffic transferred through the network.

Revenue from international and intercity calls and calls to local operators are recognized at the time the call is made over the Group's network.

Subscription fees, consisting primarily of monthly charges for access to broadband and other internet services or voice services, are recognised as revenue over time on a straight-line basis. Revenue from dial up internet is recognized based on the actual airtime provided to the customers.

Revenue from the rental of analogue and digital channels and private circuits as well as wholesale access revenue is recognised on a straight-line basis over the period to which it relates.

Non-refundable upfront fees received for initial connection of new subscribes to fixed line and wireless networks are recognized during the expected period of the customer relationship. The expected period of the customer relationship is based on past history of customer period and industry practice.

*Equipment provided to customers*

The Group provides Internet and other data transmission services and equipment for the provision of these services, including modem, routers and others.

Based on the analysis of current operating indicators, the Group concluded that equipment that cannot be used by the subscriber separately from the services of the Group is not a separately identifiable performance obligation.

The Group capitalized the cost of equipment provided free of charge as costs to fulfil a contract. Costs to fulfil a contract are amortized over the period the service is provided to the customer.

*Sale of equipment and mobile devices*

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

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

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

*Roaming discounts*

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

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

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

**Revenue from contracts with customers (continued)**

*Significant financing component*

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

The Group also receives long-term advances from customers for the connection to international telecommunication network. The transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

*Costs to obtain a contract*

The Group sells part of payment scratch cards, sim cards, and handsets using sales agents. The Group pays commission to sales agents for new connected subscribers in the B2C segment. The commission to sales agents is capitalized as costs to obtain a contract in the consolidated statements of financial position. Costs to obtain a contract are amortized over the period the service is provided to the customer.

*Government grants and compensation for provision of universal services in rural areas*

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

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

Government grants and compensation for provision of universal services are presented separately in the consolidated statement of comprehensive income within revenues from operating activities.

**Contract balances**

*Contract assets*

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

*Trade receivables*

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

*Contract liabilities*

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

**Interest income**

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

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

**Dividends**

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

**Expense recognition**

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

*Connection cost*

The Group records connection costs incurred and attributable to the related deferred income over the expected period of the customer relationship.

*Borrowing costs*

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

**Income tax**

*Current income tax*

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

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

*Deferred tax*

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

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

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

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

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

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

**Income tax (continued)**

*Deferred tax (continued)*

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

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

**Contingent assets and liabilities**

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

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

**Related parties**

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

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

### 4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

- Financial instruments and financial risk management objectives and principles − *Note 47*;
- Sensitivity analyses disclosures − *Notes 11 and 25*.

### 4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

**Judgements**

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

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

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

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

The Group included the renewal period as part of the lease term for leases of space for technical sites with shorter non-cancellable period. The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available.

**Estimates and assumptions**

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

*Useful lives of property and equipment and intangible assets*

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

In 2021 the Group started optimization and modernization of network, swapping from old end of life equipment, expansion of capacity and coverage of network according to approved investment plan and strategy of the Group in order to achieve strategic goals to strengthen and form leading positions in the telecommunication markets of the Republic of Kazakhstan. The Group plans to dismantle certain base stations on locations earlier and install upgraded. Such business operation shall provide further savings on capital expenditures and provide a better competitive position in the market. Therefore, in 2021, the Group reassessed the remaining useful lives of certain telecommunication equipment that is subject for dismantling earlier than initially planned or otherwise would not be used once integration process is finalized. The Group performed reassessment from 1 January 2021, which resulted in decrease in remaining useful life of those assets by 4 years on average. The change in the remaining useful life led to an overall increase in depreciation charges for the year ended 31 December 2022, in the amount of KZT 2,889,119 thousand (for the year ended 31 December 2021, in the amount of KZT 2,152,469 thousand).

The effect of change in estimate for 2023-2026 approximated to KZT 540,000 thousand.

| | 2023 | 2024 | 2025 | Total |
|---|---|---|---|---|
| Accelerated depreciation | 180,000 | 180,000 | 180,000 | **540,000** |

### 4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

**Estimates and assumptions (continued)**

*Impairment of non-financial assets*

An impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of: its fair value less costs of disposal and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next 5 (five) years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and growth rates used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in *Note 11*.

*Provision for expected credit losses*

The Group recognizes provision for expected credit losses for trade receivables, other current financial assets and funds in credit institutions (cash and cash equivalents, bank deposits).

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in *Note 16*.

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

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

Thus, as at 31 December 2022 provision for expected credit losses was created in the amount of KZT 18,309,842 thousand (2021: KZT 11,427,430 thousand) *(Notes 13, 16, 18 and 21)*. Changes in the economy, industry or specific customer conditions would have impact to these allowances recorded in the consolidated financial statements.

*Significant financing component*

The Group concludes that certain long-term contracts contain significant financing components due to the time interval between the provision of the Group's services to the customer and the moment the customer pays for such services.

The transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

### 4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

**Estimates and assumptions (continued)**

*Costs to obtain a contract*

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

*Contract liabilities*

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

*Non-refundable upfront fees*

Upfront fees received for activation and connection to the fixed line and wireless network that do not represent a separate earning process are recognized as contract liabilities and recognized over the expected period of the customer relationship. In making its judgments, management considered the detailed criteria for the recognition of revenues from connection fees set out in IFRS 15, industry practice and the Company's historical churn rate. As at 31 December 2022, average customer relationship period is assessed as 13 (thirteen) years for fixed line customers and 5 (five) years for internet customers.

*Decommissioning liability*

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

In 2021, Kazakhtelecom JSC together with its subsidiaries, Kcell JSC and Mobile Telecom-Service LLP (further "MTS") developed network integration plan. In accordance with integration plan, the Group reassessed maturity of decommissioning of certain telecommunication base stations across Kazakhstan and reflected effect on asset retirement obligation estimation. Impacts are disclosed in *Note 27*.

*Employee benefit obligations*

The Group uses actuarial valuation method for measurement of the present value of defined employee benefit obligation and related current service cost. This involves the use of demographic assumptions about the future characteristics of current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, etc.) as well as financial assumptions (discount rate, future salary increases). Due to the long-term nature of these benefits, such estimates are subject to significant uncertainty.

The current portion of employee benefit obligations represents the obligations which the Group is going to repay within the twelve months period since the end of the annual reporting period.

In determining the appropriate discount rate, management of the Group considers the interest rates of high-yield corporate bonds in respective currencies.

The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates.

Further details about employee benefit obligations are contained in *Note 25*.

### 4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

**Estimates and assumptions (continued)**

*Taxes*

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

As at 31 December 2022, deferred tax assets of the Group were equal to KZT 1,470,763 thousand (at 31 December 2021: KZT 660,170 thousand). Further details are contained in *Note 43*.

*Leases − estimating the incremental borrowing rate*

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

*Fair value measurement of financial instruments*

When the fair value of financial instruments and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on data in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the fair value reported in the consolidated financial statements. For more details on the fair values refer to *Note 47*.

### 5. CONSOLIDATION

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

| | | **Percentage ownership** | |
|---|---|---|---|
| | **Country of incorporation** | **31 December 2022** | 31 December 2021 |
| Mobile Telecom-Service LLP | Kazakhstan | **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% |

On 21 September 2021, the Board of Directors of Kazakhtelecom JSC decided to sell 24% of shares in the authorized equity of Kcell JSC through open trading on the Kazakhstan Stock Exchange (KSE). On 30 September 2021, the Group sold 24% of the voting shares of Kcell JSC, as a result of which the Group's share decreased to 51%. For the sale of this share to non-controlling shareholders, compensation was received in cash in the amount of KZT 55,279,947 thousand. The book value of the net assets of Kcell JSC (excluding goodwill recognized at the initial acquisition) at the date of sale was KZT 119,205,613 thousand.

On 30 September 2022, Kazakhtelecom JSC (sole owner of all issued and paid-up equity of Khan Tengri Holding B.V. that was the holder of shares in Mobile Telecom-Service LLP) decided to liquidate Khan Tengri Holding B.V. According to the Distribution Act, all assets, including 100% of the stake in Mobile Telecom-Service LLP, were transferred to Kazakhtelecom JSC.

On 26 December 2022, the Company transferred the remaining funds in the bank account in full as Liquidation Proceeds to Kazakhtelecom JSC. The amount of funds received amounted to KZT 1,562,180 thousand. The liquidation of Khan Tengri Holding B.V. ended on 27 December 2022.

### 6. MATERIAL PARTLY-OWNED SUBSIDIARIES

**Kcell JSC**

The following is a summary of financial information of the subsidiary that has material non-controlling interests of 49%. This information is based on amounts before inter-company eliminations.

Summarised consolidated statement of comprehensive income of Kcell JSC for 2022 and 2021 from the acquisition date:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| Revenue from contracts with customers | **219,002,382** | 194,080,886 |
| Income from government grants | **2,229,406** | 2,108,241 |
| Cost of sales | **(149,370,828)** | (138,991,033) |
| General and administrative expenses | **(16,259,344)** | (14,137,364) |
| Impairment of financial assets | **(6,265,499)** | (2,106,078) |
| Impairment of non-financial assets | **–** | (588,658) |
| Selling expenses | **(2,713,999)** | (3,105,692) |
| Reversal of tax and related fines and penalties provision | **–** | 682,820 |
| Finance costs | **(9,269,786)** | (10,326,302) |
| Finance income | **4,349,947** | 2,560,723 |
| Net foreign exchange income | **(32,355)** | 402,606 |
| Other income | **1,185,572** | 794,569 |
| Other expenses | **(736,966)** | (1,296,604) |
| **Profit before tax** | **42,118,530** | 30,078,114 |
| Income tax expenses | **(12,250,840)** | (8,071,206) |
| **Profit for the year** | **29,867,690** | 22,006,908 |
| Profit attributable to equity holders of the Parent | **15,232,522** | 15,322,612 |
| Profit attributable to non-controlling interests | **14,635,168** | 6,684,296 |
| Dividends paid to non-controlling interests | **–** | 4,394,500 |

Summarised consolidated statement of financial position of Kcell JSC as at 31 December 2022 and 2021:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| Non-current assets | **217,067,822** | 214,368,308 |
| Current assets | **103,311,358** | 86,413,592 |
| Non-current liabilities | **(75,740,005)** | (85,572,007) |
| Current liabilities | **(67,646,745)** | (68,086,154) |
| **Total equity** | **176,992,430** | 147,123,739 |
| **Attributable to:** | | |
| Equity holders of the Participants | **94,539,015** | 79,305,492 |
| Non-controlling interests | **82,453,415** | 67,818,247 |

Summarised consolidated cash flow information of Kcell JSC for the years ended 31 December 2022 and 2021:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| Operating cash flows | **65,928,336** | 74,056,106 |
| Investing cash flows | **(52,463,179)** | (12,452,350) |
| Financing cash flows | **(18,370,212)** | (33,652,906) |
| Foreign exchange effect on cash and cash equivalents | **(249,271)** | 428,455 |
| **Net increase in cash and cash equivalents** | **(5,154,326)** | 28,379,305 |

### 7. 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, Vostoktelecom LLP;
- Rendering mobile telecommunication services in GSM and LTE standards by business units of Mobile Telecom-Service LLP 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 consolidated financial statements.

The following tables disclose revenue and profit information for the Group's operating segments for the years ended 31 December 2022 and 2021.

**For the year ended 31 December 2022**

| *In thousands of tenge* | Fixed line | Mobile telecommunication services in GSM and LTE standards | Other | Eliminations and adjustments | Group |
|---|---|---|---|---|---|
| **Revenue from contracts with customer** | | | | | |
| Sales to external customers | 232,536,678 | 387,613,412 | 1,687,492 | – | 621,837,582 |
| Inter-segment | 38,598,380 | 20,358,415 | 2,044,761 | (61,001,556) | – |
| **Total revenue from contracts with customers** | 271,135,058 | 407,971,827 | 3,732,253 | (61,001,556) | 621,837,582 |
| Compensation for provision of universal services in rural areas | 6,326,916 | – | – | – | 6,326,916 |
| Income from government grants | 1,755,766 | 4,576,132 | – | – | 6,331,898 |
| **Total** | 279,217,740 | 412,547,959 | 3,732,253 | (61,001,556) | 634,496,396 |
| **Financial results** | | | | | |
| Depreciation and amortisation | (38,410,683) | (81,842,592) | (65,294) | 1,669,326 | (118,649,243) |
| Finance costs | (22,615,516) | (19,528,225) | 5,453 | 1,668,741 | (40,469,547) |
| Finance income | 9,644,772 | 7,770,013 | 72,199 | (1,509,030) | 15,977,954 |
| Dividends income | 45,548,416 | – | – | (45,548,416) | – |
| Share in profits of associates | – | – | 380,019 | – | 380,019 |
| Impairment losses on non-financial assets | 8,275 | (1,463,856) | (23,295) | – | (1,478,876) |
| Impairment losses on financial assets | (822,142) | (6,631,371) | (16,100) | (152,547) | (7,622,160) |
| Income tax expenses | (7,156,518) | (33,258,755) | (58,895) | 4,778,441 | (35,695,727) |
| **Segment profit before tax /(loss before tax)** | 96,922,361 | 112,450,208 | 775,217 | (45,698,914) | 164,448,872 |
| **Operating assets** | 1,231,669,037 | 800,777,903 | 2,349,528 | (748,062,653) | 1,286,733,815 |
| **Operating liabilities** | 300,556,012 | 291,337,564 | 1,460,707 | (37,228,291) | 556,125,992 |
| **Other disclosures** | | | | | |
| Investments in associates *(Note 10)* * | – | – | 3,763,284 | – | 3,763,284 |
| Capital expenditures | 55,588,403 | 70,521,370 | 16,980 | – | 126,126,753 |

* *On 20 September 2022 the Board of Directors of Kazakhtelecom JSC decided to sell 49% of share of QazCloud LLP through an open two-stage tender. At 31 December 2022, assets and liabilities of QazCloud LLP were classified as an assets held for sale.*

### 7. SEGMENT INFORMATION (continued)

**For the year ended 31 December 2021 (continued)**

| *In thousands of tenge* | Fixed line | Mobile telecommunication services in GSM and LTE standards | Other | Eliminations and adjustments | Group |
|---|---|---|---|---|---|
| **Revenue from contracts with customer** | | | | | |
| Sales to external customers | 232,578,232 | 347,749,151 | 1,167,837 | – | 581,495,220 |
| Inter-segment | 38,643,063 | 16,992,770 | 1,733,903 | (57,369,736) | – |
| **Total revenue from contracts with customer** | 271,221,295 | 364,741,921 | 2,901,740 | (57,369,736) | 581,495,220 |
| Compensation for provision of universal services in rural areas | 6,412,945 | – | – | – | 6,412,945 |
| Income from government grants | 1,930,763 | 4,354,259 | – | – | 6,285,022 |
| **Total** | **279,565,003** | **369,096,180** | **2,901,740** | **(57,369,736)** | **594,193,187** |
| **Financial results** | | | | | |
| Depreciation and amortisation | (38,758,287) | (80,619,313) | (32,971) | 1,566,420 | (117,844,151) |
| Finance costs | (25,129,166) | (22,896,207) | – | 1,588,900 | (46,436,473) |
| Finance income | 4,110,254 | 3,308,252 | – | (1,575,522) | 5,842,984 |
| Dividends income | 37,484,192 | – | – | (37,484,192) | – |
| Share in profit of associates | – | – | 512,364 | – | 512,364 |
| Impairment losses on non-financial assets | (2,654,397) | (3,347,563) | 1 | – | (6,001,959) |
| Impairment losses on financial assets | (632,827) | (2,637,118) | 9,543 | 4,039 | (3,256,363) |
| Income tax expenses | (9,818,899) | (21,241,803) | (53,588) | (172,347) | (31,286,637) |
| **Segment profit before tax /(loss before tax)** | **86,234,388** | **85,635,478** | **700,168** | **(43,839,611)** | **128,730,423** |
| **Operating assets** | **794,655,256** | **749,504,167** | **5,467,577** | **(315,041,705)** | **1,234,585,295** |
| **Operating liabilities** | **315,082,967** | **296,628,298** | **1,438,901** | **(22,742,237)** | **590,407,929** |
| **Other disclosures** | | | | | |
| Investments in associates*(Note 10)* | – | – | 3,460,120 | – | 3,460,120 |
| Capital expenditures | 38,636,762 | 74,950,823 | 60,533 | (1,420) | 113,646,698 |

1) Income and expenses between segments are excluded during consolidation;

2) Finance costs and finance income comprise intersegment finance costs and intersegment finance income;

3) Operating income of segments comprises income from intersegment transactions;

4) Capital expenditures include additions to property and equipment and intangible assets.

