



KAZAKHTELECOM



# DELIVERING FUTURE

БОЛАШАҚТЫ **ЖЕТКІЗЕ**  
**DELIVERING** FUTURE

Integrated ANNUAL REPORT



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KAZAKHTELECOM

2020 ONLINE

DELIVERING  
FUTURE

## TELECOM'S ROLE IN NEW REALITY

The past year 2020 is commonly believed to be a new starting point in human history – the coronavirus pandemic minimized the ability of people to communicate, temporarily froze some sectors of economy and made it possible to take a fresh look at technological capabilities of other sectors. Those things that people recently perceived as very distant in time, such as a practically universal transition to distance work and training, telemedicine, suddenly became a hard reality, albeit for a fairly short period of time.

Kazakhstan, along with other countries of the world, had to adapt to new living conditions within a short time. During this period, economic losses of the country would have been significantly higher if there were no a developed telecom industry capable of transforming under the most severe conditions to meet the demands of the time, society and economy while continuing to develop itself, involving its subscribers – schoolchildren and their parents, government agencies and enterprises in the processes of constant development.

A year ago, in a similar foreword to the annual report, we mentioned that digital reality, such as the Internet of Things, smart homes and cities, cybersport, cloud video surveillance and e-commerce systems, was ahead of fantasies of Kazakhstan citizens. A year later, we can say with confidence that this digital reality has already become a digital routine in everyday life of Kazakhstan citizens, where a great contribution was made by Kazakhtelecom JSC Group, the largest player in the Kazakhstan telecommunications market.

The tactics of the Company's development strategy adopted several years ago provided for the possibility of calculating the interests and needs of clients to form new profitable market niches. During the pandemic, this approach made it possible to preserve the stability and profitability of Kazakhtelecom, but also became a basis used to support the operation of many market structures that were unable to keep the traditional form of doing business. Besides physical support of interaction

between entrepreneurs, we created an ISMET.KZ working platform for their interaction with counterparties and a front office for the sale of their goods, works and services.

Thanks to the same approaches, we became an indispensable helper for our subscribers – individuals. Learning, communication, organizing leisure time, shopping, managing people's bank accounts – this is just a short list of daily activities carried out by the vast majority of our citizens online last year; they trusted us, our quality and security we can guarantee them, and we justified their trust in full. At the same time, we received a clear confirmation of our opinion regarding the worth of rejecting some things that seem old-fashioned in the digital future: in the first half of last year, our subscribers began to restore wire communications.

Due to this process associated with a large amount of time spent by people at home we are convinced that wire communication is not outdated yet. In the digital future, where remote forms of work will become an even more widespread and generally accepted norm, without regard to force majeure circumstances, cable connection will continue to be in great demand, especially if it is combined with cellular communications, digital TV and broadband access services. Such service packages, where "old" technologies rationally coexist with novelty products and complement each other, are already successfully implemented by our Company in the market and form an essential component of financial success that the Company was able to achieve even in the past year, which was quite difficult in all respects.

Let us present you the annual report for 2020, which reflects the main technical, financial and industry performance indicators of Kazakhtelecom JSC and describes in details important events and decisions that influenced the development and activities of our Company and its subsidiaries. Traditionally, this document also contains plans for the introduction and widespread use of new technologies in the field

*Let us present you the annual report for 2020, which reflects the main technical, financial and industry performance indicators of Kazakhtelecom JSC and describes in details important events and decisions that influenced the development and activities of our Company and its subsidiaries.*

of mobile data transmission in the forthcoming period. Indeed, we have a lot of developments and proposals in areas such as the Internet of Things and Big Data, but we also remember that these projects are impracticable without the basic infrastructure that we, as the largest market player, are obliged to provide to all of our subscribers, even in the most remote part of the country.

In this regard, we are especially proud of successful completion of a large-scale project last year, the aim of which was to provide rural settlements of Kazakhstan with broadband Internet access using the fiber-optic communication lines technology. Despite all the difficulties associated with the quarantine regime, we did not stop working on this project, and now, after laying 14.38 thousand kilometers of optical fiber, 99.3% of the population of Kazakhstan has access to high-speed and uninterrupted Internet. The issue is not just that we gave 2.5 million rural residents equal opportunities with urban dwellers; it is much more important that they began to actively use these opportunities and change their usual way of living.

In this regard, our small victory is the first rural Internet store in Almaty region opened by a business woman with the help of our network: she established the supply of goods via Internet channels and receives orders from fellow villagers and residents of neighboring villages through the WhatsApp messenger. In the nearest future, mobile operators Kcell JSC and Mobile Telecom-Service LLP (Tele2/Altel) will deploy broadband access by connecting their base stations to our fiber-optic lines in another 1,000 settlements of the country with a total population of 600 thousand people. Thanks to this measure, such small victories will be counted in tens, hundreds and thousands.

At the present time, these small victories in changing people's consciousness become one of the main goals of telecommunication companies and form their new role in the new reality: we must change both ourselves and our reality. Our development will be in real demand only with the world developing alongside with us, and companies that operate in the telecommunications sector bear responsibility for this development. Kazakhtelecom systematically continues to build this new reality by introducing innovative Smart City technologies based on LoRaWan technology into the country's everyday life and preparing for the deployment of new 5G standard networks.

Our capabilities in implementing these truly ambitious plans were significantly expanded due to the synergy between the parent Company's operations and mobile assets. The implementation of our strategy in practice was recognized by Fitch Ratings agency, which in June 2020 improved the credit rating of Kazakhtelecom JSC to the investment BBB-grade ("Stable" outlook) as a result of strengthening the Group's market positions. This year we intend to affirm the trust of international observers and domestic clients by continuing to improve the quality of our services, which has always been a key objective for the entire Group. In addition, we will focus on expanding the portfolio of digital services for the private and corporate sectors in order to continue to build the digital future clearly outlined by Kazakhtelecom based on the demands of its subscribers.


**237**

OPERATIONS  
IN CITIES AND  
REGIONAL  
CENTERS

**68%**

MARKET SHARE OF  
KAZAKHTELECOM JSC  
GROUP

**91%**

FIXED TELEPHONY

**75%**

FIXED INTERNET

**78%**

MOBILE MARKET

**40%**

PAY TV

**54%**

OPERATOR  
BUSINESS

**82+** kzt thous.

FIBER-OPTICAL  
NETWORKS  
THROUGHOUT  
KAZAKHSTAN

**16%**

ICT SERVICES

**81%**

POPULATION  
COVERAGE WITH  
LTE SERVICES

**13,000+**  
Base Stations

**25**

COMMERCIAL  
DATA CENTERS IN  
KAZAKHSTAN

**78%**

SOCIAL  
STABILITY  
INDEX

**246** <sup>337</sup> KZT  
mln

EBITDA

**46,7%**

EBITDA MARGIN

# MARKET POSITIONS

of Kazakhtelecom JSC Group



# MESSAGE

## OF THE CHAIRMAN OF BOARD OF DIRECTORS

### BDEAR SHAREHOLDERS, COLLEAGUES, CLIENTS AND PARTNERS!

The year 2020, for the well-known reasons, was very difficult for citizens, business and the state as well. The coronavirus pandemic, as well as related quarantine and restrictive measures, became a challenge for the telecommunications sector of the country. In my opinion, Kazakhtelecom coped

well with the assigned tasks and was able to ensure the uninterrupted operation of the network under conditions of increased load, as well as holding various events to support its customers in such an extraordinary situation.

**Today it is clear that the world will never be the same, everything around is rapidly changing – the way of people's life and consumer preferences, the work format of business and the state. It is quite reasonable that significant changes are accompanied by changes in the business landscape, which is currently a dynamic and high-tech environment. Telecom operators are no longer just communication service providers; they turn into a full-fledged ecosystem for new types of business.**

As part of the Company's Strategy updated in 2019 and SERPIN transformation program, Kazakhtelecom is carrying out digital transformation of its core business, striving to enter related industries, including in partnership with major players. The Company promotes Internet TV services, products based on cloud technologies, and constructs mobile data transmission networks. Ultimately, this will allow us to achieve success in our strategic directions of development, such as a first choice brand, a digital platform and an efficient company.

An important line of activities of Kazakhtelecom is partnership with the state and the development of digital economy in regions. One of the successful and significant examples of cooperation with the state is the construction of fiber-optic communication lines in rural settlements within the framework of the Digital Kazakhstan program. Thanks to the efforts and hard work of the Company's staff, more than 14.3 thousand kilometers of optical lines were laid in 837 villages and more than 2.5 thousand government agencies and budget organizations were connected to broadband Internet. This project, taking into account its scale and deadlines, can reasonably be considered unique. The Company goes forward and has already launched another socially important program "250+" in cooperation with mobile operators, which means the emergence of new technologies and digital way of living in the farthest parts of Kazakhstan.

All these efforts could not but affect the performance of the Company. During the reporting 12 months, almost all basic financial and operational indicators have grown, and in some categories, they have been significantly overfulfilled.

In conclusion, I would like to thank each employee of the Company for the efficient and effective work, which allowed us to reach new heights and feel optimistic about the future. I hope that 2021 will be a year full of active development and new opportunities for us. We can and must become an irreplaceable and reliable partner for the state, population and business. This goal will be achieved thanks to the professional team of like-minded people, advanced digital competencies and technologies of Kazakhtelecom.

*Best regards,  
Chairman of the Board  
of Directors Kazakhtelecom JSC  
N. Baidauletov*



*During the reporting 12 months, almost all basic financial and operational indicators have grown, and in some categories, they have been significantly overfulfilled.*



# MESSAGE OF THE CHAIRMAN OF THE MANAGEMENT BOARD

## DEAR SHAREHOLDERS, INVESTORS, CLIENTS AND PARTNERS!

Last year, our Company not only accomplished all of the tasks set by the shareholders, but also continued the successful development of its digital infrastructure and new market niches, despite the unprecedentedly difficult working conditions. I am sure that the year 2020 will go down in the history of all mankind as a year of unprecedented economic challenges, and only really strong and stable market structures could have a clear response to them. I have every reason to state that Kazakhtelecom JSC during this year has proved its right to take a place among them!

You all know very well that the year 2020 has become extremely difficult for the economy of Kazakhstan due to the new coronavirus pandemic: a difficult epidemiological situation, the resulting sharp drop in stock indices and the overall economic slowdown in many respects had an extremely negative impact on all countries of the world. At the same time, the global coronavirus pandemic continues to be a catalyst for significant changes in any and all markets, having radically altered the structure of the world's leading economies. Under such conditions, which were accompanied by waves of lockdowns, telecommunications became a supportive industry for the economy.

Dear friends, last year we received clear evidence that Kazakhtelecom JSC was able to successfully withstand new challenges, but also to have a positive impact on other economic sectors, providing them with new tools and formats of activities. The telecommunications sector has shifted from the sector serving other industries into the main driver of the further economic development, as the pandemic had accelerated the digitalization of all spheres of our daily life, while opening new "windows of opportunities" for the telecom, IT and media industries.

And our Company was able to take advantage of such opportunities both for its own benefit and for the benefit of the whole country. All major events and decisions made in 2020 are reflected in the Annual Report, which I am pleased to present to you. This report contains the main indicators based on which the Company's activities are assessed – technical, financial and industry-specific indicators, analysis of operations in various market segments, the progress of projects, as well as information on the activities of subsidiaries and plans for the forthcoming period. As a small summary of this report, I will repeat: all of our objectives for such a difficult

year have been accomplished, all the goals have been achieved!

The achievement of the stated goals and objectives during the pandemic could already be considered an incredible success for any Company. However, we have achieved even more: in this difficult period we continued to build up our competencies, including in such areas as the Internet of Things, Big Data, system integration and many others. The Company successfully increases revenues, completes all the tasks to achieve target profitability and meets all of its obligations to ensure profitability for shareholders. We not only ended the year 2020 with record financial performance and demonstrated revenue growth rates, but also significantly increased the share of revenue outside the telecommunications sector and marked the transformation of Kazakhtelecom into a business ecosystem.

We continued to strengthen our leadership in the telecom industry: this basic part of our business still brings the bulk of our revenue. The provision of high-quality services, including in the actively growing data transmission segment, remains an unconditional priority for the Company. Our achievements in this area were recognized by Fitch Ratings agency, which in June 2020, at the height of the coronavirus crisis, improved the credit rating of Kazakhtelecom JSC to the investment BBB-grade (the "Stable" outlook) as a result of strengthening the Group's market positions. Mildly speaking, there were few similar examples of strengthening credit ratings in 2020 on the market.

The Company's success is associated with the enormous adaptability of our chosen business model, which enables Kazakhtelecom JSC to maintain operational stability and effectively respond to challenges of the time and to changes in people's lifestyle and consumer demand. We constantly and efficiently change the forms of our interaction with clients, making it more convenient for consumers of our services. A demonstrative example of such an instant reaction of the Company to market demands was the deployment of a network of online channels in March last year, a period when Kazakhtelecom's subscriber points could not work offline. These tools not only allowed us to overcome the period of the state of emergency without significant complaints from subscribers, but have also become the main channel



*Last year we received clear evidence that Kazakhtelecom JSC was able to successfully withstand new challenges, but also to have a positive impact on other economic sectors, providing them with new tools and formats of activities.*



of communication between clients and the Company. Continuous improvement of such tools is only a small part of the large work on global business restructuring launched by Kazakhtelecom JSC last year in order

to promote the solution of global social problems in the long term and effectively use new opportunities for growth, increasing the shareholder value of our assets.

**We are consistently and systematically shifting the focus of our management efforts towards digital technologies. First of all, this is reflected in the evolution of the internal organizational structure from functional to product-oriented. The successful implementation of this structural transformation set out in our 2020–2029 Strategy is one of the most important achievements in 2020. We strictly follow the basic principles of our new strategy, according to which the Company should become a first choice brand, a digital platform and an effective organization.**

I would like to note that, despite the crisis, which had an extremely negative effect on small and medium-sized businesses, the target financial performance indicators of Kazakhtelecom in the corporate segment for 2020 were achieved by 102.3%. We associate this growth not only with the excellent performance of the Company's core business – telecommunications, but also with the increasing contribution from related activities, including cloud services, e-commerce, system integration, services based on big data and artificial intelligence. At the same time, Kazakhtelecom remains one of the most stable blue chips in the country's stock market and one of the most demanded companies in the telecom market, especially in the Internet access sector: in 2020, due to quarantine measures, Internet traffic in Kazakhtelecom networks grew by 30%. Last year, we significantly built up the base of our consumers in this segment by completing the project of construction of fiber-optic communication lines in rural settlements, as a result of which 99.3% of the country's population gained access to the high-speed and high-quality Internet.

I would like to note that the quality of our services remains a priority for us. Thus, in order to ensure the quality of broadband access services, Kazakhtelecom last year additionally localized 616 Gbps of traffic through the expansion of cache servers of content providers: Google – 256 Gbps, Facebook – 200 Gbps, Netflix – 40 Gbps, Mail.Ru – 40 Gbps, V Kontakte – 50 Gbps, Akamai – 30 Gbps. In addition, in 2020, we deployed a network of SpeedTest servers in 17 cities to ensure

independent measurements. Based on the server database, subscribers have already made more than 250 thousand measurements and we have received honest indicators of the access speed for our subscribers. In the IV quarter of 2020, the rating of Kazakhstan increased by 4 points in the global rating of countries in terms of the speed of access to the global web.

Our next step in the market was the development of new functional products to solve global social problems. Despite the fact that this step goes beyond the traditional telecom business, in 2020, we launched projects that contributed to increasing the availability of high-quality medicine, additional education and the development of urban infrastructure, taking into account responsible consumption (Smart City solutions based on IoT, Big Data and AI technologies). Kazakhtelecom develops and implements digitalization solutions that can be used in the field of urban infrastructure, housing and public utilities, security and transport. Our products are created based on technologies such as the Internet of Things, recognition of unique objects, cloud storage and data processing, Big Data services.

Upon the launch of the transformation program, we revised our approaches to business process management and introduced a flexible Agile methodology in management. Now, digitalization both within the structure of Kazakhtelecom JSC and in the market is implemented through the introduction of the practices of making prompt decisions and a point focus on a specific result. In this regard, the key

personnel asset involved in the digitalization process (InDigiCo – B2C and B2B teams that directly develop and implement online customer paths) should become a digital competence centre and help to significantly increase the financial effect already achieved by our Company due to the implementation of the SERPIN Transformation Program, which in 2020 amounted to KZT 5.07 billion. At the same time, it is clear that the basis for the successful development of Kazakhtelecom is not technologies, but the people who create them. That is why the Company steadily follows the principles of employee social protection and creates all conditions for the development of employees' creative potential. This approach to personnel, among other things, becomes the key to the success of Kazakhtelecom JSC in the most difficult times.

In 2021, we will apply best efforts to remain the best telecommunication service provider for our subscribers and the best employer in the industry. To accomplish this goal, we will continue to improve the tariff line for subscribers, taking into account their qualitative and quantitative demands, and expand the portfolio of digital services for private and corporate clients. As a conscientious, responsible and customer-oriented telecom operator, Kazakhtelecom will pay special attention to the fair use of data and the protection of information. We will not stop the development of the fourth-generation networks, but will actively

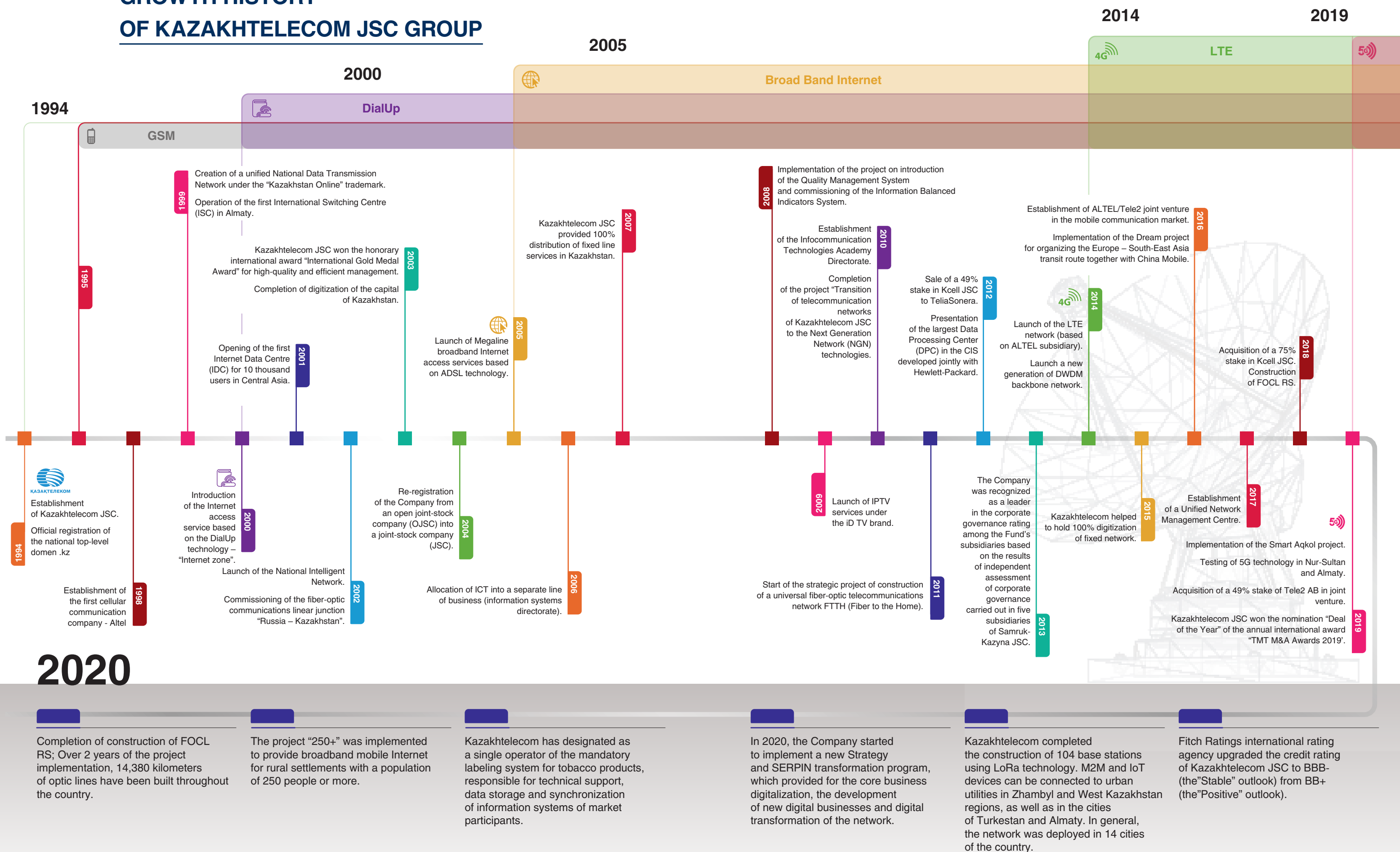
modernize the Company's infrastructure in order to accelerate the launch of the 5G standard, which can become an impetus for such areas as the Internet of Things, "smart" cities, unmanned transport vehicles, telemedicine and improve the life of everyone Kazakhstan citizen.

In conclusion, I would like to express my sincere gratitude to all members of the Board of Directors, the Management Board and all employees of the Company for their conscientiousness, dedication to work during the pandemic, creativity and professionalism. Each employee, who is a member of the large family of Kazakhtelecom, makes a personal contribution to the common goal of building a digital future, and I am sure that we will have many interesting initiatives, achievements and successes in the future! On the way to implementing our ambitious plans as reflected in the Strategy, our Company has the following goals: build a business in new digital segments, launch new programs for technological transformation of the network infrastructure and, in general, bring Kazakhtelecom JSC to a completely new quality level. I am confident that with the support of our clients, partners and shareholders we will be able to achieve all of our goals.

*Best regards,*










*Chairman of the Management Board  
Kazakhtelecom JSC  
K. Yessekeyev*

## GROWTH HISTORY OF KAZAKHTELECOM JSC GROUP



# KEY EVENTS

# 20

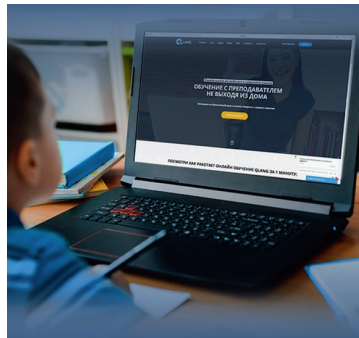
JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
<ul style="list-style-type: none"> <li>Kazakhtelecom JSC completed the construction of fiber-optic communication lines in 14 rural settlements of East Kazakhstan region within the framework of the FOCL RS project;</li> <li>The Company provided a technology platform for the crowdfunding platform;</li> <li>Kazakhtelecom JSC took part in the international forum "Digital Almaty: the Digital Future of the Global Economy".</li> </ul>  	<ul style="list-style-type: none"> <li>LPWAN network has been expanded;</li> <li>A new tariff for Gamer cybersporters has been launched;</li> <li>Kazakhtelecom JSC became a member of Telecom Infra Project global community;</li> <li>For the first time, the Company held an online TEDx conference for employees.</li> </ul>  	<ul style="list-style-type: none"> <li>Kazakhtelecom JSC presented a digital interactive map of Internet accessibility at the country level;</li> <li>Online customer service channels have been launched in popular messengers;</li> <li>Access to premium package TV channels was opened for all iD TV subscribers;</li> <li>The Company offered a business solution to perform work online during the quarantine period;</li> <li>Kazakhtelecom JSC provided more than 5,000 medical workers of Kazakhstan with free mobile communications and Internet;</li> <li>Kazakhtelecom JSC offered a special program to support business during the emergency situation;</li> <li>It was decided not to disconnect subscribers who had arrears with payments from telecommunications services during the quarantine period;</li> <li>The Company has launched a series of online concerts of Kazakhstan show business stars "The Quarantined Star". The project was appreciated by the President of Kazakhstan who noted that such event was an example for the whole world;</li> <li>Kazakhtelecom JSC temporarily closed the service network points in Nur-Sultan and Almaty;</li> <li>A data transmission channel was provided for CCTV cameras at checkpoints in the capital.</li> </ul>	<ul style="list-style-type: none"> <li>Data transmission traffic in the network of Kazakhtelecom JSC grew by 20% since the beginning of quarantine;</li> <li>Service network access points were temporarily closed in 18 cities of the country;</li> <li>Kazakhtelecom JSC offered corporate clients to apply for services remotely through the ISMET.KZ portal;</li> <li>Chocomart.kz Internet hypermarket started the door delivery of products.</li> </ul>  	<ul style="list-style-type: none"> <li>Activities of service network points were resumed in all regions of the country;</li> <li>Convenient mechanisms were launched to resume business after quarantine;</li> <li>WhatsApp bot was launched for businesses;</li> <li>More than 15 thousand legal entities were registered on the ISMET.KZ portal;</li> <li>Kazakhtelecom JSC provided more than 450 rural settlements of Kazakhstan with broadband Internet access.</li> </ul>  	<ul style="list-style-type: none"> <li>A platform designed to monitor compliance with the quarantine regime was launched;</li> <li>Isker tariff was launched for business;</li> <li>Based on the optical infrastructure created by Kazakhtelecom JSC, mobile operators began to install base stations in rural settlements;</li> <li>Fitch Rating international rating agency upgraded Kazakhtelecom JSC's credit rating to the investment level BBB+;</li> <li>The Company completed the construction of fiber-optic communication lines in West Kazakhstan region.</li> </ul> 



# 20

JULY

- Kazakhtelecom JSC made the main contribution to the sovereign EGD rating;
- The Company launched a round-the-clock consultation system for highly qualified medical officers;
- Kazakhtelecom JSC and Qlang online school launched English courses for health professionals' children.



AUGUST

- The online conference of K.B. Yessekeyev, Chairman of the Management Board of Kazakhtelecom JSC, was launched on the Internet portal NUR.KZ; Kazakhtelecom JSC connected 82 villages of Turkestan region to high-speed Internet;
- Kazakhtelecom JSC completed the construction of fiber-optic communication lines in Kyzylorda region as part of the FOCL RS project;
- The Company presented digital tools designed to contain COVID-19;
- Kazakhtelecom JSC completed the construction of fiber-optic communication lines in Karaganda region under the FOCL RS project.



SEPTEMBER

- Service network points were transferred to a new operating mode;
- Kazakhtelecom JSC renovated broadband Internet access networks in Pavlodar region;
- Up to 3 thousand subscribers daily contact Kazakhtelecom JSC through online communication channels;
- Kazakhtelecom JSC completed the construction of fiber-optic communication lines in 7 regions of the country.



OCTOBER

- Mobile operators of Kazakhstan signed a network sharing agreement as part of the "250+" project;
- Kazakhtelecom JSC has launched tobacco product labelling in Kazakhstan;
- During 2 days of the new service, video consultants of Kazakhtelecom served 1.5 thousand Kazakhstan citizens;
- Kazakhtelecom JSC completed the construction of fiber-optic communication lines in Kostanay region;
- 175 students successfully completed their internship at Kazakhtelecom JSC;
- The Chairman of the Management Board of Kazakhtelecom JSC K. Yessekeyev took part in the Kazakhstan global investment forum;
- The Company launched another online communication channel for Nur-Sultan customers;
- Kazakhtelecom JSC completed the construction of fiber-optic communication lines in East Kazakhstan region.

NOVEMBER

- A large-scale project was launched to verify subscriber numbers;
- A marketplace for the Internet of Things was launched;
- Kazakhtelecom JSC completed the construction of fiber-optic communication lines in Zhambyl region;
- The Company completed the construction of fiber-optic communication lines in North Kazakhstan region;
- The construction of fiber-optic communication lines in Almaty region was completed;
- The Company expanded M2M networks based on the LoRa technology.



DECEMBER

- Kazakhtelecom JSC completed the construction of fiber-optic communication lines in 13 regions of the country;
- The Company started developing a new mobile application for interaction with its subscribers;
- Kazakhtelecom JSC completed a large-scale project of construction of fiber-optic communication lines throughout the country;
- The "Online Medicine" service was launched;
- Kazakhtelecom JSC and akimat of the city of Nur-Sultan signed a memorandum on digitalization of the medical sector of the capital.





## KEY PERFORMANCE INDICATORS

	UNIT OF MEASURE	2018	2019	2020
<b>Financial Indicators</b>				
Revenues from sale of services	KZT mln	222,726	428,081	527,330
Net profit	KZT mln	42,883	60,276	65,263
EBITDA	KZT mln	79,196	178,872	246,337
EBITDA margin, %	%	35.6	41.8	46.7
Capital expenditure	KZT mln	47,853	72,795	113,834
<b>Efficiency Indicators</b>				
Number of Employees	ppl	22,517	24,469	25,155
Revenue per employee	KZT ths.	9 891	17 495	20 963
<b>Information on Assets</b>				
Total assets	KZT mln	823,363	1,086,020	1,115,426
Long-term loans	KZT mln	135,838	339,138	316,291
Equity capital attributed to owners of the parent company	KZT mln	380,478	427,259	482,881
<b>Operational Indicators</b>				
Number of fixed lines	lines	2,978,472	2,849,878	2,893,529
Number of fixed broadband access ports	ports	1,700,977	1,705,495	1,833,192
Number of pay TV connection points	points	792,172	774,044	863,881
Number of mobile communication subscribers	subscribers		15,529,658	14,787,566
ARPU	KZT	5,017	5,038	5,862
ROACE	%	9.2%	12.06%	11.5%
<b>Macroeconomic Indicators</b>				
Total population of Kazakhstan	ths ppl	18,157.3	18,631.1	18,877.1
GDP growth	%	4.1	4.3	-2.6
Consumer price index	%	7.1	5.4	7.5
KZT to USD exchange rate, average annual	KZT	326	382.75	412.95



527,330

KZT MLN

INCOME FROM  
SALES OF SERVICES

65,263

KZT MLN

NET  
PROFIT

113,834

KZT MLN

CAPITAL  
EXPENDITURES

25,155

PERSONS

NUMBER  
OF EMPLOYEES

20,963

KZT THOUS.

INCOME PER  
EMPLOYEE

1,115,426

KZT MLN

ASSETS

2,893,529

LINES

NUMBER  
OF FIXED LINES

1,833,192

SUBSCRIBERS

NUMBER OF FIXED  
BROADBAND  
ACCESS PORTS

863,881

SUBSCRIBERS

NUMBER OF PAY  
TV CONNECTION  
POINTS

14,787,566

MOBILE  
COMMUNICATION  
SUBSRIBERS

5,862

KZT

ARPU  
Average Revenue Per User

11.5%

ROACE  
Return on Average Capital Employed

KEY PERFORMANCE INDICATORS 2020

# ABOUT COMPANY

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*During the quarantine period, more than 18 thousand teachers received SIM-cards to get mobile Internet access. To ensure high-quality operation of the Kundelik.kz platform, a high-speed Internet connection with a bandwidth of 20 Gb was organized.*





# ABOUT COMPANY

Kazakhtelecom Joint Stock Company (the Company, Kazakhtelecom JSC) is the largest telephony operator in Kazakhstan and recognized leader in the provision of communication services, including communication services in rural settlements, and one of the largest operators of the National Data Transmission Network.

Kazakhtelecom JSC is a national company established on June 17, 1994 in accordance with Decree No. 666 of the Cabinet of Ministers of the Republic of Kazakhstan "On Establishing a National Joint-Stock Company "Kazakhtelecom" through the transfer of assets of governmental enterprises, joint-stock companies and telecommunications organizations into the authorized capital of a national-scale joint-stock company to render a wide range of communication services throughout the territory of the Republic.

The Company is a legal successor of the National Joint-Stock Company "Kazakhtelecom" (the initial state registration with the justice authorities of the Republic of Kazakhstan was made on December 1, 1994).

The Company is a commercial organization which issues shares with the aim of raising funds to carry out its activities, the main purpose of which is to generate revenue for the benefit of shareholders.

The activities of the joint-stock company shall be carried out in accordance with the approved Charter, which defines the legal basis for its organization and functioning.

The main objectives of Kazakhtelecom JSC are:

- making profit from commercial activities and its use in the interests of shareholders;
- creating modern telecommunication networks in the territory of the Republic of Kazakhstan and their

- integration into the global telecommunication network;
- providing all types of telecommunication services to users in the territory of the Republic of Kazakhstan and abroad.

Kazakhtelecom JSC carries out activities as a communication operator of the Republic of Kazakhstan for creation, installation, operation and maintenance of the public telecommunications network and private telecommunication systems; performs the functions of a public telecommunications network operator, including the operation of long-distance and international communications, and has the right to make settlements with communication administrations of other states, companies, users and international organizations in accordance with the Regulations of the International Telecommunication Union and the legislation of the Republic of Kazakhstan.

The Company pays great attention to the development of transit potential and enhancement of transit telecommunication flows through Kazakhstan, as it has a network of main fiber-optic communications lines that connect all border areas, providing communication with China, Russia, Europe and the Central Asian republics.

Kazakhtelecom JSC has 248 network service points, its own network of 17 data centers and contact centers throughout the territory of the country.

*Kazakhtelecom JSC is a national company established on June 17, 1994.*

GENERAL MEETING  
OF SHAREHOLDERS

BOARD OF DIRECTORS

MANAGEMENT BOARD

CENTRAL OFFICE

BRANCHES

Corporate Business Division

Central Regional Telecommunications  
Directorate

West Regional Telecommunications  
Directorate

North Regional Telecommunications  
Directorate

Long Distance Association

Information System Directorate

Telecom Komplekt Directorate

Service Factory

Retail Business Division

Almatytelecom Regional  
Telecommunications Directorate

East Regional Telecommunications  
Directorate

South Regional Telecommunications  
Directorate

Main Telecommunications Network  
Control Center

Telecommunications  
and Infrastructure Objects  
Construction Directorate

Infocommunication Technologies  
Academy Directorate

SUBSIDIARIES

75% < Kcell JSC

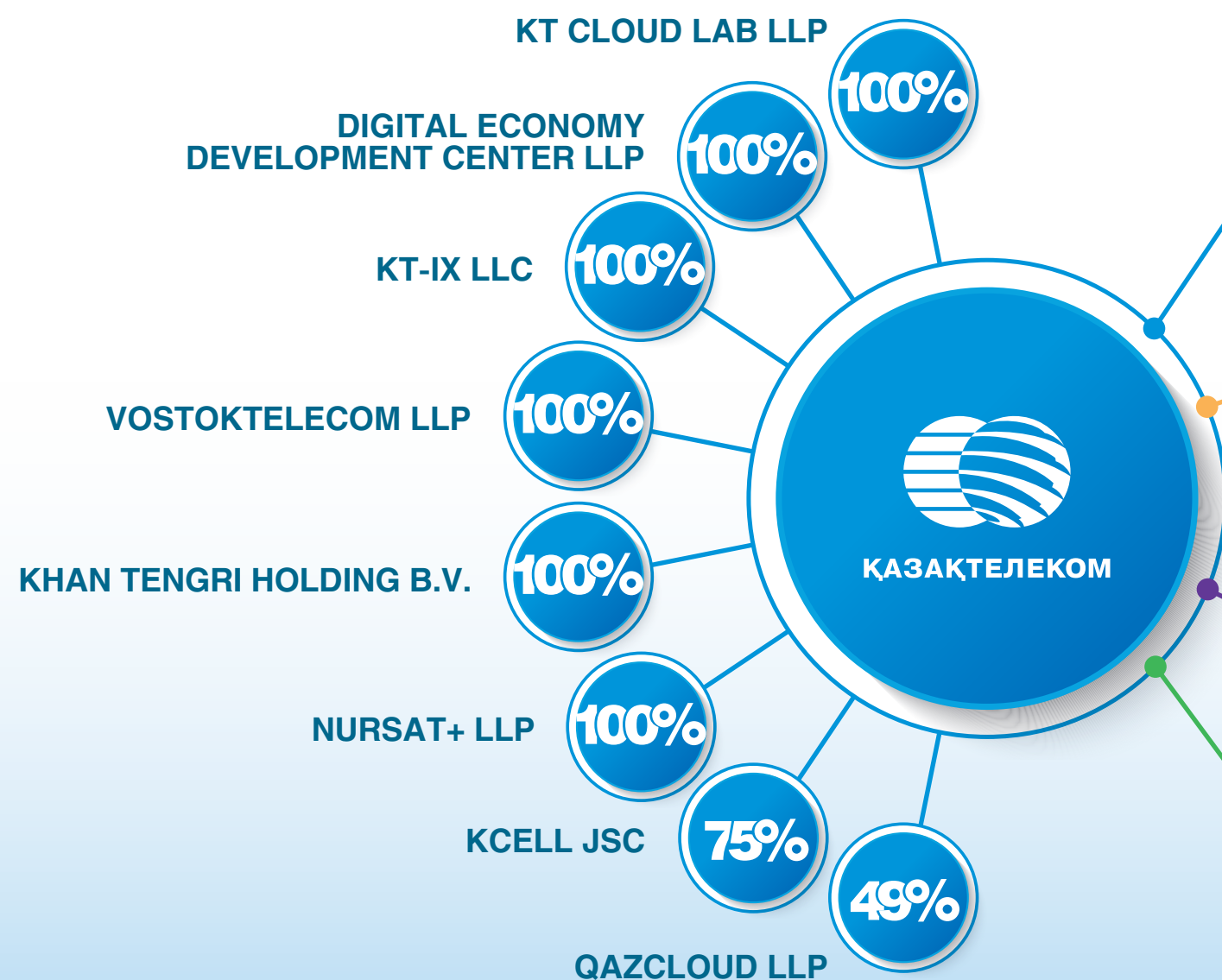
49% < QazCloud LLP

100% < NURSAT+ LLP  
Digital Economy Development  
Center LLP  
Khan Tengri Holding B.V.  
VOSTOKTELECOM LLP  
KT-IX LLC  
KT Cloud Lab LLP

ORGANIZATIONAL STRUCTURE

# GROUP STRUCTURE

Kazakhtelecom JSC



## MOBILE BUSINESS

Leading mobile operators in the telecommunications market of Kazakhstan that operate under the brands Kcell and Activ, Tele2 and Altel.

Integration with Kazakhtelecom JSC with the expansion of the range of services in B2B and B2C segments.

Strengths:

- Wide range of services
- Innovativeness
- Coverage



## DIGITAL KAZAKHSTAN

Kcell JSC together with Mobile Telecom-Service LLP and KaR-Tel LLP achieved significant progress in expanding mobile coverage across the country through the participation in the 250+ project as part of the Digital Kazakhstan program aimed at achieving a high level of digitalization of the entire population of Kazakhstan by providing access to broadband mobile Internet in rural settlements where 250 people or more live.



## NEW BUSINESS OPPORTUNITIES

- Development of e-commerce through the chocomart.kz product platform.
- Implementation a new direction – labeling and traceability of goods in the Republic of Kazakhstan jointly with Kazakhtelecom JSC.
- Formation of a single information security centre for portfolio companies of the Fund.



## STRENGTHENING POSITIONS

- Fixed telephony in rural settlements.
- Center for communication with the Russian Federation.
- Outsourcing contact center services.
- New data processing center (DPC) in Nur-Sultan.





## Subsidiaries

- Subsidiaries strengthen the positions of Kazakhtelecom JSC Group in the mobile segment of the telecommunications market and contribute to the development of traditional telecommunication services, which allows the Company to become an integrated operator;
- launched new products to complement the main line of services of Kazakhtelecom JSC;
- developed new directions such as e-commerce (Chocomart and Intermarket), provide digitalization and processing of big data.



## Mobile communication

### KCELL JSC (75%)

Over the past 20 years, Kcell has built one of the most modern, technologically advanced and extensive mobile communication networks in Kazakhstan. At present, the company is undergoing integration with Kazakhtelecom JSC, which will significantly expand the range of services in B2B and B2C segments, reduce costs and improve the quality of service.

Kcell JSC provides services of mobile voice communication, short message transmission, additional services (VAS), such as multimedia messaging, access to mobile content, as well as data transmission services, including access to the Internet.

The Kcell and Active brands have been well-established in highly competitive telecommunications markets of B2B and B2C segments and are known for their quality of service and value. Kcell has a perpetual license to operate in 2G, 3G and 4G/LTE networks.

#### Main results of the year

In 2020, Kcell JSC demonstrated high financial and operational performance, despite serious challenges associated with the COVID-19 pandemic and its impact on the level and volume of business activity in Kazakhstan and around the world. The total revenue of Kcell JSC in 2020 increased by 11.5%. During the year, EBITDA, excluding non-recurrent items, increased by 12.1% thanks to significant revenue growth coupled with ongoing cost optimization measures. The growth in revenue from Kcell JSC services is explained by an increase in the number of subscribers to innovative tariff plans of Kcell JSC, as well as an increase in sales of mobile devices thanks to, partly, a growth in sales through online channels.

During the year, Kcell JSC rendered active support to its clients and the public of Kazakhstan as a whole, providing an opportunity for doing business, getting education, and providing the most important communication channels in such an extremely difficult period for our economy and society.

### KHAN TENGRI HOLDING B.V. (100%)

Khan Tengri Holding B.V. is a management company, which owns a 100% stake in Mobile Telecom-Service LLP, a mobile operator in Kazakhstan that provides a full range of 2G/3G/4G (LTE/LTE Advanced) mobile services and under the Tele2 and Altel brands.

Mobile Telecom-Service LLP provides services of mobile voice communication, short message transmission, additional services (VAS), such as multimedia messaging, access to mobile content, as well as data transmission services, including access to the Internet.

#### Main results of the year

During the year Mobile Telecom-Service LLP (MT-S) carried out various activities in order to achieve its planned targets, despite the quarantine restrictions that had negative and significant impact on the company's operations. At the same time, MT-S implemented various campaigns to support the population during the quarantine period, such as providing free communication for medical staff, free educational Internet, Free Onnet, Free Kaznet events, etc.