**Reconciliation of profit**

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| **Segment profit before tax** | **210,147,786** | 172,570,034 |
| Other | **(45,698,914)** | (43,839,611) |
| **Profit of the Group** | **164,448,872** | 128,730,423 |

### 7. SEGMENT INFORMATION (continued)

#### Reconciliation of assets

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| **Segment operating assets** | **2,034,796,468** | 1,549,627,000 |
| Elimination of the Company's investments in subsidiaries | **(699,527,549)** | (291,256,203) |
| Elimination of intra-group receivables and payables | **(48,535,104)** | (23,785,502) |
| **Total assets of the Group** | **1,286,733,815** | 1,234,585,295 |

#### Reconciliation of liabilities

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| **Segment operating liabilities** | **593,354,283** | 613,150,166 |
| Elimination of intra-group receivables and payables | **(37,228,291)** | (22,742,237) |
| **Total liabilities of the Group** | **556,125,992** | 590,407,929 |

### 8. PROPERTY AND EQUIPMENT

Movements of property and equipment in 2022 and 2021 were as follows:

| *In thousands of tenge* | **Land** | **Buildings and constructions** | **Equipment** | **Other** | **Construc-tion in progress** | **Total** |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **At 1 January 2021** | 3,259,629 | 85,260,801 | 742,011,055 | 19,355,732 | 67,383,843 | 917,271,060 |
| Additions | 1,618 | 250,399 | 23,266,947 | 825,316 | 70,536,573 | 94,880,853 |
| Asset retirement obligation *(Note 27)* | – | – | 1,205,990 | – | – | 1,205,990 |
| Transfers | – | 4,215,650 | 50,412,085 | 526,897 | (55,154,632) | – |
| Disposals | (33,438) | (960,382) | (20,203,697) | (226,382) | (21,529) | (21,445,428) |
| **At 31 December 2021** | 3,227,809 | 88,766,468 | 796,692,380 | 20,481,563 | 82,744,255 | 991,912,475 |
| Additions | **832** | **580,753** | **15,214,917** | **1,833,506** | **90,721,644** | **108,351,652** |
| Asset retirement obligation *(Note 27)* | **–** | **–** | **(1,352,105)** | **–** | **–** | **(1,352,105)** |
| Transfers to investment property | **–** | **(3,536,100)** | **–** | **–** | **–** | **(3,536,100)** |
| Transfers | **(884)** | **1,039,978** | **28,701,043** | **371,155** | **(30,111,292)** | **–** |
| Disposals | **(390)** | **(1,060,398)** | **(16,998,345)** | **(252,377)** | **(1,343,346)** | **(19,654,856)** |
| **At 31 December 2022** | **3,227,367** | **85,790,701** | **822,257,890** | **22,433,847** | **142,011,261** | **1,075,721,066** |
| **Accumulated depreciation and impairment** | | | | | | |
| **At 1 January 2021** | – | 25,388,943 | 405,434,476 | 14,250,000 | 9,150,305 | 454,223,724 |
| Depreciation charge | – | 3,868,538 | 71,219,221 | 1,604,877 | – | 76,692,636 |
| Impairment | – | (95,100) | 974,512 | 11,446 | 3,055,954 | 3,946,812 |
| Disposals | – | (449,527) | (18,326,683) | (212,579) | – | (18,988,789) |
| **At 31 December 2021** | – | 28,712,854 | 459,301,526 | 15,653,744 | 12,206,259 | 515,874,383 |
| Depreciation charge | **–** | **4,062,886** | **71,923,023** | **1,471,163** | **–** | **77,457,072** |
| Impairment | **–** | **(504)** | **164,157** | **(516)** | **1,013,226** | **1,176,363** |
| Disposals | **–** | **(1,001,000)** | **(16,670,356)** | **(223,120)** | **(1,324,266)** | **(19,218,742)** |
| Transfers to investment property | **–** | **(1,559,448)** | **–** | **–** | **–** | **(1,559,448)** |
| **At 31 December 2022** | **–** | **30,214,788** | **514,718,350** | **16,901,271** | **11,895,219** | **573,729,628** |
| **Net book value** | | | | | | |
| **At 31 December 2021** | 3,227,809 | 60,053,614 | 337,390,854 | 4,827,819 | 70,537,996 | 476,038,092 |
| **At 31 December 2022** | **3,227,367** | **55,575,913** | **307,539,540** | **5,532,576** | **130,116,042** | **501,991,438** |

### 8. PROPERTY AND EQUIPMENT (continued)

As at 31 December 2022 and 2021, assets under construction represented by equipment for installation for base transmission stations, mobile switch servers and other telecommunication equipment and services works.

During 2022, the building with a carrying value of KZT 1,976,652 thousand was transferred to investment real estate, since it was no longer used by the Group, and it was decided to lease the building to third and related parties. As of 31 December 2022, the fair value of investment property amounted to 2,700,000 thousand tenge (*Note 12*).

As at 31 December 2022, the gross carrying value of property and equipment which has been fully depreciated and still in use was KZT 478,739,825 thousand (as at 31 December 2021: KZT 436,917,636 thousand).

As at 31 December 2022, advances paid for non-current assets in the amount of kzt 3,308,209 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). During 2022, the group has recognized impairment loss on its advances paid for non-current assets for kzt 510,195 thousand (2021: kzt 111,377 thousand) *(note 47)*.

**Impairment test**

During 2022, the Group recognized impairment loss on equipment of KZT 164,157 thousand and on construction-in-progress of 1,013,226 thousand tenge (2021: impairment loss on property and equipment of KZT 890,858 thousand and impairment loss on construction-in- progress of KZT 3,055,954 thousand), which represented the write-off of certain assets to recoverable value as a result of technological obsolescence and damage. Impairment was recognized in the consolidated statement of comprehensive income as an operating expense.

### 9. INTANGIBLE ASSETS

Movements of intangible assets for 2022 and 2021 were as follows:

| *In thousands of tenge* | Licenses | Software | Other | Intangible assets under development | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **At 1 January 2021** | 226,039,966 | 44,655,920 | 21,128,003 | 472,733 | 292,296,622 |
| Additions | 7,260,626 | 8,165,812 | 1,145,772 | 987,645 | 17,559,855 |
| Disposals | (3,154,844) | (327,080) | (1,847,433) | – | (5,329,357) |
| Transfers | (240,107) | 1,227,752 | – | (987,645) | – |
| **At 31 December 2021** | 229,905,641 | 53,722,404 | 20,426,342 | 472,733 | 304,527,120 |
| Additions | **8,076,875** | **10,863,912** | **186,419** | **–** | **19,127,206** |
| Disposals | **(1,249,434)** | **(2,336,957)** | **(614)** | **–** | **(3,587,005)** |
| Transfers | **45,555** | **(47,777)** | **2,222** | **–** | **–** |
| **At 31 December 2022** | **236,778,637** | **62,201,582** | **20,614,369** | **472,733** | **320,067,321** |
| **Accumulated amortisation and impairment** | | | | | |
| **At 1 January 2021** | 37,971,380 | 30,596,771 | 5,901,858 | 472,733 | 74,942,742 |
| Amortisation charge | 17,620,372 | 8,055,489 | 1,836,288 | – | 27,512,149 |
| Disposals | (3,142,446) | (326,438) | (1,847,433) | – | (5,316,317) |
| Impairment | 565,793 | 1,397,968 | – | – | 1,963,761 |
| **At 31 December 2021** | 53,015,099 | 39,723,790 | 5,890,713 | 472,733 | 99,102,335 |
| Amortisation charge | **19,120,305** | **7,212,809** | **1,870,597** | **–** | **28,203,711** |
| Reversal of impairment | **(93,265)** | **(218,066)** | **–** | **–** | **(311,331)** |
| Disposals | **(1,133,352)** | **(935,321)** | **(220)** | **–** | **(2,068,893)** |
| **At 31 December 2022** | **70,908,787** | **45,783,212** | **7,761,090** | **472,733** | **124,925,822** |
| **Net book value** | | | | | |
| **At 31 December 2021** | 176,890,542 | 13,998,614 | 14,535,629 | – | 205,424,785 |
| **At 31 December 2022** | **165,869,850** | **16418,370** | **12,853,279** | **–** | **195,141,499** |

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

### 9. INTANGIBLE ASSETS (continued)

During 2022, the Group recognized income from reversal of impairment of intangible assets of KZT 311,331 thousand (31 December 2021: loss of impairment of intangible assets of KZT 1,963,761 thousand). The income was recorded in the consolidated statement of comprehensive income as an operating income .

As at 31 December 2022 the gross carrying value of intangible assets, which have been fully amortized non-financial assets was KZT 69,108,150 thousand (as at 31 December 2021: KZT 68,599,192 thousand).

On 22-23 December 2022 the Group participaterd in an open electronic auction of radio frequencies for the fifth generation of mobile communications (5G). Internet trading was organized by Ministry of Digital Development, Innovation and Aerospace Industry. Participants competed for the 3600-3700 MHz (100 MHz) and 3700-3800 MHz (100 MHz) radio frequency bands for 5G technology. The Group paid starting price of the auction of KZT 3,522,450 thousand to participate in the auction. The Group consisting of Mobile Telecom Service LLP (under the Tele2 and Altel brands) and Kcell JSC (under the Kcell and Activ brands) won the auction by bidding final price of KZT 156,069,426 thousand. The balance of the final bid price less initially paid starting price will be paid in 2023. The Group classified prepayment of KZT 3,522,450 thousand as non-current as result of the auction was already known.

### 10. INVESTMENTS IN ASSOCIATES

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

| | | | **31 December 2022** | | 31 December 2021 | |
|---|---|---|---|---|---|---|
| *In thousands of tenge* | **Primary activities** | **Country of incorporation** | **Carrying amount** | **Ownership share** | Carrying amount | Ownership share |
| QazCloud LLP | IT services | Kazakhstan | **–** | **–** | 3,460,120 | 49% |
| | | | **–** | | 3,460,120 | |

Movements in investments in associates for the years 2022 and 2021 are as follows:

| *In thousands of tenge* | **QazCloud LLP** |
|---|---|
| **At 1 January 2021** | 2,982,957 |
| Share in profits of associates | 512,364 |
| Dividends declared | (35,201) |
| **At 31 December 2021** | 3,460,120 |
| Share in profits of associates | **380,019** |
| Dividends declared | **(76,855)** |
| Transfers to assets held for sale | **(3,763,284)** |
| **At 31 December 2022** | **–** |

On 20 September 2022 the Board of Directors of Kazakhtelecom JSC decided to sell 49% of share of QazCloud LLP through an open two-stage tender.

On 26 December 2022 the results of the tender for realization were announced with the selling price of KZT 4,590,010 thousand. The tender winner was selected. In accordance with the tender terms, the conclusion of sale and purchase agreement can only be made after the approval of Samruk-Kazyna, the Parent of the Group. The Group assesses the sale of QazCloud LLP as highly probable.

Investment in associate of QazCloud LLP was classified as an assets held for sale from 20 September 2022. The Group discontinued the use of the equity method from the date that the investment was classified as held for sale. Instead, the associate is measured at the lower of its carrying amount and fair value less cost to sell.

During 2022, QazCloud LLP announced and paid dividends to the Group in the amount of KZT 76,855 thousand.

### 10. INVESTMENTS IN ASSOCIATES (continued)

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

| *In thousands of tenge* | **31 December 2022** | 31 December 2021 |
|---|---|---|
| Non-current assets | **11,088,391** | 6,934,261 |
| Current assets, including | **5,374,394** | 5,822,194 |
| *Cash and cash equivalents* | ***2,062,794*** | *2,490,816* |
| Non-current liabilities, including | **(3,517,175)** | (1,604,501) |
| *Non-current financial liabilities* | **–** | *(99,284)* |
| Current liabilities, including | **(5,265,438)** | (4,090,485) |
| *Current financial liabilities* | **(2,989,889)** | *(2,657,079)* |
| **Equity** | **7,680,172** | 7,061,469 |
| Transfer to assets held for sale | **(3,763,284)** | – |
| Share of the ownership – 49% | **–** | 3,460,120 |
| **Carrying amount of the investment of the Group** | **–** | 3,460,120 |

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| Revenue from contracts with customers | **10,047,578** | 13,423,846 |
| Depreciation and amortization | **(2,019,180)** | (2,072,460) |
| Finance income | **53,325** | 42,134 |
| Finance costs | **(444,341)** | (421,906) |
| Income tax expense | **(25,622)** | (261,410) |
| **Profit for the year** | **775,549** | 1,045,640 |
| **Total comprehensive income** | **775,549** | 1,045,640 |
| **Share of the Group in profit for the year** | **380,019** | 512,364 |

### 11. IMPAIRMENT TESTING

#### Goodwill

For impairment testing, goodwill acquired through business combinations was allocated to three cash-generating units ("CGUs") ("IP TV", "Kcell JSC" and "Khan Tengri Holding B.V."). On 30 September 2022, Kazakhtelecom JSC (sole owner of all issued and paid-up equity of Khan Tengri Holding B.V.) decided to liquidate Khan Tengri Holding B.V. According to the Distribution Act, all assets, including 100% of the share in Mobile Telecom-Service LLP, were transferred to Kazakhtelecom JSC. Accordingly, goodwill acquired through business combinations of purchase of Khan Tengri Holding B.V. was allocated to 100% of the share in Mobile Telecom-Service LLP.

IP TV CGU is part of the fixed telecommunications segment, while Kcell JSC and Mobile Telecom-Service LLP are the part of the mobile telecommunication segment.

The carrying amount of goodwill allocated to each of CGUs was as follows:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| Mobile Telecom-Service LLP | **96,205,967** | 96,205,967 |
| Kcell JSC | **53,489,943** | 53,489,943 |
| IP TV | **2,706,335** | 2,706,335 |
| | **152,402,245** | 152,402,245 |

The Group performed its annual impairment test in December 2022 and 2021.

#### Mobile Telecom-Service LLP

The recoverable amount of the Mobile Telecom-Service LLP (further "MTS") CGU has been determined based on a discounted cash flow model as it was deemed to produce a more reliable result. This valuation method was based on unobservable inputs (discounted cash flows), which represent Level 3 of the fair value hierarchy.

### 11. IMPAIRMENT TESTING (continued)

**Mobile Telecom-Service LLP (continued)**

The discount rate of 2022: 16.33% (2021: 21.09%) was calculated on the weighted average cost of capital before taxes. The weighted average cost of capital takes into account both borrowed funds and own equity. Forecasted cash flows till to 2027 were based on five-years business plan of MTS 2023-2027, which assumes current management estimates on potential changes in operating and capital costs. The significant part of those cash flows after 2028 was forecasted by applying expected inflation rate of 2022: 1.5% (2021: 1.5%).

As at 31 December 2022 and 2021 the recoverable amount of goodwill, which was determined based on value in use, exceeded its book value, as such no impairment of MTS goodwill was recognised.

**Kcell JSC**

The recoverable amount of the Kcell JSC (further "Kcell") CGU has been determined based on a discounted cash flow model as it was deemed to produce a more reliable result. This valuation method was based on unobservable inputs (discounted cash flows), which represent Level 3 of the fair value hierarchy.

The discount rate of 2022: 16.33% (2021: 19.56%) was calculated on the weighted average cost of capital before taxes. The weighted average cost of capital takes into account both borrowed funds and own equity. Forecasted cash flows till to 2027 were based on five-years business plan of Kcell JSC 2023-2027, which assumes current management estimates on potential changes in operating and capital costs. The significant part of those cash flows after 2028 was forecasted by applying expected inflation rate of 2022: 1.5% (2021: 1.5%).

As at 31 December 2022 and 2021 the recoverable amount of goodwill, which was determined based on value in use, exceeded its book value, as such no impairment of Kcell JSC goodwill was recognised.

**IP TV**

The recoverable amount of IP TV CGU has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period.

The pre-tax discount rate applied to the cash flow projections is 14.97% (2021: 16.94%), and cash flows beyond the five-year period are extrapolated using a 1.5% growth rate (2021: 1.5%).

As a result of the analysis, management did not identify an impairment for this CGU as at 31 December 2022.

**Key assumptions used in value in use calculations**

The calculation of value-in-use for IPTV, MTS and Kcell CGUs is most sensitive to the following assumptions:

- Customer base over the forecast period and average revenue per customer with direct impact on revenue growth rates;
- The level of capital investments included in the financial plan;
- EBITDA margin included in the financial plan;
- Growth rate for cash flow extrapolation beyond the forecast period;
- Discount rate.

*Customer base and average revenue per customer*

The customer base and average revenue per customer is important because management of the Group estimates how the unit's position may change over the forecast period against its competitors.

The Group expects to increase IPTV customer base over the forecast period, as the Group plans to use the advantage of Kazakhtelecom JSC infrastructure to increase the market share of Kazakhtelecom JSC.

The Group's management expects an increase in the customer base of mobile segment over the forecast period based on forecasted increase in population. As a result, the Group expects modest increase in revenue of the unit over the entire forecast period.

### 11. IMPAIRMENT TESTING (continued)

**Key assumptions used in value in use calculations (continued)**

*Level of capital investments*

The level of capital investments is important in MTS and Kcell CGUs because it defines the ability of the unit to technically maintain its customer base and meet the changing market requirements. The level of investments is determined by the needs of the units in completing the technical integration of the two networks in a timely manner, as well as the need to secure and strengthen the advantages of covering the public demand for communication services and improve network quality.

*EBITDA margin*

EBITDA margin reflects the rate of return included by the unit MTS and Kcell JSC CGUs into its financial plan with consideration of market conditions, competition and other factors. The growing dynamics of this index corresponds to operational growth of the unit and related cost savings.

*Growth rates*

Rates are based on published industry research.

*Discount rate*

Discount rates represent the current market assessment of the risks specific to CGU, taking into consideration the time value of money and individual risks of the CGU underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the group's investors. The cost of debt is based on the interest-bearing borrowings the group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

**Sensitivity to changes in assumptions − IP TV**

The effect of changes in key assumptions on the recoverable amount is discussed below:

*Customer base, average revenue per customer and revenue growth rates*

Although the management expects that the market share owned by the Group would grow over the forecast period, according to the financial plan, slowing growth of customer base or decrease in the average revenue per customer, leading to a decrease in revenue from current business plan by more than 8.40% (2021: 8.08%), would result in a loss from impairment in IP TV GCU for KZT 82,195 thousand (2021: KZT 59,462 thousand ).

*Level of capital investments*

Increase in capital investments by more than 255% (2021: 240%) would result in loss from impairment in IP TV CGU for KZT 16,095 thousand (2021: KZT 2,523 thousand).

*Growth rates*

Management recognises that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. A reduction in the long-term growth rate in IP TV CGU would not result in impairment loss.

*Discount rate*

An increase in discount rate by 23% from 14.97% to 18.42% (2021: increase by 23.56% from 16.33% to 26.62%) would result in impairment loss in IP TV CGU for KZT 152,362 thousand (2021: KZT 47,663 thousand).

### 11. IMPAIRMENT TESTING (continued)

**Sensitivity to changes in assumptions − MTS**

The effect of changes in key assumptions on the recoverable amount is discussed below:

*Customer base, average revenue per customer and revenue growth rates*

Although the management expects that the market share owned by the Group would grow over the forecast period, according to the financial plan, slowing growth of customer base or decrease in the average revenue per customer, leading to a decrease in revenue from current business plan by more than 16% (2021: 6.67%), would result in a loss from impairment in MTS CGU for KZT 1,065,907 thousand (2021: KZT 389,162 thousand).

*Level of capital investments*

Increase in capital investments by more than 94% (2021: 45%) would result in loss from impairment in MTS CGU for KZT 2,295,209 thousand (2021: KZT 3,481,170 thousand).

*EBITDA margin*

Decrease in EBITDA margin by 16% (2021: by 8%) would result in loss from impairment in MTS CGU for KZT 2,074,865 thousand (2021: KZT 2,210,532 thousand).

*Growth rates*

A reduction in the growth rates in MTS CGU would not result in impairment loss.

*Discount rate*

An increase in discount rate by 82% from 16.33% to 29.72% (2021: by 31% from 21.09% to 27.63%) would result in impairment loss in MTS CGU for KZT 167,873 thousand (2021: KZT 34,820 thousand).

**Sensitivity to changes in assumptions − Kcell JSC**

The effect of changes in key assumptions on the recoverable amount is discussed below:

*Customer base and average revenue per customer*

Although the management expects that the market share of mobile telecommunications owned by the Group would grow over the forecast period, according to the financial plan, slowing growth of customer base or decrease in the average revenue per customer, leading to a decrease in revenue from current business plan by more than 14.10% (2021: 11.87%), would result in a loss from impairment in Kcell CGU for KZT 180,275 thousand (2021: KZT 176,947 thousand).

*Level of capital investments*

Increase in capital investments by more than 93% (2021: 154%) would result in loss from impairment in Kcell CGU for KZT 336,528 thousand (2021: KZT 249,101 thousand).

*EBITDA margin*

Decrease in EBITDA margin by more than 13% (2021: 15%) would result in loss from impairment in Kcell CGU for KZT 4,111,354 thousand (2021: KZT 246,588 thousand).

*Growth rates*

A reduction in the growth rates in Kcell CGU would not result in impairment loss.

*Discount rate*

An increase in discount rate by 88% from 16.33% to 30.70% (2021: by 38.8% from 19.56% to 27.15%) would result in loss from impairment in Kcell CGU for KZT 1,378,723 thousand (2021: KZT 445,014 thousand).

## 12. INVESTMENT PROPERTY

Movements in investment property for the years ended 31 December 2022 and 2021 were as follows:

| *In thousands of tenge* | **Buildings and constructions** | **Total** |
|---|---|---|
| **Cost** | | |
| At 1 January 2021 | 1,264,668 | 1,264,668 |
| **At 31 January 2021** | 1,264,668 | 1,264,668 |
| Transfer from property and equipment (*Note 8*) | **3,536,100** | **3,536,100** |
| **At 31 December 2022** | **4,800,768** | **4,800,768** |
| **Accumulated depreciation and impairment** | | |
| At 1 January 2021 | 1,264,668 | 1,264,668 |
| **At 31 January 2021** | 1,264,668 | 1,264,668 |
| Transfer from property and equipment (*Note 8)* | **1,559,448** | **1,559,448** |
| **At 31 December 2022** | **2,824,116** | **2,824,116** |
| **Carrying amount** | | |
| At 31 January 2021 | – | – |
| **At 31 December 2022** | **1,976,652** | **1,976,652** |

Investment property as at 31 December 2021 is represented by an office building constructed in order to lease it out to the Government related entities.

The impairment of KZT 1,264,668 thousand represents the write down of the carrying amount of the investment property to its recoverable amount. The recoverable amount was based on analysis of value in use and fair value less costs to sell and estimated to be nil as at 31 December 2022 and 2021, as it is unlikely that the Group will receive reimbursement for its construction costs either through sale of the office building or rental payments. However, these assumptions may change in the future.

During 2022, the building with a carrying amount of KZT 1,976,652 thousand was transferred to investment real estate, since it was no longer used by the Group, and it was decided to lease the building to third and related parties.

As of 31 December 2022, the fair value of investment property amounted to KZT 2,700,000 thousand. The fair value of investment property is determined by reference to significant unobservable in-puts (Level 3).

## 13. OTHER NON-CURRENT FINANCIAL ASSETS

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

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| Long-term trade receivable | **4,344,884** | 4,147,622 |
| Loans to employees | **1,731,327** | 1,854,480 |
| Long-term deposits | **642,726** | 830,526 |
| Cash restricted in use | **–** | 43,243 |
| Other | **364,547** | 375,674 |
| | **7,083,484** | 7,251,545 |
| Less: allowance for expected credit losses | **(110,184)** | (110,184) |
| | **6,973,300** | 7,141,361 |

Movements in the allowance for expected credit losses were as follows for the years ended 31 December:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| **Allowance for expected credit losses at the beginning of the year** | **(110,184)** | – |
| Charge for the year *(Note 47)* | **–** | (110,184) |
| **Allowance for expected credit losses at the end of the year** | **(110,184)** | (110,184) |

### 13. OTHER NON-CURRENT FINANCIAL ASSETS (continued)

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

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| Tenge | **6,973,300** | 7,098,118 |
| US dollars | **–** | 43,243 |
| | **6,973,300** | 7,141,361 |

As at 31 December 2022, the long-term accounts receivable represented by special agreements with customers for the purchase of contract phones for KZT 4,344,884 thousand (as at 31 December 2021: KZT 4,147,622 thousand). These long-term accounts receivable were discounted as at market interest rates of 18.1% 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% to 19.1% per annum). Repayment of long-term loans to employees is made through withholding of amounts due from employees' salaries. Loans are secured by employees' real estate properties.

During 2022, the Group placed several long-term deposits in Halyk Bank of Kazakhstan JSC for the total amount of KZT 908,440 thousand (2021: KZT 1,977,700 thousand) with the maturity date in 2037 and an interest rate of 0.1% per annum (2021: 0.1%). These bank deposits were discounted as at the issue date using market interest rates of 4.1% per annum to 8% (2021: 4.1% per annum to 8%). As a result, the Group has recognized discount in the amount of KZT 609,330 thousand (2021: KZT 1,180,433 thousand). At the placement date, long-term deposits were recognized at its fair value equal to KZT 299,110 thousand (2021: KZT 797,267 thousand). During 2022 the Group withdrew KZT 871,358 thousand from deposits. During 2022 the Group has recognized amortization of discount for KZT 384,448 thousand (2021: KZT 33,259 thousand).

### 14. OTHER NON-CURRENT NON-FINANCIAL ASSETS

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

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| Deferred connection cost of operators | **6,104,403** | 4,907,385 |
| Other | **520,500** | 693,618 |
| | **6,624,903** | 5,601,003 |

### 15. INVENTORIES

As at 31 December 2022 and 2021, inventories comprised:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| Goods for resale at lower of cost and net realisable value | **10,036,992** | 8,345,018 |
| Cable materials at cost | **1,797,938** | 1,592,830 |
| Raw and other materials at cost | **1,059,764** | 1,174,480 |
| Fuel at cost | **512,807** | 373,962 |
| Spare parts at cost | **449,813** | 476,464 |
| | **13,857,314** | 11,962,754 |

During 2022, an amount of KZT 314,205 thousand (2021: KZT 521,450 thousand) was recognized as expenses in respect of inventories recorded at net realizable value. In 2022, this amount was recorded within the item "General and administrative expenses" in the consolidated statement of comprehensive income.

### 16. TRADE RECEIVABLES

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

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| Trade receivables | **58,301,294** | 43,125,578 |
| | **58,301,294** | 43,125,578 |
| Less: allowance for expected credit losses | **(12,996,108)** | (6,252,535) |
| | **45,305,186** | 36,873,043 |

### 16. TRADE RECEIVABLES (continued)

Movements in the allowance for expected credit losses were as follows for the years ended 31 December:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| **Allowance for expected credit losses at the beginning of the year** | **(6,252,535)** | (6,135,606) |
| Charge for the year *(Note 47)* | **(7,464,288)** | (2,971,041) |
| Write-off for the year | **720,715** | 2,854,112 |
| **Allowance for expected credit losses at the end of the year** | **(12,996,108)** | (6,252,535) |

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

| | | **Days past due** | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *In thousands of tenge* | **Current** | **1 to 30 days** | **31 to 60 days** | **61 to 90 days** | **91 to 120 days** | **121 to 360 days** | **Over 360 days** | **Total** |
| Estimated credit loss rate | **0.68%** | **7.60%** | **23.01%** | **18.23%** | **26.31%** | **74.14%** | **100%** | |
| Estimated total gross carrying amount at default | **35,640,680** | **6,712,577** | **1,773,035** | **1,557,994** | **791,946** | **1,856,360** | **9,968,702** | **58,301,294** |
| Allowance for expected credit losses | **(240,876)** | **(509,907)** | **(407,929)** | **(283,988)** | **(208,392)** | **(1,376,314)** | **(9,968,702)** | **(12,996,108)** |

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

| | | **Days past due** | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *In thousands of tenge* | **Current** | **1 to 30 days** | **31 to 60 days** | **61 to 90 days** | **91 to 120 days** | **121 to 360 days** | **Over 360 days** | **Total** |
| Estimated credit loss rate | 0.33% | 6.41% | 18.96% | 21.48% | 33.27% | 70.72% | 100% | |
| Estimated total gross carrying amount at default | 30,226,850 | 4,261,151 | 1,452,441 | 1,031,152 | 528,807 | 1,430,581 | 4,194,596 | 43,125,578 |
| Allowance for expected credit losses | (100,287) | (273,025) | (275,421) | (221,529) | (175,955) | (1,011,722) | (4,194,596) | (6,252,535) |

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

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| Tenge | **43,123,448** | 35,252,251 |
| US dollars | **1,972,245** | 1,413,021 |
| Euro | **200,812** | 199,179 |
| Other currencies | **8,681** | 8,592 |
| | **45,305,186** | 36,873,043 |

### 17. ADVANCES PAID

As at 31 December 2022 and 2021, advances paid comprised:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| Advances paid | **6,211,957** | 7,509,687 |
| | **6,211,957** | 7,509,687 |
| Less: allowance for impairment | **(5,719)** | (9,136) |
| | **6,206,238** | 7,500,551 |

## 17. ADVANCES PAID (continued)

Movements in the allowance for impairment were as follows for the years ended 31 December:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| **Allowance for impairment at the beginnings of the year** | **(9,136)** | (37,066) |
| (Accrual) / Reversal for the year | **(103,649)** | 19,991 |
| Write-off for the year | **107,066** | 7,939 |
| **Allowance for impairment at the end of the year** | **(5,719)** | (9,136) |

As at 31 December 2022 and 2021, advances paid for short term assets were given to contractors for services and delivery of inventories for operational activities of the Group.

## 18. OTHER CURRENT FINANCIAL ASSETS

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

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| Bank deposits | **3,399,500** | 11,558,500 |
| Loans to employees (*Note 13*) | **1,235,750** | 1,245,820 |
| Restricted cash | **912,769** | 912,769 |
| Due from employees | **375,093** | 372,763 |
| Other accounts receivable | **3,643,862** | 2,559,341 |
| | **9,566,974** | 16,649,193 |
| Less: allowance for expected credit losses | **(5,192,904)** | (5,056,469) |
| | **4,374,070** | 11,592,724 |

As at 31 December 2022 and 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.

Restricted cash is cash on accounts with Kazinvestbank JSC and Eximbank Kazakhstan JSC in the amount of 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. The provision for expected credit losses was taken into account for the entire amount of these funds.

As at 31 December 2021, the Group placed bank deposits with initial maturity of more than 3 (three) months but less than 12 (twelve) months, in tenge in VTB Bank JSC at the interest rate of 9.0% for KZT 3,000,000 thousand, in Sberbank JSC at the interest rate of 9.0% for KZT 3,000,000 thousand, and in USD dollars in Bank RBK JSC at the interest rate of 1.2% for KZT 2,159,000 thousand. The Group withdrew deposits from the banks during 2022 before its maturity for the total amount of KZT 8,305,500 thousand.

Changes in allowance for expected credit losses were as follows for the years ended 31 December:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| **Allowance for expected credit losses at the beginning of the year** | **(5,056,469)** | (4,901,841) |
| Charge for the year *(Note 47)* | **(155,468)** | (168,526) |
| Write-off for the year | **19,033** | 13,898 |
| **Allowance for expected credit losses at the end of the year** | **(5,192,904)** | (5,056,469) |

### 18. OTHER CURRENT FINANCIAL ASSETS (continued)

Below is information as at 31 December 2022 about the credit risk exposure on the Group's loans to employees, due from employees and other receivables using the reserve matrix:

| | | Days past due | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *In thousands of tenge* | **Current** | **1 to 30 days** | **31 to 60 days** | **61 to 90 days** | **91 to 120 days** | **121 to 360 days** | **Over 360 days** | **Total** |
| Estimated credit loss rate | **7.09%** | **5.04%** | **9.06%** | **10.40%** | **18.93%** | **29.87%** | **100%** | |
| Estimated total gross carrying amount at default | **4,497,727** | **4,306** | **18,558** | **5,605** | **6,903** | **233,325** | **488,281** | **5,254,705** |
| Allowance for expected credit losses | **(318,882)** | **(217)** | **(1,681)** | **(583)** | **(1,307)** | **(69,684)** | **(488,281)** | **(880,635)** |

Below is information as at 31 December 2021 about the credit risk exposure on the Group's loans to employees, due from employees and other receivables using the reserve matrix:

| | | Days past due | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *In thousands of tenge* | **Current** | **1 to 30 days** | **31 to 60 days** | **61 to 90 days** | **91 to 120 days** | **121 to 360 days** | **Over 360 days** | **Total** |
| Estimated credit loss rate | 7.28% | 4.98% | 28.80% | 13.52% | 29.50% | 47.03% | 100% | |
| Estimated total gross carrying amount at default | 3,645,929 | 21,030 | 500 | 3,218 | 3,309 | 44,611 | 459,327 | 4,177,924 |
| Allowance for expected credit losses | (265,298) | (1,048) | (144) | (435) | (976) | (20,979) | (459,327) | (748,207) |

As at 31 December 2022 and 2021, other current financial assets were denominated in the following currencies:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| Tenge | **4,369,873** | 9,425,976 |
| US dollars | **4,197** | 2,166,748 |
| | **4,374,070** | 11,592,724 |

### 19. ASSEST UNDER REVERSE REPURCHASE AGREEMENTS AND FINANCIAL ASSETS AT AMORTIZED COST

**Financial assets at amortized cost**

As at 31 December 2022 financial assets at amortized cost in the amount of KZT 14,832,821 thousand were represented by short-term discount notes of National Bank of the Republic of Kazakhstan ("NBRK") denominated in tenge.

In 2022 and 2021, the Group acquired short term discount notes at purchase price KZT 84,163,285 thousand and KZT 140,018,401 thousand, respectively. In 2022 short term discount notes with nominal value in the amount of KZT 69,350,275 thousand and interest income in the amount of KZT 649,725 thousand was redeemed (2021: KZT 158,630,603 thousand of nominal value and interest income of KZT 1,369,397 thousand, respectively).

### 19. ASSEST UNDER REVERSE REPURCHASE AGREEMENTS AND FINANCIAL ASSETS AT AMORTIZED COST (continued)

As at 31 December 2022 and 2021, financial assets at amortised cost comprised of the following:

| *In thousands of tenge* | **Maturity date** | **Yield to maturity** | **Nominal value** | **31 December 2022** | 31 December 2021 |
|---|---|---|---|---|---|
| NBRK note | 25 January 2023 | 16.46% | 15,000,000 | **14,832,821** | **–** |
| | | | 15,000,000 | **14,832,821** | **–** |

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

**Assets under reverse repurchase agreements**

In December 2021 the Group had entered into reverse repurchase agreement with Halyk Finance JSC. The subject of this agreement is coupon Eurobonds (ISIN XS1120709669) and coupon MEUKAM (ISIN KZKD000915) issued by the Ministry of Finance of the Republic of Kazakhstan. The Group has a right to sell or repledge the transferred securities in the absence of default of the counterparty. Fair value of the transferred securities held as collateral under reverse repurchase agreement amounted to KZT 49,999,824 thousand. The agreement matured on 31 March 2022. The redemption of the securities purchased was in 2022 in the amount of KZT 51,172,262 thousand, including interest in the amount of KZT 1,172,438 thousand (presented as part of operating cash flows) and currency of the agreement is tenge.