In 2020, MT-S and Kcell JSC started the process of integrating their networks in order to make maximal use of all potential synergies, while continuing to share their best practices in such a way as to further improve technologies and services. As a result, the companies continue to enjoy advantages of partnership with Kazakhtelecom JSC in all areas of their activities.

Furthermore, in 2020, MT-S together with Kcell JSC and KaR-Tel LLP successfully implemented a project for deployment of high-speed Internet access in rural settlements with a population of over 250 people.



## Infocommunication services

### QAZCLOUD LLP (49%)

The company operates as a single service provider in the Fund group of companies. In the reporting period, the company's revenues almost doubled from KZT 3.4 billion to KZT 6.6 billion.

#### Range of services:

- IaaS – Infrastructure as a Service;
- Services of the Information Security Operational Center, Cybershield Project;
- Lease of licensed software;
- IT outsourcing/outstaffing;

- Lease of computer equipment and office appliances;
- Digital transformation;
- Technical support and development of SAP systems;
- Other IT services.

As part of the information security project (Information Security Operational Center, ISOC), the IBM QRadar (SIEM) software was received and deployed in order to implement the main part of the Cybershield project. Construction of a new data processing center (DPC) was started in the city of Nur-Sultan.

### KT CLOUD LAB LLP (100%)

The company was registered in the Park of Innovative Technologies SEZ, where the company's data centre (TIER II class) is located. The company has three geographic contact centre sites in three cities of Kazakhstan – Almaty, Nur-Sultan and Karaganda.

#### Range of services

- Providing services of the Republican contact centre;
- Providing data centre services in the Park of Innovative Technologies SEZ (DPC);
- Providing IT outsourcing services.

## New businesses



### NURSAT+ LLP (100%)

NURSAT+ LLP is a subsidiary of Kazakhtelecom JSC, which develops new lines of business in the field of e-commerce.

In 2020, the company continued to develop its e-commerce services.

#### For Chocomart.kz product:

- Enhancing the assortment matrix of Chocomart.kz products;
- Chocomart application was developed for Android platforms based on PWAGoogle;
- A loyalty program was launched for clients of Kazakhtelecom JSC, Kcell JSC and Mobile Telecom-Service LLP, providing the possibility of receiving cashback to the balance for goods purchased at www.Chocomart.kz.

NURSAT+ LLP became an agent of the Whatsapp Business API service in the Republic of Kazakhstan for B2B clients.

### DIGITAL ECONOMY DEVELOPMENT CENTER LLP (100%)

In April 2020, pursuant to the resolution of the Board of Directors of Kazakhtelecom JSC, Info-Net Wireless LLP was renamed as Digital Economy Development Center LLP with the aim of implementing a new line of business for Kazakhtelecom JSC Group – labeling and traceability of goods in the Republic of Kazakhstan jointly with Kazakhtelecom JSC.

On October 1, 2020, mandatory labeling of tobacco products – filter-tipped cigarettes was started,

and labeling of other types of tobacco products will begin from April 1, 2021.

In 2020, pilot projects for labeling shoes, medicines, alcoholic beverages and fur coats were implemented.





Obtaining a decision from the Government of the Republic of Kazakhstan regarding the start of mandatory labeling of shoes and fur coats is expected in 2021.

## BUSINESS PORTFOLIO

The business portfolio of Kazakhtelecom JSC includes a full range of telecommunications services and is represented in almost all regions of the republic and abroad. The Company's services are represented both in the retail market and in the wholesale market of communications services.

In the wholesale market of communications services, the Company provides services in the operator segment in strict compliance with the current statutory provisions and the principles of mutually beneficial partnership.

The Company strives to preserve and develop the factors of competitive advantage – the availability of the required amount of network resources to connect operators' networks and pass all types of traffic, an extensive telecommunications network based on the latest digital equipment with high bandwidth, providing high-quality and reliable services to operators and their subscribers.

SERVICES PROVIDED FOR INDIVIDUALS (households)	
<b>STORE</b>	<ul style="list-style-type: none"> <li>Chocomart Internet hypermarket.</li> </ul>
 <b>TRADITIONAL TELEPHONY</b>	<ul style="list-style-type: none"> <li>Local, long-distance/international communication services;</li> <li>Tarlan telephone cards;</li> <li>Virtual number;</li> <li>Reverse charge call;</li> <li>Web-site call (ClickToCall);</li> <li>Virtual Call-Center.</li> </ul>
 <b>INTERNET ACCESS</b>	<ul style="list-style-type: none"> <li>Broadband access using ADSL, FTTH, WiMAX, WLL, Wi-Fi technologies;</li> <li>Dial-up access;</li> <li>Wireless high-speed access using LTE technology;</li> <li>"Smart Internet" service for providing Internet access via IP-addresses that belong to the client using Cisco VPN IPSec;</li> <li>Parental Control – restricting access to the use of content on any devices connected to the home network.</li> </ul>
<b>TELEGRAPH COMMUNICATION SERVICES</b>	<ul style="list-style-type: none"> <li>Sending text messages by telegraph.</li> </ul>
 <b>PACKAGE OFFERS</b>	<ul style="list-style-type: none"> <li>iD Net. High-speed Internet access;</li> <li>iD Phone. SIP telephony-based service;</li> <li>iD-TV. Interactive television service (IPTV);</li> <li>iD Host. Hosting services based on servers of Kazakhtelecom JSC;</li> <li>Ultra, Black, Silver – package offers that include all types of services: telephony, cellular communications, television, Internet.</li> </ul>
 <b>ADDITIONAL SERVICES</b>	<ul style="list-style-type: none"> <li>Information and referral service 169;</li> <li>Intelligent network services (provision of information and entertainment services by dialling numbers 8-800-xxx);</li> <li>Video surveillance at the entrance;</li> <li>Video surveillance portal;</li> <li>Smart House;</li> <li>Software subscription;</li> <li>NUR subscription music.</li> </ul>

## BASIC CATEGORIES OF SERVICES IN THE WHOLESALE MARKET



### OPERATOR SERVICES

- Connection of telecommunication networks and transmission of inter-network, local, long-distance and international traffic;
- Internet access;
- Leasing of trunk communication channels;
- Additional services for laying networks in cable ducts;
- Billing services – provision of traffic data accounting and processing services to communication operators;
- Connection to the NCS system – services for connection to the network clock synchronization (NCS) system of Kazakhtelecom JSC.



### PARTNERSHIP PROGRAMS

- Possibility of providing broadband Internet access services under the Megaline brand to subscribers of local telephony operators;
- Connection of primary Internet service providers of Kazakhstan to the equipment of the Internet Traffic Exchange Center.

*In the retail market of communication services, Kazakhtelecom JSC provides telecommunication services for end users – individuals (B2C) and legal entities (B2B, B2G).*

## SERVICES PROVIDED FOR LEGAL ENTITIES (B2B AND B2G)



### DATA TRANSMISSION

- Internet for business – creation of a data transmission environment that includes all available technologies;
- Wi-Fitarget – access to networks using wireless technologies;
- Mobile Office – access to corporate networks from any point through secure protocols;
- IPVpn – access through secure channels;
- Cash register machines – FDO (fiscal data operator) service.



### CLOUD SERVICES

- Cloud video conferencing – organization of video conferencing with an unlimited number of participants without the use of special equipment;
- Video surveillance – video surveillance service;
- Virtual PBX;
- Digital medical record – a service for searching for doctors and organizations;
- ISMET.KZ – an open digital platform for entrepreneurs;
- Blockchain – an infrastructure for blockchain products.



### ADDITIONAL SERVICES

- Smart City – services based on LoRa technology;
- Smart Housing and Utilities – services for collecting data from water, electricity, gas meters and sending data to service providers;
- Smart lighting – control of city lighting systems;
- Smart hatch – open hatch control system;
- DDoS attack protection;
- Virtual Firewall.



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*During the quarantine period, Kazakhtelecom JSC signed a memorandum with the Ministry of Health of the Republic of Kazakhstan, pursuant to which more than 5,000 health professionals in Kazakhstan were provided with free mobile communications, as well as access to the Internet in Tele2, Altel, Kcell/Activ networks.*







# MISSION AND VISION

## VISION

**“A leading integrated service provider in the infocommunications market of Kazakhstan”**

*Coordinated actions of all members of the Group with the aim of preserving, strengthening and forming leading positions in key segments of the infocommunications market of the Republic of Kazakhstan through the implementation of strategic initiatives and development directions.*

## MISSION

**BECOME  
INDISPENSABLE  
REGULAR  
PART OF LIFE  
EVERYONE,  
CHANGING,  
SURPRISING,  
EXCEEDING  
EXPECTATIONS**

## KEY CONCEPTS IN THE GROUP'S MISSION

laying the foundation for the transformation of the Group in accordance with its strategy;

competing through the provision of a unique market offer due to leadership in innovation, price, regional coverage and range of services;

providing convenience, accessibility and stability;

creating a communication environment, ensuring the receipt and exchange of information, knowledge management, entertainment and social orientation;

covering all segments, applying a differentiated approach;

building a structure and processes focused on a timely and flexible response to changes in technology, market, demand and competition;

ensuring the creation of unique customer experience;

forming and satisfying the needs, becoming a leader in innovations.



## KEY STRATEGIC DIRECTIONS

The main goal of the strategy of Kazakhtelecom JSC is to increase the shareholder value of the Group by increasing revenues from core activities and operations in related industries, as well as optimizing the cost base.



The goal is to retain long-term leadership in the mobile communication markets for B2C and B2X (including B2B, B2G and B2O markets), fixed-line B2C communication (including product segments of broadband access, telephony and pay TV), fixed B2X communication, as well as to increase revenues and optimize marketing costs and sales by:

**+ 90-170**  
KZT BILLION

- ensuring leadership in the monetization of the growing traffic based on the More For More principle, as well as controlling the aggressive pricing policy of competitors in the fixed and mobile communication markets;
- creating a portfolio of competitive products that complement each other;
- developing, pricing and sale of products based on advanced methods of customer segmentation;
- optimizing marketing and sales costs.



Numerous examples observed in various industries clearly evidence the inevitability of digital transformation of the economy: the emergence of players with fundamentally new, born-digital operating models is accompanied by a significant increase in pressure on the performance of traditional players. The greatest resistance to market changes is noted among traditional companies – leaders of digitalization that are able to quickly adapt to the new market situation.

This trend is especially noticeable in the most technologically advanced industries, such as telecommunications, where the lion's share of this growth is accounted for digital and technology companies, while the share of telecommunications players declined by 35%. The reduction in financial performance of telecommunications companies around the world indicates the need for urgent implementation of digital methods of work and analytics to reduce costs and search for new sources of income.

**+ 20-40**  
KZT BILLION

As part of the Digital Platform direction, Kazakhtelecom JSC sets the goals for digital transformation of its core business and network, as well as monetization of a unique market position using new digital business models and partnerships:

- work based on the “everything is online!” principle, including the digitalization of customer paths, the use of digital sales methods, automation and robotization of auxiliary functions;
  - providing leadership in CVM and advanced analytics using own expert knowledge, experience and data
  - (both within the Group and for external monetization purposes);
  - network digitalization through the virtualization of network functions and deployment of 5G network;
  - development of digital business areas and partnerships to diversify the portfolio and enter the related industries.
- As part of the strategy, the Digital Transformation initiative is considered in terms of three directions (digital transformation of the core business, development of new digital business areas, digital transformation of the network) and two-time horizons with different tasks:
- The first horizon (until 2022): achieving digital maturity through the optimization and digitalization of customer paths and the introduction of digital marketing tools;
  - The second horizon (2023+): large-scale introduction of analytics to optimize processes in all areas of activity, robotization of the back-office and auxiliary functions, large-scale network virtualization and launch of 5G technology, development of new digital business areas.



The key objectives of this direction are to launch a large-scale performance improvement program and transit to an optimal organizational structure of the Group, including:

**+ 20-40**  
KZT BILLION

- Elimination of duplication in network infrastructure, transition to wireless technologies in rural settlements and increasing service volumes;
  - Automation of routine tasks and advanced personnel performance management;
  - Optimization of administrative functions, including further optimization of the common service center (CSC) and outsourcing of certain functions;
  - Optimization of the Group's organizational structure by separating the Holding and key business units.
- This direction also covers the integration of mobile assets networks within the Group in order to ensure synergy of operating and capital expenditures.

*The implementation of initiatives in three strategic directions of development will increase the fair value of the Group to KZT 580–700 billion, including:*

Integration of mobile operators' networks will provide an additional synergetic effect of KZT 40 billion.

## SERPIN TRANSFORMATION PROGRAM

In May 2020, a new SERPIN transformation program was launched in order to implement the strategy of Kazakhtelecom JSC. The term of the program is until 2025.

**In accordance with the strategy, the SERPIN program is implemented in three directions:**

- First choice brand;
- Digital platform;
- Effective organization.

The SERPIN transformation program roadmap includes 44 projects to be implemented until 2025. The financial effect by the specified date is expected at KZT 35 billion.

In 2020, the total financial effect from the implementation of the SERPIN program already amounted to KZT 5.07 billion.

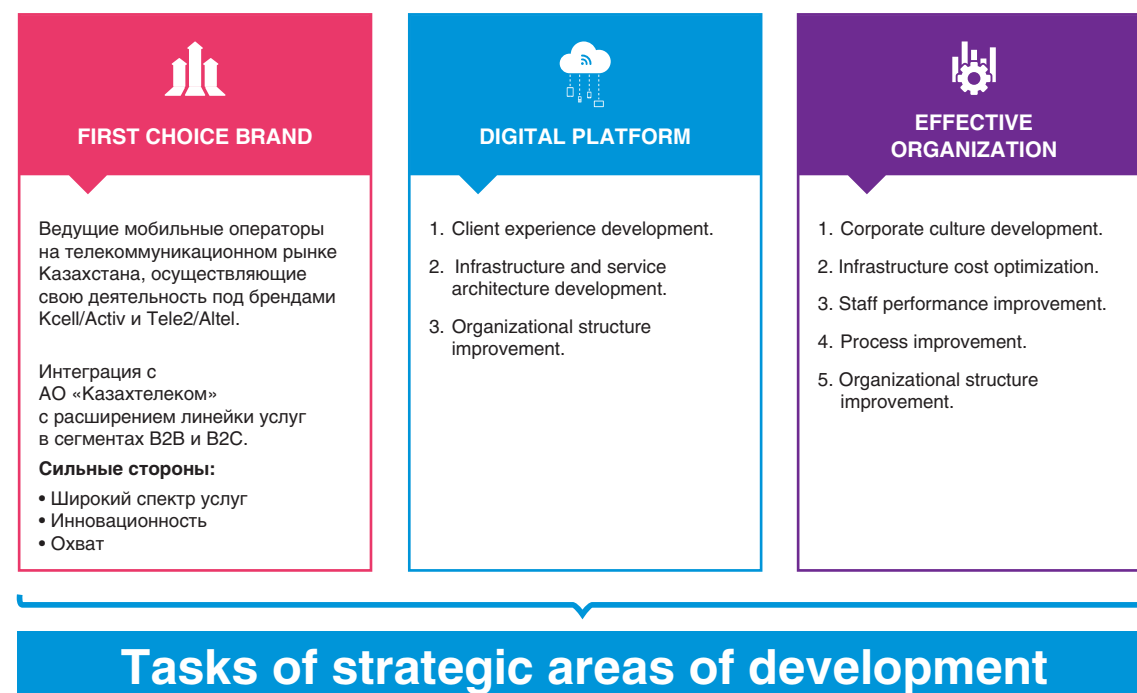
*The SERPIN transformation program is based on a customer-focus approach, digitalization of customer paths, internal changes to ensure better external market positions.*

**The SERPIN transformation program carries 4 ideological messages for the Company's employees:**

- Creation of the first choice brand;
- Reliable network. We deliver the future;
- Everything is online, forward to the digital culture;
- My personal success in the Company.

The transformation program is implemented using Agile methodologies. In 2020, Agile teams worked on the development of online channels to ensure communication with our retail and corporate clients. As a result of this work, service on telecom.kz and ISMET. KZ platforms was improved and chat bots appeared in various messengers.

### THE ROADMAP FOR THE PROGRAMME IDENTIFIES 44 PROJECTS UNDER THREE STRATEGIC DIRECTIONS



In general, the transformation of Kazakhtelecom implies a gradual transition to the Agile culture. For these purposes, the transformation project office conducts training in Agile methodology for managers at all levels.

To implement projects for the digitalization of customer paths, cross-functional teams having various IT competencies were created.

To ensure efficient performance of tasks, such teams were formed as a separate digital division – InDigiCo operating on the basis of a subsidiary QazCloud. InDigiCo is a digital competence center of Kazakhtelecom and, in the future, of national companies of Samruk-Kazyna Sovereign Wealth Fund.





# VALUES

## CLIENT

### TO SURPASS EXPECTATIONS OF THE CLIENT

- Strive to accurately and fully meet the needs of external and internal clients;
- Constantly improve customer service based on customer feedback;
- Be one step ahead by anticipating the expectations of clients and surprising them.

## RESPONSIBILITY

### COMMITTED – RESPONSIBLE FOR THE RESULT

- Be personally responsible for the final result;
- Show independence in making decisions;
- Focus on results, not processes.

## ENTREPRENEURSHIP

### ENTREPRENEURIAL COURAGE OF A MARKET LEADER

- Show entrepreneurial initiative: put forward new ideas without any doubts, be ready to take risk and win;
- Be ambitious, strive for achievements;
- Constantly look for new opportunities for business development.

## DIGITAL CULTURE

### DIGITAL COMMUNICATION TECHNOLOGIES IN WORK AND LIFE

- Be open to everything new and strive for development;
- Be innovative: change business using digital technologies;
- Be prepared for changes.

## OUTSTANDING DECISIONS

### THE QUALITY OF DECISIONS FOR BUSINESS SUCCESS

- Make decisions taking into account the interests of all parties and all the diversity of factors;
- Use non-standard approaches to solving problems;
- Maintain the balance of IQ + EQ + DQ – make decisions by combining logic, knowledge of new technologies, social and psychological trends of the new world.

# SUSTAINABLE DEVELOPMENT INITIATIVES



In pursuance of the goals to create a Digital Platform, digital marketing tools were introduced, which increased the efficiency of commercial functions.

**From March to December 2020, in addition to the implementation of SERPIN transformation roadmap projects, several initiatives were introduced to strengthen change management activities in Kazakhtelecom:**

- The scrum meeting practice was introduced, which allowed defining a new standard for communication of approaches and methods for the development of digital products.
- An automated marketing system for micro-targeting was formed based on the SAS Guide technology to determine the TOP 10 indicators that provided the maximum monetization for the Company and optimization of marketing and sales costs.
- To ensure that each employee clearly understand the Company's transformation goals, popularize strategic initiatives and involve personnel, a unified transformation positioning program under the SERPIN brand was developed and launched.
- To increase the rate of changes in products, considering higher rates of their development, microservice architecture was implemented in BSS.
- CJM – a map of B2C and B2B customer paths was developed. This measure provided

an understanding of the current processes and the ways to optimize them, as well as ensured a better efficiency of processing client requests and a higher share of sales through digital communication channels.

- Due to the pandemic, employee training was transferred to an online format using top training platforms: LABA, EDUSON.
- The EDO 2.0 system, including a mobile version, was launched to optimize the work with internal documents.
- An omnichannel customer service model was introduced. Personal accounts on telecom.kz and ISMET.KZ were improved, chat bots and WABA were launched, and the work of call centers was optimized.
- A diploma course of the Skolkovo business school "Leaders of digital transformation" was launched for the TOP 50 company executives in order to improve their competencies in the context of digital transformation.

In 2021, it is planned to increase the activity in implementing the strategic transformation program. We are assigned with such tasks as bringing the digital division InDigiCo to the full capacity, developing digital channels, designing and marketing digital products based on flexible project methodologies, improving product NPS, forming a divisional structure, as well as implementing numerous major tasks.

information and communication infrastructure anonymized information required to perform data analysis in order to implement functions by state bodies, in accordance with the rules for the collection, processing, storage and transfer of electronic information resources for the performance of data analysis in order to implement the functions of state bodies approved by the authorized body in the field of informatization".

**The Law of the Republic of Kazakhstan "On Communications"** (hereinafter – the Law on Communications) establishes the legal basis or activities in the field of communications on the territory of the Republic of Kazakhstan, determines the powers of state bodies to regulate such activities, the rights and obligations of individuals and legal entities that provide or use communications services.

The Law on Communications was amended by the Law of the Republic of Kazakhstan dated 25.06.2020 "On introducing amendments and additions to some legislative acts of the Republic of Kazakhstan on the regulation of digital technologies".

Thus, previously, clause 8-1 of Article 12 of the Law on Communications identified two cases of withdrawal of permit to use the radio frequency spectrum. According to the amendments, this clause provides for a wider list of grounds for termination of a permit to use the radio frequency spectrum.

According to paragraph 2) and 3) of clause 3-1 of Article 26 of the Law on Communications, long-distance and/or international communication operators are obliged to provide, at their own expense, communication lines and channels that are necessary to ensure the functioning of the centralized management system of telecommunication networks of the Republic of Kazakhstan, and ensure connection of their communication networks to the centralized management system of telecommunication networks of the Republic of Kazakhstan in the manner determined by the National Security Committee of the Republic of Kazakhstan; ensure connection and transfer of their communication networks and sub-networks to Internet traffic exchange points, as well as reception of Internet traffic from Internet traffic exchange points in the manner determined by the National Security Committee of the Republic of Kazakhstan.

Monitoring of the radio frequency spectrum, radio electronic means and/or high-frequency civil devices is carried out by the state radio frequency service. Previously, monitoring was carried out by an authorized body.

Article 40 of the Law on Communications is supplemented by the obligations of a communications operator to identify information security incidents on the operator's own communications network, which may lead to the suspension of communications services, as well as restrict access to the Internet for a subscriber communications device in the manner determined by an authorized body upon subscriber's failure to eliminate information security incidents identified by the communications operator, which may lead to the suspension of communication services, and upon receipt of messages from the National Information Security Coordination Center, the Information Security Incident Response Service, the Information Security Operations Center about information security incidents that may lead to the suspension of the operation of critical information and communication infrastructure facilities.

**In addition, a subscriber is obliged to eliminate incidents and information security threats identified on the subscriber device by the communications operator and the information security incident response service.**

## REGULATORY ENVIRONMENT OVERVIEW

The main legislative acts of the Republic of Kazakhstan that regulate the activities of Kazakhtelecom JSC are the Entrepreneurial Code of the Republic of Kazakhstan, the Laws of the Republic of Kazakhstan "On Communications", "On Natural Monopolies", "On Joint Stock Companies".

**The Entrepreneurial Code of the Republic of Kazakhstan** (the "EC") defines the legal, economic and social conditions and guarantees that ensure freedom of entrepreneurship in the Republic of Kazakhstan, regulates public relations arising in connection with the interaction between business entities and the state, including state regulation and support of entrepreneurship.

Various amendments were introduced to the EC during 2020 and early 2021.

In accordance with the Law of the Republic of Kazakhstan dated 25.06.2020 "On introducing amendments and additions to some legislative acts of the Republic of Kazakhstan on the regulation of digital technologies", Article 28 of the EC is supplemented with clause 10-2 "An entity of the quasi-public sector shall transfer to the operator of the "e-government"

critical situations, emergency ambulance, natural disasters and other emergencies.

At the same time, the Unified Duty Dispatch Service "112" is integrated at the place of its location with the information systems of interested state bodies and organizations, as well as with the existing communication infrastructure located in the territory of the administrative-territorial unit.

The main objectives of the **Law of the Republic of Kazakhstan "On Natural Monopolies"** are to define the legal framework, ensure publicity and transparency of procedures for state regulation of activities in the field of natural monopolies, ensure the protection of interests of consumers and natural monopoly entities, stimulate the improvement of the quality of regulated services, and meet the demand for them.

In addition, in 2020, various general changes were introduced to some legislative acts of the Republic of Kazakhstan used in the activities of Kazakhtelecom JSC, such as the Civil Code, the Tax Code, the Code of Administrative Offenses, the Law "On the Securities Market", the Law "On Permits and Notifications", the Law "On Joint Stock Companies".

Communications operators shall, in cooperation with the national security bodies of the Republic of Kazakhstan and, if necessary, together with law enforcement agencies, determine a person who uses communications networks and/or facilities for criminal purposes (p. 2) of clause 3 of Article 41-1 of the Law on Communications).

Clause 4-2 of Article 29 of the Law on Communications was supplemented by the provision according to which the owners of apartments and non-residential premises of an apartment building shall make a decision at a meeting to provide communications operators, on pari passu basis, with the common property of the condominium object to place telecommunications equipment in order to provide communication services (the amendment was introduced by the Law of the Republic of Kazakhstan dated 29.06.2020 "On introducing amendments and additions to some legislative acts of the Republic of Kazakhstan on improving the business climate").

From 01.01.2023, the concept of the Unified Duty Dispatch Service "112" is introduced: the service will receive and process messages from individuals and legal entities to coordinate the actions of services and units for prompt response to offenses, incidents,



## CURRENT GLOBAL TRENDS IN THE TELECOMMUNICATIONS INDUSTRY

### OVERVIEW AND DEVELOPMENT OF THE GLOBAL TELECOMMUNICATIONS INDUSTRY

#### SIX KEY TRENDS



Expansion of competition in the market and growing pressure brought by players from related industries (banks, digital companies, retailers);



Movement of consumer preferences towards simple, intuitive product offerings and digital self-service;



General Internet connectivity and a shift in preferences towards the mobile Internet;



Rapidly growing network load from over-the-top (OTT) platforms and their involvement in the further infrastructure development;



Promotion of 5G mobile networks;



Impact of the COVID-19 pandemic on the consumer demand structure in 2020, accelerating the trend of digital transformation (e.g., building ecosystems, “forced” transition to online mode, etc.).

These trends determine the movement of industry leaders towards the active implementation of new highly-efficient (agile) management models, cost optimization, including through the digitalization of customer and internal processes, diversification of activities and participation in ecosystems, as well as preparation for the next stage of network infrastructure evolution.

## TELECOMMUNICATIONS MARKET REVIEW

(completed using the data of the Bureau of National Statistics, marketing data on the communication market from Internet sources and expert estimates)

### Main trends in the telecommunications market in 2020

The year 2020 became landmark for the telecommunications market: it was full of challenges and success. Challenges were caused by the coronavirus pandemic and the associated self-isolation of citizens around the world. In fact, telecom operators' services became a life support system enabling remote work, study, medicine, entertainment and communication with loved ones. Telecommunication service providers had to meet the growing needs of subscribers and cope with the responsibility assigned to them. However, at the same time, the industry grew rapidly against the background of what happened to other sectors of the economy – the pandemic accelerated the development of telecom markets both in terms of quantitative and qualitative parameters.

- Following the results of 2020, the total volume of the communication services market was KZT 932.33 billion, having exceeded a previous year figure by 14.5%.

- In terms of the type of service, the revenue structure is still dominated by mobile communications driven by data transmission services. Revenues from mobile communication services account for more than half of the total market – 54.5%.
- The share of revenue from fixed telephony services is decreasing year by year; it fell to 6.4% in 2020.
- In recent years, the share of data transmission and Internet access services in fixed networks has shown a trend to decline, despite the growth of revenues in absolute terms. In 2020, the market share was about 16.2%.
- The Pay TV service segment in 2020 generated 4.3% of total revenues from communications services.
- With the growth of the retail market, the volume of communication operator services is also increasing, which affects the growth of the segment share in the total revenues from telecom services.

### Telecommunications market in 2020

According to the results of 2020, the volume of the telecommunications market increased by 14.5% and amounted to KZT 932.33 billion. In terms of the type of service, the revenue structure is still dominated by mobile communications driven by data transmission services. Despite the decline in the share of mobile communications in total revenues, it still generates more than half of the total market volume – 52%.

The share of revenue from fixed telephony services is decreasing year by year; in 2020 it fell to 6.4%. The segment reduction in physical terms is influenced by mobile and IP substitution, which is a natural process for the mature market. As one of measures to compensate for such a decline, fixed telephony and cellular communication operators provide converged offerings that include fixed and mobile telephony services in a single package. At the end of 2020, the share of revenue from converged services in the total market volume amounted to 2.29%.

In recent years, the share of data transmission and Internet access services in fixed networks has shown a trend to decline, despite the growth of revenues in absolute terms. This means that revenues from this type of services are growing slower than the entire market. The slowdown in the revenue growth rate is due to the market maturity, high level of service penetration and active competition between the market leaders – Kazakhtelecom JSC and Beeline JSC that provide households with similar

service packages and, accordingly, have to compete by price.

The reduction of the share of revenues from fixed Internet access and data transmission services is also influenced by the development of IT services by operators. Despite the fact that the major share of IT revenues is accounted for infrastructure projects, every year the share of IT services and Internet-based business solutions provided by communication operators is growing. The lockdown announced in the country in 2020 increased the demand for fixed Internet services. Under conditions of self-isolation, high-quality fixed Internet was required for personal and work purposes.

The Pay TV service segment in 2020 generated 4.3% of total revenues from communications services. The restrained growth of revenues with an actively growing subscriber base is explained by the fact that almost one third of subscribers use free basic packages of TV programs provided by OTAU TV with the state support, and by the growing popularity of OTT applications provided by international companies.

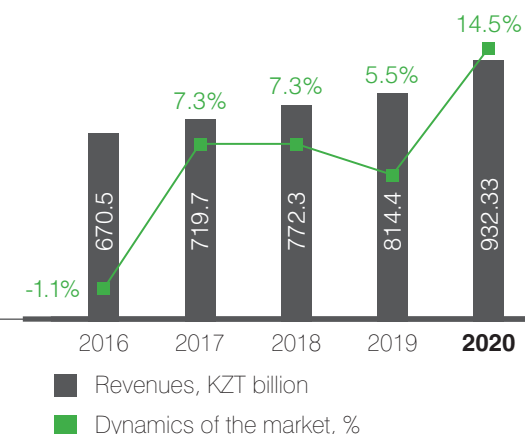
With the growth of the retail market, the volume of services provided to the B2O segment is also increasing, which affects the growth of the segment share in the total revenues from telecom services. The main revenue of telecommunications operators is the rental of network infrastructure and the provision of data transmission channels and Internet access.

### Market positions of Kazakhtelecom JSC Group

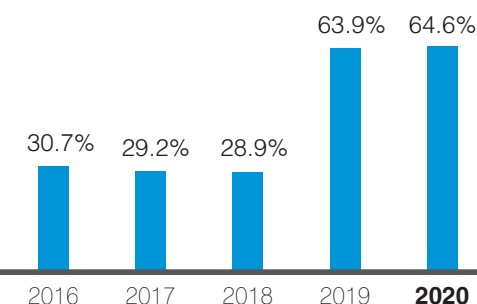
In 2020, the market share of Kazakhtelecom JSC Group was 64.6%. The growth of the Group's share in 2019 from 28.9% to 63.9% and in 2020 by 4.1 percentage points against the level of 2019 is associated with

the following events: in June 2019, the Company completed a transaction, as a result of which Kazakhtelecom KSC has become the sole shareholder of Khan Tengri Holding B.V.

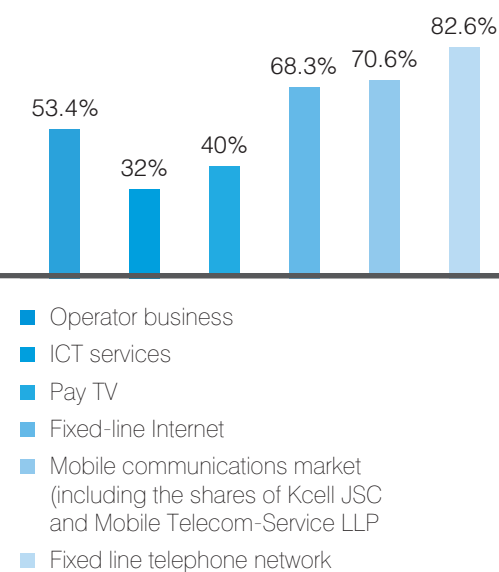
### DYNAMICS OF THE TELECOMMUNICATIONS MARKET IN THE REPUBLIC OF KAZAKHSTAN



### DYNAMICS OF THE MARKET SHARE OF KAZAKHTELECOM JSC GROUP

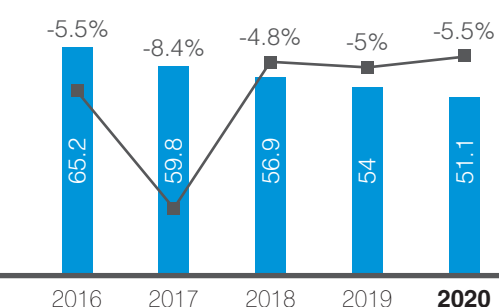


### POSITIONS OF KAZAKHTELECOM JSC GROUP BY MARKET SEGMENT



Source: iKS-Consulting

### DYNAMICS OF REVENUES FROM FIXED-LINE TELEPHONY SERVICES



Source: iKS-Consulting

### Fixed line telephone network

According to the Bureau of National Statistics, revenues from fixed telephony services at the end of 2020 amounted to KZT 51.1 billion.

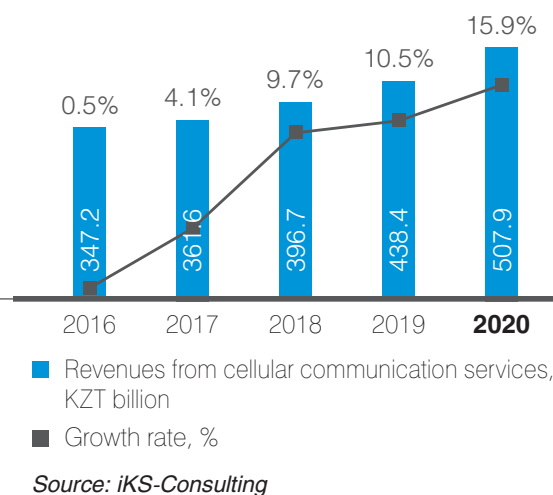
Over the past decade, the fixed telephony market has been declining in all directions – local, long-distance, and international. At the same time, if before 2013 the local telephony market grew due to an increased number of telephone lines and the reduction was observed only in long-distance/international traffic migrated to mobile networks and OTT services, since 2014, the decline has also affected revenues from local telephony services due to the contraction of the market in physical terms,

i.e. the churn and refusal of part of the population and enterprises of fixed telephone lines as a means of communication in general.

One of the tools designed to contain the revenue decline rate is package offers from fixed telephony operators, both service packages that offer various combined services based on the “wholesale is cheaper” principle and traffic packages that provide a certain amount of minutes at a fixed fee. However, despite the efforts of operators, it is no longer possible to completely prevent the decline in revenues from fixed telephony services and to resist mobile and IP/OTT substitution.



## REVENUES FROM CELLULAR COMMUNICATION SERVICES

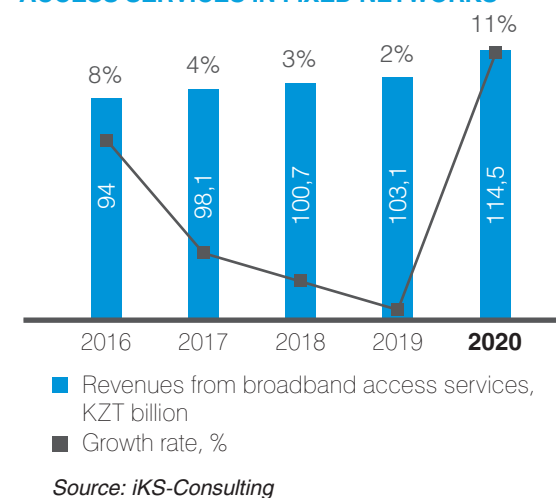


## Mobile communication

At the end of 2020, the volume of the mobile communication market in Kazakhstan amounted to KZT 507.9 billion, having increased by 15.9% compared to 2019.

The mobile communication market is focused primarily on the mass consumer. Until 2015, the strategies of all operators were aimed at gaining the largest market share in terms of the number of subscribers. To a great extent, this race for subscribers provoked price wars, which had a negative impact on the profitability of subscribers and the total revenue of operators. In addition, the devaluation of KZT, which had a negative impact on the national economy, forced domestic

## DYNAMICS OF REVENUES FROM BROADBAND ACCESS SERVICES IN FIXED NETWORKS



enterprises to reduce their budgets for the payment of communication services to employees. These factors forced cellular service providers to adjust their market strategies in terms of improving the quality of the subscriber base and developing the corporate segment through the provision of special services and ready-made solutions. As a result, since 2016 the share of revenues from the provision of services to corporate clients began to increase annually and by the end of 2020 it amounted to almost 10%. In recent years, all cellular communication operators provided services to corporate clients, which affected the structure of revenues from cellular communication services.

by triggering demand for Internet services among households – the number of subscribers increased, including in small towns and rural settlements.

All players strive to offer combo packages comprising wired and/or mobile telephony, internet access and television services. Besides Kazakhtelecom JSC, Beeline and ALMA-TV are still active in terms of offering services to households.

a city or a country and need to integrate them. Thus, the total revenue from data transmission services is generated by enterprises.

## Fixed Internet access market

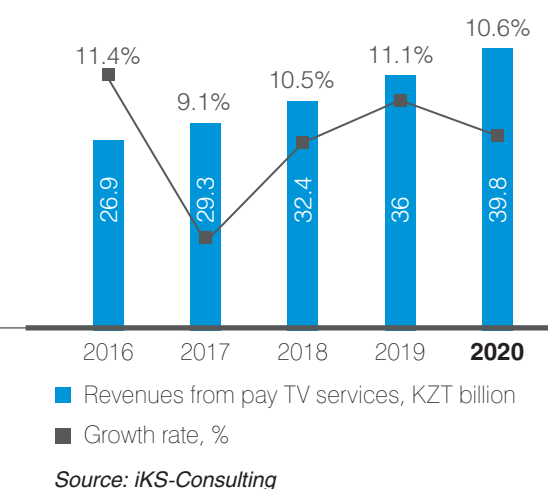
The volume of the broadband access market in fixed-line communication networks amounted to KZT 114.5 billion in 2020, which is 11% higher than the previous year figure.

Despite a slower growth rate and supply-side pressure in mobile communication networks, the broadband access market continues to perform well. The fixed-line Internet market was considered saturated and matured, but in 2020 the self-isolation regime revived the market

## Data transmission market

The volume of the data transmission market amounted to KZT 29.5 billion. Data transmission services, including those provided through the lease of channels, are focused solely on corporate users, i.e. companies that have a network of offices within

## REVENUES FROM PAY TV SERVICES



## Pay TV market

The Pay TV market is a relatively small but steadily growing segment of Kazakhstan's telecommunications market. In 2020, revenues from pay TV services increased by 10.6% relative to the previous year and amounted to KZT 39.8 billion in absolute terms.

Households have traditionally a dominant share in revenues from Pay TV services. In 2020, their share amounted to KZT 36.9 billion, or 93% of total revenues. Revenues from corporate services amounted to KZT 2.9 billion, or 7%.

The number of Pay TV subscribers in 2020 amounted to 3,701 thousand, which is 2.2% higher than the previous year figure. It is noteworthy that in the last two years, the growth rate of income has slightly outpaced the growth rate of the subscriber base, which is due to an increase in the intensity of Pay TV services consumption by subscribers.

In 2020, the penetration rate of Pay TV services in households was 67%. In the corporate segment, this indicator was 24%.

## Operator market of telecommunication services

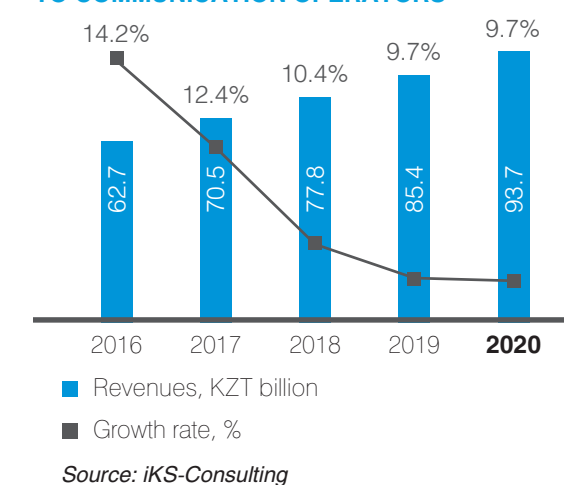
In the segment of providing services to operators, revenues are generated in the following areas:

- leasing of trunk communication channels;
- provision of Internet access channels (IP-transit);
- connection and transmission of telephone traffic;
- transit of international traffic;
- leasing of cable infrastructure;
- in 2020, the volume of services provided to communications operators amounted to KZT 93.27 billion with an increase of 9.2% compared to 2019.

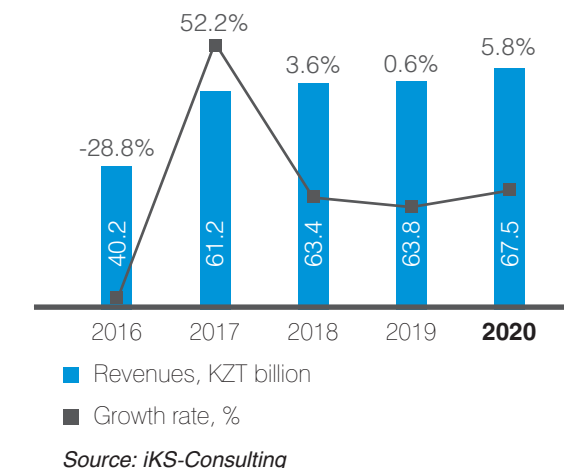
## ICT market

In 2020, the volume of the IT market amounted to KZT 67.5 billion has increased by 5.8% compared to 2019.

## REVENUES FROM SERVICES PROVIDED TO COMMUNICATION OPERATORS



## DYNAMICS OF REVENUES FROM IT SERVICES



*By the end of 2020, the total volume of the communications services market amounted to KZT **932.33 billion** has exceeded the previous year level by **14.5%**.*



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*During the quarantine period, Kazakhtelecom provided iD TV subscribers with free access to premium TV channel package. 380 thousand subscribers used the opportunity to expand the list of TV channels.*





# BUSINESS SEGMENT OVERVIEW

## Retail business

Following the results of 2020, we again reached an all-time high of KZT 118.37 billion in revenue from the retail segment. The revenue growth was 5% compared to 2% in 2019.

The targeted volume indicators for the retail segment were exceeded for all major services. The main growth drivers were the fixed broadband Internet access and Pay TV services. The B2C subscriber base of the fixed-line Internet in 2020 grew by 8.3% and amounted to 1,708 thousand subscribers. As for Pay TV, the growth rate was 12.2% against the level of 2019.

In 2020, we achieved a significant reduction in the outflow of fixed telephony subscribers. In 2017–2019 the rate

of decline in the telephony subscriber base was 180 thousand lines per year, but in 2020 the subscriber base decreased only by 27 thousand lines.

Positive dynamics of subscriber outflow is observed in all services. Compared to 2019, the decline in refusals from telephony services was 30%, fixed broadband Internet access services – 32%, pay TV services – 36%.

Our New Retail Marketing Strategy aimed at building long-term customer relationships played a significant role in the results achieved in 2020. About 40% of our clients have already switched to long-term contracts with the Company.

## Development of product offerings

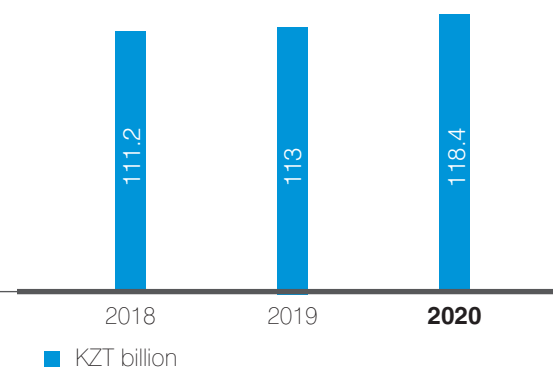
In 2020, the Company continued to develop its product offerings. Thus, in June 2020, the Company launched the ESET service to protect gadgets from malware on the network and the Kids Security service designed to track children, manage access and monitor child activities on the network.

Due to the impact of the pandemic in 2020 and the growing demand for medical services, Kazakhtelecom launched the Telemedicine service providing access to medical services of leading Russian clinics, where subscribers can receive 24/7 consultation, an alternative opinion on the diagnosis and access to therapists and pediatricians. The product is offered in 3 versions; there is a possibility of purchasing a subscription to a pediatrician or a therapist, as well as a family package for 3 people at the price of KZT 2,500 for an individual plan and KZT 4,999 for a family package.

In December 2020, the Company launched the updated digital pay TV service “Kazakhtelecom TV+”. This service combines TV channels, films, series, TV programs and national content in one application on the screen of any Smart device connected to the Internet (using the OTT technology). In the first quarter of 2021, this service will be launched for subscribers whose TVs do not have the Smart function, that is, through a set-top box (using the IPTV technology). Today, thanks to the updated TV platform, users have advanced capabilities that were previously unavailable, such as multiscreen (the ability to continue watching from any device), broadcast control, recording of the TV broadcast archive, access to video content libraries from the world majors.

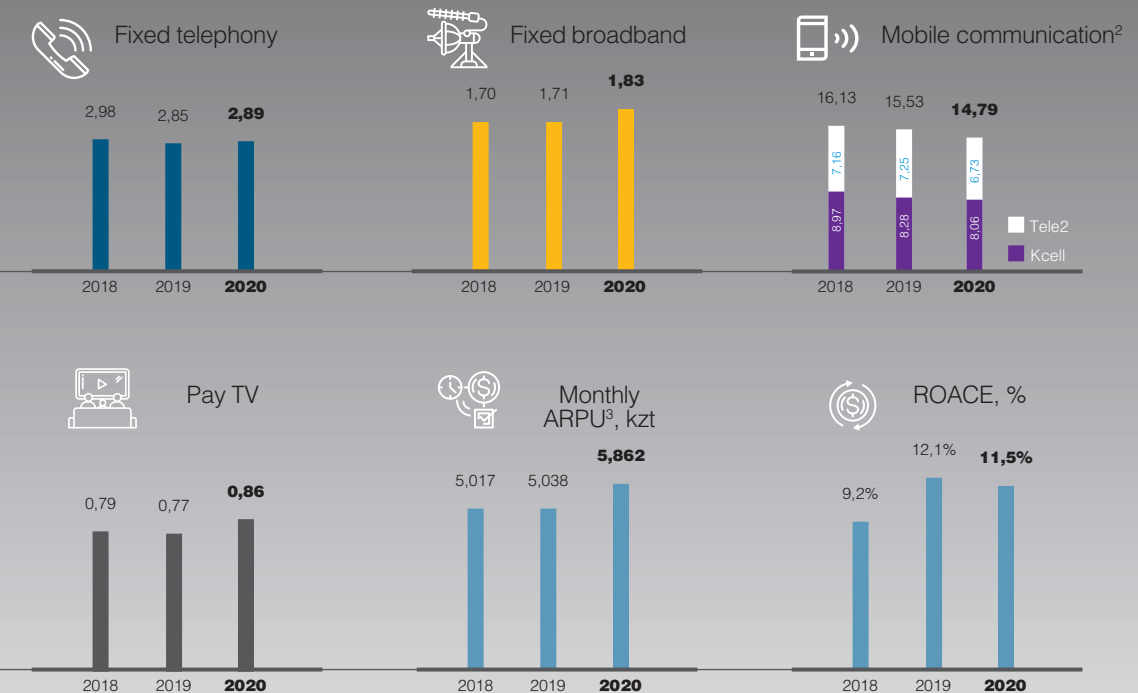
Due to the restrictions caused by the COVID-19 pandemic, the consumption of media services has undergone substantial changes. Thus, despite the demand for traditional television, we observed a growing trend in the popularity of video platforms

## REVENUES IN THE RETAIL SEGMENT, KZT BILLION



Source: iKS-Consulting (2016–2019), BNS (2020)

## Number of subscribers<sup>1</sup>, mln



Source: data provided by the Company

- <sup>1</sup> Number of fixed lines for fixed voice communication services, number of data transmission ports for broadband access, number of connection points for pay TV services;
- <sup>2</sup> Altel/Tele2 + Kcell JV;
- <sup>3</sup> Average ARPU calculated as total revenue / number of subscribers of B2B, B2C and B2G segments, excluding mobile communication segment.

in 2020. Subscribers of Kazakhtelecom JSC did not stand aside: they highly appreciated the service for providing access to the ivi online cinema. During 2020, the ivi service was offered to broadband Internet users, including access to the premium content from all Hollywood majors. The overall ivi catalogue includes

80 thousand content units. The convenient post-payment format, flexible rates and the absence of advertisements made it possible to attract over 120 thousand users to this service, thereby ensuring a more than 20-fold increase in paid subscribers per year.

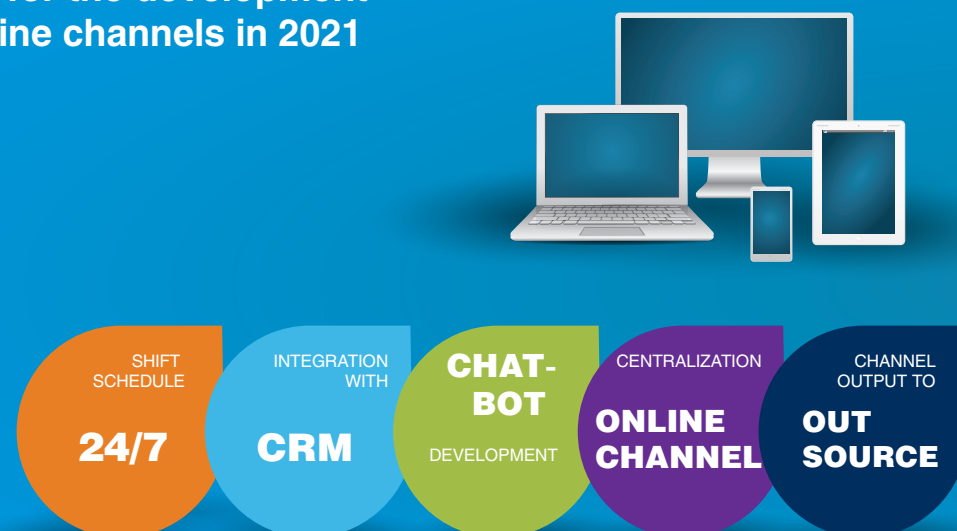
## Customer experience and development of digital service channels

Timely and effective response to the pandemic consequences became a serious challenge for the Company. From the very start of the quarantine period, the number of requests from customers has sharply increased. To process such requests, we have mobilized all available resources. Since the beginning of the pandemic, the number of customer service channels has increased to 7. At peak times, the number of requests through all communication channels increased by 43%.

Every day, from 8:00 am to 11:00 pm, seven days a week and on holidays, 180 operators process subscribers' requests. The percentage of answered and processed requests is 99%.

Today, subscribers prefer to resolve their issues through online channels and less and less often apply to traditional service channels (subscriber divisions and contact centers). In January 2021, the number

## Plans for the development of online channels in 2021



of applications to the WhatsApp channel is 30% more compared to applications to subscriber divisions.

Among all online channels, WhatsApp accounts for over 90% of all applications. Today, Kazakhtelecom's WhatsApp channel is the most popular among all communication operators and even the banking sector operators.

On our channel, questions of subscribers are resolved by operators in online mode. Subscribers do not need

to go through the long way of chat-bots. Everything is simple and clear.

After the launch of online service channels, the year-end NPS increased by 52%. In 2020, we introduced FRR (First Request resolution) indicator, which means a solution to a subscriber's request from the first call. By the end of the year, this figure increased by 20%. The Company strives and does everything to resolve every subscriber's request from the first attempt and in full.

## Satisfying applications for connecting services

In 2020, during the pandemic, the number of applications for connecting telecommunications services sharply increased. The peak of connections was recorded in April 2020 – 45,000, in August 2020 – 32,100, September – 39,500, in October – 36,200 with an average monthly number of 25–27 thousand connections.

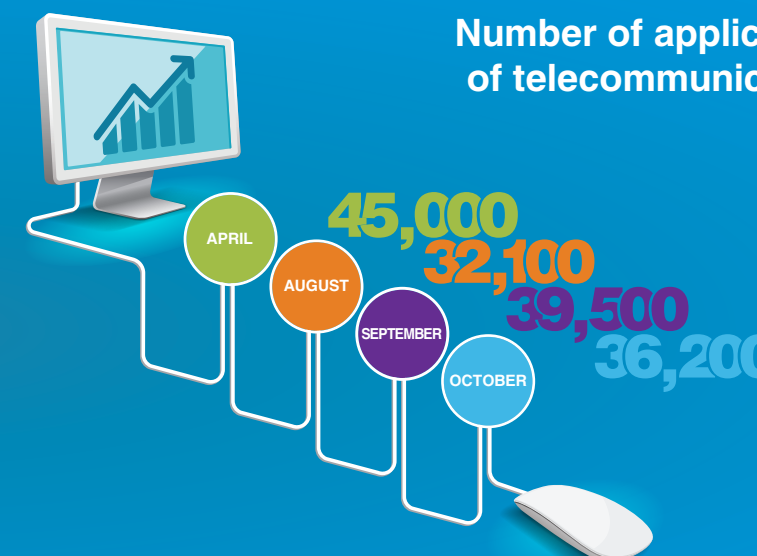
To meet the demand, additional teams were organized, including through the involvement of corporate segment and technical maintenance employees, which made it possible to process the maximum number of orders in April. In the peak period of the pandemic, the teams of installers worked all holidays and weekends to provide all teams with PPE.

In August, dealers were involved. The goal of the Dealers for Connection project is to expand

the dealer network with a phased outsourcing of the installation process, which is economically beneficial for the Company. Since the implementation of the project, the percentage of connections performed by dealers in 2020 was 15%; it is planned to increase this indicator to 60%. At the end of 2020, 23 dealer agreements were concluded, which ensured the fulfilment of 11,604 applications for the period September–December 2020.

By the end of 2020, the rate of return of client equipment in case of subscribers' refusal from services increased 2.7 times and reached 82% (at the beginning of the year, the equipment return rate was 30%). The level of customer-focused service upon connection to services was 81% (with a plan of 80%). The indicator of service connection in one visit reached 90% (with a plan of 80%).

## Number of applications for connection of telecommunication services in 2020



*In 2020, during the pandemic, the number of applications for connecting telecommunications services sharply increased*

## Receivables management

In the period from 2017 to 2018, the level of overdue receivables in the retail segment increased almost three times. To solve the issue of the growing accounts receivable, a Unified Accounts Receivable Management Center (UARMC) was created in the structure of the Retail Business Division, a branch of Kazakhtelecom JSC.

In 2019, the UARMC introduced a new receivables management model using new debt collection tools.

As early as the first year, 2019, the level of receivables began to decline, however, the year 2020 brought new challenges to the UARMC. In the first half of 2020, the level of overdue receivables in the retail segment

increased (up to 25%) due to the consequences of the declared state of emergency and quarantine introduced in order to combat the spread of COVID-19 infection. However, despite the macroeconomic consequences of the pandemic response and the Company's decision to reject the accrual of penalties and the forced disconnection of debtors during the state of emergency, in 2020, the UARMC managed to reduce accounts receivable. By the end of the year, the Company achieved a record low level of overdue and doubtful receivables in the retail segment over the past 3.5 years. Over the past year, the level of overdue and doubtful receivables in the B2C segment decreased by 30%.

## Key objectives for 2021

- Continue to transfer subscribers to long-term contracts: at least 50% by the end of 2021;
- Achieve targets for sales of the digital pay TV services;
- Improve the processes of installing services, including the automation of dispatching of orders and control of the equipment life cycle, as well as introducing a unified incentive program for installers;
- Continue to actively develop digital service channels.

## Social responsibility

In the spring of 2020, in order to motivate people to stay at home and comply with quarantine restrictions during the state of emergency, Kazakhtelecom, by agreement with the content owners, decided to provide iD TV service

users with a premium package of TV channels, regardless of the type of package they had previously purchased. This campaign lasted from March 20 to May 11, 2020.



During that time, in order to provide emotional support to the population, Kazakhtelecom JSC together with the Ministry of Culture and Sports of the Republic of Kazakhstan implemented the Star in Quarantine project on the YouTube channel, thanks to which Kazakhstan citizens could enjoy the performance of numerous popular Kazakhstan artists. During the implementation, the project gained more than 20 million views on the YouTube channel of Kazakhtelecom JSC.

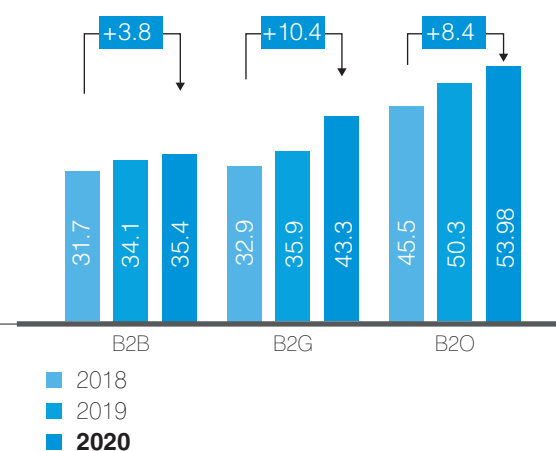
## Corporate business

Following the performance results in the corporate segment for 2020, the Company's revenue amounted to KZT 132.7 billion in B2B, B2G, B2O segments.

In the structure of corporate segment revenues, the largest share – 34.73% is accounted for revenues from the provision of data transmission services. The share of revenues from the lease of transport network channels was 15.44%, and the share of income under agreements with international operators was 9.87%.

Thanks to the initiatives undertaken, revenue from FTTx increased by 28.1% compared to the previous year, revenue from IP VPN services grew by 28.1%, and income from lease of transport network channels raised by 6.9%. FTTx, IP VPN services and lease of transport network channel lease the most profitable

INCOME GROWTH 2018/2019/2020  
IN B2B/B2G/B2O SEGMENTS



The Company, knowing that the state of emergency could negatively affect the material well-being of citizens, decided to provide its customers with uninterrupted communication to chat with relatives and friends: during the state of emergency, we refused to disconnect subscribers who had arrears and charge penalties for late payment for services. Moreover, subscribers were given the opportunity to choose a convenient debt repayment schedule and pay in stages.

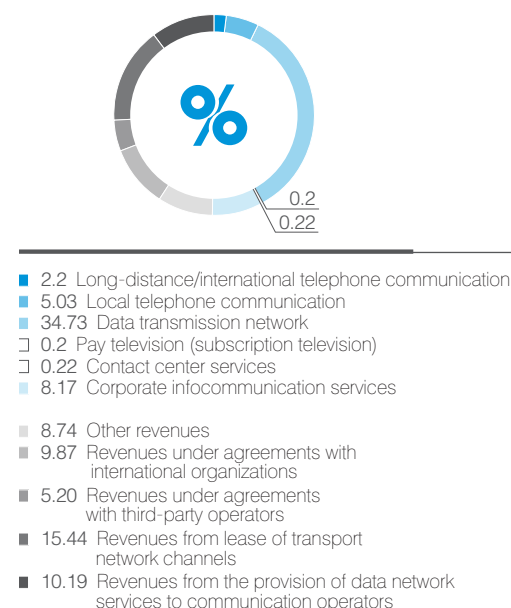
and technologically significant for the further development and growth of ARPU customers.

In 2020, revenues from new businesses carried out as part of the strategic task “Kazakhtelecom JSC is a business partner of the digital economy” in the corporate segment increased by 545% compared to last year, and revenues from new services grew by 43%.

Despite an increased outflow in the corporate segment due to the pandemic and the introduction of quarantine measures, the percentage of retention of services increased by 12%. The corporate indicator of the NPS B2B loyalty level in 2020 was 21.2%.

At the end of 2020, the Company's B2B portfolio exceeded 92 thousand clients, and B2G portfolio

REVENUES STRUCTURE  
OF KAZAKHTELECOM JSC FOR 2020



included more than 16 thousand state-owned enterprises. In 2020, Kazakhtelecom JSC attracted about 8 thousand new clients in the corporate segment, including more than 2.5 thousand legal entities, 4.5 thousand individual entrepreneurs and 800 state-owned enterprises.

## Expansion and differentiation of the product line

A segmented and targeted approach to the examination of the needs in various categories of corporate clients allowed the Company to develop and offer a number of new products aimed at increasing the effectiveness and efficiency of the clients' activities. An obligatory criterion in the development of new products is not only innovation and novelty, but also the possibility of combining with the already existing products of the Company, which allows achieving a synergy effect.

### Launch of new products, taking into account changes in market conditions and preferences:

- MSSP products**
  - to resolve information security issues in the era of accelerated digitalization and the resulting risks for customers.
  - Firewall** – a solution designed to protect the network perimeter against intrusions and control access to various corporate resources;
  - Antivirus software** – protection of personal computers against viruses;
  - Traffic filtration for schools** – a product designed to filter school traffic according to the list of the Ministry of Education and Science of the Republic of Kazakhstan.
- VAS products**
  - Wi-Fi Target LTE** – a Wi-Fi platform with marketing functionality based on LTE coverage, which is used to connect objects to provide technical capabilities for optics;
  - Video analytics** – a system used to monitor compliance with sanitary standards, which automatically determines the wearing of protective masks and compliance with social distance.

In 2020, the corporate segment focused mainly on such areas as the development of the product line, identification and development of the most effective digital channels, personalization and digitalization of services, and development of the FDO project.

### 3. Cloud services

- The electronic document management system** is an automated multi-user process control system.

### 4. Convergence services

- Mobile office on the base of Kcell JSC** – organization of VPN channels via LTE technology based on the mobile operator's network.

The Personal Engineer service was launched for the large corporate business segment. This service allows large corporate clients of the Company to contact a personal engineer when technical issues arise, just as clients contact their supervising manager for commercial and organizational issues. One of the main tasks of a personal engineer is to reduce the number of client requests in case of damage, and to increase the fault tolerance of services provided by Kazakhtelecom.

A special “Isker” tariff line was developed for clients of small and medium-sized businesses. The client can both choose the desired package of services and independently assemble an individual package of necessary services with the required parameters. Moreover, in support of small and medium-sized businesses, a large-scale Business Proposal campaign was launched and certificates for the purchase of office equipment were drawn among its participants.

The Company launched a **specialized Gamer product** designed for game computer clubs, which provides priority access to European gaming services and gives the opportunity to end consumers to get maximum satisfaction from online games with international rivals. The introduction of the Gamer tariff is aimed at promoting the development of e-sports in Kazakhstan.

## Digitalization of sales and customer service

In 2020, under the pandemic conditions, Kazakhtelecom accelerated the implementation of the online customer service practices. The most effective digital sales channels were selected for the work, the content on the ISMET.KZ website was completely updated, and digital campaigns were carried out to increase customer knowledge about the Company's products and services. In order to improve the quality of customer service, a project was implemented in the “paperless format” of service, allowing customers to conclude contracts, receive certificates of completion and invoices without visiting the Corporate Sales Centers.

All updated materials are posted in electronic form on the ISMET.KZ portal, a business platform where modern IT solutions for entrepreneurs, state support measures and training materials are collected. Today, there are such opportunities as payment for services, signing documents using an EDS, obtaining details

on the consumed services in the personal account, and temporary disconnection of services. The transition to online mode allowed the Company to reduce the service time from 1–2 days to 10 minutes. The number of contracts and supplementary agreements concluded in 2020 exceeded 19 thousand. Subscribers were provided about 9 million certificates of services performed and invoices and more than 28 thousand certificates of reconciliation. About 3.5 thousand service requests were received and processed.

For the convenience of customers, the WhatsApp Business messenger was launched. The WhatsApp Business Account API (WABA) has become the most demanded digital customer service channel. In 2020, about 27 thousand requests were processed, of which 10 thousand requests were processed using the chat-bot (which is 37% of the total number). Today, with the use of WABA, customers can connect services, find

out the current debt, submit an appeal for the quality or unavailability of services, find out addresses and work schedules of common use centers, payment details, special services phone numbers, ask questions regarding the ISMET personal account and Chocomart online store, as well as contact directly the operator.

In 2021, the work will be aimed at increasing and attracting new customers, transferring customers to online service, as well as improving customer service and increasing customer loyalty.

## Fiscal data operator

Despite the emergence of new players in the market of fiscal data operators such as Transtelecom JSC, KazTransCom JSC and Kar-Tel LLP, Kazakhtelecom JSC still takes a leading position in the FDO market of Kazakhstan due to the optimization and digitalization of business processes and the provision of services to end users. At the end of 2020, the client base amounted to 346,660 active cash register machines, which is 111% compared to the previous year.

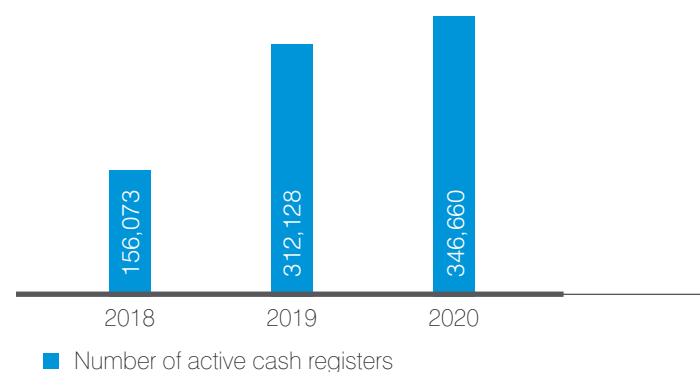
In 2020, the Company implemented several activities to update the design of the oofd.kz website and to optimize the customer registration processes.

Due to the quarantine measures associated with the COVID-19 pandemic, in March-July 2020, the number of connected cash register machines decreased, but by the end of the year the situation stabilized.

In 2020, an important innovation under the FDO project was the launch of a round-the-clock customer service contact center and the feedback channels for customers: Telegram bot and WhatsApp bot. In addition, in the framework of the pilot project, integration with the Labeling information system was carried out.

A scoring service was developed as part of the pilot project implemented together with second-tier banks. This project will allow banks to conduct an additional analysis of the solvency when issuing loans to SMEs,

## NUMBER OF ACTIVE CASH REGISTERS



which, in turn, will allow SMEs to obtain loans against their turnover reflected in the FDO records.

### Further plans and objectives for 2021:

- Combining the FDO billing system with the basic CT billing system, which will allow launching packaged tariffs for clients. For example, FDO and the Internet for SMEs.
- Launch of a free software cash register for clients.
- Introducing the registration service for individual taxpayers on the FDO portal.
- Registration of clients on the portal using SMS (without EDS).
- Launch of a new product for acceptance of non-cash payments.
- Launch of a three-component information system: FDO, accounting system for business entities, acceptance of non-cash payments.
- Introducing a service for automatic firmware of cash register machines through the FDO portal.
- Launch of a scoring service for banks based on the results of implementing a pilot project.

## Project “Providing broadband access to the rural areas using the technology of fiber-optic communication lines”

Kazakhtelecom JSC is directly involved in the Digital Kazakhstan state program aimed at improving the living standards of every citizen of the country through the use of digital technologies.

As part of the program, the Company continues to implement a large-scale project to provide rural settlements of the Republic of Kazakhstan with broadband access using the fiber-optic communication line technology.

The project contemplates the connection of 2,496 government agencies in 828 rural settlements to broadband access using the FOCL technology, including: 891 schools, 557 local administrations, 735 medical institutions, 209 squad rooms and 104 other government institutions.

**Total project term:** 14 years (2018–2032).

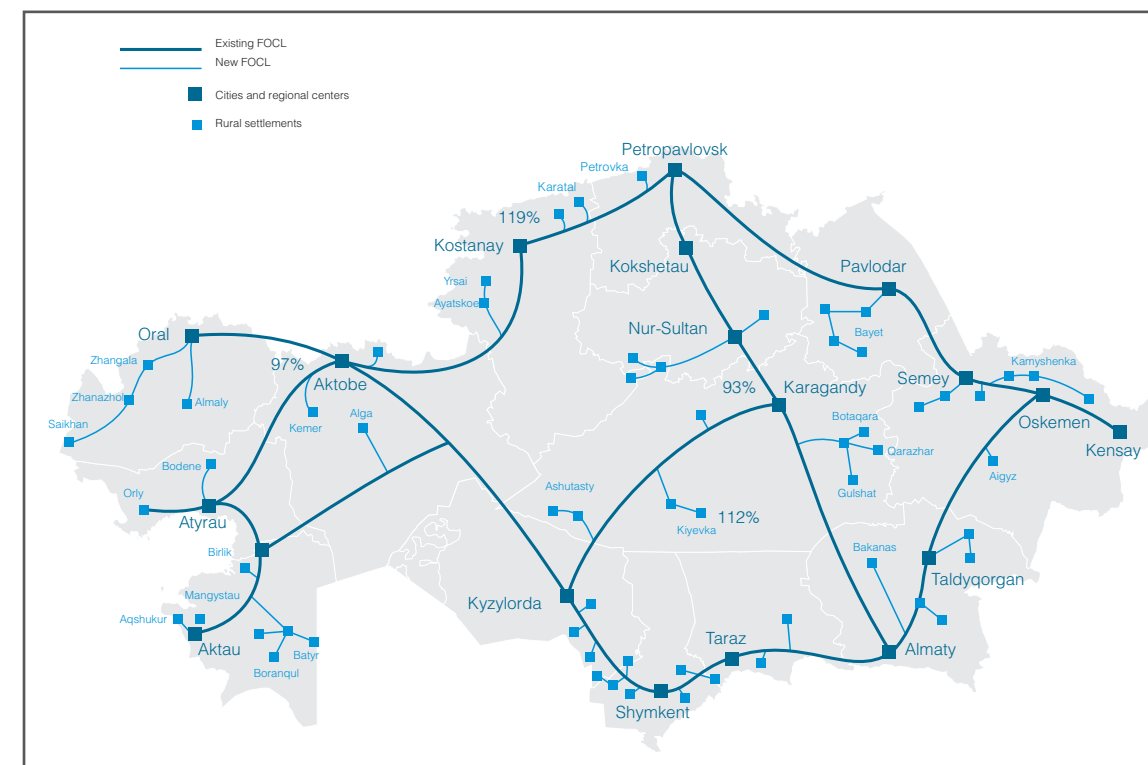
### Project phases:

- FOCL construction and connection: 2018–2020 (3 years)
- Service provision: 2018–2032 (14 years)

*At the end of 2020, Kazakhtelecom JSC completed the FOCL construction – the first phase of the project.*

**The plan contemplated the connection of 828 rural settlements and 2,496 government institutions. In fact, 14,380 km of fiber-optic communication lines were laid to 837 rural settlements, where 2,505 government bodies were connected to communication services, including:**

- 891 schools;
- 560 akimats;



- 742 medical institutions (first-aid stations, outpatient clinics);
- 206 police posts;
- 106 other government bodies/budget organizations (emergency services, veterinary laboratories, national defense objects).

### Services rendered:

- for schools: broadband Internet access with a bandwidth of 10 Mb;
- for government institutions: broadband Internet access with a bandwidth of 20 Mb, IP VPN with a bandwidth of 8 Mb.

## Monitoring of compliance with quarantine measures

In 2020, the Company implemented a number of projects based on the deployed video analytics platform to monitor compliance with quarantine measures in public places:

- In Karaganda region, 39 medical institutions were connected to analyze compliance with sanitary measures;
- In Almaty and Kokshetau, 52 buses were connected to monitor the wearing of medical masks in buses.

All collected data is promptly transmitted to municipal situational health centers for subsequent compliance control. Thanks to these activities, the Company contributed to the pandemic response measures and encouraged citizens to comply with the required sanitary measures, thereby increasing safety and reducing the risk of spreading the virus in public places.

*Implementation of a Big Data project on COVID-19 location-based analytics for Almaty*

During the first pandemic wave in the spring and summer of 2020, a major Big Data project on COVID-19 location-based analytics, combining the data of all mobile operators, was implemented for Almaty. The analytical capabilities of the deployed platform were used to optimize the process of managing resources of municipal services and the city under the quarantine conditions. The implemented cases have demonstrated the importance of making decisions based on real data.

Even after the end of the first wave and the lockdown, the aggregated data still remain in demand and analytics services are still provided in Almaty.

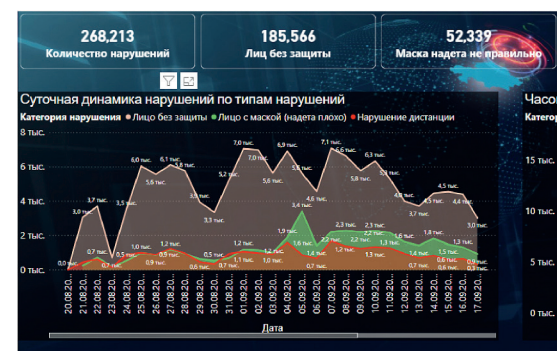
*Development of distance learning. Providing access to the Internet for children and teachers*

**The Internet was connected to ensure distance learning for low-income children – over 6,800 LTE modems were installed. SIM cards were given to more than 18 thousand teachers to provide mobile Internet access. Access to the high-speed Internet**

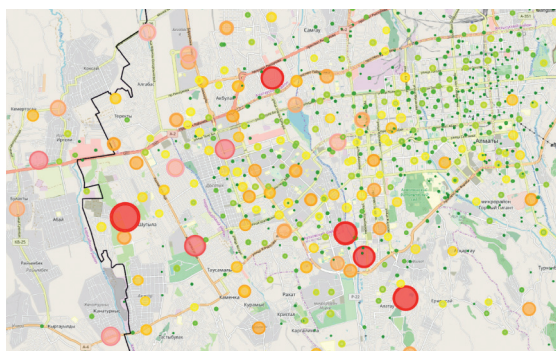




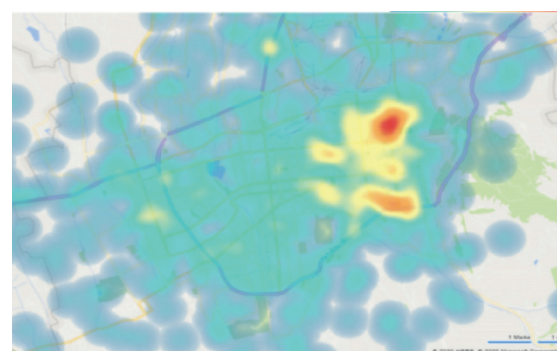
Example: public transport system to monitor if passengers wear masks



Dashboard for situational centers



Analysis of subscribers' movement during the quarantine period provided a city patrolling tool\*



Analysis of activity of calls to 103 and 1406 numbers allowed identifying outbreak foci of the disease\*

with a bandwidth of 20 Gb was provided to ensure the high-quality performance of the Kundelik.kz AIS..

Thanks to the project, 330 thousand teachers distributed about 20 million homework assignments online, 2.8 million students gained access to the resource.

Ensuring the continuous provision of public services to the population

Switching of branches of Government for Citizens NJSC (citizen service centers) to remote working regime:

- 18 virtual call centers;
- 617 points in the Republic of Kazakhstan;
- 1,000 voice channels.

Thanks to this measure, citizen service centers were able to remotely process up to 600,000 calls a day.

## B2O

In 2020, revenues of Kazakhtelecom JSC in the local operator segment amounted to KZT 39,027 million, having increased by 2.5% to the level of 2019.

Compared to 2019, revenues from the provision of Internet channels increased by KZT 1.17 billion and amounted to KZT 7.9 billion, and the total bandwidth of Internet channels for communication operators of Kazakhstan amounted to 700 Gbs with an increase of 38% from the beginning of the year. The increase in the bandwidth of Internet channels is due to the active work on attracting third-party communications service providers and the sale of additional volumes by Kcell JSC and Mobile Telecom-Service LLP. The growth in the consumption of Internet services by cellular operators is a consequence of the continued growth in the consumption of mobile Internet traffic by the end users of cellular operators.

Revenues from leasing communication channels, including data transmission channels, increased by KZT 1.63 billion compared to 2019 and reached the point of KZT 18.56 billion. The bandwidth of channels leased by communications service providers of the Republic of Kazakhstan amounted to 1,930 Gbps, having increased by 69% since the beginning of the year.

The volume of transit international traffic at the end of 2020 amounted to 52.3 million minutes with an increase of 1.2 million minutes compared to last year. The increase in the transit international traffic is due to the attraction of additional international volumes of voice traffic with the use of a flexible tariff policy for some international directions by cellular operators.

At the end of 2020, the volume of transit international channels in the direction of China – Europe, Uzbekistan and Turkmenistan increased by 34% compared to 2019 and reached 679 Gbps. Under the conditions of the pandemic and the transition of many companies to remote work, the load on Kazakhtelecom's networks

## Marketing policy

In 2020, the Corporate Business Division implemented numerous measures in the following areas:

- Digital direction;
- Product direction;
- Methodological direction;
- Corporate direction.

**In the digital direction**, according to the Serpin roadmap, in order to transfer customers to online service, systematic work is being performed to develop, improve and identify the most effective digital channels. Pilot testing of new digital promotion channels was held, their content was updated, and product landing pages were developed. To increase the level of customer knowledge, large-scale digital campaigns were held to support the products and new businesses of the Company.

**In the product direction**, during 2020, a systemic marketing policy was implemented in three segments: B2O, B2G, MC5.

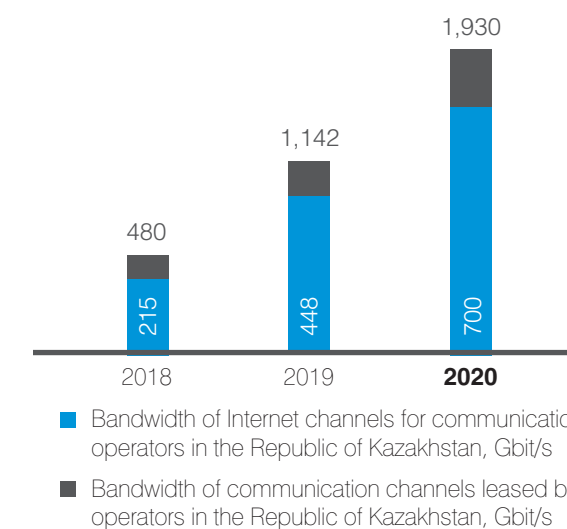
increased; there was a demand for the expanded bandwidth of external channels, as a result of which the capacity of external Internet channels increased, while the cost per Mbit in total decreased by 20%.

The long-term goal for 2021 is to keep the trend of growth in the Internet traffic consumption. In this regard, one of the priority tasks is to reduce the notional purchase price of the Internet per 1 Mbit/s. As in the previous period, the main increase in revenues should be achieved through the sale of transit channels in the direction of China – Europe, as well as channels to Central Asia.

### Key objectives for 2021:

- Active work aimed at retaining and increasing the existing number of Internet channels;
- Increasing the share of presence in the local B2O market and concluding new profitable contracts with second-tier communication operators;
- Meeting the needs by cellular communication providers within the volume of services;
- Taking measures to preserve the volume of international traffic from cellular operators' networks using a flexible tariff policy for popular international directions.

### BANDWIDTH OF COMMUNICATION CHANNELS



In the B2G segment, the emphasis was put on maintaining the market share and attracting new customers through the development of new products and cases. Cases on the formation and use of big data analytics were implemented. To this end, in order to demonstrate innovation services, demonstration stands of communication channels were installed in Kokshetau, Turkestan and Akkol.

The most active marketing policy was focused on the B2B segment. A plan of marketing activities and new tariff plans were developed, and various marketing campaigns were carried out.

During the pandemic, anti-crisis campaigns were launched to support small and medium-sized businesses, as well as large corporate clients.

To support individual entrepreneurs, the Company developed a tariff line “Isker” and launched a large-scale campaign “Business Proposal”, the participants of which took part in the drawing of prizes for the purchase of office equipment.

**In the methodological direction**, work is carried out on an ongoing basis to collect data about enterprises in the Republic of Kazakhstan, the telecommunications market of the Republic of Kazakhstan and other information, which is necessary for market assessment.

In 2020, the following documents were developed:

- Methodology for monitoring and analysis of competitors’ marketing activities;
- Regional passport methodology;
- Market research methodology;

- Segmentation methodology;
- Benchmarking.

The reporting forms “Regional Passport”, “Dashboard for Cash Registers” were finalized; a methodology for unloading, merging and interpreting information about Kazakhtelecom subscribers and enterprises in Kazakhstan was developed to form target segments for various marketing purposes.

In 2021, the Company will continue to collect data on the enterprise market, develop models to determine the need for telecommunications services, the potential indicator of the average income tax rate of enterprises, and identify promising market segments for attracting new subscribers.

**In the corporate direction**, the Company developed a new brand book for the corporate segment and a concept for the design of front offices of the Corporate Sales Centers.

## New businesses and innovation projects

### 5G



Kazakhtelecom JSC continues to actively implement 5G technology in Kazakhstan.

In accordance with the instructions of the RoK Prime Minister’s Office and in pursuance of the Roadmap for testing and introduction of 5G technology in the Republic of Kazakhstan, in 2020, Kazakhtelecom completed the development of the Concept for the introduction of 5G technology in the Republic of Kazakhstan.

This work included technical, regulatory, financial and economic, sanitary and epidemiological aspects of the implementation of 5G technology in our country. During the development of the Concept, special attention was paid to the impact of 5G technology on the transformation of business models and the creation of the 5G ecosystem.

About 40 specialists took part in the development and discussion of the Concept, including 18 representatives of Kazakhtelecom JSC from 8 different divisions, as well as representatives of mobile operators – Kcell JSC and Mobile Telecom-Service LLP. More than 20 meetings were held and more than 350 man-hours were spent.

### Window of Opportunities



The “Window of Opportunities” project implemented in accordance with the instruction of the President of the Republic of Kazakhstan is aimed at developing the domestic production of ICT software and hardware.

Based on the Roadmap, Kazakhtelecom JSC with the participation of an expert group, including representatives of the Ministry of Digital Development, Innovations and Aerospace Industry of the Republic of Kazakhstan, domestic enterprises and higher education institutions, identified 15 categories of equipment (switches, routers, computing servers, base stations, antennas, NAT-translators, etc.) and 4 software (operating systems, office applications, video conferencing systems) for import substitution by switching to open source software and open hardware specifications (white-box).

Kazakhtelecom, together with representatives of akimat of the city of Almaty and domestic enterprises, is working on the issue of creating an R&D center (laboratory) of new technologies based on open solutions and testing in collaboration with the concerned companies and scientific organizations. The testing laboratory will include unified workspaces where research of open 5G and other hardware and software solutions will be conducted. The laboratory will also include a data processing centers created under open OCP specifications, a stage area for testing prototypes and ready-to-use solutions, as well as meeting rooms and a conference hall where various mass events will be held to popularize and develop the laboratory’s work: conferences, presentations, seminars and hackathons.

To stimulate the emergence of open-source solutions for communication operators and cloud service providers on the domestic market, Kazakhtelecom created the OpenKZ expert community (openkz.org). The community develops technology prototypes for open disaggregated solutions with a priority of using open-source and white-box components.

The community tasks include the analysis of growth area and performance of organizations that develop open architectures and interfaces, and global communities that develop open-source software and open-source hardware specifications. In addition, OpenKZ develops specifications for open-source solutions as well as for the open-source and white-

### FWA



As part of the project “Organization of broadband access based on FWA technology”, the FWA service based on the 4G technology will be provided to subscribers who do not have the technical ability to use terrestrial communication channels.