### 20. OTHER CURRENT NON-FINANCIAL ASSETS

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

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| VAT receivable | **4,355,432** | 6,850,749 |
| Taxes prepaid other than corporate income tax | **3,143,939** | 3,536,444 |
| Deferred connection cost of operators | **1,293,116** | 906,594 |
| Other | **3,277,931** | 2,016,645 |
| | **12,070,418** | 13,310,432 |

### 21. CASH AND CASH EQUIVALENTS

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

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| Cash on current bank accounts | **146,451,791** | 97,556,615 |
| Deposits with less than 90 days' maturity from the date of opening | **95,672,493** | 69,547,376 |
| Cash on hand | **8,516** | 14,090 |
| | **242,132,800** | 167,118,081 |
| Less: allowance for expected credit losses | **(10,646)** | (8,242) |
| | **242,122,154** | 167,109,839 |

Cash on current bank accounts earn interest at the rates ranging from 0.1% to 7.25% per annum (2021: from 0.2% to 7.0% per annum).

Short-term bank deposits opened for a period from one day to three months, depending on the Group's current cash needs, as of 31 December 2022 amounted to KZT 95,672,493 thousand with a rate up to 15.60% (as at 31 December 2021: KZT 69,547,376 thousand with a rate of up to 8.90%).

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

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

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| US dollars | **149,734,206** | 104,821,000 |
| Tenge | **90,509,732** | 60,770,210 |
| Euro | **1,343,271** | 1,212,064 |
| Russian roubles | **422,368** | 305,666 |
| Other | **112,577** | 899 |
| | **242,122,154** | 167,109,839 |

Movements in the allowance for expected credit losses were as follows for the years ended 31 December:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| **Allowance for expected credit losses at the beginning of the year** | **(8,242)** | (3,412) |
| Charge for the year *(Note 47)* | **(2,404)** | (4,830) |
| **Allowance for expected credit losses at the end of the year** | **(10,646)** | (8,242) |

### 22. EQUITY

**Authorised and issued shares**

| | **Number of shares** | | **In thousands of tenge** | | |
|---|---|---|---|---|---|
| | **Common shares** | **Preferred non-voting shares** | **Common shares** | **Preferred non-voting shares** | **Total issued shares** |
| At 31 December 2020 | 10,922,876 | 1,213,653 | 10,922,876 | 1,213,653 | 12,136,529 |
| At 31 December 2021 | 10,922,876 | 1,213,653 | 10,922,876 | 1,213,653 | 12,136,529 |
| **At 31 December 2022** | **10,922,876** | **1,213,653** | **10,922,876** | **1,213,653** | **12,136,529** |

**Treasury shares**

| | **Number of shares** | | **In thousands of tenge** | | |
|---|---|---|---|---|---|
| | **Common shares** | **Preferred non-voting shares** | **Common shares** | **Preferred non-voting shares** | **Total** |
| **At 31 December 2020** | 216,852 | 914,868 | 3,052,617 | 4,012,997 | 7,065,614 |
| Treasury shares reacquired | – | – | – | – | – |
| Sale of treasury shares | – | – | – | – | – |
| **At 31 December 2021** | 216,852 | 914,868 | 3,052,617 | 4,012,997 | 7,065,614 |
| Treasury shares reacquired | **–** | **–** | **–** | **–** | **–** |
| Sale of treasury shares | **–** | **–** | **–** | **–** | **–** |
| **At 31 December 2022** | **216,852** | **914,868** | **3,052,617** | **4,012,997** | **7,065,614** |

**Shares issued less reacquired shares**

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

**Preferred shares**

Holders of preferred shares are entitled to receive annual cumulative dividends in the amount of KZT 300 per share, and at least the amount of dividends per share paid to holders of ordinary shares. Payment of dividends on preferred shares does not require a resolution of the shareholders' meeting of Kazakhtelecom JSC. The discounted value of future cash flows of annual cumulative dividends represents a financial liability as of 31 December 2022 in the amount of KZT 814,868 thousand (as of 31 December 2021: KZT 814,868 thousand). This obligation is reflected as a debt component of preferred shares as part of long-term liabilities.

### 22. EQUITY (continued)

**Dividends**

The preferred shares earn a non-discretionary dividend of 300 tenge per share in accordance with the Company's charter documents. Preferred shares are considered to be compound financial instruments, and accordingly the liability and equity components are presented separately in the consolidated statement of financial position. Dividends in the amount of KZT 89,636 thousand were accrued as at 31 December 2022 (at 31 December 2021: KZT 89,636 thousand) and are recorded as interest expenses in the consolidated statement of comprehensive income *(Note 39)*.

On the basis of the decision made at the annual shareholders general meeting of Kazakhtelecom JSC on 30 April 2022, the Company declared dividends on preferred shares based on 2021 results in the amount of KZT 983,119 thousand and dividends on common shares in the amount of KZT 38,438,802 thousand (2021: KZT 427,525 thousand and KZT 18,530,843 thousand, respectively). The dividends accrued on common shares were paid during 2022. As of 31 December 2022, dividends per share (common and preferred) amounted to KZT 3,590.39 (as of 31 December 2021: KZT 1,730.88 per common and preferred share).

Movements in dividends payable for the years ended 31 December were as follow:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| **Dividends payable at the beginning of the year** | **17,573** | 17,577 |
| Dividends declared on common shares to equity holders of the parent | **38,438,802** | 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 | **983,119** | 427,525 |
| Interest on debt component of preferred shares *(Note 39)* | **89,636** | 89,636 |
| Offsetting | **–** | (1,386,421) |
| Dividends paid to equity holders of the parent | **(39,511,557)** | (17,661,587) |
| Dividends paid to non-controlling interests | **–** | (4,394,500) |
| **Dividends payable at the end of the year *(Note 29)*** | **17,573** | 17,573 |

For the year ended 31 December 2022 the Group paid withholding tax on dividends in the amount of KZT 909 thousand (2021: KZT 3,191 thousand).

**Other transactions with owners**

In accordance with the decision of Samruk-Kazyna JSC, in 2018-2021 Kazakhtelecom JSC engaged independent consultants to perform IPO of Kazakhtelecom JSC. In accordance with the decision of the Management Board of Samruk-Kazyna JSC, these expenses have to be reimbursed by Samruk-Kazyna JSC. Thus, in 2021 both parties concluded an agreement on reimbursement of expenses. The total amount of expenses to be reimbursed amounted to KZT 1,310,411 thousand, excluding VAT. Part of the expenses was reimbursed by offsetting with dividends payable for KZT 1,386,421 thousand, including VAT (KZT 1,237,876 thousand, excluding VAT). The remaining part of KZT 72,535 thousand was entirely received in cash in 2021.

**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 in 2022 and 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 consolidated financial statements in accordance with the accounting policy disclosed in *Note 3*.

### 22. EQUITY (continued)

**Earnings per share**

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

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

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

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| **Net profit** | **114,117,977** | 90,759,490 |
| Interest on preferred shares *(Note 39)* | **89,636** | 89,636 |
| **Net profit for calculating of basic and diluted earnings per share** | **114,207,613** | 90,849,126 |
| Weighted average number of common and preferred shares for calculation of basic and diluted earnings per share | **11,004,809** | 11,004,809 |
| **Basic and diluted earnings per share, tenge** | **10,377.97** | 8,255.40 |

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

**Additional information disclosed in accordance with Kazakhstan Stock Exchange (KASE) requirements**

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

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

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| Total assets | **1,286,733,815** | 1,234,585,295 |
| Less: intangible assets, including goodwill | **347,543,744** | 357,827,030 |
| Less: total liabilities | **556,125,992** | 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** | **382,765,294** | 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)** | **35,752** | 26,719 |

Another requirement for disclosure is the amount of the dividends payable to owners of preferred non-voting shares. The carrying book value of one preferred non-voting share is calculated as the sum of the preferred non-voting shares in the equity and debt component of preferred non-voting shares, divided by the number of preferred non-voting shares. At the same time, according to the methodology of KASE, the dividend payable on preferred shares, which are not paid due to the lack of up-to-date information about the shareholders, their payment details, are not taken into account. As at 31 December 2022, this indicator amounted to 3,727 tenge (as at 31 December 2021: 3,727 tenge).

### 23. BORROWINGS

As at 31 December 2022 and 2021, borrowings comprised:

| *In thousands of tenge* | **Weighted average effective interest rate** | **2022** | Weighted average effective interest rate | 2021 |
|---|---|---|---|---|
| Borrowings with a fixed interest rate of 7.12% to 12.90% per annum | **10.99%** | **125,061,369** | 10.90% | 157,690,590 |
| Bonds with a fixed interest rate of 11.84% to 11.86% per annum | **11.86%** | **122,815,508** | 11.85% | 158,100,718 |
| | | **247,876,877** | | 315,791,308 |

### 23. BORROWINGS (continued)

Borrowings are repayable as follows:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| **Current portion of borrowings** | **25,018,246** | 33,544,325 |
| Maturity between 1 and 2 years | **110,270,990** | 24,453,132 |
| Maturity between 2 and 5 years | **101,977,816** | 239,849,225 |
| Maturity over 5 years | **10,609,825** | 17,944,626 |
| **Total non-current portion of borrowings** | **222,858,631** | 282,246,983 |
| **Total borrowings** | **247,876,877** | 315,791,308 |

As of 31 December 2022 and December 2021, loans represented by the following:

| **Borrowings** | **Maturity date** | **Currency** | **Effective interest rate** | **2022** | 2021 |
|---|---|---|---|---|---|
| Halyk Bank of Kazakhstan JSC | 21 May 2027 | Tenge | 12.20% | **47,508,167** | 58,057,949 |
| First Heartland Jusan Bank JSC | 10 November 2024 | Tenge | 12.90% | **40,209,056** | 39,870,617 |
| Development Bank of Kazakhstan JSC *(Note 46)* | 30 June 2032 | Tenge | 7.95%-8.41% | **21,470,046** | 23,611,713 |
| Development Bank of Kazakhstan JSC *(Note 46)* | 19 December 2024 | Tenge | 7.12%-9.30% | **8,839,409** | 16,039,080 |
| VTB Bank JSC | 15 October 2023 | Tenge | 11.90% | **5,001,538** | 7,006,228 |
| Bank of China Kazakhstan JSC | 1 June 2024 | Tenge | 10.70% | **2,033,153** | 13,105,003 |
| **Total** | | | | **125,061,369** | 157,690,590 |

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

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

During 2022, the Group made repayment of principal amount for KZT 10,428,192 thousand and interest amount for KZT 6,331,832 thousand under the credit line agreements concluded with the Halyk Bank JSC with the maturity in 21 May 2027 (2021: KZT 10,428,192 thousand and KZT 7,546,064 thousand, respectively).

*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 2022, the Group made repayment of interest amount for KZT 4,506,175 thousand.

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

During 2022, the Group made repayment of principal amount for KZT 2,133,333 thousand and interest amount for KZT 1,651,723 thousand under the credit line agreements concluded with the Development Bank of Kazakhstan JSC with the maturity in June 2032 (2021: KZT 2,133,332 thousand and KZT 1,814,734 thousand, respectively).

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

During 2022, the Group made repayment of principal amount for KZT 7,111,566 thousand and interest amount for KZT 1,047,811 thousand under the credit line agreements concluded with the Development Bank of Kazakhstan JSC with the maturity in December 2024 (2021: KZT 7,425,363 thousand and KZT 1,813,732 thousand, respectively).

### 23. BORROWINGS (continued)

*VTB Bank JSC (with maturity date − 15 October 2023)*

On 28 October 2020 the Group obtained loan in the amount of KZT 6,000,000 thousand within the credit line agreement with VTB Bank JSC with maturity till October 2023 at interest rate 10.7% per annum. On 31 December 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 2022, the Group made repayment of principal amount for KZT 2,000,000 thousand and interest amount for KZT 574,868 thousand (2021: interest repayment for KZT 721,718 thousand).

*Bank of China Kazakhstan JSC (with maturity date – 1 June 2024)*

During 2019 and 2020, the Group obtained loan in the amount of KZT 5,000,000 thousand and KZT 6,000,000 thousand, 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 2022, the Group made repayment of principal amount for KZT 11,000,000 thousand and interest repayment for KZT 1,026,854 thousand (2021: interest repayment for KZT 1,253,453 thousand).

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

| **Bonds** | **Maturity date** | **Currency** | **Effective interest rate** | **2022** | 2021 |
|---|---|---|---|---|---|
| Local bonds of Kazakhtelecom JSC (KZTKb3) | 19 June 2026 | Tenge | 11.86% | **80,243,841** | 80,225,718 |
| Local bonds of Kazakhtelecom JSC (KTCB.1024 and KTCB2.1024) *(Note 45)* | 1 November 2024 | Tenge | 11.84% | **42,571,667** | 77,875,000 |
| | | | | **122,815,508** | 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 2022, the Group has repaid interest for KZT 9,200,001 thousand (2021: interest repayment for KZT 9,200,001 thousand).

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

On 6 November and 12 December 2018, the Group made a listing of coupon bonds on the stock exchange of the International Financial Center Astana (AIX) for amount of KZT 100,000,000 thousand at an effective interest rate of 11.84% and maturity in November 2024. The nominal value of one bond is one thousand tenge. Bonds on these issues were purchased by the Parent company.

In accordance with the terms of the bonds sale agreements concluded with the Parent, the Group is obliged to provide collateral represented by shares of Kcell JSC sufficient to cover the total amount of the agreements before 31 December 2019 or the primary/secondary public offering of shares of Kazakhtelecom JSC on the stock market, depending on what comes last. On 18 August 2020, 150 million shares or 75% of shares of Kcell JSC were pledged to the Parent as a collateral for the bonds of the Group.

### 23. BORROWINGS (continued)

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

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

During 2022, the Group has bought out part of the bonds ahead of schedule amount for KZT 34,000,000 thousand and interest for KZT 9,048,583 thousand (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 31 December 2022 and 31 December 2021, the Group complied with all financial and non-financial covenants.

### 24. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

| *In thousands of tenge* | **Buildings and constructions** | **Equipment** | **Total** |
|---|---|---|---|
| **Cost** | | | |
| **At 1 January 2021** | 60,846,301 | 42,848,491 | 103,694,792 |
| Additions | 4,072,579 | – | 4,072,579 |
| Modifications | 1,795,233 | – | 1,795,233 |
| Cancellation | (1,179,162) | – | (1,179,162) |
| **At 31 December 2021** | 65,534,951 | 42,848,491 | 108,383,442 |
| Additions | **3,099,088** | **211,757** | **3,310,845** |
| Modifications | **786,573** | **2,035,434** | **2,822,007** |
| Cancellation | **(884,365)** | **–** | **(884,365)** |
| **At 31 December 2022** | **68,536,247** | **45,095,682** | **113,631,929** |
| **Accumulated depreciation** | | | |
| **At 1 January 2021** | 16,569,720 | 7,430,654 | 24,000,374 |
| Depreciation charge | 10,451,786 | 3,187,580 | 13,639,366 |
| Cancellation | (105,364) | – | (105,364) |
| **At 31 December 2021** | 26,916,142 | 10,618,234 | 37,534,376 |
| Depreciation charge | **4.495.171** | **8.493.289** | **12.988.460** |
| Cancellation | **(185,712)** | **–** | **(185,712)** |
| **At 31 December 2022** | **31,225,601** | **19,111,523** | **50,337,124** |
| **Net book value** | | | |
| **At 31 December 2021** | 38,618,809 | 32,230,257 | 70,849,066 |
| **At 31 December 2022** | **37,310,646** | **25,984,159** | **63,294,805** |

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

| *In thousands of tenge* | **31 December 2022** | 31 December 2021 |
|---|---|---|
| **At the beginning of the year** | **49,151,576** | 59,110,635 |
| Additions *(Note 47)* | **3,310,845** | 4,072,579 |
| Modifications *(Note 47)* | **2,822,007** | 1,795,233 |
| Cancellation *(Note 47)* | **(698,653)** | (754,362) |
| Interest expenses *(Note 39)* | **5,716,000** | 7,469,004 |
| Payment of interest part *(Note 47)* | **(5,716,000)** | (7,469,004) |
| Payment of principal part *(Note 47)* | **(13,759,891)** | (15,072,509) |
| **At the end of the year** | **40,825,884** | 49,151,576 |

### 24. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

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

| *In thousands of tenge* | **31 December 2022** | 31 December 2021 |
|---|---|---|
| Non-current portion of liabilities | **28,360,505** | 33,810,098 |
| Current portion of lease liabilities | **12,465,379** | 15,341,478 |

The following are the amounts recognised in profit or loss:

| *In thousands of tenge* | **31 December 2022** | 31 December 2021 |
|---|---|---|
| Depreciation expense of right-of-use assets | **12,988,460** | 13,639,366 |
| Interest expense on lease liabilities *(Note 39)* | **5,716,000** | 7,469,004 |
| Expense relating to short-term leases and leases of low-value assets (included in cost of sales) *(Note 35)* | **1,133,982** | 1,007,372 |
| Expense relating to short-term leases (included in general and administrative expenses) *(Note 36)* | **221,786** | 241,174 |
| | **20,060,228** | 22,356,916 |

The Group had total cash outflows for leases of KZT 20,831,659 thousand in 2022, including cash outflow of KZT 1,355,768 thousand related to leases of low-value assets and short-term leases (2021: KZT 23,790,059 thousand and KZT 1,248,546 thousand, respectively). The Group also had non-cash additions to right-of-use assets and lease liabilities of KZT 3,310,845 thousand in 2022 (2021: KZT 4,072,579 thousand).