To conduct a feasibility study of this project, POC testing of 5 subscribers has been carried out in Shymkent. In accordance with the Testing Report, the average speed of Internet access on the FWA network was at the level of 75–90 Mbit/s and did not decrease below 20 Mbit/s. In addition, according to the survey, subscribers gave positive feedback on the quality of services provided through the FWA network.

Based on the testing results, a business plan for the implementation of an MVP project in Shymkent was developed and defended. After the successful implementation of the MVP, the FWA project will be scaled up in all major cities of the Republic of Kazakhstan.

As part of this MVP, an analysis was carried out based on data on the number of households in the city, IDNET/

### IoT



The project “Implementation of wireless services based on energy-efficient long-range networks for the IoT” is one of the Company’s strategic business areas for the development of IoT and M2M services aimed at economy digitalization. Today, this market is growing and strengthening, considering that Kazakhstan has taken a course towards digitalization, and one of the main directions in implementing the state program “Digital Kazakhstan” is Smart City projects identified as promising and dynamically developing. LoRa is a wireless technology of small data transmission over long distances designed for distributed telemetry networks, machine-to-machine communication (M2M) and the Internet of Things (IoT). This network is secure and operates at a frequency from 863 to 868 MHz with power up to 25 mW and bandwidth up to 500 kHz. Within this frequency range, the free use of radio transmitting devices located in the so-called unlicensed zone of industrial, scientific, and medical radio band (ISM) is allowed.

box components they use. To date, the employees of Kazakhtelecom JSC have developed the first working version of requirements for the disaggregated 5G Open RAN base station. The Company is elaborating the requirements for the national operating system and for the national operating system (NOS) of network devices.

Megaline subscribers and Internet connection failures. Based on the data obtained, a map was drawn up on which 3 layers were applied (buildings, subscribers, failures). Based on this map, the following results were obtained:

1. Visual identification of the most concentrated places, i.e. the private sector;
2. Exclusion of intersection with the current possibility of providing Internet access via IDNET/Megaline services;
3. Identification of the highest need for Internet access based on the data on failures.

Based on the data obtained, radio planning was carried out and sites for the installation of FWA base stations were selected. Technical coverage was provided for more than 10.5 thousand households.

Now, contracts have been concluded for the supply and construction of FWA base stations and terminals. 14 FWA base stations and 1,200 terminals were delivered. The construction of the FWA network will begin after the purchase of RRL equipment, which is expected in February. Technological partners will be mobile operators. This means that FWA base stations will be installed on the sites of mobile operators and connected to the packet core of the mobile operator, and the infrastructure of mobile operators will also be used. To this end, a joint activity agreement was signed with Kcell JSC.

The advantages of the LoRa technology are high scalability due to a large coverage radius (up to 5 km), long battery life of end devices (up to 10 years), and openness of the LoRa protocol for a wide range of devices. LoRa has a wide range of applications: from smart home devices such as security sensors and smart meters to industrial solutions. The LoRa ecosystem is open; it provides the possibility of connecting any LoRa-enabled devices.

Within the framework of the project “Implementation of wireless services based on energy-efficient long-range networks for the IoT”, radio planning of base stations was carried out in 2020, taking into account the needs of commercial B2B units of the Regional Telecommunications Direction.

The construction of the IoT network based on LoRa technology was completed in 6 cities of Kazakhstan (Nur-Sultan, Almaty, Taraz, Turkestan, Aksai, Altai). 104 LoRa base stations were built and put into operation. In total, taking into account three stages, 428 base stations were built in 17 cities of the country.



The functionality of the IoT platform (Network Server) was expanded. A server was arranged for the purpose of visualizing primary data from IoT devices (app.kt-iot.kz).

## Smart House



In 2020, as part of one of the main lines of the Digital Kazakhstan State Program, the Smart Aqkol project was implemented in Akkol city of Akmola region, where Kazakhtelecom JSC was acting as the Smart City project operator. In fact, Smart Aqkol is a platform designed to demonstrate the opportunities and solutions of Kazakhtelecom JSC for the construction of “smart cities”.

As part of this situational stand, the Kazakhtelecom JSC organized a stand to demonstrate the infrastructure and Smart City projects implemented in Akkol, specifically:

In 2021, the Company with develop the regulations for the interaction of structural units in the provision of the “transport for M2M” service.

- “cloud-based video surveillance and video analytics”;
- Smart Metering (smart housing and public utilities);
- Smart Home;
- optical infrastructure of Kazakhtelecom JSC;
- optical transport network;
- optical networks in cities;
- optical infrastructure in houses;
- data processing center;
- 5G testing in Kazakhstan.

In 2020, the UX/UI of KT Cam application was improved. The application is available in AppStore and PlayMarket. As part of the service, a subscriber is provided with smoke detectors, door open/close alarm sensors, motion detectors, and a video surveillance camera.

network function) – end services in the virtual environment were tested:

- CGNAT;
- vCPE;
- DPI / secure Internet;
- Firewall/IPS/AntiDDoS;
- vEPC for mobile networks.

CORD-HUB was arranged at the technological site in Nur-Sultan. According to the ETSI MANO reference model, this solution includes the following components:

- LSO (Lifecycle Service Orchestrator);
- NFV orchestrator);
- VNF manager;
- VIM (Virtual Infrastructure Manager);
- CORD-SDN.

In addition, Kazakhtelecom JSC launched its first VNF product based on the existing CORD-node in Almaty – vCGNAT.



As part of the Strategy of increasing the shareholder value, Kazakhtelecom JSC started the active development of technological and infrastructure projects. One of these projects is “Migrating data transmission networks to SDN/NFV”, within the framework of which it is planned to create a new architecture, including the replacement of many nodes and data processing centers with a high-performance platform of virtualized network and computing services.

For these purposes, in 2018, the target CORD architecture (Central Office as a Data Center) was selected and prepared for implementation on the Kazakhtelecom JSC network, including server equipment and Leaf & Spine switching factory. In addition, as part of the project, a Proof of concept (PoC) was conducted, in the framework of which the operation of the VIM virtual environment based on RedHat OpenStack was tested and VNF (virtualized

## Expansion of the port capacity for operator connections

In connection with the constant growth of traffic and high utilization of the port capacity, in order to maintain the quality of the network and meet the needs of communication service providers, Kazakhtelecom JSC in 2020 launched the project “Expansion of the port capacity for operator connections”. As part of the project, a new border router was put into operation in Aktobe, which allows the Company to connect external Internet channels via 100Gb/s ports in accordance with the requirements of higher international communication operators. Furthermore, in order to meet the needs of mobile telecom operators, service border routers were additionally equipped with port capacity resources.

Alongside with that, to ensure correct diagnostics of the quality and bandwidth of the network in large cities of Kazakhstan, Speedtest servers with 10Gb/s interfaces were connected to the network of Kazakhtelecom. In 2020, as part of the project “Expansion of the port capacity for operator connections”, the following facilities were put into operation on the network of Kazakhtelecom JSC:

- New border router in Aktobe;
- 2x100Gb/s DWDM channels for connection with Megafon PJSC;
- 22x100Gb/s ports;
- 56x10Gb/s ports;
- 15 servers of the Speedtest service.

## Cloud-based video surveillance



Kazakhtelecom offers its clients various digital solutions aimed at improving the quality of life. In particular, the “cloud” video surveillance project becomes extremely popular. Today, the service is provided in the housing and public utilities system and to business enterprises. The advantage of “cloud” video surveillance is online access to the video content from smart phones and other devices through the developed mobile application and web portal.

As part of the SERPIN transformation project, video surveillance will be integrated into the Smart City project which covers all major cities of Kazakhstan.

In 2020, the number of cameras in the B2C segment increased to 34 thousand. The coverage is over

17 thousand entrances, 250 thousand households across the country. The number of subscribers increased to 24 thousand.

The number of subscribers in the B2B segment is about 400 companies. The number of video cameras is over 4 thousand. The total traffic from video cameras is about 80 Gbps. The storage capacity is 6.5 petabytes.

The product “Monitoring of quarantine measures” using the artificial intelligence technology was launched. 52 passenger buses, warehouse and other facilities were connected to the monitoring system. The number of video cameras is about 600 pcs.

With the help of our video surveillance system, a number of crimes, including high-profile offences, were solved in 2020.

## Video analytics



In responding to restrictive measures and the need to comply with quarantine measures, Kazakhtelecom JSC introduced a service using computer vision systems –

the Quarantine Compliance Monitoring System, which helps to monitor the wearing of PPE and the observance of a social distance between people. The service is applicable for both real estate objects (shopping centers, government and educational institutions, small and medium-sized enterprises) and movable objects (including public transport).

## Key objectives for 2021

### Product support

- Automation of potential deal management processes (sales planning/forecasting).
- Formation and approval of all processes related to the sale of new services.
- Support for the sale of new services.

### SuperApp / marketplace

- A new simplified interface for interacting with potential customers through SuperApp.
- Creation of a marketplace for goods which are necessary for connecting Kazakhtelecom services (sensors, modems, etc.).
- Integration of Chocomart into Kazakhtelecom's SuperApp.

### Robotic Process Automation (RPA)

- Development of robotization of customer communication processes (RPA).

### Fixed Wireless Access

- Network construction.
- Testing.
- Integration.
- Launch of FWA-based products.

### Network Infrastructure Modernization

- ASBR replacement in Nur-Sultan.
- Replacing the PTX support routers.
- Completion of the SDN/NFV project.
- Transition to 100 Gbps interfaces in aggregation.

### Creation of the Information Security Operational Center

Operator-grade DDoS protection element:

- SIEM.
- Sandbox.

- WAF.
- Web Gateway.
- Mail Gateway.
- Analyzer + Vulnerability Management.

## Information technology

The year 2020 triggered the acceleration of digitalization and automation of the Company's processes, as a result of which Kazakhtelecom JSC was able to move to a qualitatively new level of development. Despite the existing unfavorable conditions caused by the pandemic, the Company made a significant leap forward in the IT direction, continued to develop priority digital technologies and provided customers and businesses with new

solutions for the convenient use of the Company's online services. Despite the unprecedented difficulties associated with the COVID-19 pandemic, Kazakhtelecom JSC develops its business in a qualitative manner. The Company achieved success thanks to the digital transformation of its activities.

### Revenue from ICT



In 2020, the self-isolation regime introduced in the Republic of Kazakhstan caused a dramatic increase in the transition to remote modes of interaction and work, as a result of which many technologies were introduced to allow business entities of all forms of ownership to carry out their activities under the new conditions. New solutions had a positive impact on the development of ICT of Kazakhtelecom JSC. At the end of last year, the performance of the ICT industry showed positive rates of development and growth in all areas.

Basic services of data processing centers, cloud services and IT outsourcing services were most in-

demand. The total share of revenues in these areas in the total volume of ICT services at the end of 2020 amounted to 88%, or KZT 13.8 billion.

Total revenues from ICT and related services in 2020 amounted to KZT 23.5 billion, including the shares of income of Kazakhtelecom JSC – 54%, or KZT 12.8 billion, KT Cloud Lab LLP – 18%, or KZT 4.2 billion and QazCloud LLP – 28%, or KZT 6.6 billion.

The revenue drivers are the infrastructure rental services, placement of client equipment and servers in the data center network of Kazakhtelecom JSC, call center and anti-virus software services, as well as several innovative services such as a virtual data center (VDC), cloud accounting and complex services of ISMET.KZ open digital platform.

### Customer path digitalization in B2B and B2C segments



Last year, under the current coronavirus pandemic conditions in the country and in the world, the Company carried out work in a short time to ensure the continuity of services for retail and corporate clients, strengthen the organization of online services through the telecom.kz and ISMET.KZ portals allowing customers to get services without leaving their homes, as required by the stringent requirements in the context of the pandemic.

To provide more convenient services to B2B and B2C customers, digital communication channels WhatsApp and Telegram were launched, and the ability to form online requests to 160 consumer support and 165 technical support services through the portals was added.

An extensive modernization and renovation of users' personal accounts on the telecom.kz website was carried out. This service is still successfully functioning on any device such as a computer, tablet, smart phone or iPhone.

The process of authorization on the portal was maximally simplified. The following functions were added in the personal account: connecting and disconnecting additional services in one click, viewing extended information of offers and descriptions of tariff plans.

Several innovations were introduced in the corporate sector. Now, along with traditional communication channels such as B2B Contact Center and Corporate Sales Centers, customers can receive high-quality services through the ISMET.KZ business portal in the "Write us" section and the Whatsapp Business Account (WABA) messenger.

In addition, NPS digital monitoring was introduced on the ISMET.KZ portal, providing the possibility of interacting with customers without unnecessary surveys and paperwork.

Moreover, an electronic document management service was implemented on the ISMET.KZ portal for SME representatives. Now, users of the platform can issue 14 types of service applications to receive Kazakhtelecom services and 2 types of service applications for FDO services. To improve the quality of online services, the Company introduced the functionality of signing an agreement, receiving work completion certificates, reconciliation statements and electronic invoices, details of telephone calls and Internet traffic, as well as connecting to new services of Kazakhtelecom.

For new users of labeling services, a separate section was developed on the portal and a convenient catalogue of scanners and equipment with the possibility of ordering and registering in the system was presented.

To develop a digital sales channel, a complete process of ordering Unibox packages was automated. Using this process, customers can choose the required package, configure the service parameters in the selected package and pass a preliminary check of the technical feasibility at the address of connection, sign an order form and a contract using an EDS by sending it for execution to perform installation works.

### Development of the data center networks



The year 2020 became strategically important and productive for Kazakhtelecom JSC. The Company expanded its development horizons and strengthened its position as a leading player in the information storage market, having the largest network of data processing centers in the Republic of Kazakhstan and thereby providing customers with new opportunities for storing and processing large amounts of data.

One of the strategically important directions of the Company's work in the past year was the completion of construction of a modular data processing center in Almaty, the commissioning of which is scheduled for the first quarter of 2021. Due to implementation of the project "Development of a telecommunications network control center

at the regional level" in 2020, the Company completed the construction and put into operation another 9 specialized data centers in various cities of the country. Thus, at present, the Company's data center network consists of 25 Tier III and Tier II data processing centers. Today, the capacity utilization of the Data Processing Center, considering the confirmed reserve, is 93%.

As for revenues in commercial data centers, it can be noted that revenues received from services based on the data processing centers over the past 10 years amounted to KZT 71.6 billion, including direct income – KZT 48.4 billion and indirect income – KZT 23.2 billion.

At the same time, it is expected that revenues from the project activities of Kazakhtelecom JSC using the data processing center infrastructure will amount to KZT 9.3 billion in 2021, including such projects as "Labeling and traceability of goods", video surveillance, FDO, "Smart House", Blockchain (CDN) and IoT.

### Digital IT architecture, transition to CRM 2.0 system and omnichannel service model



When carrying out its activities, Kazakhtelecom JSC pays great attention to the optimization of internal processes.

Thanks to the implementation of the large-scale project "Placement of information systems in a virtual environment", the Company has significantly reduced equipment costs and optimized about 60% of outdated equipment. As a result, the number of containment areas intended for corporate information systems has decreased from 23 to 2. These are data processing centers in Nur-Sultan and Almaty.

The project implemented to centralize all information systems of Kazakhtelecom JSC made it possible to increase the flexibility of management and fault

tolerance of equipment, as well as to retain only information system users in the Company's branches.

Another important result of the digital transformation was the transition to a micro-service IT architecture. The changes and transition to the digital architecture were based on the recommendations of the international non-profit organization TeleManagement Forum (TM Forum), which united almost all global telecommunications companies such as communication operators, providers, system integrators, hardware and software suppliers. Today, these are 775 companies from 195 countries.

The application of the TM Forum methodology and standards allows the Company to improve business efficiency through the optimization of business processes, as well as to make a transition to a more efficient IT architecture by transferring the entire IT landscape of the Company, including equipment, software and information systems, into a single ABACUS system. This system is a software package designed to model



the Company's IT architecture. Today, all changes made to the IT environment of Kazakhtelecom JSC are displayed online in the ABACUS system. Thus, the centralized and continuous development of the digital architecture simplifies the interaction both within the Company and between the Company and customers, providing the development of new digital service channels.

In addition, to ensure the convenience and improvement of business processes, the Company is completing a full-fledged transition to the CRM 2.0 system from the resource model to the product one.

The implementation of the CRM 2.0 system allows solving strategically important tasks of the Company, improving the quality of customer service and providing an individual approach in working with customers, taking into account the customer needs for services provided by Kazakhtelecom JSC.

As part of the omnichannel model implemented in the Company, all customer requests are automatically entered into the CRM 2.0 system. This functionality has

allowed the Company to achieve a transparent business process of service, starting from receiving the customer request to the moment of rendering services.

At the end of last year, the Company improved the processing schemes and methods for creating orders in the CRM 2.0 system, as well as significantly increased the quality of customer data verification. To date, the Company is carrying out work on the systematic migration of telephone numbers in the E1 stream and has introduced automated recalculation under annual contracts.

In addition, as part of the Big Data project, several machine learning models have been formed to solve internal problems: predicative models for proactive management of subscriber churns, analysis of the most popular product offers and products. These models designed to test hypotheses allows the Company to create new product offers and anticipate customer needs. The main goal of Kazakhtelecom JSC when working with Big Data is to strive to ensure better understanding of requests and the highest quality of customer service.

## Infrastructure and network development

In 2020, in the framework of investment projects for technical development and support of telecommunication networks, Kazakhtelecom JSC continued its work in the following main areas of telecommunication networks development:

- backbone and zonal transport networks;
- backbone data transmission network;
- broadband access networks;
- switching networks.

### Transport network



- The total capacity of external Internet channels was increased from 1,200 Gbps to 1,580 Gbps;
- The installed capacity of the DWDM backbone network equipment was expanded: by 400 Gbps to expand border crossings; by 11\*100GE to provide traffic transmission of the backbone data transmission network.
- The throughput of the backbone and zonal networks was increased by a total of 200 Gbs at the following

sections: Taraz – Moyinkum, Atyrau – Miyaly, Atyrau – Inder, Uralsk – Konekketken, Pavlodar – Kachiry, Pavlodar – Koktobe, Semey – Karaul, Oskemen – Akzhar, Kokshetau – Stepnyak, Kokshetau – Nur-Sultan, Nur-Sultan main distribution station – Shortandy, Almaty – Uzynagash, Usharal – Saudakent, Zhanatas – Karatau, Pavlodar – Uspenka, Pavlodar – Irtyshsk, Kostanay – Uzunkol, Kostanay – Sarykol, Kostanay – Denissovka.

### Data transmission network



- The backbone data transmission network was expanded by adding 55 100G ports, 30 40G ports and 275 10G ports.
- As part of the migration process, 31% of the access level equipment was transferred to the SDN network in Almaty.
- The construction of SDN networks in Aktau and Uralsk was completed.

- The port bandwidth of Cache servers was increased from 1,680 Gbps to 2,250 Gbps (from 1,443.4 Gbps to 1,954.4 Gbps for server equipment bandwidth).
- The modernization of the ASBR equipment in Aktobe was completed.
- The bandwidth of the LESS system was expanded by adding 100\*10G and 6\*100G ports.
- Data transmission networks of all regional centers were connected to the centralized management system of telecommunication networks.

### Access network



- The optical access networks of East Kazakhstan, Zhambyl, Kostanay, Pavlodar, Turkestan regions and Almaty city were expanded to cover 192

- apartment buildings, 1,607 cottages and 226 state institutions/budget organizations/legal entities.
- Optical access was provided for 560 corporate clients.
- A total of 2,505 state institutions/budget organizations were connected to the network in 837 rural settlements.
- 584 base stations were installed in rural settlements to provide broadband access services.

### Switching networks



58,647 subscribers were switched from the TDM network to the NGN network.

ALDEs (automatic long-distance exchange) in Kostanay were taken out of operation; the ALDE function in Semey was transferred to SSW of Ust-Kamenogorsk.

Optimization of SSW C-20 was carried out by combining regional SSW, due to which the number of SSW C20 was halved.

141 switching systems were certified in accordance with the requirements of the Law Enforcement Support System (LESS).

A significant part of international traffic from/to the Rostelecom operator (RF), including transit traffic, was switched to the NGN network.

The points of connection of inter-operator interaction networks for cellular communication operators of the Republic of Kazakhstan were changed from ALDE (TDM) to regional SSW.

### Centralization of network management



- The formation of the second line of the customer technical support system was completed, including

the centralization of customer service functions of Kazakhtelecom JSC, and the Help Desk staff of the RTD Technical management of the backbone network was centralized.

- The integration of the customer technical support system with the subscriber line measurement, analysis and diagnostics system was completed.

### Major project implementation outcomes



*Project “Providing rural settlements of the Republic of Kazakhstan with broadband access using the FOCL technology”*

As part of the Project, 14,380 km of fiber-optic communication lines were built to provide connection of 2,505 state institutions/budget organizations in 837 rural settlements in 14 regions of the Republic of Kazakhstan.

*Project “Providing broadband mobile Internet for rural settlements with a population of 250 people or more”*

As part of the project, mobile operators of Kazakhtelecom JSC – Kcell JSC and Mobile Telecom-Service LLP, with the participation of the mobile operator KaR-Tel LLP, created an infrastructure providing access to high-speed Internet in villages with a population of 250

people and more. The mobile network was built based on the RAN Sharing model (shared used of the radio access network) for three mobile operators using the MOCN (Multi-Operator Core Network) communication scheme. As part of the project, mobile operators of Kazakhtelecom JSC installed 583 base stations in rural settlements to provide broadband access services.

*“Construction of an optical distribution network for corporate clients in regional centers, Almaty and Nur-Sultan cities”*

The project is being implemented in order to improve the quality of services provided and increase the speed of data transmission, as well as to maintain the Company's leading positions in the segment of providing broadband services for large corporate clients and government agencies (B2B, B2G). As part of the project, fiber-optic communication lines were built to ensure switching to optical networks for 10,465 B2B and B2G customers in Almaty, Nur-Sultan and in regional centers of the Republic of Kazakhstan.

FINANCIAL PERFORMANCE

By the end of 2020, the performance results of Kazakhtelecom JSC were as follows:

- the number of fixed lines in the network of Kazakhtelecom JSC amounted to 2,893,529, or 102% to the actual result of 2019;
- the number of broadband subscribers amounted to 1,833,192, or 107% to the actual result of 2019;
- the number of Pay TV subscribers amounted to 863,881, or 112% to the actual result of 2019, including 746,371 iD TV points;
- the number of mobile communication subscribers amounted to 14,787,566, or 95% to the actual result of 2019.

The consolidated income from the sale of services across Kazakhtelecom JSC Group amounted to KZT 527,330 million.

The consolidated net profit amounted to KZT 65,263 million.

Earnings before interest, taxes, depreciation and amortization, EBITDA is 15% higher than the target figure. As a result, EBITDA at the end of 2020 amounted to KZT 246,337 million against the target figure of KZT 213,849 million.

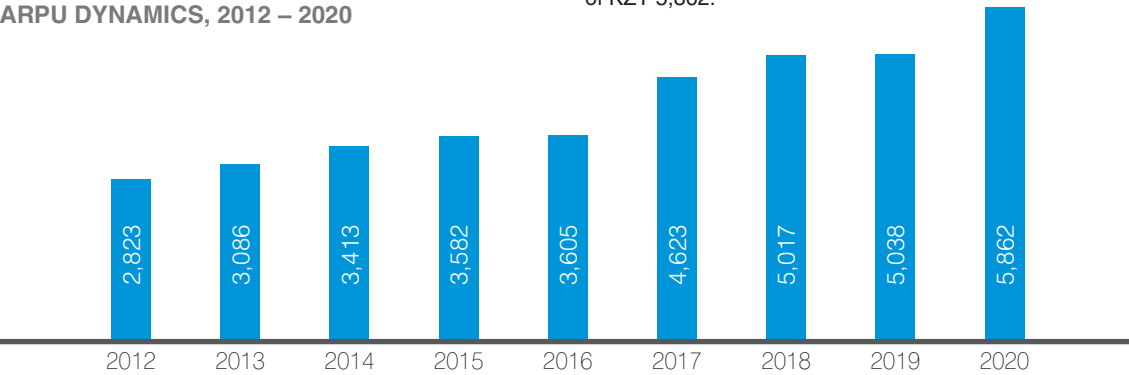
The EBITDA margin level of 46.7% exceeded the planned figure by 4.0% due to the implementation of a strategy aimed at improving the operational efficiency and optimizing costs.

The consolidated operating expenses across Kazakhtelecom JSC Group in the reporting period amounted to KZT 389,104 million.

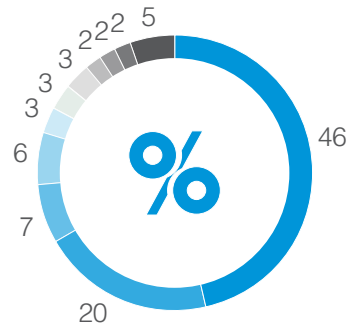
The volume of capital expenditures across Kazakhtelecom JSC Group in 2020 amounted to KZT 113,83 million, or 156% to the actual figure of the previous year.

ARPU (average revenue per user) reached the level of KZT 5,862.

ARPU DYNAMICS, 2012 – 2020

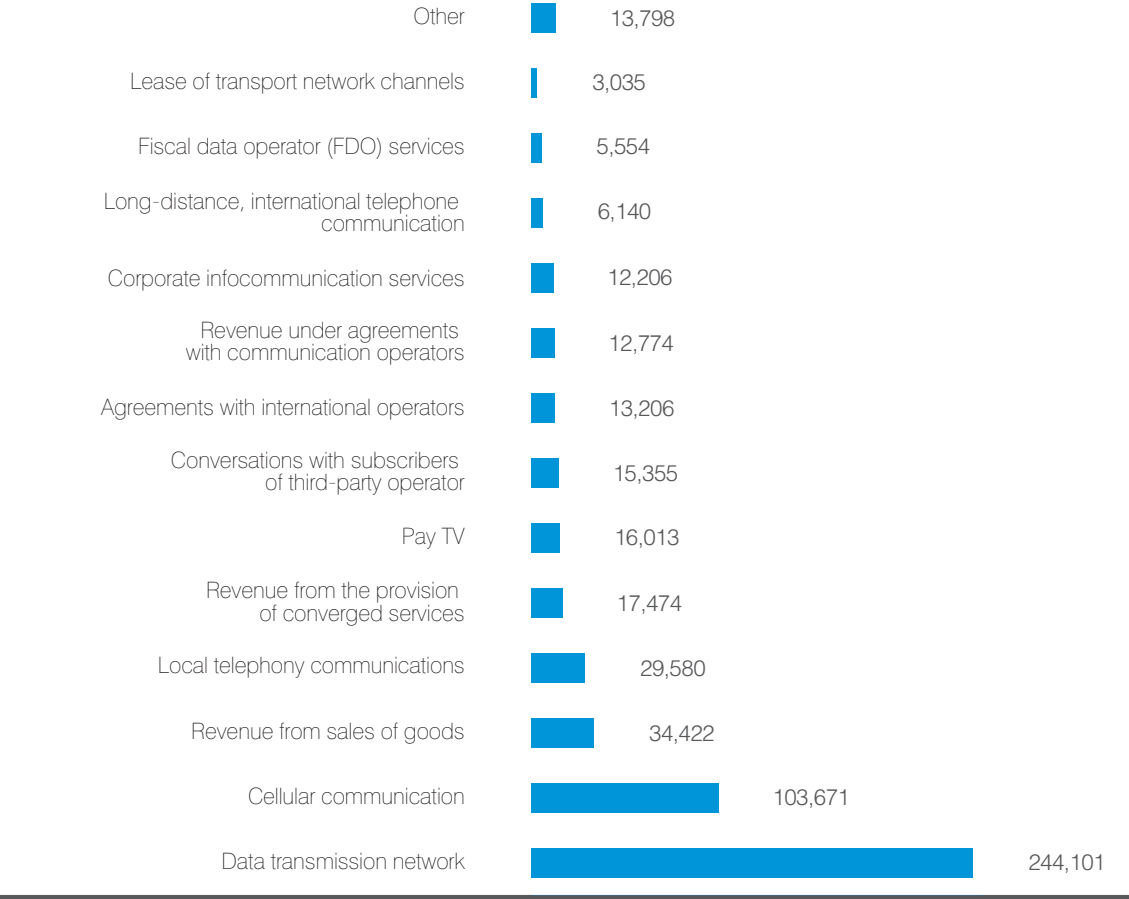


REVENUE STRUCTURE ACROSS KAZAKHTELECOM JSC GROUP

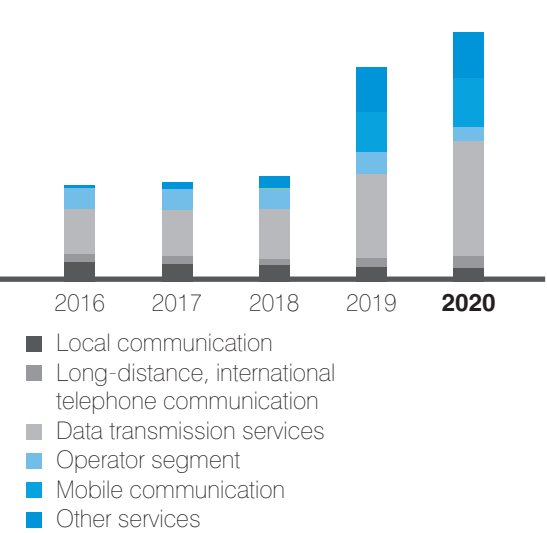


- Data transmission network
- Cellular communication
- Revenue from sales of goods
- Local telephony communications
- Revenue from the provision of converged services (FMS/FMC)
- Pay TV
- Conversations with subscribers of third-party operator, including cellular communication operators
- Agreements with international operators
- Revenue under agreements with communication operators connected to the network of Kazakhtelecom JSC
- Corporate infocommunication services
- Other

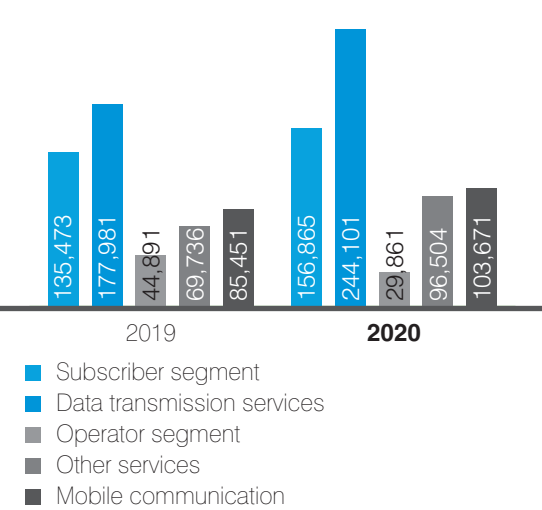
REVENUE FROM SALES OF SERVICES ACROSS KAZAKHTELECOM JSC GROUP FOR 2020, KZT MILLION



DYNAMICS OF THE MOST SIGNIFICANT REVENUE ITEMS OVER 5 YEARS, KZT MILLION



CHANGES IN THE REVENUE STRUCTURE IN 2020 RELATIVE TO 2019, KZT MILLION







## FINANCIAL POSITION OVERVIEW

The Company's assets in 2020 increased by 3% to KZT 1.1 trillion.

Non-current assets decreased by 1% and at the end of the year amounted to KZT 929.4 billion. The decrease was mainly due to a 13% reduction in right-of-use assets, which at the end of the year amounted to KZT 79.7 billion. 50% of non-current assets are accounted for fixed assets, which by the end of the year grew by 6%.

Current assets at the end of 2020 increased by 23% and reached the level of KZT 186 billion. Their share in assets was 17%. The growth was ensured, first of all, by an increase in cash by 32% to KZT 94.4 billion.

The capital of the Company was formed in the amount of KZT 518.5 billion and increased by 12% by the end of 2020. The share of capital in assets was 46%, indicating a fairly stable financial position of the Company.

Liabilities at the end of 2020 amounted to KZT 596.9 billion, having decreased by 4% compared to the level of 2019. The structure of liabilities is as follows: 72% are long-term liabilities and 28% are short-term liabilities.

Long-term liabilities by the end of the year decreased by 10%, or by KZT 45.9 billion. The decrease was

affected by a decline in the long-term loans (by 7%, or KZT 22.8 billion) and the long-term lease liabilities (by 27%, or KZT 15.3 billion).

Short-term liabilities increased by 13%, or by KZT 20 billion. The growth was provided, first of all, by an increase in the short-term loans by 62%, or 17.6 KZT billion.

**1.1** The company  
assets in 2020  
**KZT TRILLION**

At the end of 2020, loans of the Company increased by 13% and amounted to KZT 181.45 billion. The key creditors are Halyk Bank of Kazakhstan JSC and Development Bank of Kazakhstan JSC. Financing is provided the framework of open credit facilities

In 2020, the issue of debt bonds decreased by 13% and amounted to KZT 180.95 billion. During the year, the Company repurchased ahead of time the parent company's local bonds with maturity until November 1, 2024 in the amount of KZT 25 billion.

## KEY INDICATORS OF THE STATEMENT OF FINANCIAL POSITION, KZT MILLION

Indicator	2020	2019	2018
Assets	1,115,426	1,086,020	823,363
Non-current assets	929,390	935,291	692,836
Property, plant and equipment	463,047	438,122	347,701
Right-of-use assets	79,694	92,097	74,791
Intangible assets	217,354	231,114	121,476
Goodwill	152,402	152,402	56,196
Other non-current assets	16,892	21,555	92,671
Current assets	186,036	150,728	130,527
Inventories	15,490	10,565	8,402
Trade receivables	34,712	37,256	52,173
Cash and cash equivalents	94,429	71,322	45,350
Other current assets	41,406	31,585	24,601
Capital	518,540	463,398	414,877
Long-term liabilities	427,409	473,275	245,507
Long-term loans	316,291	339,138	135,838
Long-term lease liabilities	42,461	57,781	45,323
Deferred tax liabilities	37,293	43,608	40,862
Employee payroll liabilities	16,265	16,316	14,471
Other long-term liabilities	15,098	16,431	9,012
Short-term liabilities	169,477	149,346	162,978
Short-term loans	46,111	28,478	57,614
Short-term lease liabilities	16,649	15,435	10,875
Other short-term financial liabilities	21,158	22,239	18,854
Trade payables	54,866	58,633	42,024
Short-term contractual liabilities	18,590	18,972	9,142
Other short-term liabilities	12,103	5,590	24,469

## PROCUREMENT PRACTICES

The procurement processes are managed in accordance with the regulatory documents issued by an authorized body in charge of procurement of Samruk-Kazyna JSC and internal regulations of the Company. An electronic procurement information system is a tool used to manage the procurement processes of the Fund.

The procurement system is developed at the level of the Fund. Strategies for categorical procurement management are developed jointly with the Fund.

### The Company's principles in the field of procurement:

- cost minimization;
- timely provision of necessary goods, works and services of the required quality;
- publicity and transparency of the procurement process;
- control and responsibility for the decisions made.

To increase the local content in the purchased goods, a local project office for import substitution was created on the basis of Telecom-Komplekt Directorate to work with the instructions of authorized bodies in charge of procurement and import substitution and the Central Project Office of Samruk-Kazyna JSC. The authorized body in charge of procurement of the Fund annually sets target KPIs to increase the share of local content in purchased goods, works and services.

In 2020, a total of 5,065 purchases were made. 7,366 contracts were concluded with 2,328 suppliers for the amount of KZT 91.9 billion, including:

- for intercompany cooperatives – KZT 1,260 billion;
- single source procurement – KZT 37,062 billion;
- tender through competitive negotiations – KZT 5,613 billion;
- request for price quotation – KZT 2,906 billion;
- open tender/open reversed auction – KZT 45,058 billion.

In 2020, the Company continued to conclude and support previously concluded long-term contracts for a total amount of KZT 4,697 billion.

The share of local content in procurement in 2020 was 44.03%, including 25.5% in goods and 85.6% in works/services.

The appraisal and audit of suppliers for compliance with social and environmental criteria is carried out by the Fund. In 2020, to qualify suppliers, Telecom-Komplekt Directorate sent a list of GWS categories to be included in the GWS nomenclature purchased from pre-qualified suppliers.

One of the strategic directions of development of Telecom-Komplekt Directorate is the optimization of administrative functions and revision of business processes. In 2020, the procurement function of Telecom-Komplekt business unit was centralized with a focus on the procurement of the Group of Companies including the mobile operators Kcell JSC and Mobile Telecom-Service LLP.

**5,065** in 2020  
were made  
**PURCHASES**

A testing laboratory was established in 2019. The testing laboratory is a structural division of Telecom-Komplekt Directorate designed to test products in the declared area of accreditation and perform incoming control of cable and wire products, patch cords, splitters, accumulator batteries. The accreditation certificate No. KZ.T.02.2382 was received on September 30, 2020.

The activities of the laboratory are provided by highly qualified experts, who perform about 60 different checks and provide test reports. The laboratory has a NCA certificate, which confirms the maximum reliability of the tests carried out. In 2020, as a result of the laboratory activities, the receipt of low-quality products in the amount of KZT 82 million was prevented, which is 39% more than in 2019. Today, the issue of providing laboratory services to the market is being addressed.







# SUSTAINABLE DEVELOP MENT REPORT

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*To support the Company's employees during the quarantine period, the #TelecomOnPositive campaign was launched. As part of this campaign, the "Warm up with your colleagues" mailing was carried out to connect to the online broadcast of morning exercises held by employees of different branches*





# SUSTAINABLE DEVELOPMENT

## Management of sustainable development

Activities of Kazakhtelecom JSC in the field of sustainable development are based on the principle of responsible business conduct and innovative potential, which opens new opportunities for economic growth, environmental and social well-being.

The Company implements the Sustainable Development Guidelines of Kazakhtelecom JSC. The Guidelines are a fundamental document developed to improve the Company's activities in the field of sustainable development.

In accordance with the Guidelines, the Board of Directors and the Human Resources, Remuneration and Social Issues Committee exercise strategic management and control over the implementation of the sustainable development system in the Company.

The Chairman of the Management Board and General Directors of the Company's branches are responsible for control, timely implementation of the Program of sustainable development initiatives, as well as for the implementation of principles of sustainable development, and reliable disclosure of information.

The Managing Director of the Company, who supervises the area of sustainable development, ensures coordination of activities in the field of sustainable development.

The Company has a special unit responsible for sustainable development. This unit conducts

a full-scale revision of existing policies, procedures and internal controls of the Company, and legal requirements in the field of sustainable development. The special unit identifies risks in the field of sustainable development and takes measures to manage them. The special unit also provides liaison with local communities regarding project implementation. Within the framework of its competence, it is responsible for the disclosure of information on sustainable development.

The Compliance Controller/Chief Compliance Officer is responsible for the internal communication process regarding the ethical principles. The Head of the Public Relations Service provides external communications, including public relations.

### The principles of sustainable development are implemented at three levels:

- **Strategic integration** – the principles of sustainable development are integrated into the Strategy (mission, values and strategic goals).
- **Operational integration** – all corporate decisions are made by the Company's management based on the criteria of compliance with the principles and goals in the field of sustainable development.
- **Cultural integration** is implemented within the framework of training, posting articles on the corporate website of the Company, as well as within the framework of the Code of Conduct.

## Sustainable development strategy

We are working to integrate the principles of sustainable development into all our business processes and strive to build mutually beneficial relationships with all stakeholders. Sustainable development issues are integrated into the Company's Strategy, form its integral part and a platform to build Kazakhtelecom's business in the long term.

### Our approach to sustainable development:

- **Introduction of innovative infocommunication technologies and improving the quality of services provided to improve people's lives.** Our products and services play a key role in the daily life, work and building of business of millions of Kazakhstan citizens across the country. Their expectations are in the center of everything we do.

- **Stable economic growth.** We strive to create value for all stakeholders based on the long-term planning horizon.
- **Reducing the environmental impact.** In areas where the Company has an impact on the environment, we are committed to reduce the negative impact and work to increase our contribution to global initiatives.
- **Creating favourable working environment and ensuring the safety of our employees.** Our business performance and our clients' expertise depend on our ability to attract, develop, and retain talented people at all levels. As a major employer, we also understand that HR policy is an important contribution of the Company to the life of society.



We believe that Kazakhtelecom plays an important role in the development of society and the country. Our strategy of sustainable business development reflects our intention to make the greatest contribution in those

areas of environmental protection, community support and economic development in which the Company has a greater influence and ability to influence.

## ESG PRIORITY AREAS

Environment	Society	Governance
Reducing consumption of natural resources Energy efficiency	Personnel training and development Increasing the level of personnel involvement Ensuring occupational health and safety Reducing the digital inequality	Shareholder rights Best corporate governance practices Fair remuneration



## Environment

The telecommunications sector does not pollute the environment, however, as a responsible company, Kazakhtelecom pays attention to environmental protection and mitigation of its impact in the regions where it operates.

In 2020, a Plan for the achievement of long-term environmental management goals for 2020–2030 was developed and approved. The Plan includes activities and initiatives to provide energy efficiency, waste management and the formation of environmental awareness among the Company's employees.

One of the main resources consumed by the Company is electricity. This is an area where we see an opportunity to make the greatest contribution to environmental protection and control of climate change.

In addition, in an effort to reduce the consumption of energy resources, the Company switches its vehicles to a more environmentally friendly type of fuel. Today, about 30% of vehicles have already been switched to gas.



**KPI**  
"REDUCING THE CONSUMPTION OF ENERGY AND NATURAL RESOURCES"



**2030 GOAL:**  
REDUCING ELECTRICITY CONSUMPTION BY 1–3% PER YEAR



**IN 2020:**  
ELECTRICITY CONSUMPTION DECREASED BY 2%

## Society

Kazakhtelecom is both a leading telecommunications provider in Kazakhstan and a major employer that creates jobs throughout the country. We are aware of our impact on the quality of life of our employees and residents in the regions where our Company operates.