### 25. EMPLOYEE BENEFIT OBLIGATIONS

**State contribution plan**

The Group pays social tax according to the current statutory requirements of the Republic of Kazakhstan. The social tax and salary accruals are recorded in expenses as incurred.

In addition, the Group withholds 10% of the salary of employees paid as contributions of employees to the accumulating pension funds. These expenses are recorded in the period when they were incurred.

**Employee benefit obligations**

As at 31 December 2022 and 2021, the total employee benefit obligations of the Group comprised the following:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| Present value of defined benefit pension plan obligation | **17,508,382** | 22,685,554 |
| Present value of obligations for other long-term payments | **742,004** | 689,610 |
| | **18,250,386** | 23,375,164 |

A defined benefit pension plan provides for the fulfilment of obligations under the state pension provision in accordance with the Collective Agreement concluded between the Company and employees. Other long-term payments include anniversaries, funeral payments, and others.

The Group did not create a fund for such obligations.

A reconciliation of the present value of the defined benefit plan obligation with specified payments was as follows for the years ended 31 December 2022 and 2021:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| **Total liability at the beginning of the year** | **22,685,554** | 16,688,944 |
| Current service cost | **833,583** | 569,878 |
| Past service cost | **(9,646,346)** | – |
| Interest expenses | **1,745,547** | 1,326,771 |
| Benefits paid during the year | **(1,457,974)** | (2,730,146) |
| Actuarial losses recognized during the year within other comprehensive income | **3,348,018** | 6,830,107 |
| **Total liability at the end of the year** | **17,508,382** | 22,685,554 |
| Liability payable within one year | **(1,471,855)** | (1,425,479) |
| **Liability payable after one year** | **16,036,527** | 21,260,075 |

### 25. EMPLOYEE BENEFIT OBLIGATIONS (continued)

**Employee benefit obligations (continued)**

A reconciliation of the present value of obligations for other long-term payments with specified payments was as follows for the years ended 31 December 2022 and 2021:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| **Total liability at the beginning of the year** | **689,610** | 727,200 |
| Current service cost | **43,184** | 52,375 |
| Previous years service cost | **53,576** | – |
| Interest expenses | **51,972** | 57,812 |
| Benefits paid during the year | **(71,745)** | (85,975) |
| Actuarial income recognized during the year in profit and loss | **(24,593)** | (61,802) |
| **Total liability at the end of the year** | **742,004** | 689,610 |
| Liability payable within one year | **(91,002)** | (100,963) |
| **Liability payable after one year** | **651,002** | 588,647 |

Gain from changes of previous years service cost recognized in 2022 resulted primarily from changes in collective agreement amended in February 2022 (2021: actuarial losses resulted primarily from changes in the assumptions relating to the discount rate and from historical adjustments).

Cost of current service, changes in previous years service cost, interest expenses and actuarial losses in the total amount of KZT (6,943,077) thousand were recorded in cost of sales and general and administrative expenses within personnel costs (2021: KZT 1,945,034 thousand) *(Notes 38 and 39)*.

Actuarial losses recognized in 2022 within other comprehensive income were equal to KZT 3,348,018 thousand (2021: actuarial losses, net of income tax, of KZT 6,302,871 thousand).

There were no unrecognised actuarial losses or past service costs.

The estimates of the liability were made on the basis of the published statistical data regarding mortality of employees and actual Company's data concerning the number, age, gender and years of employee service. Other principal assumptions used in determining benefit obligations for the Company's plan were shown below:

| | **2022** | 2021 |
|---|---|---|
| Discount rate | **9.92%** | 7.95% |
| The expected rate of future annual minimum salary increases | **9.00%** | 8.10% |

A quantitative sensitivity analysis for significant assumptions as at 31 December 2022, was as follows:

| | **Discount rate** | | **The expected rate of future annual minimum salary increases** | |
|---|---|---|---|---|
| Sensitivity level | **Growth by 0.5%** | **Reduction by 0.5%** | **Growth by 1%** | **Reduction by 1%** |
| Impact on defined benefit plan obligations, in thousands tenge | **(710,018)** | **798,215** | **1,033,723** | **(912,421)** |

A quantitative sensitivity analysis for significant assumptions as at 31 December 2021, was as follows:

| | **Discount rate** | | **The expected rate of future annual minimum salary increases** | |
|---|---|---|---|---|
| Sensitivity level | Growth by 0.5% | Reduction by 0.5% | Growth by 1% | Reduction by 1% |
| Impact on defined benefit plan obligations, in thousands tenge | (1,178,236) | 1,459,647 | 1,653,978 | (1,557,960) |

### 25. EMPLOYEE BENEFIT OBLIGATIONS (continued)

**Employee benefit obligations (continued)**

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

### 26. NON-CURRENT CONTRACT LIABILITIES

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

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| Contract liabilities from operators | **4,047,586** | 4,766,404 |
| Contract liabilities for connection of subscribers | **426,653** | 544,722 |
| Other contract liabilities | **3,079,966** | 2,876,996 |
| | **7,554,205** | 8,188,122 |

Movements in liabilities for the years ended 31 December were as follows:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| **Contract liabilities as at 1 January** | **30,068,781** | 24,944,812 |
| Deferred during the year | **287,690,513** | 232,019,257 |
| Recognised as revenue during the year | **(283,462,982)** | (226,895,288) |
| **Total contract liabilities as at 31 December** | **34,296,312** | 30,068,781 |
| | | |
| Current portion *(Note 30)* | **26,742,107** | 21,880,659 |
| Non-current portion | **7,554,205** | 8,188,122 |

### 27. ASSET RETIREMENT OBLIGATION

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

Movements in provision for asset retirement obligation for the years ended 31 December 2022 and 2021 were as follows:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| **Provision for asset retirement obligation as at 1 January** | **10,284,324** | 8,480,576 |
| Amortization of discount *(Note 39)* | **610,541** | 597,758 |
| Change in estimate *(Note 8)* | **(1,352,105)** | 1,205,990 |
| **Provision for asset retirement obligation as at 31 December** | **9,542,760** | 10,284,324 |
| | | |
| Current portion *(Note 31)* | **2,947,595** | 2,868,319 |
| Non-current portion | **6,595,165** | 7,416,005 |

### 28. TRADE PAYABLES

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

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| Trade payables for supply of property and equipment | **56,524,594** | 46,945,570 |
| Trade payables for services rendered | **46,382,181** | 27,284,558 |
| Trade payables for inventory received | **1,925,479** | 870,483 |
| | **104,832,254** | 75,100,611 |

As at 31 December 2022 and 2021, trade payables were interest-free.

## 28. TRADE PAYABLES (continued)

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

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| Tenge | **98,267,568** | 56,541,166 |
| US dollars | **3,137,656** | 16,879,626 |
| Euro | **3,035,534** | 1,478,207 |
| Russian rubles | **384,720** | 194,828 |
| Other | **6,776** | 6,784 |
| | **104,832,254** | 75,100,611 |

## 29. OTHER CURRENT FINANCIAL LIABILITIES

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

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| Payable to employees | **24,352,049** | 19,363,782 |
| Dividends payable *(Note 22)* | **17,573** | 17,573 |
| Other | **3,247,259** | 570,730 |
| | **27,616,881** | 19,952,085 |

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

## 30. CURRENT CONTRACT LIABILITIES

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

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| Advances received | **24,597,725** | 19,697,210 |
| Contract liabilities from operators | **1,678,156** | 1,674,654 |
| Contract liabilities for connection of subscribers | **261,527** | 312,099 |
| Other contract liabilities | **85,025** | 82,586 |
| Other | **119,674** | 114,110 |
| | **26,742,107** | 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.

## 31. OTHER CURRENT NON-FINANCIAL LIABILITIES

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

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| **Provisions** | | |
| Legal claims on contractual obligation and penalties | **3,684,675** | 3,684,675 |
| Asset retirement obligation *(Note 27)* | **2,947,595** | 2,868,319 |
| Accrual of provisions for tax risks | **1,910,312** | 3,842,611 |
| | **8,542,582** | 10,395,605 |
| **Other non-financial liabilities** | | |
| Taxes payable other than income tax | **4,249,869** | 2,745,141 |
| Payable to pension funds | **1,009,829** | 712,895 |
| Other | **703,727** | 425,390 |
| | **5,963,425** | 3,883,426 |
| | **14,506,007** | 14,279,031 |

### 31. OTHER CURRENT NON-FINANCIAL LIABILITIES (continued)

Movements in tax provisions for the years ended 31 December 2022 and 2021 were as follows:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| **Provision as at 1 January** | **3,842,611** | 1,616,063 |
| Accrual of provisions for tax risks | **1,019,959** | 2,226,548 |
| Use of provision | **(822,012)** | – |
| Reversal of fines and penalties provision | **(2,130,246)** | – |
| **Provision as at 31 December** | **1,910,312** | 3,842,611 |

As at 31 December 2022 and 2021, provisions represent accrued provision for the Group's tax risks.

During 2021, the Group accrued tax provision for KZT 2,226,548 thousand, KZT 1,055,681 thousand of which relates to conducted tax review by representatives of the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan *(Note 48)* and KZT 1,170,867 thousand relates to conducted tax review performed by independent tax specialists.

During 2022 the Group accrued a provision for corporate income tax and withholding tax in the amount of KZT 1,019,959 thousand and recovered KZT 1,896,577 thousand based on the own tax review for 2021, as well as for the 3rd quarter of 2022. The Company has analyzed and reflected in the financial statements those risks that the Company cannot eliminate or reduce to a significant extent.

In 2022, on the basis of the Protocol on the results of the monitoring conducted within the framework of the pilot project on horizontal monitoring of Kazakhtelecom JSC for the period from 2016-2020 dated 05/17/2022 and the Tax Audit Act dated 12/23/2022 No. 520, taxes were recognized against the previously created reserve in the amount of KZT 822,012 thousand. Due to the completion of the documentary tax audit, the balance of the unused reserve in the amount of KZT 233,669 thousand was written off.

Movements in provisions for legal claims on contractual obligation and penalties for the years ended 31 December 2022 and 2021 were as follows:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| **Provision as at 1 January** | **3,684,675** | 4,385,679 |
| Reversal of fines and penalties provision | **–** | (682,820) |
| Reversal of other provision | **–** | (18,184) |
| **Provision as at 31 December** | **3,684,675** | 3,684,675 |

In 2020 the Group accrued certain amount of provision related to legal claims on contractual obligation and fines and penalties that Management considers as probable in the amount of KZT 3,684,675 thousand tenge and KZT 701,004 thousand, respectively (*Note 48*).

Portion of provision of fines and penalties in the amount of KZT 682,820 thousand was reversed in 2021 due to finalization of custom audit (*Note 48*).

### 32. GOVERNMENT GRANTS

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

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| **Government grants as at 1 January** | **18,798,488** | – |
| Received during the period | **14,391,376** | 25,083,510 |
| Released to the statement of profit or loss | **(6,331,898)** | (6,285,022) |
| **Government grants as at 31 December** | **26,857,966** | 18,798,488 |
| | | |
| Current portion | **6,167,493** | 4,202,083 |
| Non-current portion | **20,690,473** | 14,596,405 |

### 32. GOVERNMENT GRANTS (continued)

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 2021 and 2022 in the amount of KZT 13,571,431 thousand and KZT 14,391,376 thousand, respectively, 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 of 31 December 2022 the balance of government grants was equal to KZT 26,857,966 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 6,331,898 thousand.

As of 31 December 2022 there are no unfulfilled conditions or contingencies attached to these grants.

### 33. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customer for the years ended 31 December comprised:

| | For the year ended 31 December 2022 | | | |
|---|---|---|---|---|
| *In thousands of tenge* | **Fixed line** | **Mobile connection** | **Other** | **Total** |
| Data transfer services | **138,767,808** | **176,141,850** | **15,838** | **314,925,496** |
| Rendering of fixed line and wireless phone services | **37,096,001** | **127,814,640** | **–** | **164,910,641** |
| Sale of equipment and mobile devices | **8,380** | **44,123,457** | **–** | **44,131,837** |
| Interconnect | **17,930,063** | **14,633,308** | **–** | **32,563,371** |
| Rent of channels | **2,854,076** | **–** | **–** | **2,854,076** |
| Other | **52,848,428** | **8,218,746** | **1,384,987** | **62,452,161** |
| | **249,504,756** | **370,932,001** | **1,400,825** | **621,837,582** |
| Services transferred over time | **249,496,376** | **326,808,544** | **1,400,825** | **577,705,745** |
| Goods transferred at a point of time | **8,380** | **44,123,457** | **–** | **44,131,837** |
| | **249,504,756** | **370,932,001** | **1,400,825** | **621,837,582** |
| B2C* | **128,917,266** | **315,510,583** | **1,167,135** | **445,594,984** |
| B2B** | **43,032,890** | **28,358,396** | **233,690** | **71,624,976** |
| B2O*** | **19,996,768** | **26,767,658** | **–** | **46,764,426** |
| B2G**** | **57,557,832** | **295,364** | **–** | **57,853,196** |
| | **249,504,756** | **370,932,001** | **1,400,825** | **621,837,582** |

## 33. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

| | For the year ended 31 December 2021 | | | |
|---|---|---|---|---|
| *In thousands of tenge* | **Fixed line** | **Mobile connection** | **Other** | **Total** |
| Data transfer services | 123,740,238 | 160,025,192 | 14,013 | 283,779,443 |
| Rendering of fixed line and wireless phone services | 36,408,258 | 127,891,407 | – | 164,299,665 |
| Sale of equipment and mobile devices | 6,744 | 37,999,601 | – | 38,006,345 |
| Interconnect | 15,856,166 | 13,318,623 | – | 29,174,789 |
| Rent of channels | 3,009,668 | – | – | 3,009,668 |
| Other | 53,557,159 | 8,514,327 | 1,153,824 | 63,225,310 |
| | **232,578,233** | **347,749,150** | **1,167,837** | **581,495,220** |
| Services transferred over time | 232,571,489 | 309,749,549 | 1,167,837 | 543,488,875 |
| Goods transferred at a point of time | 6,744 | 37,999,601 | – | 38,006,345 |
| | **232,578,233** | **347,749,150** | **1,167,837** | **581,495,220** |
| B2C* | 122,030,130 | 294,464,846 | 992,996 | 417,487,972 |
| B2B** | 39,135,832 | 27,859,795 | 174,841 | 67,170,468 |
| B2O*** | 18,449,109 | 25,173,331 | – | 43,622,440 |
| B2G**** | 52,963,162 | 251,178 | – | 53,214,340 |
| | **232,578,233** | **347,749,150** | **1,167,837** | **581,495,220** |

* *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.*

## 34. COMPENSATION FOR PROVISION OF UNIVERSAL SERVICES IN RURAL AREAS

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

The tender for the identification of universal services operator was conducted in September 2022 and based on the results of the tender Kazakhtelecom JSC was selected as the universal services operator. As at 31 December 2022 there were no unfulfilled conditions or contingencies attached to these subsidies.

The compensation received for the year ended 31 December 2022 was equal to KZT 6,326,916 thousand (2021: KZT 6,412,945 thousand).