The Company strives to improve the well-being of its employees. To determine the level of involvement, the social stability rating (index) is studied annually, and measures are taken to increase it.

To ensure occupational health and safety, an annual zero injury plan is implemented. The report on the implementation of the plan is reviewed by the Board of Directors on a quarterly basis.

In an effort to contribute to the development of society, Kazakhtelecom implements projects that improve the quality of people's life and reduce the digital inequality. One example is the project "Providing rural settlements of the Republic of Kazakhstan with broadband access using the technology of fiber-optic communication lines" (FOCL RS) implemented as part of a public-private partnership.



**KPI**  
"SOCIAL STABILITY INDEX"



**2030 GOAL:**  
MAINTAINING AT 64–79%



**IN 2020:**  
78%



**KPI**  
"ZERO INJURY"



**2030 GOAL:**  
0% OF ACCIDENTS



**IN 2020:**  
0.025%

## Corporate governance

The quality of corporate governance in the Company directly affects the success of implementing the organization's strategy and the effectiveness and efficiency of sustainable development initiatives.

Kazakhtelecom builds and maintains an effective corporate governance system in accordance with all requirements

and international best practices and strives to consider the interests of a wide range of stakeholders.

The Company has approved and implements the Action Plan to improve corporate governance for 2019–2021. The diagnostics of the corporate governance system is carried out by an independent organization once every three years.



**KPI**  
"CORPORATE GOVERNANCE RATING"



**2030 GOAL:**  
MAINTAINING THE "AA" LEVEL



**IN 2020:**  
BBB+

## Risk-oriented approach to sustainable development

In the modern world, the activities of any company are associated with risks in the field of sustainable development. Environmental impact, personnel, occupational health and safety, engagement with the local population, and social issues – all these factors have a direct impact on the long-term financial performance and sustainable development of a company.

Our Company analyses key opportunities and risks in the context of sustainable development components and studies best practices to reduce a negative environmental impact, and social aspects. In 2020, the COVID-19 pandemic was also among the current threats of great importance. The impact of ESG factors for both internal and external stakeholders was considered in detail.



## KEY IMPACTS, RISKS AND OPPORTUNITIES (SWOT ANALYSIS) OF KAZAKHTELECOM JSC IN THE FIELD OF SUSTAINABLE DEVELOPMENT

### STRENGTHS

#### Economic aspect

- Innovation and technological progress;
- Local economic growth.

#### Social aspect

- Dynamic development of society;
- Growth of urbanization.

#### Environmental aspect

- Increasing the importance of issues of environmental pollution and natural resources depletion.

### OPPORTUNITIES

#### Economic aspect

- Increasing the percentage of market coverage;
- Development of new technologies for business and the state;
- Growing demand for ICT services due to the pandemic.

#### Social aspect

- “Smart city” technology solutions;
- Advantages of using cloud storage technologies for the population;
- Improving the level of education and medicine through ICT technologies.

#### Environmental aspect

- Implementation of the principles of sustainable development;
- Greening of industries.

### WEAKNESSES

#### Economic aspect

- Slowdown in global economic growth;
- Potential for political instability;
- Possible economic crisis associated with the pandemic.

#### Social aspect

- Growing dissatisfaction among people due to technological problems in providing ICT services;
- Increasing competition.

#### Environmental aspect

- Depletion of natural resources;
- Climate change;
- Environmental pollution.
- Global growth in consumption.

### RISKS

#### Economic aspect

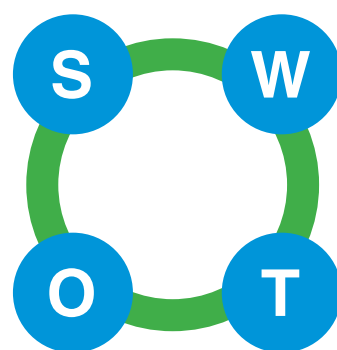
- Changes in the state management structure;
- Political tensions, cyber attacks.

#### Social aspect

- Pandemics;
- Social vulnerability issues related to strikes.

#### Environmental aspect

- Growth of local environmental problems;
- More stringent environmental regulations.



## Program of implementing sustainable development initiatives

Implementation of sustainable development initiatives is one of the main tools used to integrate the principles of sustainable development into the activities of companies. Our Company, as a leader in the telecommunications industry, understands the importance of environmental and social aspects, therefore, when defining the sustainable development initiatives, the Company considered a wide range of noteworthy topics, including its development strategy and business model, significant issues of sustainable development of the Company and stakeholders.

### The Company has identified the following sustainability development initiatives:

1. Ensuring economic efficiency and financial stability.
2. Increasing the efficiency of the corporate governance system.
3. Increasing the efficiency through the Digital Transformation program.
4. Improving human resources as part of their contribution to sustainable development.
5. High ethical standards and anti-corruption.
6. Socially responsible partnership.
7. Reducing injuries and improving the safe work culture.
8. Reducing the Company's environmental impact.

In 2020, the implementation of the 2019–2020 Sustainable Development Initiatives Program was completed.





## REPORT ON THE IMPLEMENTATION OF THE SUSTAINABLE DEVELOPMENT INITIATIVES PROGRAM FOR 2020

CATEGORY	SUSTAINABLE DEVELOPMENT INITIATIVE	ACTIVITY		PROGRESS REPORT
ECONOMIC SPHERE	ENSURING ECONOMIC EFFICIENCY AND FINANCIAL STABILITY	Increase in revenues		According to the audited financial statements for 2020, the consolidated revenues from the sale of services across Kazakhtelecom JSC amounted to KZT 527.3 billion. The plan fulfilment is 106%.
		Cost reduction		According to the audited financial statements for 2020, the consolidated operating expenses across Kazakhtelecom JSC amounted to KZT 389.1 billion. The plan fulfilment is 99%.
		Include in the investment policy the principles of implementing “green investments” for the main activities of the Company on a long-term basis.		The policy on managing the full cycle of investment activities of Kazakhtelecom JSC Group was approved by the resolution of the Board of Directors on December 14, 2020.
		Conduct corporate training in the key aspects of sustainable development at all levels (including branches and subsidiaries) to ensure a contribution to sustainable development. Providing methodological support on sustainable development issues for divisions and employees of the Company.		In 2019–2020, webinars on the sustainable development issues were held for employees of branches and subsidiaries.
		Approve a comprehensive plan to move the Company into the green zone of credit risk, which should be in line with the updated Development Strategy.		The plan to move the Company into the “green” zone of credit risk complied with the updated Development Strategy was developed and approved by the Board of Directors of Kazakhtelecom JSC on November 13, 2019.
	INCREASING THE EFFICIENCY OF THE CORPORATE GOVERNANCE SYSTEM	Determine and approve KPIs in the field of sustainable development for the Company’s management.		The following KPIs were established: for General Director of the Service Factory, a branch of Kazakhtelecom JSC – “Reducing the consumption of energy and fuel resources”, for the HR Department – “Social stability index”, for the Head of the OSH service – “Implementation of the action plan to ensure zero injuries”.
		Ensuring risk-based sustainable development		In Q4 of 2020, the Internal Audit Service assessed the effectiveness of the corporate risk management and internal control systems of Kazakhtelecom JSC and assigned the overall rating 5 (A).
		Keeping a rating of effectiveness of the internal control system		In accordance with the letter from the Fund, the independent assessment of corporate governance of Kazakhtelecom JSC scheduled for 2020 was postponed to 2021.
	INCREASING THE EFFICIENCY THROUGH THE DIGITAL TRANSFORMATION PROGRAM	Digitalization of promotion, sales and customer service channels		In 2020, remote service channels such as open digital platform ISMET, WABA were expanded. Currently, B2B customers can receive the basic range of services in a digital format. Since the date of introduction, the WABA channel has received more than 27 thousand applications and “pulled” 12% of the voice traffic of B2B call center and has become the most popular digital channel for B2B customers.
		Ensuring effective customer interaction and improving customer experience		Monitoring of the loyalty indicator is carried out on an ongoing basis. Based on the monitoring results, the main problem areas are determined and addressed in the course of proactive work to improve the parameters of the quality of services and maintenance. The actual NPS level in the corporate B2B segment at the end of 2020 was 21.2%. In 2020, the process of conducting surveys of corporate clients to measure the level of NPS loyalty was digitized.
		Development of the product portfolio and digital platforms		<b>B2B</b> In 2020, customer traffic was redirected from the “For business” section of the telecom.kz portal to the new catalog of telecommunications services on the ISMET.KZ website. The digital ISMET.KZ platform was opened. This is a business platform where modern IT solutions for entrepreneurs, state support measures and training materials are collected. The platform provides Internet, telephony and TV services specifically for legal entities and individual entrepreneurs. Cloud data centers and servers are offered for rent for businesses of any scale. <b>B2C</b> Indicators for new products: Average number of services per subscriber – 0.50 pcs., Share of revenue from new services (excluding subsidies) – 1.25%, Number of communication lines at the end of 2020 – 2,481,532, Number of new services at the end of 2020 – 1,243,393, Income from new services – KZT 1,280,029.7 thousand.

CATEGORY	SUSTAINABLE DEVELOPMENT INITIATIVE	ACTIVITY	PROGRESS REPORT
SOCIAL SPHERE	IMPROVING HUMAN RESOURCES AS PART OF THEIR CONTRIBUTION TO SUSTAINABLE DEVELOPMENT	Employee training	The average annual number of training hours per employee in 2020 was 49.85 hours.
		Creation of the IT Academy	As part of supporting the implementation of strategic initiatives for digital transformation, work was carried out to form a training program for the development of employees' IT skills. 53 job profiles were formed for employees of the IT Department, 10 training programs were held for 30 employees of the Information System Directorate.
		Creation of the Financial Academy	As well as 24 trainings were held for 266 employees of the Central Office and CSC.
		Implementation of VR technologies	Virtual reality (VR) equipment was installed and tested in December 2019. The VR training program (software) was installed for Kazakhtelecom JSC on personal computers and included three training modules. Scripts for four OHS courses were developed in collaboration with experts.
		Improve a comprehensive and regular process of employee performance assessment	In 2020, the revised Rules for employee performance assessment of Kazakhtelecom JSC were approved.
	HIGH ETHICAL STANDARDS AND ANTI-CORRUPTION	Conducting employee training in the content of the Code of Business Conduct	A game tournament "Ethics of Conduct" was held, the participants of which were given the opportunity to study internal policies and the Code of Business Conduct on a voluntary basis in the form of a specially developed online game with subsequent testing and determination of the winner. This game attracted more than 1,500 interested employees. Based on the results of the game, the winners were awarded valuable prizes.
		Conduct compliance trainings for employees to highlight the provisions of anti-corruption legislation in the class-room and/or online format.	In order to form a compliance culture and raise the awareness in the field of anti-corruption, the Company held seminars and a webinar on the topic "Presentation of New Anti-Corruption Policies". The Company introduced an annual distance learning course for employees on the topic "Combating corruption, unethical/illegal actions and settlement of conflicts of interest in Kazakhtelecom JSC". More information on anti-corruption measures taken in 2020 is available in the corresponding section of this annual report.
		Update the Anti-Corruption Policy, the Conflict of Interests Policy, the Policy on Notification of Suspected Unethical/Illegal Actions in Kazakhtelecom JSC, and the Code of Business Conduct.	The Anti-Corruption Policy, the Conflict of Interests Policy and the Policy on Notification of Suspected Unethical/Illegal Actions were approved by the Board of Directors in 2019. In 2020, the Anti-Corruption Policy in Kazakhtelecom JSC, the Regulation on the Compliance Service and the Code of Business Conduct of Kazakhtelecom JSC were updated by adding the following chapters: Giving and Accepting Gifts, Social Orientation, Insider Information and Securities Transactions.
		Introduce an anti-corruption clause in standard contracts that provide for obligations to comply with the legislation of the Republic of Kazakhstan on anti-corruption issues, as well as inform the customer about any alleged and actual violations of anti-corruption laws.	Contracts concluded by the Company with suppliers and business partners were amended. According to such amendments, suppliers and business partners shall take obligations to comply with the anti-corruption legislation of the Republic of Kazakhstan and provide the Company with the opportunity to audit financial and economic documentation related to contracts.
	SOCIALLY RESPONSIBLE PARTNERSHIP	PRO-Action Plan project. Monitoring of the social stability rating, identifying areas for development, creation of the action plan, implementation of activities.	The overall indicator of social stability in Kazakhtelecom JSC for 2020 was 78%. The cumulative SRS value (new methodology) includes 3 indices: Engagement Index, Social Well-Being Index and Social Peace Index. The Action Plan for work on alarm zones was approved. In pursuance of the Action Plan, in order to discuss socially significant issues and problem situations, meetings of General Directors of branches with labor collectives in the format of online conferences are held a monthly basis and with the heads of structural divisions on a weekly basis.
		Social Adaptation project. The initiative is aimed at promoting the employment of redundant employees to optimize staffing/headcount. Revise and approve the Action Plan to promote the employment of redundant employees.	The Program of Assistance to Employment of Released Employees in Kazakhtelecom JSC was approved for 2019–2021. In accordance with this Program, the redundant personnel are hired in the Company and through the Regional Employment Centers. Information and advisory work is carried out with the redundant personnel to relieve social and psychological stress. A training course was developed and implemented based on the Infocommunication Technologies Academy Directorate to render assistance to redundant employees (webinars).
	REDUCING INJURIES AND IMPROVING SAFETY CULTURE	Approve a unified version of the Occupational Health and Safety Policy, considering the requirements of international standards.	The Occupational Health and Safety Policy have been approved by the protocol resolution of the Board of Directors of Kazakhtelecom JSC in March 2020.
		Implementation of the action plan to ensure zero injuries at work.	Completed. Reports on the implementation of the Action Plan are sent to the Board of Directors on a quarterly basis.
		Updating the occupational health and safety standards of Kazakhtelecom JSC to ensure compliance with the legislative regulations of the Republic of Kazakhstan and the requirements of international standards.	The Standard of Kazakhtelecom JSC "Technical Requirements and Specifications for Special Clothing in Kazakhtelecom JSC" CT AO 80429-1/037-2020 was revised and approved. The Standard of Kazakhtelecom JSC "Rules for Conducting Periodic Mandatory Medical Examinations" CT AO 80429-1/039-2020 was developed and approved. The corporate standard of occupational safety CT AO 80429 – 1/033-2019 "Rules for Labor Protection at Radio Facilities of Kazakhtelecom JSC" was updated taking.



CATEGORY	SUSTAINABLE DEVELOPMENT INITIATIVE	ACTIVITY	PROGRESS REPORT
ENVIRONMENTAL SPHERE	REDUCING THE COMPANY'S ENVIRONMENTAL IMPACT	Implementation of LoRA, SDN projects to ensure energy saving/energy efficiency	SDN project was completed in Shymkent, Taldykorgan, Kokshetau and Atyrau. Due to the implementation of SDN project, reduction of energy consumption amounted to 600 W in Shymkent, 15,900 W in Taldykorgan, 650 W in Kokshetau and 9,450 W in Atyrau.  Power consumption per 1 client connection amounted to 0.07 W in Shymkent, 9.1 W in Taldykorgan, 0.55 W in Kokshetau, 8.57 W in Atyrau.  LoRa network of Kazakhtelecom currently covers more than 5 thousand square kilometers and 1.8 mln households. The infrastructure already includes 428 stations in 17 cities across the country.
		Form a Plan/Roadmap to achieve long-term goals of the Company in the field of environmental management	The plan to achieve long-term goals of Kazakhtelecom JSC in the field of environmental management was approved by order No. 132 dated 22.05.2020.
		Transfer of vehicles to gas as a motor fuel	At present, the number of the Company's vehicles transferred to gas is 961 units, which is 29% of the total vehicle fleet.
		Transfer of autonomous heating systems from diesel fuel to gas/central heating	Today, the Company uses autonomous heating systems to heat 257 real estate objects, including: diesel fuel – 129 objects, gas heating – 99 objects and solid fuel – 29 objects.  In 2018, 3 real estate objects were transferred from diesel fuel to gas, in 2019 – 12 objects; in 2020 – 2 objects; in addition, 1 object was transferred from diesel fuel to central heating.

UN sustainable development goals

The participants of the historical UN Summit on Sustainable Development held in September 2015 identified 17 goals and 169 tasks in the field of sustainable development (SDGs), which were set out in the 2030 Agenda for Sustainable Development. The UN member states agreed to strengthen their efforts aimed at solving the most pressing global problems.

Commitment to the principles of sustainable development is one of the strategic priorities of Kazakhtelecom JSC Group. Our Company supports the UN 2030 Agenda for Sustainable Development and adheres to the Sustainable Development Goals adopted by the UN General Assembly in 2015.

The Company strives to make a positive contribution to the achievement of the Sustainable Goals and makes efforts to be transparent in its activities, to communicate more effectively with key stakeholders, to shift the focus to improving the quality of its services, as well as to reduce a negative impact and enhance a positive impact on environmental, social and economic aspects.

Our Company focuses on the achievement of several Goals that are most relevant for the telecommunications industry and the specifics of the Company's activities, as well as the implementation of strategic directions of the Company's development in accordance with the Strategy..

Our Company supports the UN 2030 Agenda for Sustainable Development and adheres to the Sustainable Development Goals adopted by the UN General Assembly in 2015.

KAZAKHTELECOM JSC FOCUSES ON 9 OUT OF 17 GLOBAL SUSTAINABLE DEVELOPMENT GOALS



## CONTRIBUTION OF THE COMPANY IN ACHIEVEMENT OF SDGS

Global Sustainable Development Goals	Contribution of Kazakhtelecom JSC	Projects
 <p><b>Ensuring a comprehensive and equitable high-quality education and promoting life-long learning opportunities for everyone</b></p>	<ul style="list-style-type: none"> <li>The connection of high-speed Internet access was organized for distance learning at schools, including the Kundelik.kz AIS.</li> <li>Implementing training and development programs to improve the professional competence of employees.</li> <li>Implementing external social programs aimed at supporting education in the regions where the Company operates.</li> <li>Interaction with educational institutions with the aim of improving the quality of educational programs and training for further employment.</li> </ul>	<ul style="list-style-type: none"> <li>CDN for online learning</li> <li>PRO telecom</li> <li>Leadership School</li> <li>CREDO</li> <li>Z-telecom</li> <li>ICT Academy, etc.</li> </ul>
 <p><b>Promoting progressive, inclusive and sustainable economic growth, full and productive employment and decent work for everyone</b></p>	<ul style="list-style-type: none"> <li>Providing decent and safe working conditions.</li> <li>Fulfillment of tax obligations.</li> <li>Ensuring equal social guarantees and creating equal opportunities for highly productive work, professional growth and development of each employee's potential.</li> <li>Creation of jobs in the regions where the Company operates.</li> </ul>	<ul style="list-style-type: none"> <li>Code of Business Conduct.</li> <li>HR Policy.</li> <li>Collective Agreement.</li> <li>Health insurance.</li> <li>Grading system, etc.</li> </ul>
 <p><b>Creating resilient infrastructure, promoting inclusive and sustainable industrialization and innovations</b></p>	<ul style="list-style-type: none"> <li>Projects aimed at developing the infrastructure in the regions where the Company operates.</li> <li>Implementing innovative projects for the development of industrialization and infrastructure.</li> <li>Implementing research work.</li> <li>Implementing state programs</li> </ul>	<ul style="list-style-type: none"> <li>Smart Home</li> <li>5G</li> <li>IoT</li> <li>FWA</li> <li>ICT projects (IaaS, SaaS, IT outsourcing, digital transformation)</li> <li>Cloud-based video surveillance</li> <li>Video Analytics</li> <li>E-commerce</li> <li>E-medicine</li> <li>Labeling and Traceability of Goods, etc.</li> <li>DIGITAL KAZAKHSTAN state program</li> </ul>

Global Sustainable Development Goals	Contribution of Kazakhtelecom JSC	Projects
 <p><b>Reducing inequality within and between countries</b></p>	<ul style="list-style-type: none"> <li>Social and charitable projects of the Company.</li> <li>Providing Internet access for low-income children, teachers.</li> <li>Ensuring the continuous provision of public services to the population.</li> <li>Support for sports, culture and art, rendering assistance to educational and medical institutions.</li> </ul>	<ul style="list-style-type: none"> <li>FOCL in RS Qlang Star in Quarantine.</li> <li>The Internet was connected to ensure distance learning for low-income children with the provision of more than 6,800 LTE modems.</li> <li>SIM cards were issued to 18 thousand teachers to organize mobile Internet access.</li> <li>Switching of branches of Government for Citizens NJSC (citizen service centers) to remote working regime.</li> <li>Free access to premium TV channels was organized during the quarantine period.</li> <li>Continuous provision of communication services to subscribers with arrears was ensured.</li> </ul>
 <p><b>Ensuring openness, safety, resilience and environmental sustainability of cities and rural settlements</b></p>	<ul style="list-style-type: none"> <li>Modernization of production and improvement of network infrastructure.</li> <li>Introducing energy efficient equipment and innovative environmentally friendly technologies.</li> <li>Ensuring public safety.</li> <li>Cost effective IT solutions for businesses.</li> <li>Development of the data center networks, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Digital broadband access map</li> <li>Smart Home</li> <li>IaaS</li> <li>SaaS</li> <li>IT-outsourcing</li> <li>Digital transformation</li> <li>Cloud-based video surveillance</li> <li>Video Analytics</li> <li>IoT, etc.</li> </ul>
 <p><b>Ensuring the transition to rational patterns of consumption and production</b></p>	<ul style="list-style-type: none"> <li>Reducing energy costs due to the implementation of LoRa, SDN projects.</li> <li>Translation of external and internal document flow into electronic format.</li> <li>Introduction of separate waste collection in the Company offices.</li> </ul>	<ul style="list-style-type: none"> <li>Program aimed at achieving long-term goals in the field of environmental management.</li> <li>Introducing the KPI "Reducing the consumption of energy, fuel and energy resources".</li> </ul>



Global Sustainable Development Goals	Contribution of Kazakhtelecom JSC	Projects
<b>15</b> LIFE ON LAND  <b>Protecting, restoring and promoting sustainable use of terrestrial ecosystems, sustainable forest management, control of desertification, stop and reverse of land degradation and loss of biodiversity</b>	<ul style="list-style-type: none"> <li>Taking measures for land reclamation after construction of networks;</li> <li>Eco-volunteering, projects aimed at promoting healthy lifestyles.</li> <li>Measures taken to ensure rational use of water resources.</li> <li>Consistent reduction of emissions and greenhouse gases.</li> </ul>	<ul style="list-style-type: none"> <li>Use of environmentally friendly materials and technologies; organization of voluntary, volunteer environmental actions and events.</li> <li>Implementation of the Green Office project.</li> <li>#TelecomOnPositive, TazaAlem, etc.</li> </ul>
<b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS  <b>Promoting peaceful and inclusive societies to ensure sustainable development, providing access to justice for everyone, and building effective, accountable and inclusive institutions at all levels</b>	<ul style="list-style-type: none"> <li>Ensuring compliance with mandatory regulatory requirements and international practices in the field of anti-corruption, compliance with ethics and the formation of the internal corporate culture of the Company.</li> <li>Formation of a compliance culture and raising the level of knowledge in the field of anti-corruption.</li> </ul>	<ul style="list-style-type: none"> <li>A "hot line" was organized.</li> <li>Compliance with the provisions of the Code of Business Conduct, Anti-Corruption Policy, Conflict of Interest Policy, Policy on Notification of Suspected Unethical/Illegal Actions;</li> <li>Conducting training, game tournaments, webinars, etc.</li> </ul>
<b>17</b> PARTNERSHIPS FOR THE GOALS  <b>Strengthening the means of achieving sustainable development goals and activating the global partnership mechanisms to ensure sustainable development</b>	<ul style="list-style-type: none"> <li>Interaction with legislative and executive authorities, civil society institutions, local and business communities.</li> <li>Partnership for the development of small and medium-sized businesses in the Republic of Kazakhstan.</li> <li>Participation in international and national associations.</li> <li>Membership in working groups, specialized committees of government agencies and associations, which enables the Company to participate in the formation of legislative and other commercial initiatives.</li> </ul>	<ul style="list-style-type: none"> <li>Partnerships with 5G international operators.</li> <li>Development of the ISMET.KZ platform</li> <li>Interaction with 22 regional telecom operators throughout the Republic of Kazakhstan.</li> <li>Blockchain Association, RCC, NCE "Atameken", NTA, etc.</li> </ul>



## Stakeholder engagement

Modern business development trends require a company to consider the interests of a wide range of stakeholders that have a positive or negative impact on the company's performance. Such impact is expressed in considering the interests and requirements, as well as in active interaction with both shareholders/owners and other stakeholders of the company such as buyers, business partners, the state, non-profit organizations, and society.

Successful implementation of the strategy in our Company depends on constructive relationships with our stakeholders. Through the active stakeholder

engagement and creation of communication channels, Kazakhtelecom gains a deeper understanding of stakeholders' interests and ensures the best results for customers, shareholders, and society.

In accordance with the best practices in the field of stakeholder engagement (AA1000, GRI standards), the Company forms and approves its annual Stakeholder Communication Plan.

## STAKEHOLDER ENGAGEMENT

Stakeholders	Stakeholder interests	Key events and mechanisms of interaction in 2020
<b>SHAREHOLDERS</b>	Increasing the Company's value; Receiving dividends; Stability and expansion of the scale of activities; Transparency; Effective risk management.	The corresponding dividends were paid. In May 2020, the companies' Annual Report for 2019 was approved. The implementation of the SERPIN transformation program was started.
<b>EMPLOYEES</b>	Performance results and achievements of the Company, prospects for the development of the Company; HR and social policy; Personnel involvement and development prospects; Financial and non-financial financial incentives; Youth policy; Terms and conditions of the Collective Agreement.	During the state of emergency and quarantine, an online conference with the participation of the Chairman of the Management Board was held on a weekly basis. Online meetings with branch managers were held on a monthly basis. During the state of emergency and quarantine, workers being in contact with consumers were paid a 25% premium. If employees had confirmed COVID-19/viral pneumonia, they received 100% sick pay. The study of the social stability index (SSI) was conducted. The SSI was 78%. 20,730 employees completed training in 2020. The average number of training hours per employee was 49.85 hours. Measures were taken to ensure zero injuries.
<b>SUBSIDIARIES</b>	Assistance in working with state bodies; Commercial interests; Strategic resources and capabilities.	Regular monitoring of performance results is carried out in subsidiaries. Work on the development of mobile business together with subsidiaries is in progress. Work is performed to create a single mutually beneficial platform for effective cooperation: <ul style="list-style-type: none"> <li>mutual use of radio frequency and network resources and infrastructure facilities on an equal basis/creation of a united communication network;</li> <li>reducing the cost of construction and maintenance of network elements and related support systems;</li> <li>improving the quality of cellular communication services; mass introduction of innovative digital technologies available to the population.</li> </ul>
<b>TRADE UNION</b>	Social responsibility, Employee security; Terms of the Collective Agreement; Compliance with the laws.	All clauses of the Collective Agreement are fulfilled. Financial aid in the form of interest-free loans is provided to the Company's employees.

Stakeholders	Stakeholder interests	Key events and mechanisms of interaction in 2020
<b>CUSTOMERS</b>	Commercial interests, Quality characteristics of services; Continuity of services; Qualified service support.	Since the beginning of the pandemic, the number of customer service channels has been increased to 7. The number of requests through all communication channels has increased by 18%. In 2020, 587 thousand calls were processed through instant messengers (from March to December), 580 thousand calls were processed in service offices. On October 1, a new service format – a video consultant was launched.
<b>GOVERNMENT AUTHORITIES AND LOCAL COMMUNITIES</b>	Implementation of legislative and executive functions; Implementation of the state policy in the field of telecommunications; Job creation; Sponsorship and charity.	Kazakhtelecom JSC Group and the Ministry of Health of the Republic of Kazakhstan signed a memorandum to provide more than 5,000 Kazakhstan doctors with free mobile communications and access to the Internet. Technical support was provided for: <ul style="list-style-type: none"> <li>28 events of international importance: summits, conferences, official visits;</li> <li>56 events of republican significance: assemblies, congresses, Internet conferences;</li> <li>3 sports events of international and republican significance;</li> <li>750 videoconferencing sessions with the participation of senior executives of the Republic of Kazakhstan.</li> </ul>
<b>MASS MEDIA</b>	Informing the public about the Company's activities.	The number of publications on the Company's activities amounted to 8,793, which is 16% more than in 2019. The positive content of publications in 2020 increased by 42.1% and amounted to 3,701 publications.
<b>INTERNATIONAL ORGANIZATIONS</b>	Development of international cooperation of the ITU, RCC member countries; Exchange of experience; Adoption of common standards for the use of technology; Ensuring the requirements of international standards and agreements in the field of sustainable development, fair and balanced growth, compliance with environmental standards, and the development of infocommunication services.	In 2020, Kazakhtelecom signed an agreement on participation in the work of the global open community Telecom Infra Project (TIP). The Company was the first in the Central Asian region and the second in the CIS to join the global initiative uniting the innovative activities of leading ICT companies across the world. Kazakhtelecom has identified the OpenRAN 5G NR radio access project and OOPT (Open Optical & Packet Transport) transport projects as priority areas.



## Materiality analysis

We have paid special attention to the importance of interaction with our stakeholders by engaging them in the discussion of substantive topics and important issues, potential risks and limits of responsibility in order to make joint balanced decisions.

In order to understand the needs of stakeholders and determine their perception of the Company's sustainable development, we conducted a materiality analysis. In the first phase, we identified 35 sustainability aspects. We conducted surveys and discussions with all key stakeholders to identify significant aspects. Based

## Membership in Associations

The Company, as part of strengthening the sustainability of its activities, takes part in the implementation of tasks of various associations at the national and international levels, developing long-term cooperation. Kazakhtelecom aims at an open, constructive dialogue and responsible interaction with government agencies, businesses and society and is guided by the legislative regulations and high standards of corporate and business ethics.

The key areas of interaction include the development of the telecommunications market, development and improvement of legislation and regulatory framework, initiation and implementation of joint projects, promotion of key initiatives on sustainable development of the industry and regions.

The Company operates in international and national associations listed below and work with various target groups.

- 1. The Data Center Industry and Blockchain Association of Kazakhstan** is a voluntary association of legal entities created with the aim of developing and promoting the blockchain and data center industry in the Republic of Kazakhstan and abroad, representing the interests of companies that develop these technologies in government agencies, quasi-public sector, domestic business and internationally.

Today, the Association is a leading domestic center of expertise and competence on the use of the blockchain technology and the development of the data center industry.

- 2. The Competition and Commodity Markets Development Association** is a non-profit organization founded in 2016 with the aim of protecting the legitimate rights and interests of its members, developing competition and entrepreneurship, improving antimonopoly legislation, as well as increasing the level of legal awareness among companies and forming a competitive culture in the Republic of Kazakhstan.

- 3. The Engineering Union of Kazakhstan** was created for the purpose of consolidating domestic enterprises to ensure the effective development of the national machine-building industry, assisting in solving systemic problems of the industry, establishing cooperation between enterprises, representing their interests in interaction with state bodies and other organizations, participating

on surveys and interviews, we have identified significant aspects that are of importance for the Company and our key stakeholders.

The data collected and SWOT analysis helped us to identify a general range of sustainable development topics that respondents paid the most attention to.

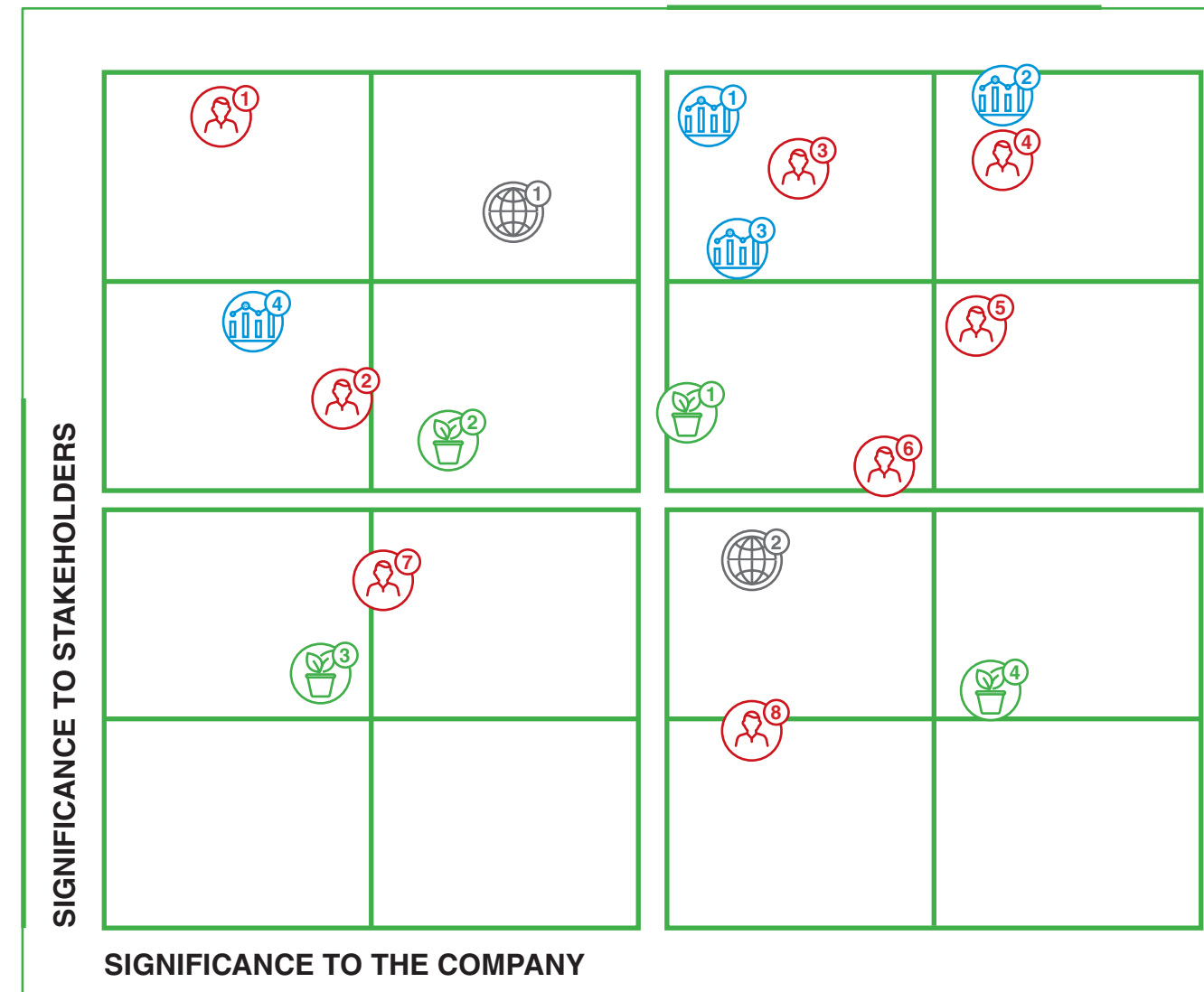
In this Report, we focused on those significant topics, which, at the current stage of the Company's development, are of the highest priority, meet our industry-specific nature and opinion of our stakeholders.

in the work to improve legislation, regulatory framework and technical regulation, participating in the work of expert and working groups and commissions, as well as performing other functions contributing to the successful operation of domestic machine-building enterprises.

At the moment, the Union includes more than 616 members.

- 4. The International Telecommunication Union (ITU)** is the United Nations specialized agency in the field of information and communication technologies (ICT). Founded in 1865 to facilitate the international connectivity in communications networks, the ITU allocates the global radio spectrum and satellite orbits, develops technical standards that provide free interaction of networks and technologies, and focuses on expanding access to ICT in underserved communities throughout the world. Every time you make a mobile phone call, access the Internet or send an e-mail message, you benefit from the ITU's work.
- 5. The National Telecommunications Association of Kazakhstan** was founded on December 27, 2002. The NTA is the only telecommunications association that unites all cellular communication operators, all backbone network operators and first-tier providers. The NTA's activities are aimed at developing the telecommunications market by eliminating administrative barriers, the ability to influence the regulatory framework and other legal acts that regulate the organizational and production activities of telecommunications companies.
- 6. Regional Commonwealth in the Field of Communications (RCC).** The RCC is an international organization that performs the functions of the CIS interstate coordinating body in the field of electrical and postal communications, acts as an observer in the International Telecommunication Union (ITU) and the Universal Postal Union (UPU), interacts with international and regional organizations, and actively participates in conferences, forums.
- 7. The National Chamber of Entrepreneurs of the Republic of Kazakhstan "Atameken"** is a non-profit organization. The NCE "Atameken" was created to strengthen the bargaining power of businesses with the Government and state bodies of the Republic of Kazakhstan. The Chamber of Entrepreneurs represents the interests of small,

# MATRIX OF MATERIAL TOPICS



### Social aspects

1. Human rights
2. Freedom of association and collective bargaining
3. Training and education
4. Occupational health and safety
5. Diverse and equal opportunities
6. Staff-management relations
7. Rendering support to organizations and government bodies
8. Non-discrimination



### ECOLOGICAL ASPECTS

1. Compliance with environmental requirements
2. Waste management
3. Preserving biodiversity
4. Energy



### SPECIFIC TOPICS\*

1. Service quality
2. Innovation and new technology



### Economic aspects

1. Market presence
2. Economic performance
3. Anti-corruption
4. Barriers to competition

\* Topics that are specific for the Company and the telecommunications industry

medium and large businesses, and its activities cover all areas of entrepreneurship, including domestic and foreign trade.

The main goal of the NCE “Atameken” is to protect the rights and interests of businesses and provide a wide coverage and involvement of all entrepreneurs in the process of formation of legislative and other normative rules of business conduct.

In 2020, Kazakhtelecom signed an agreement on participation in the work of the global open community **Telecom Infra Project (TIP)**. The TIP is a telecommunications community established in February 2016 to develop the infrastructure, which forms a basis of the global network. The TIP’s mission is to accelerate the pace of introducing innovations in next-

generation telecommunications networks by developing, building, testing, and implementing standards-based open and disaggregated networking solutions.

Our Company was the first in the Central Asian region and the second in the CIS to join the global initiative uniting the innovative activities of leading ICT companies across the world.

Today, the TIP comprises over 500 members. As part of the community’s activities, projects have been formed in the areas of radio access, transport, and packet core technologies. As priority areas, Kazakhtelecom has identified the OpenRAN 5G NR radio access project and OOPT (Open Optical & Packet Transport) transport projects.

## Socially significant investment projects

### Policy of responsible investment

In 2020, work was carried out to update the Policy of Kazakhtelecom JSC Group on managing the full cycle of investment activities, after which it was submitted to the Board of Directors for approval. The policy establishes uniform requirements within the Group for the organization of investment activities in terms of capital expenditures, mergers, acquisitions or disposal of participation interests (stakes of shares) in the authorized capital of existing legal entities and the creation of new legal entities and determines the procedure of interaction between Kazakhtelecom JSC and its subsidiaries during the investment activities.

The policy solves the problem of standardizing investment processes for all types of investment projects and provides for a reasonable differentiated approach to various types of investment decisions.

In order to ensure sustainable development, the Company introduced the concept of green investments. Additional strategic points are assigned to green investment projects when prioritizing projects in the capital expenditure portfolio. Green investment projects include capital investment projects that have a long-term effect on achieving the sustainable development goals

and ensure minimization of the impact on biological and physical natural systems, optimal use of limited resources, minimization, recycling and disposal of waste, and the use of environmentally friendly, energy and material saving technologies (“green” technologies).

The key changes in the Policy of Kazakhtelecom JSC Group on managing the full cycle of investment activities affected the following aspects:

- Interaction with subsidiaries and affiliates in the field of investment activities and project approval levels.
- Use of the lean start-up principles in planning and budgeting projects in the “New Business” category.
- Strengthening the responsibility of Sponsors (mini-CEO) for the project outcome/cascading responsibility to the Customer and the Project Manager.
- Strengthening control over monitoring of the project implementation and post-monitoring of the project effectiveness.

### Key areas of investment in projects that are significant for society and the economy

At the end of 2020, the key projects of Kazakhtelecom JSC that are of high importance for society and the economy are the projects “Introduction and development of IP TV service in the Republic of Kazakhstan” and “Providing broadband access to the rural areas of the Republic of Kazakhstan with fiber-optic communication lines”.

#### ***Project “Implementation and development of IP TV services in the Republic of Kazakhstan”***

The project is aimed at fulfilling the plans under the long-term strategy by providing new modern types of IPTV/OTT services with the possibility of purchasing additional services and receiving high-quality content.

Currently, work is being performed to increase the penetration of IPTV/OTT services by covering the entire BA subscriber base with separate services of providing access to content resources (through web applications, mobile applications and Smart TV) and further stimulating the transition to integrated IPTV/OTT solutions.

**The total cost of the project aimed at providing subscribers across the Republic of Kazakhstan with IPTV/OTT services and integrated content is KZT 28,639 million.**

Last year, OTT included subscribers of partner online cinemas. Such online cinemas will also be available on the new IPTV/OTT platform through integration.

As of the end of 2020, the volume indicators were achieved ahead of schedule. 635,193 points were connected to ID TV service, 110,480 points were connected to OTT service.

#### **In 2020, cost optimization was carried out as follows:**

- Optimizing the cost of content for the main majors: Discovery, Euronews, FOX, National Geographic, Nat Geo WILD channels.
- Absence of significant increase in the cost for Setanta3 TV channels.
- As part of the optimization, the inclusion of new TV channels, including three 4K channels, was studied.

In order to enhance the penetration of Pay TV into broadband access, a new modern TV platform was purchased. To ensure commissioning, a number of integration works were carried out during 2020. In December 2020, the updated OTT service was launched; the IPTV service is being prepared for launch in February 2021. Despite the delay in the launch of the new platform, the main project indicators were met. According to the preliminary results of 2020,

the investment indicators of the business plan were improved. The pandemic and isolation increased the demand for entertainment services. Alongside with that, the demand for content increased.

The goal for 2021 is to develop the service content and ensure the process of user migration from the old TV platform to the new one.

#### ***Project “Providing broadband access to the rural area of the Republic of Kazakhstan with fiber-optic communication lines”***

The project is aimed at expanding access to telecommunication networks and broadband access services for government agencies and budgetary organizations in rural settlements.

The total cost of the project is KZT 51,565 million.

At the end of 2020, during the project implementation, the actual length of fiber-optic communication lines was 14,380 km. In 2018–2020, 837 rural settlements of the Republic of Kazakhstan were connected to telecommunication networks using the fiber-optic technology and 2,505 state institutions and budgetary organizations in rural settlements were connected to the broadband access services provided by Kazakhtelecom JSC.

Technological restrictions during the construction and installation of a polyethylene pipe and blowing a fiber-optic cable, which are associated with climatic conditions in the autumn-winter period (low temperatures), complicated the process of project implementation. In connection with the declaration of a state of emergency in the Republic of Kazakhstan due to the coronavirus pandemic, restrictions imposed on the movement of people and goods, performance of construction and installation and commissioning, as well as on the work of individual enterprises that produce installation materials used in construction also had a significant impact on the project implementation stages and postponed the disbursement of capital expenditures to later periods. Despite that, the scope of work required to achieve the planned targets of the project were completed.

In December 2020, the main stage of the project was completed. In 2021, the final stage of the project will be completed and further connection of subscribers to telecommunications services will be made to reduce the level of inequality between cities and villages in terms of broadband access services.



## Personnel management

### Personnel management approaches

Human capital is a main factor that increases the Company's shareholder value and the main competitive advantage of Kazakhtelecom JSC in the conditions of fast-changing telecommunication industry.

Therefore, the Company pays a lot of attention to the building of effective personnel policy, which furthers to the Company's strategic goals and objectives achievement and is also geared towards the creation of comfortable working conditions for employees.

The company builds relationships with employees in strict compliance with the requirements of the labour legislation of the Republic of Kazakhstan and the principle of social partnership aimed at achieving coherence of interests, social stability and general welfare. We strive to build long lasting relationships between the Company and employees.

Transparent and open personnel management procedures are applied in Kazakhtelecom, including reception (appointment), promotion (advancement),

development (learning/ proficiency enhancement), performance evaluation, incentives, and so forth among others.

The company regards training as relevant investments in the development of employees, whose payback indirectly contributes to the achievement of the main goals and objectives of the organization. Kazakhtelecom creates an accessible pool of knowledge and experience.

The Company inbreeds in the employees the aspiration to build effective mutually beneficial customer relationships, encourages and welcomes the maintaining of positive Company image by the employees.

Kazakhtelecom respects and values its employees and is oriented on their requirements and needs, takes care of them, contributes to the creation of favorable working conditions and confidence about the future. Key performance indicators of the Human Resources Policy include personnel turnover, stability factor, the satisfaction level of personnel.

### Automation and remote working

The company develops and implements modern management and IT technologies considering the best domestic and foreign achievements and experience in this field, applying this knowledge in the following processes of the personnel management system:

- personnel planning, recruitment and placement of employees;
- HR records keeping;
- personnel performance efficiency;
- employee engagement;
- knowledge management;
- company culture.

With the beginning of the coronavirus pandemic in Kazakhstan, a remote working format for employees has been organized since March 2020 in order to minimize disease and prevent infection among employees of Kazakhtelecom JSC. The exemption was made for employees, whose presence directly in the workplace is required due to the work functions performed. 50% of the Company's employees were transferred to a remote working.

In order to improve service quality and efficiency of HR-processes, the Company implements projects on automation of these processes. The following projects have been launched and implemented in 2020:

- **Conclusion of employment agreement automation.** Under this project the mechanism of connection to HR-API web-services has been set up: automatic creation of a job offer, connection to the personal employee record sheet of the candidate and the vacant staff unit in the module HRMS Personnel, attachment of scanned copies of the candidate's documents to the personal employee record sheet, automatic formation of the draft order for the reception of the employee, and also set up of the mechanism of signing the employment contracts with the help of E-signature by the employee of the Shared Service Center and the employee admitted.
- **Automation of HR business processes** Accounting of material-responsible persons has been automated on the basis of the Company's systems: the MRP feature from the personal employee record sheet in the module HRMS Personnel integrates in the Employees Transfer and Labour Contract Termination databases. Based on Company's affiliates in the Labour Contract Termination database has been set up the Exit Checklist, which is generated automatically once the employee signs the application for termination of his Labour Contract.

### Structure and staff size

According to the staff listing, there were 22,395 employees in Kazakhtelecom JSC in 2020, the actual number was 20,622.

The turnover rate in 2020 was 8.2%. 2,327 people left the Company of their own accord within a year. 2,877 persons were recruited, representing 14 per cent of the actual number of staff at the end of the year.



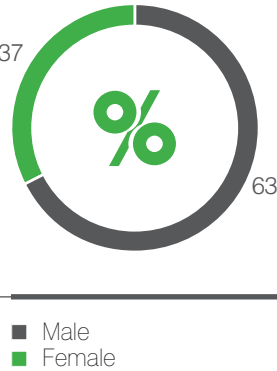
PERSONNEL STRUCTURE AS OF THE END OF 2020

Figure	Total (persons)	of which by gender group		of which by age group		
		male	female	under 30 years	30-50 years	over 50 years
Total number of employees	22,395	14,155	8,240	6,410	10,788	5,197
The Management Board	9	9	0	0	7	2
Office and management personnel	1,654	529	1,125	200	1074	380
Professional staff members	8,609	5,867	2,742	2,318	4,474	1,817
Workers	5,136	4,887	249	1,663	2,008	1,465
Operational personnel	18,741	13,673	5,068	5,357	6,985	6,399
Number of employees who left in 2020	2,716	1,913	803	1,294	904	518
Number of employees engaged in 2020	2,877	2,011	866	1,890	825	162

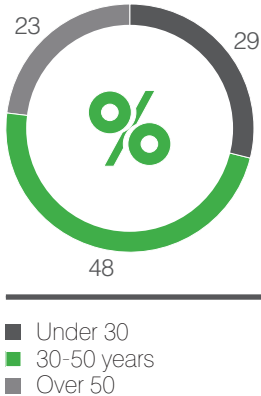
NUMBER OF STAFF BY DIVISION AND BRANCH

Division	Actual number of employees, people	
	Total	OPM
Central Office	358	269
Central Regional Telecommunications Directory	2,865	70
“Almatytelecom” Regional Telecommunications Directory	2,836	54
Eastern Regional Telecommunications Directory	2,249	54
Western Regional Telecommunications Directory	2,243	70
South Regional Telecommunications Directory	2,183	56
Service Factory	2,158	491
North Regional Telecommunications Directory	1,811	59
Long-haul communications network	1,338	37
Main Telecommunications Network Management Centre	971	24
Corporate Business Division	525	107
Information System Directory	432	52
Retail Business Division	309	104
TelecomComplect Directory	256	20
Information and Communication Technologies Academy Directory	57	11
Telecommunications and Infrastructure Construction Directory	31	12
TOTAL	20,622	1,490

GENDER STRUCTURE OF STAFF  
BY THE END OF 2020



STAFF BY AGE GROUP  
BY THE END OF 2020



Personnel attracting and adapting

Staff recruitment and adapting in 2020 continued in a remote mode. There were no essential changes in these processes in the whole.

The Company was prepared to this mode of operation: the recruitment function recruitment function has been centralized and unified for all units and branches 2 years ago.

Recruitment for vacant posts for all branches is made in Almaty.

Recruiters and orders practice audio/video interviews with candidates. Candidates are being tested on-line also.

The whole process is automated beginning from the receipt of a recruitment request to the employee's entry on duty. This is not important anymore, where is our employee located, with remote access provided.

There were completed 3,460 competitive examinations for vacant positions in 2020.

Principles of the recruitment process

1. recruitment planning with based on business needs;
2. clear and transparent selection criteria based on job requirements and competency profile;
3. transparent competition examination;
4. professionalism, personal qualities and suitability of candidate's competence for the position;
5. validity of made decisions based on meritocracy principal;
6. use of evaluation methods for candidates relevant to each position to enable objective recruitment decisions;
7. absence of discrimination, professional, open and respectful treatment of all candidates;
8. conformity with the legislation of the Republic of Kazakhstan;
9. rational use of resources for attracting and recruiting staff.

Kazakhtelecom realizes an internship program for young specialists, named "PROTelecom" for the third year already. During this time, more than 400 students have undergone internships in the structural divisions of the Company, more than 80 of them

have been employed and are now successfully pursuing a career in the Group of Companies, contributing to the development of not only the largest communication operator, but also the domestic telecommunications sector.

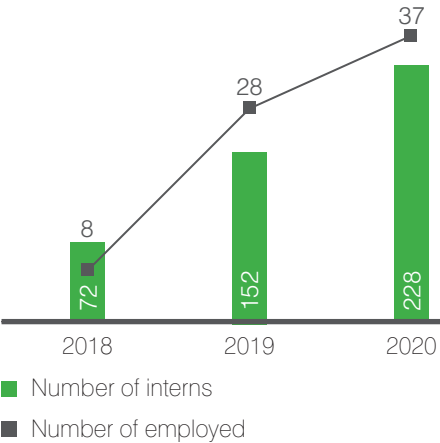
Acceptance of applications for the program started in 2020 for third- and fourth-year students. Of the 1,000 applicants selected, 219 were offered internships.

Internship followed from July 1<sup>st</sup> till August 28<sup>th</sup>. During this time inters were being trained by highly qualified employees of Kazakhtelecom.

All trainees have received certificates, which give the opportunity to get a job in Kazakhtelecom. In 2020, 37 graduates were already employed by the Company and are working as accountants, sales specialists, telecommunications engineers, electro-mechanics of telecommunication equipment network telecoms and so forth.

All information about the competitions and the beginning of the internship program is posted on the corporate website.

PROTELECOM PROGRAM



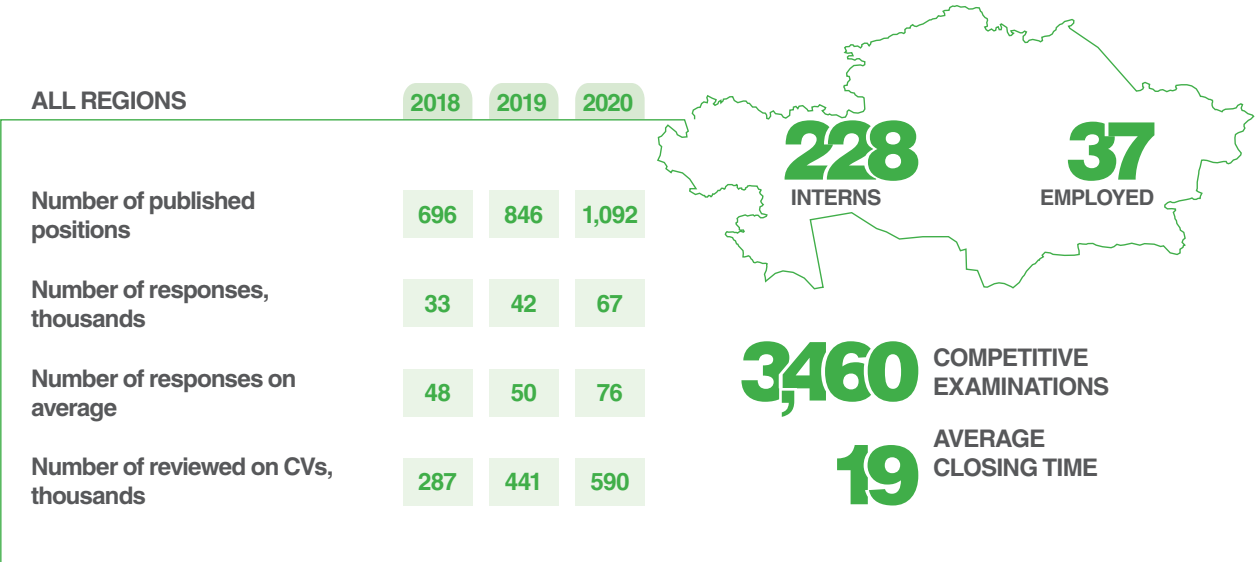
■ Number of interns  
■ Number of employed



COMPETITIVE EXAMINATIONS



PROTELECOM



“My mentor has always been in touch with me and has supported me at all stages of the internship. I can confidently say that the PROTelecom program helped me to discover my potential, allowed to gain experience and invaluable knowledge”, – says Ainur Rsalina, 3<sup>rd</sup> year student of Suleyman Demirel University.

“The program had a wide range of projects and experienced mentors ready to help at any time. This is the practical experience, which cannot be provided in universities”, – notes Ghafur Abdrahman, 3<sup>rd</sup> year student of Suleyman Demirel University.

“We are witnessing PROTelecom becoming one of the main sources of qualified personnel. Our primary objective is to train specialists from the student time and to recruit to our Company best of them”, – notes Berik Bitabarov, Managing Director of Personnel of Kazakhtelecom JSC.



Reward

The incentive program used in Kazakhtelecom JSC ensures a clear dependence of remuneration of our employees on the results of their work, including the implemented system of performance evaluation and remuneration. Establishing a cost-effective remuneration system to attract, retain and motivate employees is our priority. The focal point is the remuneration package, including in addition to payment for labour and bonuses, benefits, and non-monetary reward.

In Kazakhtelecom JSC has been made a complete transition on grades of all branches of the Company. Harmonization of the system of remuneration of head offices and branches has been carried out, including unification of approaches on pay, supplements,

allowances, current and one-time bonuses, differentiation of grade/category of position.

The Company operates with:

- Common motivational programs for B2C and B2B segments.
- Unified piecework payment systems for installation of telecommunication services in B2B segment, the same method at the input stage in B2C segment.
- Uniform rules for compensation, reimbursement of relocation and rent expenses for employees of Kazakhtelecom JSC.
- Uniform rules of the one-time bonus for realization of Key Projects, taking into account the economic impact.
- Unified approach to pay on the basis of grade levels.

In order to support the employees of Kazakhtelecom, having by the nature of their activity the necessity of regular contact with external consumers, in conditions of the state of emergency and lockdown in 2020, a bonus of 20% of the official salary was made.

In case of confirmed COVID-19/viral pneumonia among workers, 100 per cent payment was made based on the certificate of incapacity of work issued in accordance with the established procedure.

The divisional management model for B2C and B2B segments has been implemented, also the phased centralization of commercial functions such as installations, sales support, marketing, service management, receivables, payments to customers in Divisions has been started.

Personnel assessment system

The performance management system consists of providing the employee with clear, measurable goals and targets for the relevant period in the form of key performance indicators (KPIs), on which the received remuneration depends. A system of personal development plans has also been implemented, enabling every employee to focus on developing their knowledge and skills to improve their performance.

The performance assessment process is the basis for remuneration, rewards, bonuses, learning and professional development and serves as a means of retaining employees. The evaluation of the performance of employees allows defining the requirements for the performance, skills, knowledge and competencies of employees in order to achieve the strategic goals of the Company.

The personnel assessment system is based on the following principles:

1. correlation of remuneration to the performance of tasks in the interests of the Company;
2. simplicity and transparency in remuneration determination;
3. remuneration dependency on the performance of the Company and the efficiency of employees.

The company ensures that there is no discrimination on any grounds and that remuneration is fair and equitable. The average wage of women in relation to the average wage of men is 108.2 per cent in 2020.

The management of the CPA system is aimed at achieving the strategic objectives of the Company as defined in the Strategy, the Business Plan and other guidance documents and covers long-term, medium-term and operational planning.

Employee accountability is defined for achieving key results and monitoring their implementation of strategic goals, objectives and initiatives. At the same time the Company ensures the balance of financial and non-financial efficiency. The mandatory monitoring and evaluation of planned efficiency coefficient on a regular basis (quarterly/annual), including factor analysis and recommendations making are obeyed.

The Performance Planning and Evaluation Cycle aims to continuously manage employee performance during the current calendar year. The basic condition for the payment of performance benefits during the reporting period is the availability of consolidated total profits for the reporting period, calculated on the basis of the planned amount for emoluments.

Personnel training

The Company adopts a multi-level approach to the training and development program aimed at increasing organizational efficiency in accordance with strategic goals.

The company provides leadership development training as part of digital transformation, provides efficient learning tools for employees to achieve their goals, and develops a culture of internal initiative and self-learning.

In 2020, project trainings with the involvement of foreign business schools on digital transformation within the framework of the program “Leaders of digital transformation of Kazakhtelecom were initiated for the Company’s managers, as well as a session of corporate culture development.

COR coaching sessions are held with all high-potential employees to determine the individual development plan and further development areas. Those of them, who demonstrated high performance and passed the internal selection, are given an opportunity to obtain an Executive MBA at Nazarbayev University. As a result of the competition in 2020, 10 employees of the Company began their studies at Nazarbayev University.

The following functional academies are active at the basis of the Company:

- 351 trainees have taken direction core competencies courses for B2B and B2C directors and supervisors, and 404 attendees have taken part in 28 training events of “Information and Communication Technologies Academy” Directory within Sales Academy in 2020.
- 18 trainees have studied under the Foundations of effective leadership program for directors and deputy directors of technical units of local networks within Technical Academy; and also 3,484 attendees have taken part in 152 training events of “Information and Communication Technologies Academy” Directory for Regional Telecommunications Authorities and Main Telecommunications Network Management Centre including Network technologies, Software, New technologies, Access networks, Mobile telephony, SAP, Energy and climate technology, Safety and labour protection and Public services.
- 2,410 employees were certified at the basis of “Information and Communication Technologies Academy” Directory to ensure high quality service level for directions IDNet & GPON, Telephony & Megaline, Energy and Climate technology Centre, Tier 1 of Main Telecommunications Network Management Centre.

- 178 employees of Tier2, Tier3 of Main Telecommunications Network Management Centre completed one-time internal certification.
- 235 attendees have taken part in 20 training events in Finances and Economy field for Financial Shared Service Center (common service center) and branches at the basis of “Information and Communication Technologies Academy” Directory.
- Internal training at the basis of “Information and Communication Technologies Academy” Directory is an important component of the learning system.

Within the anti-crisis program on the consequences of COVID-19, the Company conducted training for 904 trainees on practical courses “Overcoming and managing panic and fear in an emergency” “Productivity of remote work”, “Activation of attention” at the basis of “Information and Communication Technologies Academy” Directory.

Following trainings were held for branches in addition:

- modular learning “Finance for non-financial managers in crisis: advanced level”
- “Basic principles of sustainable development”
- “Basic principles of sustainable development and corporate social responsibility”
- “Program aimed for development of psychological stability of top managers in conditions of highly uncertain market and environment.”

All employees of the Company were provided with an access to learning on-line platforms, such as LABA and Eduson in 2020 in order to provide personnel with skills and competences, required in conditions of the digital transformation.

Compulsory education in the Company is organized on a planned basis. The Unified Plan for Employee Development includes the sections “Training in Corporate Learning Center”, “Training in External Training Centers”, as well as training by technical and commercial mentors. The plan is based on the principle of “70:20:10”. Due to the coronavirus pandemic, all training at the Company from March to December 2020 was conducted in on-line format only.

The Company has introduced a distance learning system accessible to all employees via the Intranet and the Internet. The access to this system is free, without any limits, so employees have an opportunity to improve their professional skills at a convenient time. Most of the training guides were updated in 2020.

Within the framework of the Academies there are 98 courses in 5 spheres at the employees’ disposal. In 2020, 1,912 employees of the Company participated in the distance asynchronous training system, with an average duration of 41.6 hours.



KEY TRAINING INDICATORS IN 2020

Indicator	for every staff	By gender groups	
		Female	Male
Average number of hours of training provided to staff during the reporting period	49.85	58.27	45.08
Number of trained employees	20,730	7,049	13,681

Youth policy

Youth organization Z-telecom has been operating for many years in the organizational structure of Kazakhtelecom. Young leaders of Z-telecom face the challenge of being generators of innovative ideas and initiators of various projects to improve the lives of employees and optimize business processes.

A further forum of youth organization Z-telecom took place in an on-line format in December of last year, at which young leaders of the Company presented the best projects realized in branches in the following categories: “Best innovative business project”, “Best social project” and “The best project #PRO People”, as well as active volunteers of regions have been awarded. A total of 20 projects were submitted.

During the state of emergency in Kazakhstan, the Z-Telecom team, as part of the development of corporate volunteering activities, carried out a large-scale charity event Birgemiz, Z-Telecom initiated the delivery of food baskets to more than 250 vulnerable people (retirees, veterans).

Through the year, Z-Telecom developed three corporate volunteering areas: eco-volunteering, child training, and philanthropy.

- **Child training** – a joint volunteer project “Zamandas” in cooperation with the Center for Social Cooperation and Communications. The themes for the education of schoolchildren were “Leadership and emotional intelligence”, classes in mathematics and Kazakh language.
- **Eco-volunteering** – “Taza Alem” project, in the framework of which Z-Telecom carries out eco-clean-up activities in the territories of cities and suburban areas, as well as an eco-marathon launched at the end of the year in the form of a challenger between branches. The goal of the marathon is to develop and raise the level of environmental culture among the Company’s employees.
- **Philanthropy** – “Qolganat” project, in the framework of which two bases have been set up (for the Company’s employees in difficult circumstances)

and an external one (a list of low-income families from different regions) with an indication of the severity of the situation. In order to provide financial assistance, the Company has launched a charity online race marathon with the participation of employees of the Company. As a result, more than KZT 365,000 were collected and sent to staff members with a high degree of criticality and whose needs corresponded with the amount.

In support of “Year of Volunteer” in Eastern Regional Telecommunications Directory the “Qamqor” program was implemented. As a part of the program, the activists of East Kazakhstan Region and Pavlodar Region provided charitable assistance to needy and large families and collected material assistance for children in long-term care at the Centre for Mental Health in Ust-Kamenogorsk. They took part in the charity race “Z-marathon”. Together with the charitable organizations of regional centers of East Kazakhstan Region and Pavlodar Region, they delivered products. In order to introduce and promote the values in the Eastern Regional Telecommunications Directory team, the Companies initiated and implemented their ideas in the project CREDO – the way to a culture of success”.

In 2020 a member of Z-telecom team from the Eastern Regional Telecommunications Directory was nominated in the frame of regional festival “Active youth – 2020 online”.

In 2020 employees from the Western Regional Telecommunications Directory wan the “Best volunteer” competition held by Samruk-Kazyna. The jury considered the 87 best volunteer initiatives organized by the Foundation’s employees. The second place in the nomination “Best Corporate Volunteer” was awarded to Meiyr Zhailiev, Electric Repair and Maintenance Electrician of Mangistau Technical Unit of Local Networks. In the nomination “Best volunteer team” third place was awarded to the team Z-Telecom of Kazakhtelecom JSC. For participation in the competition Elena Kuanysheva, senior electro-mechanic of communication Workshop of cross-switch Atyrau Technical Unit of Local Networks, was also noted.

Talent management

In accordance with the Personnel Management Strategy, the Company implements the project “Talent Management”, the purpose of which is formation and training of the staff pool, as the main internal source for filling key positions. The project is a tool to identify and retain talented and highly skilled employees.

Within the scope of the project the “Leadership School” program is operating, in which reservists undergo step-by-step training on development of management and leadership competences. The graduates of this program are 220 human resources reservists from 2016 to 2020. In the framework of “Leadership School 2020” 54 employees were trained. Graduates of “Leadership School” of past years were trained under MiniMBA program in 2020.

The number of hours of training under the Management Competence Development Program for Human Resources Reservists in 2020 was 2,208 hours.

During the reporting period, 54 of the 75 key vacant positions were filled by reservists, representing 72 per cent.

**Corporate culture**  
The project to transform corporate culture has been successfully implemented in the Company for several years. A diagnostic of the current state of corporate culture was carried out, a model of values was formed, and a program was created to introduce a targeted image of corporate culture – a culture of success.

All 5 new values are united by one acronym – CREDO and include important statements and orientations for every employee of Kazakhtelecom JSC:

- CLIENT** – to exceed expectations of the Customer.
- RESPONSIBILITY**– autonomy in making decisions.

- ENTREPRENEURSHIP** – Entrepreneurial courage of a market leader.
- DIGITAL CULTURE** – digital communication technologies in everyday life and work.
- OUTSTANDING DECISIONS** – Quality of solutions for business success.

Corporate values are actively promoted among the staff of Kazakhtelecom. More than 100 employees participated in 120 projects within the framework of “CREDO: The Way to a Culture of Success” aimed at transforming the corporate culture through employee initiatives. The project has already been implemented in the Main Telecommunications Network Management Centre, the Information System Directory, the Central Regional Telecommunications Directory, the South Regional Telecommunications Directory, Corporate Business Division, the Eastern Regional Telecommunications Directory, and is also planned for implementation in the North Regional Telecommunications Directory, the Service Factory, the Almaty Regional Telecommunications Directory and in the Western Regional Telecommunications Directory.

The Transformation of Corporate Culture integration session was held in the Center of Digital Transformation of Moscow School of Management SKOLKOVO with the participation of 50 key leaders of Kazakhtelecom JSC. Within two days, top managers and management staff of branches and branches of the Company actively participated in discussions related to the corporate culture of Kazakhtelecom.

In 2020, a communication session of the Managing Director of Personnel Mr. Bitabarov B.A was held with the inclusion of about 1,000 employees of the Company to explain corporate values and broadcast corporate culture among the personnel. During the meeting, the Managing Director responded to questions of employees in online regime.

Social policy for the personnel

Kazakhtelecom responsibly approaches to issues of social protection of its employees, maintaining confidence of the employees in the future. Social protection of employees and retirees of the Company is an integral part of the Company’s personnel management policy.

96% of the company’s employees are covered by a collective agreement in 2020.

In accordance with the collective agreement the Company provides the following types of social support, regardless of the nature of the employee’s employment (permanent or temporary):

- financial support upon the marriage registration;

- financial support due to birth or adoption of a newborn child;
- financial support for recreation purposes when providing with an annual leave;
- temporary inability to work welfare payment ;
- paid additional child-care leave before he or she reaches one and a half year age;
- recognition gifts to employees on the occasion of anniversaries;
- one-time benefit due to job retention;
- one-time disablement allowance, if the employee is registered as a disabled person of 1st or 2nd category;
- financial support for funeral organization due to death of employee’s immediate relative;

- provision of medical assistance to workers under voluntary health insurance;
- payment of lump-sum retirement benefits;
- inviting non-working retirees of the Company to festivities and ceremonial events organized by the Company to provide moral and psychological support.

The minimum period for notification of significant changes in the activities of an organization under the Labour Code of the Republic of Kazakhstan is 4 weeks (which makes 30 calendar days), and under the Collective Agreement it is 45 calendar days.

Today, the Company renders social support for over 9 thousand retirees.

Provision is made every year for targeted charitable assistance and meetings to mark the professional event of telecommunications professionals and the Day of the Elderly.

In connection with the emergency state in the Republic of Kazakhstan, in the framework of social support for employees, the Company decided in 2020 to pay in case of temporary disability in the amount of 100 per cent of the average salary per month (without taking into account the length of service in the Company) for workers with COVID-19 and viral pneumonia diagnosed, and this payment continues to this day.

The number of employees on unpaid childcare leave at the end of the reporting period was 1,265, with 97.8 per cent women and 2.2 per cent men.

INFORMATION ON MATERNITY/PATERNITY LEAVES IN 2020

Parameter	Value (people)	Out of	
		Male	Female
Number of employees taking parental leave in 2020	1,265	28	1,237
Number of staff returned to work in the reporting period (2020) after termination of parental leave	175	9	166
Number of staff returning from parental leave in the previous reporting period who were still in service 12 months after their return to work	63	2	61

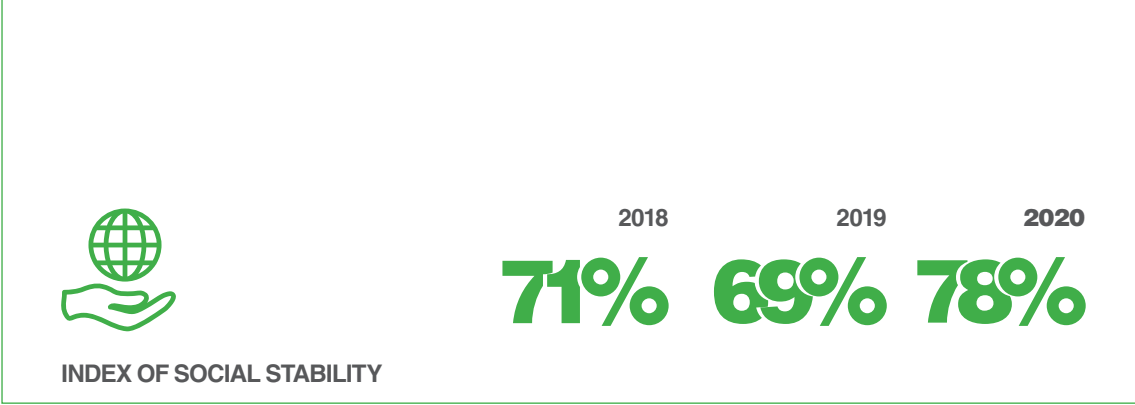
Healthy lifestyle promotion

In order to support the employees of the Company during the lockdown, the action #TelecomOnPositive was launched. Within the framework of this action “Warm-up together with colleagues” was carried out to connect to the online-broadcast morning warm-up, which was carried out by employees of different branches.

As part of the development of corporate volunteering in the Company, a race marathon, named “Z-marathon”, was organized. During the month, employees from all branches actively participated in the marathon. Participation was observed through the application. The most active participants ran about 250 kilometers. Employees from the Main Telecommunications Network Management Center were leading in the overall standings, they run 1,325 kilometers.

Company employees actively participate in various sports competitions. Thus, in the beginning of March 2020 (before the announcement of lockdown and the state of emergency) football team of Kazakhtelecom won the winter cup QAZAQSTAN QYZMET CUP: TUNGI FUTBOL LIGASY. This football tournament takes place every year between the public and quasi-public sector teams. This year 24 teams of ministries, departments, national companies and others took part in the tournament. The football team of Kazakhtelecom JSC became the winner of the cup, confidently leading throughout the tournament.

Due to the pandemic and the lockdown, subsequent sporting events were cancelled.



Social stability

The Fund’s group of companies conducts annual monitoring of the social situation in production teams. For this purpose the research “Samruk Research Services” (hereinafter – SRS) is carried out.

In 2020, the Center for Social Cooperation and Communication developed a new methodology with the basic indices and the process of collecting and processing sociological information continuity based on the fundamentally new external conditions caused by COVID-19.

The overall Index of Social Stability in Kazakhtelecom JSC for 2020 was 78%, which classifies it as a stable developing company according to the scale of values.

- The aggregate SRS value is integrated from three indices: the Inclusion Index, the Social Well-being Index and the Social Tranquility Index.
- The Inclusion Index – 83%
  - The Social Well-being Index – 47%
  - The Social Tranquility Index – 87%

The Company’s Inclusion Index increased in 32 points in 2020 when comparing with the previous year data. However, Inclusion Index performances for all branches reached the highest level in the last 7 years

and correspond to the “favorable” level in the rank scale of values.

According to 94 per cent of respondents, the employer created all the necessary working conditions during 2020, including during lockdown. Moreover, for all subsidiaries of the Company, the number of respondents holding the same opinion exceeds 90 per cent.

Fairness, trust and loyalty to the Company were also highly appreciated by the employees.

No areas of concern were identified in the core indicators related to understanding assignments and staff relations.

The Index of Social Tranquility in 2020 is assessed as “favorable”, thus increasing since last year by 13 points. Most respondents noted absence of strained relations in the collective.

According to the results of SRS for 2020, it should be noted that the Company has carried out systematic and successful work to ensure comfortable and safe working conditions, as well as to maintain healthy and constructive relations in the collectives.

As a result of the ISS, the Company carries out measures to improve the satisfaction of employees with the level of working conditions.

Internal Communications

Kazakhtelecom active work is carried out on improvement of internal communication system: strengthening of feedback, ensuring regularity and system of information of operating personnel. With the increasing uncertainty caused by quarantine measures in 2020, this work has become even more relevant.

Digests have been implemented in branches of Regional Telecommunications Directories, in the “Long-haul communications” Association, in the Service Factory and in Corporate and Retail Business Divisions. Mail.sdn accounts were activated – an alternative mail for all employees, thanks to which 22,000 employees were able to connect via various mail services.

The Plan of crisis management communications was implemented, in the framework of which 7 online conferences were held with the Chairman of the Board of the Company, a series of infographics was launched to explain the Company’s measures during the quarantine, together with the Information System Directory, the remote connection mode was explained and the supporting social project #TelecomOnPositive was launched. Extensive feedback is being provided, with more than 500 staff questions being processed over the period.

Along with already existing communication channels, such as corporate portal 4telecom.kz, corporate postal service LN, corporate media, channels of communication using social networks in subsidiaries have been introduced.



# DIGEST

EVERYWERE INFORMING OF  
OPERATIONAL STAFF

# 4TELECOM.KZ

http://4telecom/  
WITHOUT ACCESS TO A  
REMOTE USER FROM 3-5  
THOUSAND VISITS DAILY

# SOCIAL NETWORKS

WHATSAPP, TELEGRAM, YOUTUBE,  
FACEBOOK, INSTAGRAM IN ALL BRANCHES

# EDM MAILING

NEWS KT  
+ MAIL.CDN.TELECOM.KZ  
21,328 USERS

# Occupational safety and security

The company considers human life and health to be the highest value, bears direct responsibility to provide its employees with safe and healthy working conditions as well as information, training, supervision and advice to their employees on health and safety issues. The company realizes the importance of early prevention or mitigation of adverse impacts on the health and safety of employees, contractors and the public.

Kazakhtelecom developed a system of labour safety and security management, providing constant methodological guidance, analysis and control of the state of safety and safety at work in the Company. The system establishes uniform requirements for the organization of labour

safety in accordance with the “ILO Guidelines on occupational safety and health management systems 2001 ILO-OSH 2001” and the international standard OHSAS 18001.

Measures are taken on a constant basis in accordance with the requirements of the Labour Code of the Republic of Kazakhstan and other regulatory legal instruments, including:

- training of managers and employees responsible for occupational safety and health;
- assessment of working places;
- medical exams of the personnel;
- provision of workers with special clothing, special footwear and personal protective equipment.

# ACCOMPLISHMENT OF A PLAN OF ACTIONS FOR ACHIEVING A GOAL OF ZERO INJURES

Action		Fulfilment	Comments
Training	Total employees to be trained	15,570	
	Employees trained	15,581	Trained 100.1%
	Employees who passed the examination	1, 581	
Medical exams	To undergo medical exams	9,601	
	Medically examined	9,622	Full medical examination conducted
	Initial training	1,271	(in hiring)
Instructing	Pre-job briefing	18,968	Daily
	Refresher briefing	15,853	Quarterly
	Off-schedule briefing	11,964	When required
Dangerous intersections	Dangerous intersections eliminated	967	
Replacement of emergency towers and reinforced concrete stands	Replaced for new: emergency towers and reinforced concrete stands	5,268	In compliance with work plans
Scheduled checks inside the branch office	Observations made	2,618	
	Audit observations corrected	2,226	85%
Scheduled checks on Occupational safety and health hold by chief manager of CO ED	Observations made	607	
	Audit observations corrected	473	77%

Internal inspection of occupational safety and security was carried out in 5 branches of the Company in 2020 (Eastern RTD, Western RTD, Southern RTD, Central RDT, Almaty Telecom RTD, branches of Service Factory: Eastern Region, Western Region, Southern Region, Central Region, Almaty Region).

In 2020, there were in total 18 directives issued for the adoption of measures to eliminate detected occupational safety and health management violations, industrial safety and fire safety. The total number of observations was 2,429, of which 2,078 were corrected.

When gross violations that could have led to an accident were identified, the work was suspended until remediation.

A training video for electricians was filmed. This video shows how to prepare and work safely on aerial lines of communication and in cable channels. The video will be sent to the branches for presentation to the employees during training and instruction on occupational safety and health management.

In 2020, the “Technical Requirements for Purchase of Software Development for Digital Processes in the Field of Occupational Safety and Health Management” were developed and approved.

**Within the implementation of the software the following modules were developed:**

- The system of issue of electrical safety permits for hazardous works. This module allows issuing safety permits in electronic form. The dashboard, showing current and completed work orders is also provided;
  - The system of issue of electrical safety permits for works with electricity-generating equipment, which allows giving access to working with electricity-generating equipment in electronic mode also.

## Statistics of accidents

In the Company the Integrated Management System is implemented in accordance with such international standards as ISO 9001, ISO 14001 and OHSAS 18001. The assessment of unacceptable hazards and risks is carried out in accordance with the approved documented procedure “Identification of hazards, environmental aspects and risk assessment. The order in which the control measures are determined”.

The procedure for hazard identification and risk assessment considers the daily and unusual activities of all personnel, human behavior and abilities, hazards detected near or outside the work area, infrastructure, equipment and materials, and technological processes.

In the Risk Register the risk of Fatal accidents at work due to the fault of the employer is registered and monitored. Risk management activities have been identified and are being implemented.

The Report on Industrial Accidents and Injuries is sent to the Risk Management Service on quarterly basis.

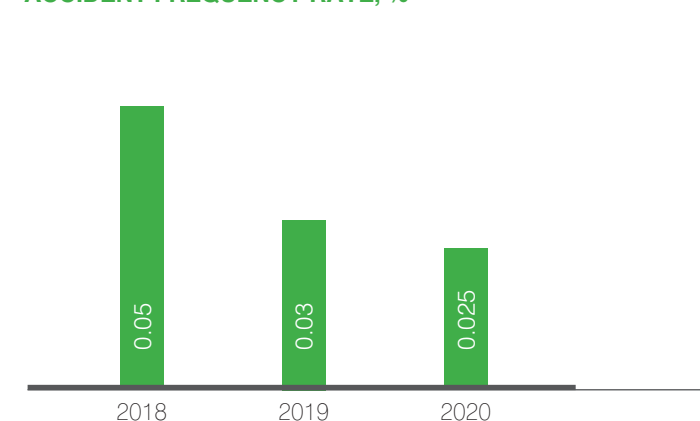
The employment injury rate for 2020 was 0.025 per 22,453 persons. In 2020 in Kazakhtelecom JSC there were 4 accidents of them: 2 minor severity, 1 moderate severity and 1 heavy severity level.

- Registration system for occupational safety and health management. This module will allow the Health-and-Safety engineer to login to the application within 10 minutes using the mobile phone, to take photographs of the violation, to upload, to fill in the necessary lines and to send to the responsible supervisor for the elimination. There is also a dashboard in the module, which will reflect instructions with the status of implemented/not implemented/for audits.

Systems will be accessible through web-solution and mobile application (iOS, Android). Documents could be signed also in the software with the help of the E-signature (or without it).

The introduction of the software will reduce the probability of occurrence of accidents, incidents, risks and economic losses resulting from inadequate compliance with the requirements of legislation of the Republic of Kazakhstan in the areas of the occupational safety and health management, fire safety, Industrial Safety and Electrical Safety. The level of internal controls of the occupational safety and health management safety and fire safety will increase.

### ACCIDENT FREQUENCY RATE, %



## Medium-term horizon program

- Implementation of software for the digitization of occupational safety and health management processes in the following modules:
  - Special clothing, special footwear and personal protective equipment accounting module;
  - Module for recording of training and testing of knowledge on safety and health management;
  - Periodic medical examination module.
- In order to raise the awareness of trainee workers on safe working practices, risks and risk management practices, purchase of filming services to produce an educational video on safe production of works for employees of Energy and Climate Technology Centers of Kazakhtelecom JSC is planned.
- Carrying out of 19 planned internal inspections on occupational safety and health management in the branches of Kazakhtelecom JSC.
- Implementation of the Action Plan for Certification under the International Standard ISO 45001:2018 “Health and Occupational Safety Management System”.
- Organization of further training of employees of the Occupational Safety and Health Management of branches of Kazakhtelecom JSC under courses “Behavioral Audit”, “Accident Investigation”, “Risk Assessment”.
- Realization of plan of actions for achieving a goal of zero injures.
- Development and implementation of the Occupational Safety Management System
- Revision and updating of existing standards and regulations.
- Implementation of the Plan of measures aimed to prevent industrial accidents by the Kazakhtelecom JSC in 2021.

## Corporate social responsibility

Within the social aspect of sustainable development Kazakhtelecom focuses on improving the quality of life of the population in the places of presence with the help of social and educational programs, transparency of activities, and reduction of negative impact on environmental issues.

In 2020, the main social focus for us, as for the entire country, was the pandemic of coronavirus, which was put under a state of emergency and lockdown to combat its spread. During this difficult period Kazakhtelecom provided all kinds of assistance to its clients and the society of the country as a whole.

During the quarantine Kazakhtelecom signed a memorandum with the Ministry of Health of the Republic of Kazakhstan according to which more than 5,000 medical professionals were provided with free mobile communication, as well as access to the Internet on networks Tele2, Altel, Kcell/Activ.

The Kazakh online-school “Qlang” in cooperation with Kazakhtelecom launched on July 27, 2020 a new social project providing free English language classes to children of medical workers who are on the cutting-edge treatment of coronavirus patients. All children of Kazakh medical workers, who wished to, could take a free English course online on the platform www.med.qlang.kz.