## 35. COST OF SALES

Cost of sales for the years ended 31 December comprised:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| Depreciation and amortization | **112,252,977** | 111,995,228 |
| Personnel costs *(Note 38)* | **102,695,145** | 86,709,615 |
| Cost of SIM-card, scratch card and handsets | **40,760,854** | 34,511,790 |
| Interconnect | **29,941,817** | 30,002,086 |
| Repair and maintenance | **21,368,503** | 22,657,762 |
| Fees for radiofrequencies use | **18,684,797** | 17,032,520 |
| Electricity | **12,201,887** | 10,367,857 |
| Rent of channels | **9,454,585** | 9,576,912 |
| Fee to provide telecom services | **8,932,534** | 7,937,629 |
| Inventories | **6,511,029** | 5,946,359 |
| Content | **5,486,641** | 6,544,992 |
| Fees for the usage of license software | **3,303,201** | 3,545,055 |
| Security and safety | **3,122,944** | 3,296,045 |
| Utilities | **2,156,791** | 2,602,614 |
| Labelling costs | **1,859,154** | 1,874,790 |
| Business trip expenses | **1,715,207** | 1,290,262 |
| Short-term leases and leases of low-value assets *(Note 24)* | **1,133,982** | 1,007,372 |
| Insurance | **995,354** | 961,921 |
| Costs of hiring consultants | **974,860** | 924,271 |
| Satellite communication servies | **795,778** | 799,349 |
| Network sharing agreement | **582,961** | 814,643 |
| Emergency expenses | **103,442** | 1,003,104 |
| Other | **14,135,591** | 6,600,431 |
| | **399,170,034** | 368,002,607 |

## 36. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended 31 December comprised:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| Personnel costs *(Note 38)* | **22,064,056** | 20,933,606 |
| Taxes other than corporate income tax | **7,944,097** | 7,444,303 |
| Depreciation and amortization | **6,396,266** | 5,848,923 |
| Consulting services | **1,589,259** | 5,808,933 |
| Social activities | **1,396,638** | 642,660 |
| Business trips | **777,428** | 593,516 |
| Trainings | **642,475** | 430,248 |
| Inventories | **506,214** | 361,277 |
| Bank fees | **458,947** | 230,099 |
| Repair and maintenance expenses | **319,344** | 747,285 |
| Write-down of inventories to net realizable value *(Note 15)* | **314,205** | 521,450 |
| Personnel outsources expenses | **262,592** | 832,488 |
| Short-term lease expenses *(Note 24)* | **221,786** | 241,174 |
| Insurance | **187,431** | 220,943 |
| Security and safety | **116,529** | 148,762 |
| Collectors services | **–** | 284,271 |
| Other | **961,517** | 3,632,167 |
| | **44,158,784** | 48,922,105 |

## 37. SELLING EXPENSES

Selling expenses for the years ended 31 December comprised:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| Marketing and advertising | **9,953,872** | 8,959,743 |
| Amortization of cost to obtain a contract | **4,245,766** | 3,568,740 |
| Other | **2,709,089** | 1,152,757 |
| | **16,908,727** | 13,681,240 |

## 38. PERSONNEL EXPENSES

Personnel expenses for the years ended 31 December comprised:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| Payroll | **119,067,416** | 96,389,163 |
| Payroll related taxes | **12,634,862** | 9,309,024 |
| Employee benefits *(Note 25)* | **(6,943,077)** | 1,945,034 |
| | **124,759,201** | 107,643,221 |

Personnel expenses for the years ended 31 December were allocated as follows:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| Cost of sales *(Note 35)* | **102,695,145** | 86,709,615 |
| General and administrative expenses *(Note 36)* | **22,064,056** | 20,933,606 |
| | **124,759,201** | 107,643,221 |

## 39. (FINANCE COSTS) / FINANCE INCOME

Finance costs and finance income for the years ended 31 December comprised:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| **Finance costs** | | |
| Interest expense on loans *(Note 47)* | **(31,724,945)** | (36,617,616) |
| Interest expense on lease liabilities *(Note 24)* | **(5,716,000)** | (7,469,004) |
| Discounting of long-term loans to employees | **(1,170,102)** | (110,649) |
| Discounting of other non-current financial assets | **(633,068)** | (1,356,558) |
| Unwinding of discount (provision for asset retirement obligation) *(Note 27)* | **(610,541)** | (597,758) |
| Unwinding of discount on long-term borrowings *(Note 47)* | **(421,562)** | – |
| Interest on debt component of preferred shares *(Note 22)* | **(89,636)** | (89,636) |
| Other costs | **(103,693)** | (195,252) |
| | **(40,469,547)** | (46,436,473) |
| **Finance income** | | |
| Interest income on deposits | **8,322,955** | 2,672,065 |
| Interest income on financial assets at amortised cost | **4,167,327** | 1,058,200 |
| Interest income on cash balances | **1,841,974** | 910,686 |
| Unwinding of discount on long-term loans to employees | **720,411** | 818,676 |
| Unwinding of discount on long-term accounts receivable | **445,401** | 162,137 |
| Other income | **479,886** | 221,220 |
| | **15,977,954** | 5,842,984 |

### 40. NET FOREIGN EXCHANGE GAIN

On 20 August 2015, the National Bank and the Government of the Republic of Kazakhstan announced the transition to "free floating exchange rate of tenge" and cancelation of the currency corridor. As a result, Kazakhstani tenge significantly devalued against US dollar and other major currencies approximately by 90%. Subsequently, the exchange rate of tenge to US dollar significantly fluctuated in accordance with the market conditions.

During 2022, the exchange rate increased by 7,57% from 426.03 KZT per US Dollar to 460.93 KZT per US Dollar (during 2021, the exchange rate increased by 3.06% from 413.36 KZT per US Dollar to 426.03 KZT per US Dollar). Net foreign exchange gain for the year ended 31 December 2022 was KZT 7,901,638 thousand (net foreign exchange gain for the year ended 31 December 2021 was KZT 2,259,417 thousand).

### 41. INCOME FROM COMPENSATION FROM TELIA AND TURKCELL

On 20 May 2021, Kazakhtelecom JSC, Telia Company A. B. and Turkcell Iletişim 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.

At the conclusion of negotiations, Telia Company A. B. and Turkcell Iletişim Hizmetleri A.Ş. committed 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.

### 42. OTHER OPERATING INCOME/(EXPENSES)

Other operating income and expenses for the years ended 31 December comprised:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| **Other operating income** | | |
| Income from damages *(Note 48)* | **11,368,772** | – |
| Rental income | **1,786,562** | 1,645,395 |
| Fines and penalties | **1,105,628** | 378,858 |
| Income from liabilities write-off | **764,932** | 266,905 |
| Reimbursement of utilities expenses | **139,508** | 141,975 |
| Services for the provision of secure communication channels | **–** | 115,308 |
| Other | **1,887,321** | 1,701,146 |
| | **17,052,723** | 4,249,587 |
| **Other operating expenses** | | |
| Utilities expenses | **(520,164)** | (495,641) |
| Rental expenses | **(434)** | (10,369) |
| Write-off of inventories (*Note 48*) | **(553,000)** | – |
| Other | **(248,420)** | (492,527) |
| | **(1,322,018)** | (998,537) |

On 13 March 2022, Kayrat Satybaldyuli, the ultimate beneficiary 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 funds of Kazakhtelecom JSC on a particularly large scale. Kazakhtelecom JSC was recognized as a victim in criminal cases initiated against Satybaldyly K. and other persons involved.

The Mediation Agreement of 8 September 2022 on the settlement of the dispute and reconciliation of the parties by way of judicial mediation in a dispute that arose in the framework of a criminal case on the episodes "Discounts" and "Last Mile", the Company recognized compensation for damages in the amount of KZT 12,733,024 thousand, including VAT.

The court No. 2 of the "Baykonyr" district of Astana handed down a verdict dated 26.09.2022 on one of the criminal cases against Satybaldyly K. and other involved persons accused of committing criminal offenses provided for in Articles 28, Part 3, 189, part 4, paragraph 2, 195, part 4, paragraph 2 of the Criminal Code of the Republic of Kazakhstan. According to the court verdict, the civil claim of Kazakhtelecom JSC was left without consideration, meaning that the effect of the previously concluded Mediation Agreement is not canceled. The judicial act entered into legal force within the prescribed period.

According to the dispute that arose in the framework of the criminal case on the episode "Rent of premises", allocated to a separate judicial proceeding, the investigation has not been completed.

### 42. OTHER OPERATING INCOME/(EXPENSES) (continued)

The entire amount of damage specified in the claims filed by Kazakhtelecom JSC in the amount of KZT 14,353,966 thousand was repaid in full.

Rental income mainly represents rent of spaces used for the installation of technological equipment by third parties.

### 43. INCOME TAX EXPENSES

Income tax expenses for the years ended 31 December comprised:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| Current corporate income tax expenses | **39,878,423** | 33,297,458 |
| Adjustments in respect of income tax of previous year | **(709,158)** | (1,136,840) |
| Deferred income tax benefit | **(3,473,538)** | (873,981) |
| | **35,695,727** | 31,286,637 |

The Group and its subsidiaries except for KT-IX LLC are subject to taxation in the Republic of Kazakhstan. KT-IX LLC is subject to taxation in the Russian Federation.

Tax rate for the Group and subsidiaries except for subsidiaries stated above was 20% in 2022 and 2021.

A reconciliation of income tax expenses applicable to profit before taxation at the statutory rate of 20% (2021: 20%), with the current corporate income tax expenses for the years ended 31 December is out below:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| **Profit before taxation** | **164,448,872** | 128,730,423 |
| **Income tax at statutory income tax rate of 20%** | **32,889,774** | 25,746,085 |
| Adjustments in respect of deferred income tax of previous year | **2,103,971** | 2,110,967 |
| Changes in unrecognized tax loss carry forward | **(1,530,000)** | 1,530,000 |
| Impairment of non-financial assets | **180,448** | 1,200,392 |
| Tax provision expenses | **(178,453)** | 445,310 |
| Reimbursement of expenses related to IPO | **–** | 262,082 |
| (Non-taxable income) / on-deductible expenses related to employee benefits obligations | **(1,893,763)** | 243,710 |
| Share in profit of associates | **(76,004)** | (102,473) |
| Recognition of tax loss carry forward | **1,804,000** | (192,000) |
| Adjustments in respect of income tax of previous year | **(709,158)** | (1,136,840) |
| Non-deductible expenses | **3,104,912** | 1,179,404 |
| **Total income tax expenses** | **35,695,727** | 31,286,637 |

### 43. INCOME TAX EXPENSES (continued)

As at 31 December 2022, deferred taxes calculated by applying the official tax rates effective at the reporting date to the temporary differences between the tax bases of assets and liabilities and the amounts recognized in the consolidated financial statements included the following items:

| | Consolidated statement of financial position | | Consolidated statement of comprehensive income | | As part of other comprehensive loss | |
|---|---|---|---|---|---|---|
| *In thousands of tenge* | **31 December 2022** | 31 December 2021 | **2022** | 2021 | **2022** | 2021 |
| **Deferred tax assets** | | | | | | |
| Property and equipment | **3,220,475** | 6,976,577 | **(3,756,102)** | (5,193,942) | **–** | – |
| Deferred services | **5,248,087** | 5,088,426 | **159,661** | 568,008 | **–** | – |
| Government grants | **5,371,953** | 3,759,698 | **1,612,255** | 3,759,698 | **–** | – |
| Reserves on employee bonuses | **3,352,474** | 2,488,757 | **863,717** | 28,236 | **–** | – |
| Asset retirement obligation reserves | **1,908,874** | 2,056,865 | **(147,991)** | 393,863 | **–** | – |
| Tax loss carry forward | **8,486** | 1,887,152 | **(1,878,666)** | 202,536 | **–** | – |
| Employee benefit obligations | **2,588,383** | 1,551,305 | **649,572** | (306,606) | **387,506** | 527,236 |
| Lease liabilities | **1,132,732** | 1,185,390 | **(52,658)** | 321,202 | **–** | – |
| Accrued provisions for unused vacations | **843,101** | 834,007 | **9,094** | 80,763 | **–** | – |
| Allowance for expected credit losses | **1,253,765** | 528,638 | **725,127** | (98,737) | **–** | – |
| Intangible assets | **96,306** | 258,912 | **(162,606)** | 77,606 | **–** | – |
| Trademark payment obligation | **–** | – | **–** | (372,258) | **–** | – |
| Other | **1,274,023** | 1,120,466 | **153,557** | (76,177) | **–** | – |
| Less: unrecognized tax assets | **–** | (1,530,000) | **1,530,000** | (1,530,000) | **–** | – |
| Less: deferred tax assets less deferred tax liabilities | **(24,827,896)** | (25,546,023) | **718,127** | 298,071 | **–** | – |
| **Deferred tax assets** | **1,470,763** | 660,170 | **423,087** | (1,847,737) | **387,506** | 527,236 |
| **Deferred tax liabilities** | | | | | | |
| Property and equipment | **28,471,199** | 29,929,543 | **(1,458,344)** | (762,293) | **–** | – |
| Intangible assets | **27,154,373** | 29,706,769 | **(2,552,396)** | (2,552,396) | **–** | – |
| Other | **723,455** | 481,293 | **242,162** | 294,900 | **–** | – |
| Less: deferred tax assets less deferred tax liabilities | **(24,827,896)** | (25,546,023) | **718,127** | 298,071 | **–** | – |
| **Deferred tax liabilities** | **31,521,131** | 34,571,582 | **(3,050,451)** | (2,721,718) | **–** | – |
| **Deferred income tax benefit** | **–** | – | **3,473,538** | 873,981 | **387,506** | 527,236 |

### 43. INCOME TAX EXPENSES (continued)

Deferred tax assets and liabilities are presented in the consolidated statement of financial position as follows:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| Deferred tax assets | **1,470,763** | 660,170 |
| Deferred tax liabilities | **(31,521,131)** | (34,571,582) |
| **Net deferred tax liabilities** | **(30,050,368)** | (33,911,412) |

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| **Reconciliation of deferred tax liabilities, net** | | |
| **Balance at 1 January** | **(33,911,412)** | (35,312,629) |
| Income tax benefit for the reporting period − origination and recovery of temporary differences | **3,473,538** | 873,981 |
| Less: deferred tax recognised within other comprehensive loss | **387,506** | 527,236 |
| **Balance at 31 December** | **(30,050,368)** | (33,911,412) |

The Group performs offsetting of tax assets and liabilities only if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred tax assets and deferred tax liabilities relating to income tax collected by the same taxation authority.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. In accordance with legislation of the Republic of Kazakhstan, tax losses may be deferred for 10 (ten) years from the date of their origination and will expire in 2029. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

As at 31 December 2022, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised was equal to KZT 13,026,150 thousand (as at 31 December 2021: KZT 13,713,293 thousand). The Group is able to control the timing of the reversal of those temporary differences and does not expect to reverse them in the foreseeable future.

### 44. DISPOSAL GROUP

**KT Cloud Lab LLP**

On 17 June 2021, the Group concluded an agreement on sale of KT Cloud Lab LLP. At 31 December 2020, assets and liabilities of KT Cloud Lab LLP were classified as an assets held for sale and liabilities directly associated with the assets held for sale and were equal to KZT 18,872,008 thousand and KZT 895,217 thousand.

In accordance with the agreement, payments shall be made in 3 tranches (the first tranche in the amount of 30% of the purchase price within 30 days after agreement signing date, the second tranche in the amount of 35% of the purchase price within 12 months after signing date and the third tranche in the amount of 35% of the purchase price within 24 months after signing date).

On 14 July 2021, the buyer made the first tranche under the purchase agreement in the amount of 30% of the purchase price. The buyer's intention to exercise his right to early repurchase the remaining stake in KT Cloud Lab LLP allowed the Group to recognize the disposal of KT Cloud Lab LLP from the moment of receipt of the first tranche and to recognize the payment arrears from the winner of the tender in full.

On 20 October 2021, the buyer repaid the remaining part of the purchase price ahead of the repayment schedule.

## 44. DISPOSAL GROUP (continued)

### KT Cloud Lab LLP (continued)

Net assets of KT Cloud Lab LL are presented as follows:

| *In thousands of tenge* | **The date of disposal** |
|---|---|
| **Assets** | |
| Property and equipment | 525,792 |
| Intangible assets | 483,934 |
| Other non-current financial assets | 77,431 |
| Inventories | 8,546 |
| Trade receivables | 916,395 |
| Other current non-financial assets | 22,958 |
| Other current financial assets | 164,340 |
| Advanced paid | 15,819 |
| Cash and cash equivalents | 447,868 |
| **Assets held for sale** | 2,663,083 |
| **Liabilities** | |
| Deferred tax liabilities | 11,099 |
| Trade payables | 146,423 |
| Other current financial liabilities | 199,715 |
| Contract liabilities | 63 |
| Other current non-financial liabilities | 444,965 |
| **Liabilities directly associated with the assets held for sale** | 802,265 |
| **Net assets directly associated with the disposal group** | 1,860,818 |

During 2021, the Group has recognized loss from disposal of the subsidiary in the consolidated statement of comprehensive income for KZT 425,818 thousand.

Following is a schedule of consideration received from the disposal of KT Cloud Lab LLP:

| *In thousands of tenge* | **2021** |
|---|---|
| Cash consideration received | 1,435,000 |
| Less: cash disposed | (447,868) |
| **Total cash consideration received** | **987,132** |

## 45. NON-CASH TRANSACTIONS

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

In 2022 the Group received government grants in the total amount of KZT 14,391,376 thousand represented by 90% reduction in the annual fee for use of radio frequencies.

In 2022, the Group paid an amount of KZT 46,945,570 thousand for property and equipment purchased in prior year (2021: KZT 34,791,317 thousand). Property and equipment in the amount of KZT 56,524,594 thousand was purchased in 2022 but not paid as at 31 December 2022 (2021: KZT 46,945,570 thousand).

In 2022, the Group withhold from the salary of employees the amount of previously issued loans for KZT 1,206,379 thousand (2021: KZT 1,632,947 thousand).

### 46. RELATED PARTY TRANSACTIONS

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

Related party transactions were made on terms, agreed to between the parties, which do not necessarily represent market terms and maybe not accessible to third parties. Outstanding balances at the end of the year are not secured, are short-term, and settlements are made in cash, except as described below.

At 31 December 2022, the Group recognized a provision for expected credit loss in the amount of KZT 294,214 thousand in respect of receivables from related parties.