The courses of the online-school “Qlang” imply both the independent execution of interactive tasks placed on the platform, at any time convenient for the child, as well as classes with experienced and qualified teachers with selection of the most suitable schedule for each child. There is also an opportunity to practice speaking

English in a conversational online club, to find new acquaintances and friends there, and after completion of the course to receive a certificate of the course from the online-school “Qlang”. Kazakhtelecom was not only a technical partner of the project, but also took on the obligation to pay teachers who will conduct online classes for children. In addition, the Company sent out individual code messages to the mobile numbers of medical personnel.

During the lockdown Kazakhtelecom made premium package available to all iD TV subscribers. So all subscribers of the service iD TV from Kazakhtelekom watched TV channels bonus package without additional payment. A total of 380,000 subscribers took advantage of the possibility to expand the list of channels.

QazCloud, the subsidiary company of Kazakhtelecom and Samruk-Kazyna JSC, together with the Company Cisco Systems have opened free access to universal platform of conferences Cisco Meeting Server (CMS) to support companies, forced to transfer to the remote mode of working due to the state of emergency.

Cisco Meeting Server is a web conferencing platform with a wide range of opportunities for multilateral exchange of information. The solution was deployed in the territory of Kazakhstan on the basis of the largest data center in the country Kazakhtelecom and meets all requirements of the legislation of the Republic of Kazakhstan of ensuring information security. Access to this platform enabled Kazakh companies to provide their employees with a number of convenient and practical tools for working with documents, presentations, as well as video chats, messaging, and recording of the web session for further viewing in a secure cyber environment.



Kazakhtelecom took a decision not to disconnect telecommunication services to subscribers with arrears during the quarantine period. This decision helped people to remain in contact with their friends and family.

To support people during the quarantine Kazakhtelecom together with the Ministry of Culture and Sport of the Republic of Kazakhstan held a series of online concerts within the framework within the Star in Quarantine project. Online concerts of this project

Environmental protection

Kazakhtelecom strives to achieve sustainable development by minimizing damage to the environment, rational use of natural resources and maintaining the status of socially responsible organization.

Principles of Environmental Policy

- 1. Observance in the Company's activities of the requirements, norms and obligations established by the legislation of the Republic of Kazakhstan and ratified international treaties in the field of environmental protection.
- 2. Commitment to the principles of sustainable development in the planning and implementation of the Company's activities: the realization of the Company's economic interests shall not impair the existing environmental situation, quality of life and public health, Harm the environment, its components.
- 3. Leadership and commitment of managers at all levels of the Company in the implementation of programs aimed to reduce negative impact on the environment and rational use of natural resources during the Company's activities.
- 4. Continuous improvement of the corporate environmental management system based on the requirements of the international standard ISO 14001.
- 5. Consideration of potential environmental risks while making management decisions determining the Company's development strategy.

Capital investments

Kazakhtelecom strictly fulfils the requirements of the environmental legislation of the Republic of Kazakhstan and invests in the development of draft standards for maximum permissible emissions of harmful substances into the atmosphere and in obtaining permits

were held live on YouTube channel Tecomkz, the channel of the company Kazakhtelecom. The broadcast was also organized on the official pages Kazakhtelecom in Facebook and Instagram. In addition, reruns were organized on the official page of the Ministry of Culture and Sport in Facebook and also on YouTube channel QazaqConcert, the channel of Kazak Concert Republican state budget-supported enterprise. Online concerts were free and available to every Internet user.

- 6. Openness and accessibility of environmental information to all concerned.
- 7. Creation and development in Company of ecological culture, ecological values, formation of image of Company as an ecologically oriented Company.

In order to minimize the negative impact on the environment, our Company invests in the modernization of autonomous systems and converts them to cleaner fuels, while constructing and laying a communication line, conducts mandatory land rehabilitation. When carrying out repair works, we try to use materials and technologies that are safe for the environment, also organize voluntary environmental actions and events.

The Company has implemented an environmental management system in accordance with the requirements of the international standard ISO 14001. The company is audited annually by an independent outside organization to confirm compliance with the requirements of the standard.

In 2020, the Plan for Long-term Environmental Management Goals was approved. The plan includes activities and initiatives on energy efficiency, rational use of resources, waste management and environmental awareness among the company's employees.

for emissions of pollutants into the atmosphere from stationary pollution sources, as well as in the development of environmental impact assessment projects. The Company pays emission taxes on time.



COSTS FOR ENVIRONMENTAL PROTECTION MEASURES IN 2020

Description	Value, KZT ths.
Development of EIA (Environmental impact assessment) projects, draft emission standards and industrial environmental monitoring	28,587
land rehabilitation	30,480
cost of sanitary inspection	7,763
emission fees	1,108
<b>TOTAL</b>	<b>67,938</b>

During the inspection, the Department of Ecology found violations of environmental protection legislation and imposed fines amounting to KZT 898,000. During

the reporting year, non-financial sanctions were not imposed for breaches of environmental regulations.

Energy Saving

Kazakhtelecom JSC uses direct not renewable fuel and energy resources for its own consumption, namely: gasoline, diesel fuel, coal, natural gas. Direct renewable energy sources are not used.

CONSUMPTION OF FUEL RESOURCES, GJ

Fuel type	2018	2019	2020	Prognosis for 2021
Petrol	713,649	795,553	443,940	769,229
Diesel fuel	125,881	112,890	106,724	110,640
Coal	1,032	1,044	1,033	10,30
Gas	10,107	10,009	10,110	10,102
TOTAL	850,669	919,496	561,807	891,001

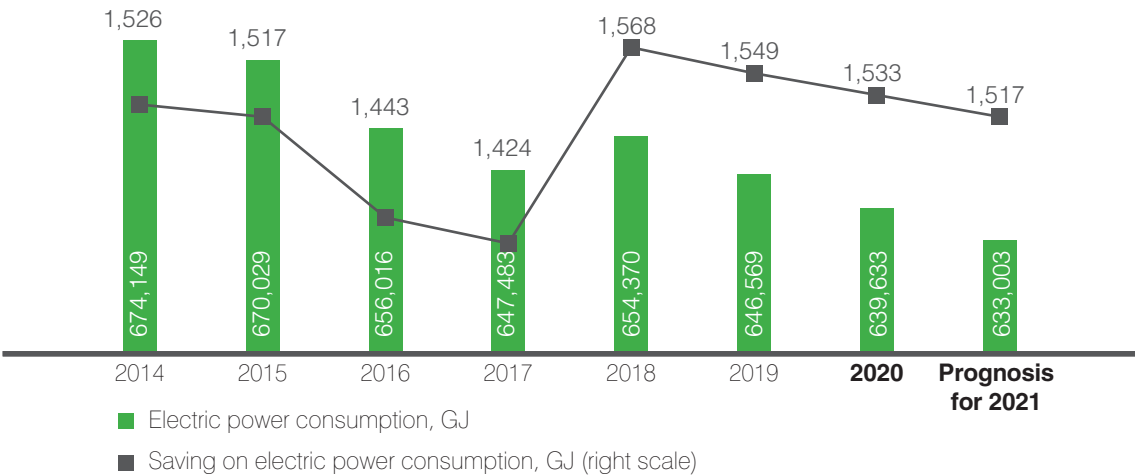
In 2020, total fuel consumption was 516.8 GJ, which is 39% lower than in 2019. Declines were observed for almost all fuels. Due to the COVID-19 pandemic and quarantine, petrol consumption is significantly reduced.

Today, 257 property units of the Company are heated by self-governing system of heating, including 129 objects on diesel fuel, 99 on gas heating and 29 on solid fuel. In 2019, 12 facilities were transferred from diesel to gas. In 2020, 2 facilities were transferred from diesel fuel to gas and 1 unit was transferred from diesel fuel to central heating. This reduces the use of diesel fuel.

The Company's departments annually carry out activities aimed at the rational use of heat and energy resources, elimination of heat losses by heating buildings and structures as part of the measures to prepare the Company's facilities for the heating season, carrying out maintenance of autonomous heating systems. Also, the measures of heat saving are positively influenced by the measures of disposal of real estate objects within the framework of realization of project "Optimization of real estate management".

The Company's electricity consumption in 2020 was 639,633 GJ. As a result of energy saving measures, energy saving was 2%.

TRENDS IN ELECTRICITY CONSUMPTION



In 2020, several cases of production induced and natural emergencies were recorded at the facilities of Kazakhtelecom JSC branches. Due to an emergency situation involving wind gusts of 22–30 m/s, torrential rains and snowfall in April 2020 in the North, Central and South RTD, power lines were damaged, which led to a massive power outage and consequently a massive blackout.

In order to maintain the smooth operation of the communications facilities, the existing diesel generating sets were fully utilized, but their number was insufficient to connect all telecommunications

Water sources

The Company's activities do not have a significant impact on water abstraction, but we are striving for a rational use of water.

For the supply of water to the Company's units, water is mainly used from the networks of water supply organizations. Water is abstracted from two primary sources: groundwater (wells) and surface water (rivers, lakes and sea), which are protected by the Ministry of Environmental Protection.

Overall, the Company's water abstraction in 2020 was 369,456 m³ per year, 1.8% lower than the previous figure. The organization's water abstraction is less than 5% of the average annual volume of all water bodies, so it has no significant influence on water sources.

Company units carry out annual activities aimed at rational use of water resources, economical use

Waste management

During its operation, the Company mainly generates waste in the form of decommissioned equipment as well as household waste.

Municipal waste is collected by a specialized organization licensed to sewage services.

Telecommunication and office equipment decommission and transfer for utilization and recycling is realized on the basis of the Company's Standard "Rules of Dismantling and Disposal of Decommissioned Telecommunications Means".

Biodiversity

The Company's infrastructure units are located in 12 specially protected natural areas, which are home to some 179 protected species of flora and fauna listed in the IUCN Red List and the National List of Protected Species. The activities of the Company do not threaten the existence of protected flora and fauna species.

facilities. In order to ensure the uninterrupted operation of the telecommunications network and prevent delays in communication, 244 mobile electric generators of various capacities, 20 motorcycle pumps for pumping water and 120 batteries were purchased.

Emissions from activities are not calculated for the Company as a whole. However, for the operation of autonomous heating systems in accordance with the requirements of environmental protection legislation, projects for maximum allowable emissions are developed and quarterly environmental monitoring is carried out.

of drinking water quality, elimination of waste in water supply networks (by replacing dilapidated sections of water pipes, repairing structures on water supply networks).

Water abstraction indicators were positively influenced by the activities on the disposal of real estate objects within the framework of the realization of the Optimization of real estate management project.

The reuse of water in the production process of providing telecommunication services by the Company's units is not practiced. The company uses water only for sanitary and household needs. Installed water metering equipment is maintained in a technically correct condition.

In 2020, 35,986 telecommunications units (PCM, client, digital equipment (STB consoles, CDMA terminals, modems, routers, multimeters, modules, control boards, terminals and other equipment) and office equipment were transferred for disposal. Decommissioned equipment, cables and office equipment are transferred to a specialized organization licensed to collect, store and dispose of non-ferrous and ferrous metals. If necessary, the operating service decides to keep some of the equipment for further use as spare parts.

The separate waste collection at company offices is planned to be introduced next year.

In 2020, construction, work and other activities were not carried out in protected natural areas.

The Kazakhtelecom JSC follows the following measures to prevent and neutralize the negative impact of construction in the diversion strips on the terrestrial habitat:



- location of fixed communications and other line infrastructure units, access roads, lines and towers, without affecting key natural areas, through use everywhere, where possible, existing engineering routes and transport corridors;
- revegetation of disturbed land areas using local plant species.

To minimize cases of collision of birds with infrastructure objects, the following control and prevention measures are taken:

- location of infrastructure beyond key biotopes;
- avoidance of cumulative effects of antennas placed on existing towers or other fixed structures, providing for structural and electrical possibilities for additional users to join in the future when designing new towers, as well as dismantling unused towers.

It is important to note that the Kazakhtelecom JSC fulfils the requirements of the legislation of the Republic of Kazakhstan in the part of the Environmental Code and provides for the proper assessment of the territory in terms of potential ecological damage and carries out restoration measures. It is an obligatory to include activities on remediation of ecological damage caused, such as land reclamation and environmental impact assessment (EIA) as part of the projects of Kazakhtelecom.

### Projects on environmental protection

#### Green office project

The Green Office project was developed and approved in 2020, in order to implement environmental policy, reduce negative impact on the environment, and also to create an environmentally friendly milieu for employees. The implementation of the project is planned to begin from 2021.

Green Office is the organization managing concept that seeks to reduce the negative impact of a company's activities on the environment and to promote rational use of resources.

In 2020, work was started on environmental education for company employees. The online course "Sustainable Development and Environmental Literacy" was developed and placed on the distance learning portal. The course gives a brief concept of sustainable development, current state of the planet and environmental problems, as well as ecological behavior principals. A section about the separate collection of waste at work and at home has been included, as well as explanations of the concept of reusability and recycling are given. Webinars were held for employees of subsidiary organizations and all branches.

#### Electronic paperwork system

The Company uses electronic document management system everywhere, and all internal document exchange is done electronically. In 2020, the functions of the system were expanded – part of the external document circulation was made electronically.

For corporate clients there is the possibility of electronic documentation through the portal ISMET.KZ. This was made possible by the use of electronic digital signatures. The portal has more than 15,000 registered entities. Contracts and supplementary agreements are concluded electronically; electronic invoices, certificates of work performed and reconciliation acts are received electronically also; telephone calls details and Internet traffic information could be get electronically; payment of communication bills could be made same way as well. The same possibility is available for the retail segment clients through the personal office on the Company's website. This saves considerable amounts of paper and consumables, as well as making it easier for all stakeholders to exchange information more easily and effectively.

#### Environmental volunteering

As part of the implementation of the corporate volunteering program, the Company's employees carried out cleaning works in the cities of Nur-Sultan, Almaty, Atyrau, Uralsk and Shymkent. In November 2020, the Northern Regional Telecommunications Directory launched an eco-marathon in the form of a challenger aimed at creating green habits, for example, removing plastic bags, sorting garbage. Active employees of the branch are constantly interacting with local eco-communities.







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*During the pandemic, digitalization gained an additional impetus. Thus, in July 2020, based on QazCloud, a subsidiary company, a new structural subdivision was created – InDigiCo, a center of digital personnel competencies of Kazakhtelecom JSC. The objectives of this digital division are to digitalize customer paths and transfer all communication channels with B2C and B2B customers into online mode. The objectives, the implementation of which was initially planned for several years, were completed in record time.*





# CORPORATE GOVERNANCE SYSTEM

An effective management structure is the basis of corporate governance of the Company. This structure respects the rights and interests of all persons interested in the activities of the Joint Stock Company and contributes to the success of its activities, including the growth of its reputation, maintaining financial stability and profitability.

The basic principles of corporate governance are sustainable development, shareholder rights and fair treatment, effectiveness of the Board of Directors and transparency. Compliance with these principles and provisions of the Corporate Governance Code is reported annually in a report to the Board of Directors prepared by the Corporate Secretary.

According to analysis results in 2020 the activities of Kazakhtelecom JSC and its corporate practice show full compliance with the principles and provisions of the Code of Corporate Governance.

The corporate management system of Kazakhtelecom JSC is a set of processes providing management and control of the activity of the joint-stock

company, as well as a system of relations between the executive body, Board of directors, shareholders and stakeholders. The competences of the bodies and the decision-making procedure are defined and enshrined in the Charter of Kazakhtelecom JSC.

The Management Board is a subsidiary to the Board of Directors and accountable to it. The Board of Directors in its turn is responsible to the General Meeting of Shareholders. The detailed role and functions of each body of the Company are stipulated in the Law "On Joint Stock Companies", the Charter and other internal documents of the Company.

The Internal Audit Service is the body that oversees the financial and business operations of the Company, assessing internal controls, risk management and the execution of corporate governance documents, as well as consulting to improve the activity of the joint-stock company.

## CORPORATE BODY:



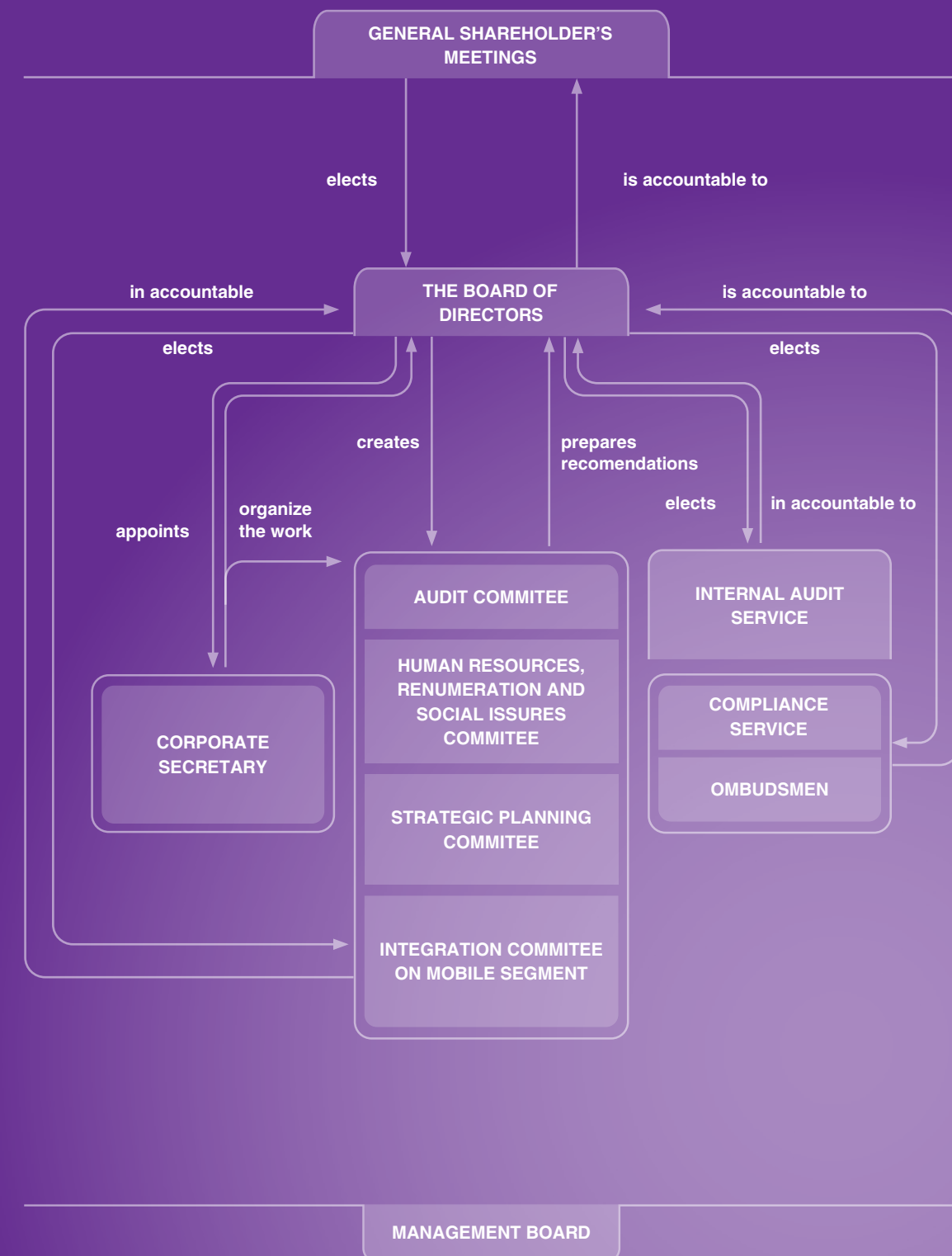
**THE HIGHEST BODY**  
the General Meeting  
of Shareholders



**THE MANAGEMENT BODY**  
the Board of Directors



**THE EXECUTIVE BODY**  
the Management Board



## Structure of capital

The authorized capital of Kazakhtelecom JSC is 12,136,529 KZT thousand and consists of 10,922,876 simple shares and 1,213,653 privileged shares. The nominal value of one share is KZT 1,000. The part of privileged shares of Kazakhtelecom JSC from the total number of issued shares is 10%.

Simple and privileged shares of Kazakhtelecom JSC were included in the official list of Kazakhstan Stock Exchange JSC (hereinafter – Exchange), in “A” category from October 16, 1997, since September 1, 2008 the Company’s shares have been transferred in the first category of the official list of the Exchange.

At the moment, both simple and privileged shares of the Company are in the “Premium” category of the official list of Kazakhstan Stock Exchange JSC and are traded on the main platform of the Exchange.

On April 28, 2006 the government’s stake of Kazakhtelecom JSC was transferred to Samruk Management of public assets of Kazakhstan Holding JSC

established by Government Decision of February 23, 2006 №117 for the effective management of state shares of a number of the largest companies in Kazakhstan.

The Samruk-Kazyna Sovereign Wealth Fund JSC (hereinafter – Samruk-Kazyna SWF, Foundation), which was established by Government Decision# 962 of the Republic of Kazakhstan dated October 17, 2008 “On measures for the implementation of the Decree No.669 of the President of the Republic of Kazakhstan dated October 13, 2008” by merging joint-stock companies “Kazyna” Sustainable Development Foundation” and “Samruk” Management of public assets of Kazakhstan Holding”, is today the largest shareholder of the Company.

The SKYLINE INVESTMENT COMPANY S.A became a new principal shareholder of Kazakhtelecom JSC in July, 2018.

There was no change in the composition of major shareholders in 2020.

## OWNERS OF SIMPLE SHARES OF KAZAKHTELECOM JSC AS OF 01.01.2021

Shareholder	Number of shares	Share (%)*
Samruk-Kazyna SWF	5,570,668	51.00%
Skyline Investment Company S. A.	2,671,481	24.46%
Depository receipts (nominal holder – BNY Mellon)	1,046,250	9.58%
Other shareholders with less than 5% **	1,634,477	14.96%
<b>Total announced ordinary shares</b>	<b>10,922,876</b>	<b>100%</b>

As of 01.01.2021, the members of the Board, the Board of Directors of the Company are not owning ordinary shares of Kazakhtelecom JSC, there is no cross-ownership of shares.

\* Share is calculated on the basis of total number of issued simple shares

\*\* Including shares bought by Kazakhtelecom JSC

As of December 31, 2020 the value of ordinary shares of Kazakhtelecom JSC (ISIN KZ0009093241) on Kazakhstan Stock

Exchange JSC was KZT 26,700.00, the value of preferred shares of Kazakhtelecom JSC (ISIN KZ0009094645) was KZT 12,849.00.

## VALUE OF SHARES (KZT)\*

Class of shares	31.12.2019	31.12.2020
Ordinary shares (1 share), KZT	27,100	26,700
Preferred shares (1 share), KZT	13,600	12,849

\* closing price on the last trading day of the year

## Dividend policy

The goal of the dividend policy of Kazakhtelecom JSC is to ensure a balance of interests of the Company and Shareholders, predictability and transparency of the approach in determining the size of dividends, conditions and procedure of their payment.

The main principles of the Company’s dividend policy are the principle of guaranteeing the payment of dividends for the entire stock

in circulation and the principle of securing financing of the Company’s activities, including financing of new activities and investment projects carried out with funds of the Company.

The amount of dividends to be paid depends on the financial and economic condition of the Company as determined by the indicators of financial stability and liquidity.

## ANNOUNCED EQUITY DIVIDENDS OF THE COMPANY ON THE RESULTS OF 2018–2019

Figure	2018	2019
Share of net profit for the period, %	20%	15%
Dividend for 1 share, KZT	781.06	778.11

The amount of dividends offered to be paid by the Company shall be determined in accordance with the method of calculation of dividends laid down in the Regulation on Dividend Policy of the Kazakhtelecom JSC. The final decision on the amount of dividends is made by the General Meeting of Shareholders.

In 2020, according to the decision of the Annual General Meeting of Shareholders, 15 per cent of the consolidated profits for 2019 attributable to the owners of the parent company were allocated to the payment of dividends.

## General Meeting of Shareholders

In 2020, two general meetings of shareholders were held (extraordinary meeting on January 14 and annual meeting on April 30). In the list of main issues considered are issues of approval of the annual financial statements for 2019, the order of distribution of the net profit for 2019, on making amendments and supplements to the Charter of the Company.

## Duty of publicity

Kazakhtelecom JSC executes the disclosure of information in accordance with the laws of the Republic of Kazakhstan “On the securities market” and “On joint stock companies”, as well as according to the requirements of Kazakhstan Stock Exchange JSC, Astana International Exchange Ltd. and the National Bank of the Republic of Kazakhstan.

Information about the composition of the management body and executive body of the Company, about corporate events, on the composition of major shareholders, forthcoming general meetings

of shareholders and their outcomes, issuance of securities, as well as financial statements and other information for the benefit of shareholders and investors is being published in internet resources of Kazakhstan Stock Exchange JSC (www.kase.kz), Astana International Exchange Ltd. (www.aix.kz) and Information and Accounting Centre JSC (www.dfo.kz).

In addition, information is made available on the Company’s website to reach shareholders and stakeholders more widely.

## Board of Directors

**The Board of Directors is the managing body of the Company, which determines strategic directions of its activity**, approves development strategy, budget, elects the executive body and exercises other powers.

The Board of Directors is governed by the Statutes, the Corporate Governance Code, the Board of Directors Regulations and other documents adopted by the General Meeting of Shareholders.

## Roles of board members

**The Chairman** directs the Board of Directors, organizes and ensures the effective functioning of the Board of Directors, conducts its meetings,

and performs other functions provided for in the Charter and the Statute of the Board of Directors.



Members of the Board are acting as **the Shareholders’ Representatives** the interests of major shareholders in the conduct of Board business.

**The Independent directors** of the Board of Directors are members of all the committees, review all matters and make recommendations to the Board of Directors. The Audit Committee, which is composed exclusively

Election of members of Board of Directors

The members of the Board of Directors are elected by the annual General Meeting of Shareholders and are re-elected by the Extraordinary General Meeting in case of early termination of the terms of the previously elected members of the Board of Directors of the Joint-Stock Company in the order established by the Legislation of the Republic of Kazakhstan and the Charter of the Joint-Stock Company and the Regulation on the Board of Directors of Kazakhtelecom.

The election of members of the Board of Directors shall be carried out by shareholders in a cumulative vote using ballot papers, except when one candidate is running for one seat on the Board of Directors. Candidates for election to the Board of Directors may be nominated from among:

of independent directors, reviews and makes decisions on financial reporting, internal and external auditing, risks and other important areas of work. In addition, independent directors, because of their independence, are also responsible for making decisions on the conclusion of transactions in which there is an interest.

- 1. Shareholders – natural persons;
- 2. Persons proposed (recommended) for election to the Board of Directors as shareholder representatives;
- 3. Natural persons who are not shareholders in the company and have not been proposed (not recommended) for election to the Board of Directors as a shareholder representative.

Candidates and members of the Board of Directors shall have relevant experience, knowledge, qualifications, positive achievements and an impeccable reputation in the business and/or industry environment, required for fulfilment its responsibilities and to organize the efficient work of the entire Board of Directors in the interests of shareholders and the Company.

Members of the Board of Directors

The Board of Directors consists of 9 persons, 4 of whom are independent. The current Board of Directors was elected by the annual shareholders meeting in May 2018. In November 2018, there was

a change in the composition – the term of one member of the Board of Directors was terminated and a new member was elected. During 2020, there was no change in the composition of the Board of Directors.

Key competences of members of the Board of Directors

**Baidauletov Nurzhan Talipovich** – Management of the Board of Directors, telecommunications, strategy, implementation of the decisions of a major shareholder;

**Yessekeyev Kuanyshbek Bakytbekovich** – telecommunications, strategy, business planning;

**Alimov Abay Savitovich** – legal affairs, strategy;

**Kussainov Yerulan Aytashovich** – strategy, personal ad financial issues;

**Saudabayev Serik Bolatovich** – strategy, legal affairs, telecommunications, implementation of the decisions of a major shareholder

Independent Directors: **Buyanov Alexey Nikolayevich, Zaika Dmitriy Alexandrovich, Naizabekov Timur Kurmangaziyeovich, Garrett Martin Johnston** are professionals in finances, marketing, telecommunications, strategy management, human resources management and others. They have a wide range of responsibilities through the Board of Directors and its committees.

Assessment of the Board of Directors

The Company has Rules for Evaluation of the Board of Directors and its Committees, Members of the Board of Directors and Corporate Secretary.

In 2020, the activities of the Board of Directors were carried out in a self-assessment mode based on 17 criteria, and the scores gained by directors ranged

from 4.5 to 4.8 according to a five-point scale, which made it possible to positively evaluate the activities of the Board of Directors of Kazakhtelecom JSC for 2020.

A similar assessment was made of the work of the Board of Directors’ committees.

Independence of Directors

According to the requirements of the Law “On Joint Stock Companies” the number of independent members of the Board of Directors must be not less than 30%. This proportion in the Company is 44%.

- Independent Director is a member of the Board of Directors, who
- is not an affiliate of the joint stock company and has not been for three years prior to its election to the board of directors (except in the case of his tenure as an independent director of the joint stock company);
  - is not affiliated to affiliates of the joint stock company;
  - is not subordinate to the officials of the joint-stock company or organizations affiliated with the joint-

- stock company and was not subordinate to those persons in the three years prior to his election to the board of directors;
- is not a state employee;
  - is not a representative of the shareholder in the meetings of the bodies of the joint stock company and was not a representative of the shareholder in the three years preceding his election to the board of directors;
  - does not participate in the audit of the joint stock company as an auditor within an auditing organization, and hasn’t been participating in such activities for the three years preceding his election to the board of directors.

The Company’s independent directors fully met the criteria of independence in 2020.

Management of competitive interests

There is a Policy on settlement of conflict of interest in Kazakhtelecom JSC. The Policy defines the procedure for the prevention, detection and management of conflicts of interest; the procedure of interaction and coordination

of bodies and/or persons of the Company in case of occurrence or probability of conflict of interest.

There was no conflict of interest in the work of the Board of Directors in 2020.

Enhance the competencies of members of the Board of Directors

The Company has a Policy of Professional Development of the Board of Directors and attraction of External Experts by its members. It builds on best practices in corporate governance to enhance the effectiveness of the Board of Directors by introducing a system of skills development and advanced training for Board members

and their right to external expertise, if issue considered by the Board of Directors requires external professional and independent expertise.

Due to the pandemic, no training was provided to board members in 2020.

Activity of the Board of Directors

Due to the coronavirus pandemic, the Board of Directors met in person only in the first quarter of 2020, and then the Board of Directors met online using existing videoconferencing platforms.

During the year, 13 Board of Directors meetings (11 in person and 2 in absentia) were held, considering 98 issues.

The key decisions in 2020 were the adoption of the Business Plan 2021–2025, the Group’s investment parameters, the approval of the key performance indicators maps and their calculation methodologies, and the resolution of subsidiary operations. Regular reports were also given by the Board on the implementation of the Development Plan, occupational safety and health, implementation of strategic projects, risks, implementation of the Strategy, activities of mobile operators.

### Baidauletov Nurzhan Talipovich

**Date of Birth:** September 1, 1960  
**Citizenship:** Republic of Kazakhstan  
**Date of first election to the Board of directors:** May 8, 2012

**Date of current appointment as a member of the Board of Directors:** May 30, 2018

**Status:** Chairman of the Board of Directors  
 Representative of the shareholder, namely, Samruk-Kazyna JSC  
 (5,570,668 ordinary (voting) shares)  
**Shares owned:** None

**Education:**  
**2017–2019**  
 International Chartered Director Program  
 of the Institute of Directors of Great Britain  
**09.1977–06.1986**  
 Moscow Institute of Railway Transport  
**Qualified in:** Railway Transportation Process  
 Management

**Current occupation and recent posts for the past five years:**  
**17.04.2016 – present**  
**Samruk-Kazyna JSC** – Representative of Samruk-Kazyna JSC in the Board of Directors of Kazakhtelecom JSC,  
 NC Kazakhstan Temir Zholy JSC from 4.12.2018, Qazak Air JSC till 1.04.2019, Air Astana JSC till 31.05.2019.  
**02.06.2014–17.04.2016**  
**Samruk-Kazyna JSC** – Senior Asset Management Officer  
**27.11.2008–01.06.2014**  
**Samruk-Kazyna JSC** – Managing Director



### Yessekeyev Kuanyshebek Bakytbekovich

**Date of Birth:** June 10, 1975  
**Citizenship:** Republic of Kazakhstan  
**Date of first election to the Board of directors:** December 16, 2006  
**Date of current appointment as a member of the Board of Directors:** May 30, 2018

**Status:** Member of the Board of Directors, Chairman of the Management Board of Kazakhtelecom JSC  
 Member of the Board of Directors of Kcell JSC  
 Member of the Supervisory Board of QazCloud LLP, Chairman of the Supervisory Board of Digital Economy Development Center LLP.

**Shares owned:** None

**Education:**  
**2015–2017**  
 Hult Business School, London,  
 GB Major: Finance  
 Executive MBA degree

**2001–2002**  
 Kazakh State Academy of Management

**Qualified in:** Management

**1991–1995**  
 Kazakh State University named after al-Farabi

**Qualified in:** Applied math  
 Candidate of mathematics

**Current occupation and recent posts for the past five years:**

**15.03.2010 – present**  
**Kazakhtelecom JSC** – Chairman of the Management Board, Member of the Board of Directors

**23.02.2007–15.03.2010**  
**Informatization and Communications Agency of the Republic of Kazakhstan** – Chairman





Alimov  
Abay Savitovich

**Date of Birth:** October 29, 1975  
**Citizenship:** Republic of Kazakhstan  
**Date of first election to the Board of directors:** November 19, 2018

**Date of current appointment as a member of the Board of Directors:** November 19, 2018

**Status:** Member of the Board of Directors, Representative of the shareholders, namely, Skyline Investment Company

**Kazakhtelecom JSC shares owned:** None

**Education:**  
**1998–2000** Kazakh National Management Academy of named after T. Ryskulov.  
**Qualified in** Finance and Credit  
**1993–1997** Kazakh State National University named after al-Farabi.  
**Qualified in:** Law Science

**Current occupation and recent posts for the past five years:**  
**05.2018 – present**  
**Skyline Investment Company** – Representative  
**01.2018** – Parasat Advising Group LLP – Managing Director  
**08.2016–12.2017**  
**KIPROS LLP** – Managing Director  
**03.2010–12.2015**  
**PetroKazakhstan Oil Holding** – Legal Affairs Director



Saudabayev  
Serik Bolatovich

**Date of Birth:** December 8, 1977  
**Citizenship:** Republic of Kazakhstan  
**Date of first election to the Board of directors:** July 12, 2010

**Date of current appointment as a member of the Board of Directors:** May 30, 2018

**Status:** Member of the Board of Directors, Representative of the shareholder of Samruk-Kazyna JSC  
(5 570 668 ordinary (voting) shares)

**Shares owned:** None

**Education:**  
**2004–2006** Kazakh Economic University named after T.Ryskulov.  
**Qualified in:** Economics  
**1995–1999** Almaty State University named after Abai.  
**Qualified in:** Law Science

**Current occupation and recent posts for the past five years:**  
**02.05.2018 – present**  
**Samruk- Kazyna JSC** – Head of Communications Sector of the Asset Management Directorate, Member of the Board of Directors of Kazpost JSC (13.08.2010–01.04.2014, from 26.10.2016 till now), Member of Supervisory Board of QazCloud LLP (from 07.11.2019)  
**11.07.2016–01.05.2018**  
**Samruk-Kazyna JSC** – Communications Directorate Director  
**11.05.2014–10.07.2016**  
**Samruk-Kazyna JSC** – Deputy Senior Director in Asset Management  
**17.06.2010–10.05.2014**  
**Sovereign Welfare Fund Samruk-Kazyna JSC** – Communications Asset Management Director



Kussainov  
Yerulan Aytashovich

**Date of Birth:** January 28, 1976  
**Citizenship:** Republic of Kazakhstan  
**Date of first election to the Board of directors:** May 30, 2018  
**Date of current appointment as a member of the Board of Directors:** May 30, 2018  
**Status:** Member of the Board of Directors, Representative of the shareholder, namely, the Skyline Investment Company  
**Shares owned:** None

**Education:**  
**2012–2013**  
Comenius University (Prague, Czech Republic).  
**Qualified in:** Master of Business Administration  
**2001–2005**  
Zhezkazgan University named after O.A.Baikonurov.  
**Qualified in:** Finance and Credit  
**1993–1996**  
Karaganda Banking College of the Kazakh State Management Academy.  
**Qualified in:** Banking

**Current occupation and recent posts for the past five years:**  
**12.2014 – present**  
**Damina Educational Center LLP** – General Director,  
Member of the Board of Directors of Khan Tengri Holding B.V. (from 02.08.2019)  
Member of the Supervisory Board of Mobile Telecom-Service LLP (from 09.08.2019)  
**04.2016–07.2017**  
**Kazkommerts Bank JSC** – Executive Director, Member of the Management Board, Managing Director  
**07.2014–10.2014**  
**Samruk-Kazyna Invest LLP** – General Deputy Director  
**08.2006–12.2013**  
**Temirbank JSC** – Adviser to the Chairman of the Management Board, Managing Director, Member of the Management Board, Branch Director, Managing Director – Member of the Management Board, Deputy Chairman of the Management Board – Member of the Management Board



Buyanov  
Alexey Nikolayevich

**Date of Birth:** August 15th, 1969  
**Citizenship:** Russian Federation  
**Date of first election to the Board of directors:** June 30, 2015  
**Date of current appointment as a member of the Board of Directors:** May 30, 2018  
**Status:** Independent Director  
**Shares owned:** None  
**Criteria of independence:**  
Meets the criteria specified in subclause 20) of the article 1 “On Joint-Stock Companies” Law of the Republic of Kazakhstan

**Education:**  
**1986–1992**  
Moscow Institute of Physics and Technologies (MIPT)  
**Qualified in:** Applied Physics and Math  
**Qualified as:** Physics Engineer

**Current occupation and recent posts for the past five years:**  
**с января 2016 – present**  
**Bengala Investments SA (Investment Company)**, Director, Chairman of the Board of Directors of Kcell JSC (since 25.01.2019)  
**2014–2016**  
Managing Director of **Redline Capital Management JSC**, Member of the Stock Board of Moscow Stock Exchange OJSC





Garrett  
Martin Johnston

**Date of Birth:** July 22, 1968  
**Citizenship:** Ireland, Russian Federation  
**Date of first election to the Board of directors:** June 30, 2015  
**Date of current appointment as a member of the Board of Directors:** May 30, 2018  
**Status:** Independent Director  
**Shares owned:** None  
**Criteria of independence:** Meets the criteria specified in subclause 20) of the article 1 “On Joint-Stock Companies” Law of the Republic of Kazakhstan

**Education:**  
**1990–1991**  
Trinity College, Dublin, Ireland  
**Qualified in:** International Trade, TMI Degree (Postgraduate Diploma International Commerce)  
**1985–1990**  
University of Dublin,  
**Qualified in:** Economics

**Current occupation and recent posts for the past five years:**  
**15.06.2015 – present**  
**Macroscope Consulting.** Owner and CEO  
**01.10.2014 – present**  
**appselekt.com.** Chief Marketing Officer  
**15.01.2014–30.09.2014**  
**Digicel Caribbean and Central America –** CEO Enterprise Solutions  
**27.12.2011–11.01.2014**  
**Rosnano MedInvest (RMI Partners).** Vice President in Marketing and Strategy



Zaika  
Dmitriy Alexandrovich

**Date of Birth:** April 27, 1975  
**Citizenship:** Republic of Kazakhstan  
**Date of first election to the Board of directors:** June 30, 2015  
**Date of current appointment as a member of the Board of Directors:** May 30, 2018  
**Status:** Independent Director  
**Shares owned:** None  
**Criteria of independence:** Meets the criteria specified in subclause 20) of the article 1 “On Joint-Stock Companies” Law of the Republic of Kazakhstan

**Education:**  
**2003–2005**  
Kazakh State Economic University  
**Specialized in:** Financial Management  
**Qualified as:** Economist (Diploma with Honors)  
**1992–1998**  
Almaty Institute of Energy and Communications  
**Specialized in:** Radio Equipment  
**Qualified as:** Radio engineer

**Current occupation and recent posts for the past five years:**  
**29.08.2011 – present**  
**Chimpharm JSC –** Independent Director  
**20.04.2012–15.08.2016**  
**ALTEL JSC –** Independent Director



Naizabekov Timur Kurmangaziyevich

**Date of Birth:** April 21, 1983  
**Citizenship:** Republic of Kazakhstan  
**Date of first election to the Board of directors:** May 30, 2018  
**Date of current appointment as a member of the Board of Directors:** May 30, 2018  
**Status:** Independent Director  
**Shares owned:** None  
**Criteria of independence:** Meets the criteria specified in subclause 20) of the article 1 “On Joint-Stock Companies” Law of the Republic of Kazakhstan

**Education:**  
**2014–2015**  
University College of London (UCL).  
Master of Finance, Diploma with Honors  
**2005–2007**  
University of International business.  
Master of Finance, Diploma with Honors  
**2000–2004**  
Kazakh National University named after Al-Farabi.  
**Qualified in:** Math and Information Systems in Business, Diploma with Honors

**Current occupation and recent posts for the past five years:**  
**03.2020– present**  
**Central-Asian Power Energy Corporation JSC** – member of the Board of Directors.  
**10.2017–02.2018**  
**Facility Management Group JSC** – Advisor to the General Director  
**04.2016–09.2017**  
**Estate Management Company JSC** – Chairman of the Management Board, Member the Board of Directors, Member of the Internal Audit Committee, Member of the Strategic Planning, Personnel & Remuneration Committee.  
**08.2016–12.2016**  
**BTA Securities JSC**  
(renamed as Fincraft Investment House JSC) – member of the Board of Directors, Independent Director.