Sales and purchases with related parties during the years ended 31 December 2022 and 2021 and the balances with related parties at 31 December 2022 and 2021 were as follows:

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| **Sales of goods and services** | | |
| Parent | **13,275** | 22,762 |
| Parent-controlled entities | **2,963,506** | 1,972,355 |
| Associate (Qaz Cloud LLP) | **1,161,487** | 1,007,919 |
| Government-related entities | **53,041,835** | 54,090,034 |
| **Purchases of goods and services** | | |
| Parent-controlled entities | **2,631,988** | 3,841,442 |
| Associate (Qaz Cloud LLP) | **1,773,632** | 1,563,631 |
| Government-related entities | **277,973** | 264,391 |
| **Interest accrued on borrowings and bonds** | | |
| Entities under state control | | |
| (Development Bank of Kazakhstan JSC) | **2,603,095** | 3,401,926 |
| *Average interest rate on borrowings* | **8,02%** | 8.09% |
| Parent* | **7,745,250** | 8,625,000 |
| *Average interest rate on bonds* | **11,85%** | 11.84% |

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

### 46. RELATED PARTY TRANSACTIONS (continued)

| *In thousands of tenge* | **2022** | 2021 |
|---|---|---|
| **Cash and cash equivalents** | | |
| Entities under state control | | |
| (Development Bank of Kazakhstan JSC) | **31** | 229 |
| **Borrowings and bonds *(Note 23)*** | | |
| Entities under state control | | |
| - (Development Bank of Kazakhstan JSC) | **30,309,455** | 39,650,793 |
| Parent* | **42,571,667** | 77,875,000 |
| **Trade receivables** | | |
| Parent | **1,229** | 1,521 |
| Parent-controlled entities | **566,382** | 378,563 |
| Associate (Qaz Cloud LLP) *(Note 10)* | **222,479** | 130,273 |
| Government-related entities | **7,833,829** | 8,970,497 |
| **Trade payables** | | |
| Parent | **59** | 59 |
| Parent-controlled entities | **234,945** | 1,069,641 |
| Associate (Qaz Cloud LLP) *(Note 10)* | **863,154** | 423,755 |
| Government-related entities | **1,643,367** | 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.*

**Compensation to key management personnel**

For the years ended 31 December 2022 and 2021, the total compensation to key management personnel included in the accompanying consolidated statement of comprehensive income under general and administrative expenses was KZT 3,594,862 thousand and KZT 3,051,642 thousand, respectively, Compensation to key management personnel consists of wages fixed in the employment agreement, as well as remuneration based on the performance for the year.

As disclosed in *Note 32 and 34*, the Government of the Republic of Kazakhstan provides the Group with certain compensation for the provision of universal services in rural areas and government grants.

### 47. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES

**Impairment losses on financial assets**

Impairment losses on financial assets for the year ended 31 December 2022, comprise accrued/(reversed) allowance for expected credit loss for trade receivables in amount of KZT 7,464,288 thousand *(Note 16)*, other current financial assets in amount of KZT 155,468 thousand *(Note 18)*, cash and cash equivalents in amount of KZT 2,404 thousand *(Note 21)* (2021: other non-current financial assets in amount of KZT 110,184 thousand, trade receivables in amount of KZT 2,971,041 thousand, other current financial assets in amount of KZT 168,526 thousand, cash and cash equivalents in amount of KZT 4,830 thousand and trade receivables of KT Cloud Lab LLP (before disposal) in amount of KZT 1,782 thousand).

**Impairment losses on non-financial assets**

Impairment losses on non-financial assets for the year ended 31 December 2022, comprise accrued/(reversed) allowance for impairment for advances paid for non-current assets for KZT 510,195 thousand *(Note 8)*, advances paid for current assets for KZT 103,649 thousand *(Note 17)*, impairment of property and equipment for KZT 1,176,363 thousand *(Note 8)* and reversal of impairment of intangible assets for KZT (311,331) thousand *(Note 9)* (2021: advances paid for non-current assets for KZT 111,377 thousand, advances paid for current assets for KZT (19,991) thousand, impairment of property and equipment for KZT 3,946,812 thousand and impairment of intangible assets for KZT 1,963,761 thousand).

### 47. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (continued)

**Impairment losses on non-financial assets (continued)**

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

**Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As at 31 December 2022 and 2021, the Group had no loans or borrowings with floating interest rates and was not subjected to the risk of changes in market interest rates.

**Foreign currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

As a result of available significant loans and borrowings, accounts payable, cash and cash equivalents and accounts receivable denominated in the US dollars, the Group's consolidated statement of financial position can be affected significantly by movement in the US dollar / tenge exchange rates.

The following table demonstrates the sensitivity to a reasonably possible changes in the exchange rates of US dollar to tenge, with all the variables held constant, of the Group's profit before income tax (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Group's equity.

| | **2022** | | 2021 | |
|---|---|---|---|---|
| *In thousands of tenge* | **Increase/ (decrease) in exchange rate** | **Effect on profit before tax** | Increase/ (decrease) in exchange rate | Effect on profit before tax |
| US dollars | **21%** | **32,688,318** | 13% | 12,599,504 |
| | **-21%** | **(32,688,318)** | -10% | (9,691,926) |

**Credit risk**

Credit risk is the risk that the Group will incur finance costs because its customers, clients or counterparties failed to discharge their contractual obligations, The Group is exposed to credit risk associated with its operating activities (primarily with respect to trade receivables) and financial activities, including bank deposits and financial organizations, foreign exchange transactions and other financial instruments.

**Trade receivables and contract assets**

Financial instruments in which the Group's credit risk is concentrated are primarily trade and other receivables, The credit risk associated with these assets is limited due to the large number of the Group's customers and the continuous monitoring procedures for customers and other debtors.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses, The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i,e,, by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance), The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions, Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity, The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in *Notes 13, 16, 18 and 19*.

**Financial instruments and cash deposits**

In accordance with the financial policy, the Group places free cash in several of the largest Kazakhstani banks (with the highest credit ratings), To manage the credit risk associated with the placement of free cash in banks, the Group's management periodically conducts procedures for assessing the solvency of banks, To facilitate such an assessment, deposits are primarily placed in banks, where the Group already has comparable credit obligations, a current checking account and can easily monitor the activities of such banks.

### 47. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (continued)

**Financial instruments and cash deposits (continued)**

| *In thousands of tenge* | **Rating 2022** | Rating 2021 | **Cash balance** | | **Balance on deposit accounts** | |
|---|---|---|---|---|---|---|
| | | | **2022** | 2021 | **2022** | 2021 |
| JSC "Halyk Bank of Kazakhstan" | **BB+/stable/ BBB-, kzAA** | BB+/ stable /BBB-, kzAA | **134,827,224** | 74,754,897 | **81,489,820** | 34,752,026 |
| JSC "Citibank Kazakhstan" | **A+/ stable /A+** | A+/ stable /A+ | **7,498,826** | 174,505 | **37,530** | 1,040 |
| JSC "Bank "Bank RBK" | **B2+/positive/** | B+/ stable / | **2,336,823** | – | **–** | – |
| Electronic money | **–** | – | **994,814** | – | **–** | – |
| JSC "Bank CenterCredit" | **B+/ stable, kzBBB-** | B/ stable, kzBBB- | **311,568** | 51,091 | **–** | – |
| JSC "Kaspi Bank" | **BB-/positive, Ba1,kzA** | BB-/positive, kzA | **225,382** | 65,733 | **–** | – |
| PJSC "Sberbank of Russia"/ | **–** | Baa3/ stable | **125,509** | 188,971 | **–** | – |
| JSC "Altyn Bank" (DB JSC "Halyk Bank of Kazakhstan") | **BBB-/ stable, kzAA+** | BBB-/ stable, kzAA+ | **72,383** | 772,040 | **7,025,890** | 20,000,400 |
| PJSC "Bank Uralsib" | **–** | – | **26,697** | – | **–** | – |
| Credit Suisse (Schweiz) AG | **A-** | A+ | **12,266** | 1,838,596 | | – |
| DB Sberbank JSC/ Bereke bank JSC | **–** | BBB-/ stable, kzAA+ | **4,978** | 44,131 | **–** | 3,793,910 |
| JSC "First Heartland Jýsan Bank" | **B+/positive, kzBB+** | B/ stable, kzBB+ | **2,611** | 19,657,548 | **19,253** | 11,000,000 |
| TO JSC VTB Bank (Kazakhstan) | **–** | BB+/ stable, kzAA | **1,177** | 103 | **–** | – |
| JSC "Bank Freedom Finance Kazakhstan" | **B-/positive** | – | **739** | – | **–** | – |
| JSC Kazpost | **Baa3/ stable** | – | **83** | – | **7,100,000** | – |
| JSC "Development Bank of Kazakhstan" | **BBB/ stable / BBB, kzAAA** | BBB-/ stable / BBB, kzAAA | **31** | 229 | **–** | – |
| JSC DB "Bank of China in Kazakhstan" | **BBB+/ stable , kzAAA** | BBB+/ stable, kzAAA | **23** | 465 | **–** | – |
| JSC "ForteBank" | **BB-/ stable/ BB-, kzA-** | BBB+/ stable / BBB+, kzAA | **11** | – | **–** | – |
| JSC DB Alfa-Bank | – | BB/ stable / BB-, kzA+ | **–** | 64 | **–** | – |
| **Total** | | | **146,441,145** | 97,548,373 | **95,672,493** | 69,547,376 |

### Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances.

The Group monitors its risk of a shortage of funds using a liquidity planning tool, This tool considers the maturity of both its financial investments and financial assets (e,g, accounts receivables, other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings and leases, The Group's policy is that not more than 30% of borrowings and leases should mature in the next 12 month period, Approximately 17% of the Group's debt will mature in less than one year at 31 December 2022 (31 December 2021: 13%) based on the carrying amount of borrowings and leases reflected in the consolidated financial statements.

### 47. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (continued)

**Liquidity risk (continued)**

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

| *In thousands of tenge* | On demand | 1 to 3 months | 3 months to 1 year | From 1 to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|
| **At 31 December 2022** | | | | | | |
| Borrowings | **–** | **8,418,364** | **39,444,127** | **259,610,911** | **23,096,186** | **330,569,588** |
| Lease liabilities | **–** | **4,423,948** | **13,330,621** | **50,459,590** | **18,424,535** | **86,638,694** |
| Trade payables | **79,919,698** | **10,381,610** | **14,530,946** | **–** | **–** | **104,832,254** |
| Other financial liabilities | **–** | **3,247,259** | **–** | **414** | **–** | **3,247,673** |
| | **79,919,698** | **26,471,181** | **67,305,694** | **310,070,915** | **41,520,721** | **525,288,209** |
| **At 31 December 2021** | | | | | | |
| Borrowings | – | 9,820,160 | 57,049,596 | 314,513,423 | 17,348,143 | 398,731,322 |
| Lease liabilities | – | 4,986,740 | 14,145,911 | 49,582,402 | 13,021,976 | 81,737,029 |
| Trade payables | 57,253,546 | 7,437,264 | 10,409,801 | – | – | 75,100,611 |
| Other financial liabilities | – | 570,730 | – | 707 | – | 571,437 |
| | **57,253,546** | **22,814,894** | **81,605,308** | **364,096,532** | **30,370,119** | **556,140,399** |

**Cash flow risk**

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount.

Cash flows requirements are monitored on a regular basis and management provides for availability of sufficient funds required to fulfil any liabilities when they arise, The management of the Group believes that any possible fluctuations of future cash flows associated with a monetary financial instrument will not have material impact on the Group's operations.

**Capital management**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions, To maintain or adjust the capital structure, the Group may adjust the dividend payment to the holders of common shares, return equity to shareholders or issue new shares, No changes were made by the Group in the capital management objectives, policies or processes in 2022 and 2021.

The Group monitors capital using a debt-to-equity ratio, which is net debt divided by total equity, The Group's policy is to keep the ratio not greater than 1.0. The Group includes within net debt interest bearing borrowings and lease liabilities, Equity includes equity attributable to the equity holders of the Group.

The Group's debt-to-equity ratio at the period end was as follows:

| *In thousands of tenge* | **31 December 2022** | 31 December 2021 |
|---|---|---|
| Interest-bearing loans and borrowings | **247,876,877** | 315,791,308 |
| Lease liabilities | **40,825,884** | 49,151,576 |
| **Net debt** | **288,702,761** | 364,942,884 |
| Total equity, including non-controlling interests | **730,607,823** | 644,177,366 |
| **Debt-equity ratio** | **0.40** | 0.57 |

**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.

### 47. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (continued)

**Fair value (continued)**

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

| | | Fair value measurement using | | | |
|---|---|---|---|---|---|
| *In thousands of tenge* | **Date of valuation** | **Price quotations on active markets (Level 1)** | **Significant observable in-puts (Level 2)** | **Significant unobservable in-puts (Level 3)** | **Total** |
| **Assets for which fair values are disclosed** | | | | | |
| Financial assets carried at amortised cost | 31 December 2022 | **14,896,830** | **–** | **–** | **14,896,830** |
| Investment property | 31 December 2022 | **–** | **–** | **2,700,000** | **2,700,000** |
| Other non-current financial assets | 31 December 2022 | **–** | **–** | **6,629,229** | **6,629,229** |
| Other current financial assets | 31 December 2022 | **–** | **–** | **4,374,070** | **4,374,070** |
| Trade receivables | 31 December 2022 | **–** | **–** | **45,305,186** | **45,305,186** |
| **Liabilities for which fair values are disclosed** | | | | | |
| Borrowings | 31 December 2022 | **–** | **–** | **243,775,351** | **243,775,351** |
| Other non-current financial liabilities | 31 December 2022 | **–** | **–** | **414** | **414** |
| Other current financial liabilities | 31 December 2022 | **–** | **–** | **27,616,881** | **27,616,881** |
| Trade payables | 31 December 2022 | **–** | **–** | **104,832,254** | **104,832,254** |

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

| | | Fair value measurement using | | | |
|---|---|---|---|---|---|
| *In thousands of tenge* | **Date of valuation** | **Price quotations on active markets (Level 1)** | **Significant observable in-puts (Level 2)** | **Significant unobservable in-puts (Level 3)** | **Total** |
| 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 |

### 47. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (continued)

**Fair value (continued)**

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

| *In thousands of tenge* | **Carrying amount 2022** | **Fair value 2022** | **Unrecog-nised gain/(loss) 2022** | Carrying amount 2021 | Fair value 2021 | Unrecognised gain/(loss) 2021 |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and cash equivalents | **242,122,154** | **242,122,154** | **–** | 167,109,839 | 167,109,839 | – |
| Other non-current financial assets | **6,973,300** | **6,629,229** | **(344,071)** | 7,141,361 | 6,752,172 | (389,189) |
| Financial assets carried at amortised cost | **14,832,821** | **14,896,830** | **64,009** | – | – | – |
| Other current financial assets | **4,374,070** | **4,374,070** | **–** | 11,592,724 | 11,592,724 | – |
| Assets under reverse repurchase agreements | **–** | **–** | **–** | 49,999,824 | 49,999,824 | – |
| Trade receivables | **45,305,186** | **45,305,186** | | 36,873,043 | 36,873,043 | – |
| **Financial liabilities** | | | | | | |
| Borrowings | **247,876,877** | **243,775,351** | **4,101,526** | 315,791,308 | 319,483,880 | (3.692.572) |
| Other non-current financial liabilities | **414** | **414** | **–** | 707 | 707 | – |
| Other current financial liabilities | **27,616,881** | **27,616,881** | **–** | 19,952,085 | 19,952,085 | – |
| Trade payables | **104,832,254** | **104,832,254** | **–** | 75,100,611 | 75,100,611 | – |
| **Total unrecognised change in unrealised fair value** | | | **3,821,464** | | | (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.

### 47. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (continued)

**Changes in liabilities arising from financial activities**

Changes in liabilities arising from financial activities for 2022 were as follows:

| *In thousand tenge* | 1 January 2022 | Principal obtained | Additions | Modifications | Cancellation of leases | Reclassification | Repayment of principal | Interest expense *(Note 39)* | Interest paid | Discount *(Note 39)* | 31 December 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Borrowings: long term | **282,246,983** | **–** | **–** | **–** | **–** | **(59,809,914)** | **–** | **–** | **–** | **421,562** | **222,858,631** |
| Borrowings: short term | **33,544,325** | **–** | **–** | **–** | **–** | **59,809,914** | **(66,673,091)** | **31,724,945** | **(33,387,847)** | **–** | **25,018,246** |
| Lease liabilities: long term | **33,810,098** | | **3,310,845** | **2,822,007** | **(698,653)** | **(10,883,792)** | **–** | **–** | **–** | **–** | **28,360,505** |
| Lease liabilities: short term | **15,341,478** | **–** | **–** | **–** | **–** | **10,883,792** | **(13,759,891)** | **5,716,000** | **(5,716,000)** | **–** | **12,465,379** |
| **Total** | **364,942,884** | | **3,310,845** | **2,822,007** | **(698,653)** | **–** | **(80,432,982)** | **37,440,945** | **(39,103,847)** | **421,562** | **288,702,761** |

Changes in liabilities due to financial activities for 2021 were as follows:

| *In thousand tenge* | 1 January 2021 | Principal obtained | Additions | Modifications | Cancellation of leases | Reclassification | Repayment of principal | Interest expense *(Note 39)* | Interest paid | Discount | Other | 31 December 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Borrowings: long term | 316,290,589 | 62,500,000 | – | – | – | (95,283,504) | – | – | – | (1,260,102) | – | 282,246,983 |
| Borrowings: short term | 46,111,485 | – | – | – | – | 95,283,504 | (107,240,887) | 36,617,616 | (37,192,373) | – | (35,020) | 33,544,325 |
| Lease liabilities: long term | 42,461,444 | – | 4,072,579 | 1,795,233 | (754,362) | (13,764,796) | – | – | – | – | – | 33,810,098 |
| Lease liabilities: short term | 16,649,191 | – | – | – | – | 13,764,796 | (15,072,509) | 7,469,004 | (7,469,004) | – | – | 15,341,478 |
| **Total** | **421,512,709** | **62,500,000** | **4,072,579** | **1,795,233** | **(754,362)** | **–** | **(122,313,396)** | **44,086,620** | **(44,661,377)** | **(1,260,102)** | **(35,020)** | **364,942,884** |

### 48. 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.

**Protests in Kazakhstan**

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

During the protests, six Kcell stores located in Almaty and Almaty region were looted, as well as two large offices of the group were attacked. Also in the city of Almaty, several base stations belonging to the Group burned down.

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 LLP and MTS LLP, with a lack of account balance, were not restricted in communication and Internet access.

As a result of the above-mentioned protests and the state of emergency, the President of Kazakhstan made certain public statements about possible measures, including amendments to tax legislation, the introduction of measures for financial stability, control and stabilization of inflation and the exchange rate of tenge.

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 suffered losses from these events in the amount of KZT 553,000 thousand*(Note 42)*, which represent the theft of inventory (goods for resale) and damage to stores, which was recognized as part of other operating expenses.

**Events in Ukraine and the coronavirus pandemic**

The war in Ukraine has had a significant negative impact on the global economic outlook. In response to the offensive, extensive sanctions were imposed against Russia, which largely exclude the country from international financial markets and significantly restrict trade in goods. These sanctions are designed to have a negative economic impact on the Russian Federation. The commercial activities of the Group and, consequently, its results of operations and financial position are not significantly affected by the consequences of the war in Ukraine, since the Group does not operate networks in Russia or Ukraine.

Due to the geopolitical events around Ukraine and Russia, oil prices exceeded $100 per barrel on February 24, 2022. On 23 February 2022, the exchange rate of tenge against the US dollar began to weaken sharply. On December 6, 2022, the National Bank of the Republic of Kazakhstan decided to raise the base rate to 16.75% while maintaining the +/-1% corridor.

In addition, the coronavirus pandemic continues to affect the development of the global economy. Due to the spread of the Omicron variant in China, large-scale blockages were introduced in Shanghai and other major Chinese cities. Although the pandemic has so far had only a limited negative impact on the telecommunications sector, if the global pandemic repeats, it could lead to a prolonged and intensified supply shortage. However, revenue from visitors and roaming has increased slightly due to the fact that travel has returned to a more normal level, despite the coronavirus pandemic.

The possible future consequences of the war in Ukraine and the coronavirus pandemic for the assessment of individual assets and liabilities 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, the impact on the global economy. The overall economic outlook has deteriorated significantly as a result of extensive sanctions and restrictions on trade in goods. Based on the accumulated experience, the Group expects that the war in Ukraine and the coronavirus pandemic will have only a limited impact on business in the future.

### 48. COMMITMENTS AND CONTINGENCIES (continued)

**Capital commitments**

The Group generally enters into contracts for the completion of construction projects and purchase of telecommunication equipment. As at 31 December 2022, the Group had contractual obligations in the total amount of KZT 49,774,593 thousand, including VAT (31 December 2021: KZT 45,138,707 thousand, including VAT) mainly related to purchase of telecommunication equipment and construction of telecommunication network.

**License commitments**

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

**Taxation**

Tax legislation and regulatory framework of the Republic of Kazakhstan are subject to constant changes and allow for different interpretations, In addition, management believes that international agreements, under which the Group works with non-residents residing in International Telecommunication Union, and which provide for certain tax exemptions, have a priority over national tax legislation, Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe, Penalties are generally 50-80% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of the Republic of Kazakhstan multiplied by 1,25, As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review.

Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 31 December 2022. Management believes that as at 31 December 2021 its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these consolidated financial statements.

*Tax risks assessment*

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

Based on the results of the review, a register of tax risks was formed for a total amount of KZT 2,637,804 thousand, which at the time of the release of the financial statements for 2021 is advisory in nature.

The Group believes that it has correctly interpreted the tax legislation and intends to appeal against potential additional charges. Nevertheless, taking into account the statistics of appeals, as well as the controversial situation regarding the taxation of non-residents that is taking place in the tax environment at the moment, the Group ranked the register of tax risks according to the degree of probability and decided as of 31 December 2021 to create a reserve in the amount of KZT 1,055,681 thousand, as well as declare tax risks as contingent liabilities in in the amount of KZT 1,487,574 thousand *(Note 31)*.

In May 2022, the Protocol on the results of the tax review of historical data for the period from 2016 to 2020, according to which the amount of identified tax risks amounted to KZT 1,245,611 thousand, was agreed and signed, taxes were accrued and paid in full.

In November 2022, the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan began a comprehensive documentary audit, according to the results of which additional taxes and penalties were accrued in the amount of KZT 153,720 thousand, this obligation was also accrued and paid in full.

**State grant related to the frequency fee**

The Group presented a summary report on expenditures aimed at financing broadband Internet access projects in urban and rural areas, including capital and operating costs required to provide broadband Internet access services in urban and rural settlements throughout the Republic of Kazakhstan. Management believes that there are no outstanding conditions or unforeseen circumstances related to these grants.

### 48. COMMITMENTS AND CONTINGENCIES (continued)

**State grant related to the frequency fee (continued)**

If, based on the results of the audited information, the fact of non-fulfillment by the telecom operator of obligations to send at least the released funds from the reduction of the corresponding remuneration rate for financing 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 the year following the reporting year recalculates the amount of the annual fee for the use of the frequency for the reporting year, which should be proportional to the outstanding amount of financial obligations for the reporting year.

**New Technical Regulations**

Order No. 85 of the Committee of the National Security dated 27 July 2021 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 2 August 2021 and came into force on 2 August 2022. 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.

As of 31 December 2022 the Group partially implemented modernization and expansion of license and port capacity for the total amount of KZT 4,612,223 thousand. The Group plans to complete expansion in full till 2025 and expect that total amount of capital expenditures in respect to modernization and expansion will be equaled to KZT 8,025,115 thousand.

**Customs inspection**

On 13 September 2019, the Customs Control Department ("CCD") of Almaty issued an order on initiation of custom audit in relation to Kcell's operation for the period 2014-2019, CCD examines Kcell's tax reporting documents for the purpose of the revealing of violations on incorrect determination of the customs value of goods and its incorrect classification, Custom audit is related to the revealing of violations of customs regulations, incorrect determination of the customs value of goods, and if violations are identified, Kcell may be brought to administrative penalty and be liable to pay appropriate customs charges, including import VAT and late payment fees, On 15 October 2020 the Customs Control Department issued the notice to postpone the customs inspection of Kcell for an indefinite period. According to the report, Kcell JSC added VAT in the amount of KZT 39,354 thousand and a fine for late payment in the amount of KZT 18,152 thousand. The preliminary report was reviewed by Kcell JSC.

On 29 April 2021 CCD sent a formal letter regarding the on-site customs audit performed and a notice of audit findings, instructing Kcell to pay KZT 57,506 thousand and to amend the customs declarations, In pursuance of the notice, Kcell paid additional tax charge and late payment penalty and amended the customs declarations.

On 28 May 2021, Kcell sent a letter to the customs authority informing about fulfillment of the requirements stated in the notice. During 2021, Kcell reversed unutilized part of provision in the amount of KZT 682,820 thousand *(Note 31)*.

**Arbitration against Amdocs companies**

Amdocs-Kazakhstan LLP and Amdocs Software Solutions LLC (jointly referred to as "Amdocs") was to develop, implement and deliver the Convergent Billing System to Kcell under Master Agreement dated April 2014 between TeliaSonera AB and Amdocs Software System Ltd ("Master Agreement"), and Supply Agreement, including Addendums (further as "Supply Agreement"),

In November 2018, Kcell notified the Supplier of termination of the Supply Agreement, except for the technical support services due to the quality of the Converged Billing System and Amdocs's performance of contractual obligations were not consistent with the terms of the Supply Agreement and Kcell's requirements, Moreover, there was delay in delivery and implementation of the OLC (On-line charging) system, In May 2020, Kcell notified the Supplier of its withdrawal from the technical support agreement as well, Amdocs did not agree with the Kcell's reasoning for termination of the Supply Agreement and withdrawal from the technical support agreement,

The contractual relationships between Kcell and Amdocs are governed by and construed in accordance with Swedish law, and any dispute, controversy or claim arising out of that relationship should ultimately be settled in arbitration in Stockholm in accordance with the Rules of the Arbitration Institute of the Stockholm Chamber of Commerce ("International Arbitration"),

### 48. COMMITMENTS AND CONTINGENCIES (continued)

**Arbitration against Amdocs companies (continued)**

On 18 December 2020, Kcell applied to International Arbitration with a request to initiate arbitration proceedings against Amdocs, The total amount of Kcell's asserted claims equalled to approximately EUR 25,792 thousand (equivalent to KZT 12,823,267 thousand),

Kcell's request for arbitration was registered with the Arbitration Institute of the Stockholm Chamber of Commerce (hereinafter − "SCC") in December 2020, On 29 December 2020, SCC sent a notice to the Amdocs companies of commencement of arbitration and set a deadline for responding to the request for arbitration,

On 26 January 2021 the response from Amdocs JSC was received and Amdocs agreed to consider the dispute in SCC, In addition, Amdocs had submitted the counterclaim, at this point in the preliminary amount of USD 13,886 thousand (equivalent to KZT 6,046,350 thousand) and unpaid fees for extra work L2 and other out of scope service the amount of which was not calculated, and payment related to allegedly Kcell's delays in OLC and Phase 1 − the amount was not calculated,

On 16 and 23 April 2021 organizational sessions of arbitration tribunal were held, as a result of which the parties managed to agree on the procedural rules and schedule, It is planned that consideration of the case on the merits will take place during 5-16 September 2022, and the tribunal's decision will be granted in December 2022,

In accordance with the procedural timetable, the next stage of the proceedings, Kcell claimed below extended relief (90% increase of the initial amount):

(a) To declare that Kcell's partial termination of the Delivery Contract by notice dated 22 November 2018 was valid and effective;

(b) To order the Respondents to pay − jointly and severally – USD 59,773 thousand (equivalent to KZT 26,001,255 thousand) and to order payment of the pre-award and post-award interest on the above amounts and reimburse the Claimant its legal and other costs in relation to these proceedings.

On 5 November 2021, Amdocs filed extended counterclaims in the amount of USD 17,697 thousand (equivalent to KZT 7,699,056 thousand), plus interest applicable under Swedish law (8% per annum; from the date of incurrence of the obligation the dates may differ, depending on stated claims), including reimbursement of costs incurred by Amdocs in connection with the arbitration proceedings (fees to arbitrators, legal consultants and other costs incurred):

(1) To invalidate the partial termination of the Delivery Contract (Contract) initiated by Kcell to recognize such termination as a breach of the Contract terms; to recognize that Kcell is liable for damage associated with such a breach;

(2) Reimbursement of the arbitration fees paid by Amdocs from the date of the judgement until the date when the amount claimed is received in full, pursuant to Section 6 of the Swedish Interest Act and reimbursement of fees paid by Amdocs to their legal consultants and other costs associated with the arbitration from the date of the judgement until the date when the amount claimed is received in full, pursuant to Section 6 of the Swedish Interest Act.

Kcell planned to provide response to the above counterclaims by 15 February 2022, In connection with the introduced state of emergency in Kazakhstan in January 2022. Kcell applied for an extension of the deadline to respond to Amdocs's counterclaims, The deadline was extended till 1 March 2022.

On 1 March 2022, Kcell filed a response to Amdocs's stated extended counterclaims and declined all claims submitted by the defendant. Kcell has also filed the additional claim, according to which shall the Tribunal decide that Company is not entitled for contract price reduction, then Kcell claims the right for compensation of funds in the amount of 16 million USD (equivalent to 7,920 million tenge), overpaid for the supplied solution(BSS). The correspondent expert report with the estimate of supplied solution was prepared by the independent financial expert and submitted by Kcell to the Tribunal.

Amdocs response to Kcell claims was received on 24 May 2022. Amdocs made no new claims, confirmed the previously filed claims and agreed with Kcell that the Supply Agreement can be considered as a contract in US dollars and that any claims under it can only be expressed in US dollars.

On 21 June 2022, Kcell sent the final document with additional arguments and evidence (including testimony and responses to the arguments listed in Amdocs document dated 24 May 2022).

### 48. COMMITMENTS AND CONTINGENCIES (continued)

**Arbitration against Amdocs companies (continued)**

Kcell received a document from Amdocs on 15 July 2022 containing the final counterclaim amounts. In addition to the previously announced figures, Amdocs is claiming the payment of a 400 000 USD invoice dated 4 May 2018 under Additional Agreement 3 for the "Final delivery to UAT 20%" stage. So, before the hearing in September, Amdocs's claims amount to 18 million USD (equivalent to 8,657 million tenge) plus % (calculated at the rate of 8% according to the Swedish Interest Act. Depending on the date of obligation, it will be calculated and confirmed based on the hearing outcomes and stated in the arbitration award).

In-person hearings to consider mutual claims between Kcell JSC and Amdocs-Kazakhstan LLP and Amdocs Software Solutions LLC connected to the Supply Agreement were held from 5 to 16 September 2022 in Stockholm (Sweden). During the hearing, Kcell has made the following proposals, which were supported by Amdocs and the tribunal:

- If the tribunal satisfies, fully or partially, the claims of both parties, the offset principle will be applied;
- If the tribunal satisfies the claims filed in tenge, apply the exchange rate as of the date of the arbitration award and state those amounts in US dollars in the tribunal's decision.

At the request of the parties and with the Tribunal's approval, the date of filing of final claims by the parties was postponed to 31 October 2022, and the date of filing documents for the recovery of costs related to the arbitration proceedings was postponed to 11 November 2022.

In December 2022, the Tribunal requested additional time to prepare a decision, citing the technical complexity of the case.

On 14 March 2023 Tribunal announced decision on arbitration against Amdocs and concluded on the following:

- The total amount of satisfied claims of Amdox was 8,306,827 USD dollars (equivalent KZT 3,721,874 thousand as of the date of the court decision);
- Claims of Kcell against Amdox was dissatisfied.

At year ended 31 December 2022 and 2021, the Group has accrued provision for arbitration against Amdocs in the amount of KZT 3,684,675 thousand (31 December 2021: KZT 3,684,675 thousand) *(Note 31)*. The Management will use the provision to repay the claims to Amdox.

**5G services**

In December 2022, an open auction was held for the 5G 3600-3700 MHz and 3700-3800 MHz radio frequency bands, following which a consortium consisting of Mobile Telecom Service LLP (under the Tele 2 and Altel brands) and Kcell JSC (under the Kcell and Asset brands) was determined the winner.

**Judicial proceedings**

On 13 March 2022, Kayrat Satybaldyuli, the ultimate beneficiary of Skyline Investment Company S.A. and Alatau Capital Invest LLP (Note 1), was detained by the Anti-Corruption Service of Kazakhstan on suspicion of abuse of office and embezzlement of funds of Kazakhtelecom JSC on a particularly large scale. Kazakhtelecom JSC was recognized as a victim in criminal cases initiated against Satybaldyly K. and other persons involved.

The Mediation Agreement of 8 September 2022 on the settlement of the dispute and reconciliation of the parties by way of judicial mediation in a dispute that arose in the framework of a criminal case on the episodes "Discounts" and "Last Mile", the Company recognized compensation for damages in the amount of KZT 12,733,024 thousand(*Note 42*), including VAT.

The court No. 2 of the "Baykonyr" district of Astana handed down a verdict dated 26.09.2022 on one of the criminal cases against Satybaldyly K. and other involved persons accused of committing criminal offenses provided for in Articles 28, Part 3, 189, part 4, paragraph 2, 195, part 4, paragraph 2 of the Criminal Code of the

Republic of Kazakhstan. According to the court verdict, the civil claim of Kazakhtelecom JSC was left without consideration, meaning that the effect of the previously concluded Mediation Agreement is not canceled. The judicial act entered into legal force within the prescribed period.

### 48. COMMITMENTS AND CONTINGENCIES (continued)

**Judicial proceedings (continued)**

According to the dispute that arose in the framework of the criminal case on the episode "Rent of premises", allocated to a separate judicial proceeding, the investigation has not been completed. Since the Company was also recognized as a victim in this episode of the criminal case, a civil claim was filed on 31.05.2022 for compensation for property damage caused by the crime.

The full amount of damage specified in the claims filed by Kazakhtelecom JSC in the amount of KZT 14,353,966 thousand was repaid in full.

### 49. EVENTS AFTER THE REPORTING DATE

On 25 January 2023 the Group acquired NBRK notes in the amount of KZT 14,812,080 thousand with maturity date on 22 February 2023. On 22 February 2023 the Group additionally acquired NBRK notes in the amount of KZT 19,732,660 thousand with maturity date on 22 March 2023.

On 20 March 2023 the Group made a payment for 5G frequencies in the amount of KZT 34,323,069 thousand.

On 3 March 2023 Group received approval of investment committee of Samruk-Kazyna JSC on the sale of 49% of share in QazCloud LLP to Daneker Sala LLP at a price of KZT 4,590,010 thousand. The parties signed a contract for the purchase and sale on 20 March 2023. On 28 March 2023 the Group received full amount of payment.