**04.2016–08.2017**  
**Kazcommerce Securities JSC** – member of the Board of Directors, Independent Director, Chairman of the Personnel Remuneration Committee, Strategic Development Committee.  
**05.2015–05.2016**  
**BP Service LLP** – Chairman of the Board of Directors.  
**09.2015–04.2016**  
**Commercial RE LLP** – CFO, CEO  
**09.2014–09.2015**  
**Union Bancaire Privée (Great Britain).** Financial Analyst/European Stock Markets  
**10.2012–07.2014**  
**National investment corporation** – Managing Director, Member of the Management Board/ Advisor to the Chairman of the Board

Committees of the Board of Directors

The Board of Directors has four Committees: Audit Committee; Human Resources, Remuneration and Social

Issues Committee; Strategic Planning and Mobile Integration Committees.

Audit Committee

The Audit Committee of the Board of Directors of Kazakhtelecom JSC was established by the decision of the Board of Directors in 2006 and is the advisory and consultative body of the Board of Directors of Kazakhtelecom JSC, carries out its activities in accordance with the Regulation on the Audit Committee.

Composition of the Audit Committee in 2020  
The current composition of the Audit Committee of the Board of Directors of Kazakhtelecom JSC was approved by the Board of Directors on 31 May 2018:

*The Chairman of the Committee:*  
• **NAIZABEKOV TIMUR KURMANGAZIYEVICH** – Independent Director

*Members of the Committee:*  
• **BUYANOV ALEXEY NIKOLAYEVICH** – Independent Director;  
• **GARRETT MARTIN JOHNSTON** – Independent Director;  
• **ZAICA DMITRIY ALEXANDROVICH** – Independent Director.

In accordance to the Corporate Governance Code of Kazakhtelecom JSC, the Committee consists of the Independent Directors only, who are eligible

to independence criteria stated in 20) of article 1 of the “On Joint-Stock Companies” Law of the Republic of Kazakhstan.

In accordance with the Regulations of the Audit Committee, the Chairman of the Committee was invited to provide information on agenda:

- the members of the Board of Directors;
- the head of Internal Audit;
- the representatives of the external auditor of Ernst & Young LLP;
- employees of the Company (top management, heads of structural divisions, professionals) and employees of subsidiaries.

Activity in 2020  
The audit committee shall hold regular in person meetings at least quarterly and extraordinary meetings as required.

12 meetings (8 in person and 4 in absentia) were held in 2020, at which 31 issues were discussed, including the Internal Audit Service, internal controls and risks, financial reporting, External audit and other important matters; also were made recommendations to the Board of Directors.

The Committee worked in accordance with the Work Plan for 2020

Human Resources, Remuneration and Social Issues Committee

The Human Resources, Remuneration and Social Issues Committee of the Board of Directors were established by the decision of the Board of Directors of Kazakhtelecom JSC in 2015.

In its activity the Committee is fully accountable to the Board of Directors and carries out its activities in accordance with the Regulation of the Human Resources, Remuneration and Social Issues Committee of the Board of Directors of Kazakhtelecom JSC.

Composition of the Human Resources, Remuneration and Social Issues Committee in 2020

*The Chairman of the Committee:*  
• **BUYANOV ALEXEY NIKOLAYEVICH** – Independent Director

*Members of the Committee:*  
• **KUSSAINOV YERULAN AITASHOVICH** – Member of the Board of Directors,  
• **SAUDABAYEV SERIK BOLATOVICH** – Member of the Board of Directors,  
• **ZAICA DMITRIY ALEXANDROVICH** – Independent Director,  
• **GARRETT MARTIN JOHNSTON** – Independent Director,  
• **NAIZABEKOV TIMUR KURMANGAZIYEVICH** – Independent Director

In accordance with the Regulation of the Human Resources, Remuneration and Social Issues Committee the Chairman of the Committee invited following persons to act as speakers, supervisors and also as providers of relevant information on the meeting agenda issues:

- members of the Board of Directors;
- heads of structural divisions, professionals);
- candidates to senior positions in accordance with the List of managerial positions.

Activity in 2020  
The Regulation of the Human Resources, Remuneration and Social Issues Committee held 8 in person meetings in 2020, at which 27 issues were discussed and recommendations to the Board of Directors were made. These include, but are not limited to, the election of employees to the Board, the appointment of the first heads of subsidiaries, the approval of the CPA of managers, remuneration, personnel management and other matters.



The Strategic Planning Committee

The Strategic Planning Committee of the Board of Directors of Kazakhtelecom JSC was established based on the decision of the Board of Directors in 2010. The Committee is a consultative and deliberative body of the Board of Directors of Kazakhtelecom JSC and operates in accordance with the Regulations on the Strategic Planning Committee.

Composition of the Strategic Planning Committee in 2020

The Chairman of the Committee:

- **ZAICA DMITRIY ALEXANDROVICH** – Independent Director

The members of the Committee:

- **GARRETT MARTIN JOHNSTON** – Independent Director,
- **BUYANOV ALEXEY NIKOLAYEVICH** – Independent Director,
- **NAIZABEKOV TIMUR KURMANGAZIYEVICH** – Independent Director,
- **KUSSAINOV YERULAN AITASHOVICH** – Member of the Board of Directors,
- **SAUDABAYEV SERIK BOLATOVICH** – Member of the Board of Directors,
- **ALIMOV ABAI SAVITOVICH** – Member of the Board of Directors.

The Chairman of the Committee invited following persons to act as speakers, supervisors and also as providers of relevant information on the meeting agenda issues:

- members of the Board of Directors, the Management Board;
- Company’s, subsidiaries management and other employees;
- representatives of consulting companies.

Activity in 2020

The Strategic Planning Committee meets in accordance with the annual plan approved by the Committee’s decision, but at least quarterly and extraordinary meetings as required.

The Strategic Planning Committee held 8 in person meetings in 2020, addressing 14 issues and making appropriate recommendations to the Board of Directors. These are business planning, consultancy, implementation of strategic projects, integration of mobile networks of operators and other important issues of the Company’s activities.

PARTICIPATION IN AUDIT COMMITTEE MEETINGS IN 2020

Committee members	Participation rate
Naizabekov T.K.	100 %
Garrett Martin Johnston	91.6%
Buyanov A.N.	100%
Zaika D.A.	100%

PARTICIPATION IN STRATEGIC PLANNING COMMITTEE MEETINGS IN 2020

Committee members	Participation rate
Zaika D.A.	100 %
Buyanov A.N.	100 %
G.M. Johnston	100%
Naizabekov T.K.	100 %
Alimov A.S.	100 %
Kussainov Y.A.	100%
Saudabayev S.B.	100%

Mobile Segment Integration Committee

The Mobile Segment Integration Committee is created by the decision of the Board of Directors in 2019 and is consulting advisory body of the Board of Directors, carries out the activity according to the Provision on Mobile Segment Integration Committee of the Board of Directors of Kazakhtelecom JSC.

The Committee was established for the period of integration of technological infrastructures of mobile operators of Kazakhtelecom JSC.

Composition of the Mobile Segment Integration Committee:

The Committee’s Chairman:

- **BUYANOV ALEXEY NIKOLAYEVICH** – Independent Director

The Committee Members:

- **ZAICA DMITRIY ALEXANDROVICH** – Independent Director,
- **KUSSAINOV YERULAN AITASHOVICH** – Member of the Board of Directors,
- **LEZGOVKO ALEXANDER VLADIMIROVICH** – Chief Technical Director of Kazakhtelecom JSC,

- **KHUDAIBERDIYEV TIMUR TELMANOVICH** – Chief Director of Logistics & Business Support of Kazakhtelecom JSC,
- **LYAN NATALIA VALERIYEVNA** – Managing Director of External Assets Management of Kazakhtelecom JSC,
- **VOLODIN ROMAN VLADIMIROVICH** – General Director of Mobile Telecom-Service LLP,
- **KUKELIS KASPARS** – Chairman of the Management Board of Kcell JSC.

Activity in 2020

The Integration Committee held 12 meetings in 2020. They addressed 22 issues, including the status of procurement procedures with potential vendors discussed during the year, and the calculation of the integration budget based on integration ventures (mono- and multi-scenarios) and their impact on mobile operators’ investment budgets. The Head of the Integration Management Office was also appointed, the master plan for integration was agreed taking into account the change of time of the purchase by integration, the regional distribution of Kcell JSC and Mobil Telecom-Service LLP, and consider other important issues related to the integration of mobile operator technology infrastructures.

PARTICIPATION IN HUMAN RESOURCES, REMUNERATION AND SOCIAL ISSUES COMMITTEE MEETINGS IN 2020

Committee members	Participation rate
Buyanov A.N.	100 %
Zaika D.A.	100%
Saudabayev S.B.	100%
Garrett Martin Johnston	87.5%
Kussainov Y.A.	100%
Naizabekov T.K.	100%

PARTICIPATION IN INTEGRATION COMMITTEE MEETINGS IN 2020

Committee members	Participation rate
Buyanov A.N.	100 %
Zaika D.A	100%
Kussainov Y.A	83%

Remuneration of the Board of Directors

The amounts of the annual fixed remuneration and additional remuneration for the participation in each in-person meeting of the Committee of the Board of Directors are defined in accordance with the decisions of the General Shareholder Meeting of Kazakhtelecom JSC.

The size of the annual fixed remuneration for each independent Director of Kazakhtelecom JSC is as follows:

- for non-residents of the Republic of Kazakhstan – US dollars 45,000;

- for residents of the Republic of Kazakhstan – KZT 16,650,000.

The size of the remuneration for each independent director for the participation in each in person meeting of the Committee of the Board of Directors:

- for non-residents of the Republic of Kazakhstan – US dollars 500;
- for residents of the Republic of Kazakhstan – KZT 185,000.

Corporate secretary

The Corporate Secretary performing his/her activity reports to the Board of Directors of the company and acts in accordance with the regulatory provisions of the legislation of the Republic of Kazakhstan and the Company's Charter, Corporate Governance Code and other internal documents as well as by decisions of the General Meeting of Shareholders and the Board of Directors.

Within his/her activity the Corporate Secretary oversees the preparation and conduct of the General Meetings of Shareholders and Board of Directors, organizes the Board of Directors' business and documents management, convenes and maintains

minutes of meetings of the Board of Directors, provides members of the Board of Directors with necessary information.

The Corporate Secretary of Kazakhtelecom JSC, Mr. Abdykalykov B.K., has a several state awards and sectoral title of "Uzdik Bailanysshy" (the Best Communications Operator). Mr. Abdykalykov was recognized as one of the best Corporate secretaries of Samruk-Kazyna Foundation Group, being the permanent member of many workgroups for further improvement of the corporate governance and functions of Corporate secretaries.

The Regulation on the Corporate Secretary is available on the Company's corporate Internet-resource in the Corporate Governance section.

The Management Board

The Management Board is a collegial executive body managing the operational activities of the Joint-Stock Company to fulfill its goals and implement its strategy.

The activities of the Board shall be based on the principle of maximum respect for the interests of the Shareholders and full accountability

to the decisions of the General Shareholders Meeting and the Board of Directors.

The Board consists of nine members, the Chairman of the Board and other persons elected by the Board of Directors.

Activity of the Managing Board

The Management Board of Kazakhtelecom JSC manages the daily activity of the organization, ensuring its compliance with the strategy, development plan and decisions adopted by the General Meeting of Shareholders and the Board of Directors.

The Management Board holds in person meetings weekly and, if necessary, appoint additional meetings.

In 2020 the Board of Kazakhtelecom JSC hold 57 in person meetings, at which 299 decisions of the Board were taken. There were no decisions taken by a vote in absentia.

During the reporting period, the Board reviewed and decided on the following major issues:

1. Corporate accounting policy of Kazakhtelecom JSC, Policy

of Kazakhtelecom JSC in the field of safety and health protection, Map of Long-term key indicators of activity of managers Kazakhtelecom JSC up to 2023 and methods of its calculation, Annual financial statements of Kazakhtelecom JSC for 2019, Integrated annual report of Kazakhtelecom JSC for 2019, business plans of Kcell JSC and Mobile Telecom-Service JSC were considered and approved.

2. A number of documents were approved: annual financial statements of subsidiaries of Kazakhtelecom JSC for 2019, Procurement budget of Kazakhtelecom JSC for 2020, Cash budget of Kazakhtelecom JSC for 2020, the Road map of Strategy of increase of shareholder value of Group of Companies Kazakhtelecom JSC – SERPIN program, Plan of measures for development



and improvement of management accounting and reporting of Kazakhtelecom JSC for 2020 and List of reports on the fields of activity in the management accounting package of Kazakhtelecom JSC, which should be

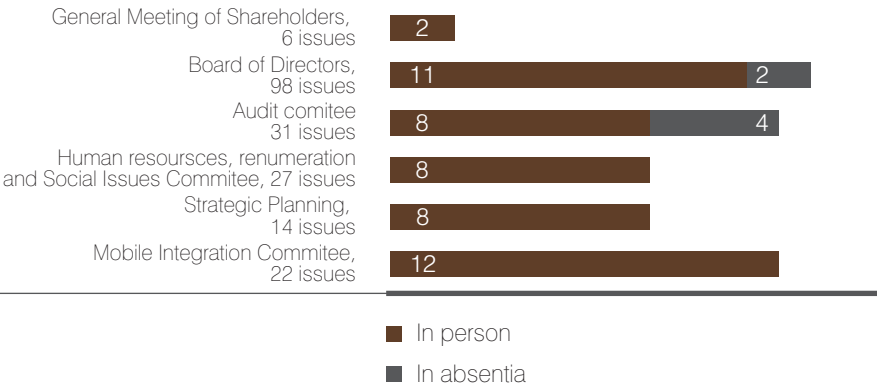
automated, Guide on Sustainable Development and Communication Plan of Kazakhtelecom JSC on interaction with interested parties for 2020, Fraud Management Policy in Kazakhtelecom JSC.

Remuneration of the Members of the Management Board

The remuneration is paid on the basis of the results of the evaluation of the performance during the reporting period (short- and long-term) with the purpose of providing material rewards for the achievements and improvement of the efficiency of work. The remuneration shall be paid to managers of Kazakhtelecom JSC in accordance

with the Rules of Remuneration payments. The basic condition for the payment of performance awards during the reporting period shall be the consolidated total return for the reporting period, calculated based of the planned amount for payment of emoluments.

MEETING HELD IN 2020



Yessekeyev Kuanyshbek Bakytbekovich

**Date of Birth:** June 10, 1975  
**Citizenship:** Republic of Kazakhstan  
**Date of first election as a member of the Management Board of Kazakhtelecom JSC:** March 15, 2010  
**Date of current appointment as a member of the Management Board of Kazakhtelecom JSC:** February 6, 2019  
**Status:** Member of the Management Board of Directors, Chairman of the Management Board of Kazakhtelecom JSC  
**Education:** higher. Candidate of mathematics.  
**1991–1995** – Kazakh State University named after al-Farabi.  
**Qualified in:** Applied math, Candidate of mathematics.  
**2001–2002** – Kazakh State Academy of Management.  
**Qualified in:** Management.  
**2015–2017** – Hult Business School, London, GB  
**Qualified in:** Finances.  
**Degree:** Executive MBA.  
**Current occupation and recent posts for the past five years:**  
**23.02.2007–15.03.2010** – Informatization and Communications Agency of the Republic of Kazakhstan, Chairman;  
**15.03.2010 – present** – Kazakhtelecom JSC, Chairman of the Management Board, Member of the Management Board of Directors.  
**Part-time work and membership in Boards of Directors of other organizations:**  
Member of the Board of Directors of KCell JSC, Member of the Supervisory Board of QazCloud LLP, Chairman of the Supervisory Board of Digital Economy Development Center LLP.  
**Ownership of shares of the Company, shares of suppliers and competitors of the Company:** None.



Uzbekov  
Askhat Arkhatovich

**Date of Birth:** June 18, 1980  
**Citizenship:** Republic of Kazakhstan  
**Date of first election as a member of the Management Board of Kazakhtelecom JSC:** September 27, 2016  
**Date of current appointment as a member of the Management Board of Kazakhtelecom JSC:** March 14, 2017  
**Status:** Member of the Management Board of Kazakhtelecom JSC, Chief Financial Officer of Kazakhtelecom JSC.  
**Education:** higher  
**1996–2000** – Turan University.  
**Qualified in:** International Economy.  
**Current occupation and recent posts for the past five years:**  
**02.2012–12.2014** – KMG EP International, CFO;  
**01.2015 – present** – Kazakhtelecom JSC, Managing Director-Chief Treasurer, Managing Director-Financial Controller, Chief Financial Officer.  
**Part-time work and membership in Boards of Directors of other organizations:**  
Member of the Supervisory of Digital Economy Development Center LLP.  
**Ownership of shares of the Company, shares of suppliers and competitors of the Company:**  
none



Makhanbetazhiyev  
Batyr Apenovich

**Date of Birth:** March 12, 1972  
**Citizenship:** Republic of Kazakhstan  
**Date of first election as a member of the Management Board of Kazakhtelecom JSC:** June 7, 2010  
**Date of current appointment as a member of the Management Board of Kazakhtelecom JSC:** March 17, 2017  
**Status:** Member of the Management Board of Kazakhtelecom JSC, Chief Strategy Officer of Kazakhtelecom JSC  
**Education:** higher  
**1989–1994** – Moscow State University named after M. Lomonosov.  
**Qualified in:** Economic cybernetics,  
**Qualification:** Economist-mathematic  
**2015–2017** – Hult Business School, London, GB.  
**Qualified in:** Finance.  
**Degree:** Executive MBA  
**Current occupation and recent posts for the past five years:**  
**04.2010 – present:** Kazakhtelecom JSC, Chief Administrative Officer, Chief Strategic Management Officer of Kazakhtelecom JSC.  
**Part-time work and membership in Boards of Directors of other organizations:** none  
**Ownership of shares of the Company, shares of suppliers and competitors of the Company:**  
none





Abdildabekov Marat Mukhtarovich

**Date of Birth:** October 13, 1967 года  
**Citizenship:** Republic of Kazakhstan  
**Date of first election as a member of the Management Board of Kazakhtelecom JSC:** June 8, 2007  
**Date of current appointment as a member of the Management Board of Kazakhtelecom JSC:** March 14, 2017  
**Status:** Member of the Management Board of Kazakhtelecom JSC, Chief Information Technology Officer of Kazakhtelecom JSC  
**Education:** higher  
**1984–1991** – Kazakh State University named after S.M. Kirov.  
**Qualified in:** Mechanics and Applied Math.  
**Current occupation and recent posts for the past five years:**  
**05.2007 – present** – Kazakhtelecom JSC, Vice president – Executive Director on Information Technologies, Executive Director on Information Technologies of Kazakhtelecom JSC.  
**Part-time work and membership in Boards of Directors of other organizations:**  
Chairman of the Supervisory Board of KT Cloud Lab LLP, Member of the Supervisory Board of QazCloud LLP.  
**Ownership of shares of the Company, shares of suppliers and competitors of the Company:**  
none



Abykhanov Raphael Yelamanovich

**Date of Birth:** June 7, 1971  
**Citizenship:** Republic of Kazakhstan  
**Date of first election as a member of the Management Board of Kazakhtelecom JSC:** 09.09.2013  
**Date of current appointment as a member of the Management Board of Kazakhtelecom JSC:** 14.03.2017  
**Status:** Member of the Management Board of Kazakhtelecom JSC, Chief Corporate Segment Officer – General Director of Business-to-Business Division – Branch of Kazakhtelecom JSC.  
**Education:** higher  
**1990–1996** – Kazakh National Technical University.  
**Qualified in:** Radio engineering.  
**Current occupation and recent posts for the past five years:**  
**07.05.2009 – 08.09.2013** – Kazakhtelecom JSC, Managing Director for working with operators;  
**c 09.09.2013 – till now** – Kazakhtelecom JSC, Executive Director on a Corporate Segment – the CEO Corporate business division – Branch of Kazakhtelecom JSC.  
**Part-time work and membership in Boards of Directors of other organizations:** none  
**Ownership of shares of the Company, shares of suppliers and competitors of the Company:**  
none



Lezgovko  
Alexander Vladimirovich

**Date of Birth:** September 15, 1961  
**Citizenship:** Republic of Kazakhstan  
**Date of first election as a member of the Management Board of Kazakhtelecom JSC:** 26.03.2007  
**Date of current appointment as a member of the Management Board of Kazakhtelecom JSC:** 14.03.2017  
**Status:** Member of the Management Board of Kazakhtelecom JSC, Chief Technical Officer of Kazakhtelecom JSC  
**Education:** higher  
**1978–1983** – Almaty Energy Institute.  
**Qualified in:** Automatic telecommunication  
**Current occupation and recent posts for the past five years:**  
**03.2007 – till now:** Kazakhtelecom JSC, Vice president – Executive technical director, Chief technical Officer of Kazakhtelecom JSC.  
**Part-time work and membership in Boards of Directors of other organizations:** none  
**Ownership of shares of the Company, shares of suppliers and competitors of the Company:** owns shares of Kazakhtelecom JSC



Pogrebitsky Igor  
Evgenyevich

**Date of:** May 19, 1978  
**Citizenship:** Republic of Kazakhstan  
**Date of first election as a member of the Management Board of Kazakhtelecom JSC:** March 29, 2019  
**Status:** Member of the Management Board of Kazakhtelecom JSC, Chief Director of Retail Segment – General Director of Business-to-Customer Division – Branch of Kazakhtelecom JSC  
**Education:** higher  
**1995–2000** – North Kazakhstan State University.  
**Qualified in:** Radio engineering  
**Current occupation and recent posts for the past five years:**  
**01.2009 – 01.2018** Kcell JSC, Head of regional branch;  
**01.2018 – present:** Kazakhtelecom JSC, Sales Director of Retail Business Division of Kazakhtelecom JSC, Chief Director of Retail Segment – General Director of Retail Segment – Branch of Kazakhtelecom JSC  
**Part-time work and membership in Boards of Directors of other organizations:** Member of the Supervisory Board of Nursat+ LLP.  
**Ownership of shares of the Company, shares of suppliers and competitors of the Company:** none





Meyrmanov Nurlan  
Kemalovich

**Date of Birth:** August 3, 1972  
**Citizenship:** Republic of Kazakhstan  
**Date of first election as a member of the Management Board of Kazakhtelecom JSC:** May 2, 2019  
**Status:** Member of the Management Board of Kazakhtelecom JSC, Chief Innovation Officer of Kazakhtelecom JSC.  
**Education:** higher.  
**1989–1995** – Kazakh Chemistry and Technology Institute.  
**Qualified in:** Main processes of chemical production and chemical cybernetics;  
**2008–2011** – Russian Academy of National Economy and Public Service under the President of the Russian Federation  
**Qualified in:** Doctor of Business Administration  
**2011** – International Academy of Business  
**Qualified in:** Doctor of Business Administration  
**Current occupation and recent posts for the past five years:**  
**01.2012–05.2019** – Kazakhtelecom JSC, Managing Director for Innovation;  
**05.2019** – present: Kazakhtelecom JSC, Chief Innovation Officer.  
**Part-time work and membership in Boards of Directors of other organizations:** Chairman of the Supervisory Board of Nursat+ LLP.  
**Ownership of shares of the Company, shares of suppliers and competitors of the Company:** none



Khudaiberdiyev  
Timur Telmanovich

**Date of Birth:** March 25, 1981  
**Citizenship:** Republic of Kazakhstan  
**Date of first election as a member of the Management Board of Kazakhtelecom JSC:** May 2, 2019  
**Status:** Member of the Management Board of Kazakhtelecom JSC Chief Director of Business Provision and Support – General Director of Telekom Komplekt Directorate – Branch of Kazakhtelecom JSC.  
**Education:** higher  
**1998–2002** – Academy of the Ministry of Internal Affairs of Kazakhstan  
**Qualified in:** Lawyer  
**Current occupation and recent posts for the past five years:**  
**03.2011–04.2014** – Branch of Temirbank JSC, Deputy Director of the Branch;  
**01.2015–02.2016** – Zhilstroisberbank JSC, Head of Non-performing Loans Department;  
**02.2016–03.2017** – Qazag Financial Croup JSC, Executive Director and Supervisory Board Member of Global Building Contract LLP  
**04.2017 – present** – Kazakhtelecom JSC, General Director of Management Telekom Komplekt Directorate – branch of Kazakhtelecom JSC, Managing Director of Kazakhtelecom JSC, Chief Director of Business Provision and Support – General Director of Telekom Komplekt Directorate – branch of Kazakhtelecom JSC.  
**Part-time work and membership in Boards of Directors of other organizations:** Member of the Supervisory Board VOSTOKTELECOM LLP.  
**Ownership of shares of the Company, shares of suppliers and competitors of the Company:** none





The remuneration for the results of work during the reporting period shall be paid within the limits of the money provided for this purpose in the Company's budget, after the results of business and financial

The Internal Audit

The Internal Audit Service (IAS) is a body of the Board of Directors, charged with the organization and implementation of the internal audit in the Company, and reports and answers directly to the Board of Directors. The Audit Committee under the Company's Board of Directors supervises activities of the IAS.

The IAS serves in accordance with the Regulations on the Internal Audit Service and Annual Audit Plan of Kazakhtelecom JSC.

The activities of the Service are guided by the principles of independence, objectivity, competence and professional attitude to work, quality standards and standards of the activities of internal

performance have been approved in accordance with the established procedure based on the audited financial statement for the reporting period.

auditors, established by the International Professional Standards on Internal Auditing of the Institute of Internal Auditors.

As part of its core activities in 2020, the IAS, in accordance with the Annual Audit Plan and the Board of Directors' instructions, conducted 15 audit inspections.

As part of the improvement of the activity in 2020 the guide for monitoring the implementation of recommendations was developed and approved, as well as amendments and additions to the Method of internal audit of Kazakhtelecom JSC were approved.



Compliance

The Compliance Service was established in the Company with the main aim to ensure compliance with the Company's mandatory regulatory requirements and international practices on anti-corruption, promotion of ethics and internal corporate culture building.

- The following internal documents were implemented in the Company:
- Anticorruption Policy;
  - Policy of notifying alleged unethical or illegal actions;
  - Conflict of interests Regulation Policy;
  - Code of Business Conduct;
  - Corporate Governance Code.

Anti-corruption management of the Company is based on the following basic principles:

- lawfulness of Company's activities;
- publicity and transparency of Company's activities;
- promote anti-corruption outreach among employees, partners and customers;
- Anti-corruption cooperation with government authorities and Company partners and clients;
- mandatory official checks on violations of anti-corruption legislation and internal policies the Company.

In 2020, the Board of Directors approved the Report on Corruption Risk Analysis in Procurement and Personnel Management.

In the last year, in order to increase the compliance culture, two training tournaments "Ethics of conduct" were held to check knowledge of the Company's regulations on anti-corruption and fraud outreach, conflict of interests management, etc. where more than 1,500 employees studied internal documents in an adversarial mode as a specially developed online game followed by testing and selection of winners.

A webinar on the topic "Experience in fighting corruption in international companies" with the participation of the Directors of the Compliance Services of Samsung and Siemens companies was held in order to increase

the awareness of the Company's employees about the compliance activities at the international level. It was attended by more than 300 employees.

On a regular basis, all employees of the Company are informed about the activities of the Compliance Service, with information about the results of the investigation of complaints and appeals and the measures taken against employees who have violated the requirements of internal documents.

In 2020 the course Commercial Secret of Kazakhtelecom JSC was developed and placed in the system of distance learning with subsequent testing.

The Board of Directors approved the Plan of Measures of Kazakhtelecom JSC for 2020–2021 on implementation of the Law of the Republic of Kazakhstan "On Counteracting Corruption".

There were no reported cases of corruption in 2020.

The mechanisms for reporting unethical or unlawful conduct are regulated by the Policy for Reporting Alleged Unethical/Illegal Actions, under which the Company guarantees full confidentiality to employees, business partners and other interested persons who reported serious problems in the Company, as well as no harassment and/or discrimination.

There are Hotline and Compliance Service's contacts placed on the internal and corporate websites of the Company, on which you can report any facts of labor, corruption and other types of offences.

- 115 filings were considered in 2020 concerning the following subjects:
- Non-performance of contractual obligations;
  - Unfair labour payment;
  - Unfair terms of employment and labour conditions;
  - Violations of procedures, abusive activity;
  - Irregularities in the procurement.

Corporate Ethics

Corporate Ethics issues shall be regulated by the Code of Business Ethics and the Code of Corporate Governance. The Code of Conduct is binding on all categories of employees and officials.

- The core principles of the Company's business ethics are:
- compliance with legal requirements;
  - fairness;
  - honesty;

- transparency;
- responsibility;
- professional competence;
- confidence;
- meritocracy.

The Ombudsman ensures observance of the principles of business ethics and optimal regulation of social and labour disputes.



# RISK MANAGEMENT

## Risk Management System

The Corporate risk management system (the “CRMS”) is an ensemble of principles, methods and procedures that constitute a single set of relationships and procedures to ensure the implementation of risk management at all levels of the Company.

To ensure effective functioning of the CRMS, the Company at all levels of its activity is guided by the following interrelated components corresponding to the business life cycle:

- management and culture;
- strategy and goal setting;
- efficiency of activity;
- monitoring and implementation of changes;
- information, communication and reporting.

## Participants of the risk management process

The organizational structure of the CRMS is presented at several levels and includes the following risk management process participants:

THE BOARD OF DIRECTORS	is the governance body that has the key responsibility to the shareholder(s) for managing risks in the Company.
THE MANAGEMENT BOARD	is the executive body of the Company and is responsible for implementing the Risk Management Policy in the Company.
THE RISK MANAGEMENT COMMITTEE	is an advisory and consultative body to the Board whose main objectives and tasks are to provide quality information on risk management and proper communication channels between the Company's structural units, as well as working discussions on issues requiring Board approval/recognition.
THE RISK MANAGEMENT SERVICE	is a key unit within CRMS that provides coordination, necessary analysis and methodological support on risk management to all CRMS participants at the Company level.
SUBDIVISIONS	are important participants in the CRMS, as they are responsible for risk management within their powers and competences.
INTERNAL AUDIT SERVICE	is a service that provides the Board of Directors with independent and objective advice aimed at improving the Company's performance through a systematic and consistent approach to assessing and improving the effectiveness of risk management systems, internal control and corporate governance.
INTERNAL CONTROL SERVICE	is responsible for the implementation and maintenance of an effective system of internal control and process management, adequate scale and complexity of the Company's business.
COORDINATORS OF RISKS AND WORKING GROUPS	are assigned to ensure the effective functioning of the risk management system in the first line of protection in the structural units of the Company.

## Development of CRMS in 2020

The implementation of the measures set in Basic Directions of the Risk Management System and Internal Control of the Kazakhtelecom JSC for 2019–2021, approved by the Board of the Company, continues.

The Risk Management Service updated/developed risk management methodological and policy documents during the year:

- Rules of setting limits on counterparty banks of Kazakhtelecom JSC.
- Rules of Kazakhtelecom JSC on Business Continuity Management.
- Methodological recommendations on risk management of Kazakhtelecom JSC.

For the period of the state of emergency in the Republic of Kazakhstan, the Company has formed a Risk Map in the event of an emergency. In developing this map, risk factors inherent in the COVID-19 situation are taken into account.

According to the requirements of the Corporate Governance Code, employees were tested for knowledge of internal regulatory documents adopted in Kazakhtelecom JSC on risk management system, internal controls, process management. The total number of staff tested was 1,438 employees.

A new database of implemented risks and incidents was developed.

## Further Development of CRMS

Taking into account global trends in risk management and internal control, the Company has identified three main tasks to be carried out by the development of the Corporate Risk Management System and the Internal Control System in accordance with international standards, The Foundation's requirements, corporate governance criteria, risk mitigation impair the achievement of the goals and generating growth opportunities:

1. Development of risk management and internal control systems in the Company and subsidiary organizations and their integration with strategic/tactical planning, investment and business decision-making processes;
2. Increased responsibility of business owners for improved risk management and their role in the informing the Board of Directors about significant risks, lessons learned and corrective actions;
3. Increasing maturity and efficiency of CRMS and ICS in the Group of Companies.

## Key Risks

The company's risks are identified annually and the results are recorded in the risk register approved by the Board of Directors. The risk register includes risks that may affect the achievement of the long-term strategic objectives and key performance indicators of the Development Plan.

According to the Company's Risk Register and Risk Map as of the end of 2020 in the Company has 42 risks.

The Risk Management Service continuously monitors the dynamics of key risks and monitors

the implementation of actions aimed at risk gathering. The results of the monitoring are sent quarterly in the form of risk reporting to the Management Board and Board of Directors of the Company.

According to the results of 2020 risks of Kazakhtelecom JSC are within the limits of the tolerable level of deviations (tolerance) of key indicators of activity. The company implements proactive management of key risks to reduce their impact on the objectives of the period.

RISK MANAGEMENT IN 2020

Key Risks	Actions for decrease
Reduction of positive image of Kazakhtelecom JSC	Measures are being taken to maintain a loyal relationship with the media – regular information about the activities of the Company. It is ensured that any changes in the Company's information field are promptly reacted to. Monitoring and feedback on official sites of the Company in social networks is ensured.
Significant negative deviations from KPIs of Business plans for new businesses	The Regulation of the process of initiation, development and launching of new products of Kazakhtelecom JSC was elaborated and approved. Activities on Video Surveillance, Blockchain, IoT, etc. were conducted.
Non- achievement process management objectives and internal control systems	The implementation of the Comprehensive Plan of Corrective Measures for Information Security Processes is monitored. The Internal Control Service verifies the updated Business Plans' models developed by the owners; updated regulations and risk and control matrices.
Failure to meet targets for the Fixed Telephony segment of the retail segment	Activities are being carried out on tariff policy. Complex marketing studies (field and desk) of the retail market of the Republic of Kazakhstan are carried out. Promo-action has been taken.
Missing targets of “Fixed BA (Broadband Access)” by corporate segment	Personalized approach to each Key Corporate Client. Employees of Corporate Sales Centers process applications from www.telecom.kz and ISMET.KZ. Automation of the process of participation of Regional Telecommunication Directories in public procurement (smart traffic light) is being introduced.
Breach of the security and safety of the Company's assets	Fire extinguishing systems are being updated and new systems are being installed at the Company's facilities. The state of security and technical protection equipment is constantly monitored.
Increasing social tension	Awareness-raising activities are carried out among the staff on the activities and changes in the Company. The moral and psychological climate is systematically monitored. Regular feedback sessions between supervisor and employee are introduced.
Loss of income of the JSC due to unauthorized traffic	Working groups have been set up in the company's structural units to detect and stop fraud traffic on telecommunications networks. The Instruction on interaction of structural subdivisions of branches and the Central Apparatus of Kazakhtelecom JSC has been approved for organization of work on limitation of a surge of outgoing international traffic through the network of Kazakhtelecom JSC.
Growing outflow of the corporate segment	Monitoring and analysis is carried out on a monthly basis, on the basis of which the main causes of outflows are identified and the ways in which outflows are retained for these reasons. The process of centralizing the management of Small and Medium Business reactive outflow is complete. A proactive pilot has been launched.
Non-performance by banks to the JSC	Compliance with the Foundation's limits in second-tier banks. Information on any changes in the financial status of the second-tier banks is monitored on an ongoing basis.
Occurrence of Company's obligations in respect of claims, orders and other claims	Changes in the legislation of the Republic of Kazakhstan concerning the activities of the Company are monitored on an ongoing basis. Official checks are carried out on violations of the JSC's regulatory requirements and internal procedures.
Missing FOCL project criteria rural-type settlements	The first stage of the project implementation was completed, FOCL (fiber-optic communication lines) constructed in 837 rural-type settlements, 2,505 Government Agencies/Budget Organizations were connected.

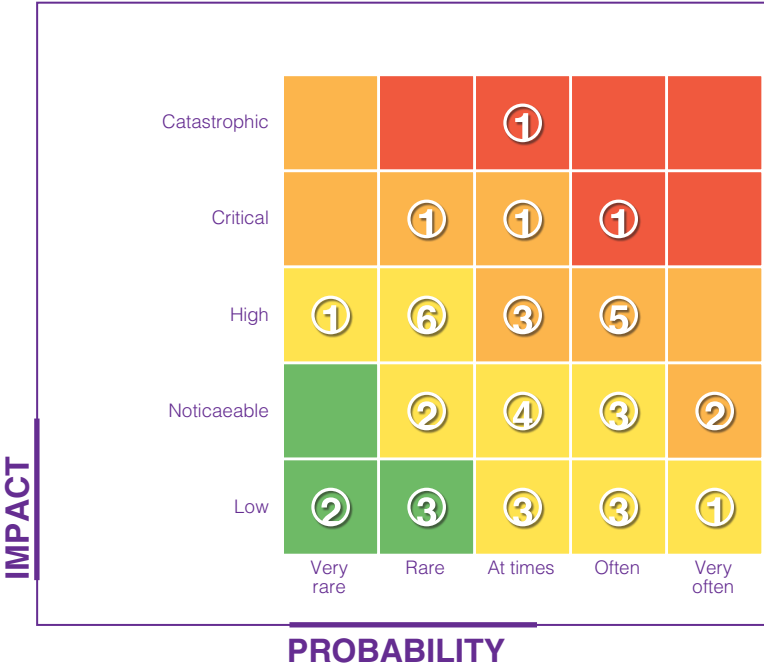
Potential risks

In order to provide preventive risk management measures, potential risks that have not yet been mapped but are evolving have been identified and may become part of the risk map in the future. However

Kazakhtelecom JSC does not exclude the existence of other risks, about which at present nothing is known, or which Kazakhtelecom JSC considers irrelevant.

Risks	Actions for decrease
Decline in the Company's market share in the industry	Conduct annual market research. Management of the existing subscriber base, efficient work with outflow and additional sales. Development and introduction of new services and package solutions to increase the consumer cost and competitiveness of the product.
Networks Integration Risk	Establishment of an integration project body, in collaboration with the strategic management unit of the Unit. Implementation of management accounting to calculate actual synergies and equity gains. Establishment of a balanced CPA at the corporate level for all members of the Group.
Information security incidents	Introduction of a vulnerability control system, a system of protection against data leakage. Training and awareness-raising on information security for workers.
Group-level cannibalization of revenue and intra-group competition	Establishment of a strategic management unit at the Unit level. Establishment of a balanced CPA at the corporate level for all members of the Group. Customer profiles are segmented and the business activities of the members of the Group are conducted in accordance with it.

RISK MAP







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# CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020  
together with independent auditor’s report

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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 2020, 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 2020 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), and we have fulfilled our other ethical responsibilities in accordance with 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.

A member firm of Ernst & Young Global Limited



Key audit matterHow our audit addressed the key audit matter

Revenue recognition

There is a significant risk of misstatement relating to the recognition and measurement of revenue from telecommunication services as the billing systems employed by the Group are complex. In addition, effect of accounting treatment of changing tariff structures and multi-element arrangements on revenue could be significant.

The selection and application of revenue recognition policies involve a number of key judgements and estimates by management, and therefore revenue could be subject to misstatement, whether due to fraud or error.

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 37* to the consolidated financial statements.

We have considered the relevant IT systems and the design of controls and tested the operating effectiveness of controls over capture and recording of revenue transactions in the billing systems; authorisation of changes in tariff rates input to the billing systems; and calculation of tariff amounts billed to the customers.

We performed substantive 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 timeliness of revenue recognition.

We analysed the key judgements and estimates, and the accounting policy for compliance with IFRS 15. We considered revenue disclosures in light of the requirements of IFRS 15.

Valuation of non-current assets, including property and equipment, intangible assets and goodwill – risk of impairment

There is a significant risk of impairment of the Group’s non-current assets. Property and equipment, intangible assets and goodwill bear risk of impairment in light of fast technological changes in telecom industry.

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 amounts.

Testing for impairment of cash-generating units (CGU’s) when impairment indicators are present, or annual test for impairment entails highly judgmental assumptions, specifically customer base and average revenue per user (ARPU), CAPEX and EBITDA margin during the forecast period, growth rate used to extrapolate cash flows beyond the forecast period, and discount rate.

We analyzed the existence of the main external and internal indicators of impairment of property and equipment and intangible assets of the Group.

Our audit procedures included, amongst others, evaluating and testing the assumptions used in the impairment models. We assessed methodology used by the Group, for compliance with IAS 36 requirements. We involved an internal valuation specialist to assist us with our procedures. We compared assumptions and data used by the Group to the historical data and current industry data. We specifically focused on the sensitivity of the main assumptions during the testing, given the likelihood of a reasonably possible change in assumptions could cause the carrying amounts of the cash-generating units to exceed its recoverable amounts.

We also assessed the related disclosures in the Group’s consolidated financial statements.

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Assumptions used in the impairment testing might be inappropriate, and hence the wrong conclusion may be drawn in respect of whether an impairment is required.

The Group’s disclosure in respect of the accounting policies on impairment of non-financial assets is included in *Note 3* to the consolidated financial statements and detailed disclosure about impairment testing of the goodwill is included in *Note 13* to the consolidated financial statements, which specifically explains that small changes in the key assumptions used could give rise to an impairment of goodwill balances in the future.

Accounting for leases in accordance with IFRS 16

The Group has significant balances of right-of-use assets in the amount of 79,694,418 thousand tenge and lease liabilities in the amount of 59,110,635 thousand tenge.

We consider this matter to be one of most significant in our audit due to the inherent complexity of the calculations and due to the significance of recorded balances. The process of identification and processing of all relevant data associated with the leases is complex and the measurement of the right-of-use assets and lease liabilities is based on assumptions such as discount rates and the lease terms, including termination and renewal options.

Moreover, in 2020 the Group adopted IFRIC agenda decision on the determination of the lease term for cancellable or renewable leases and retrospectively re-assessed its accounting for the lease contracts of technical sites with the governmental entities.

The Group’s disclosure in respect of the accounting policies on lease recognition and measurement is included in *Note 3* to the consolidated financial statements, and detailed lease disclosures are included in *Note 27* to the consolidated financial statements.

We performed testing of the completeness of the identified lease contracts on a sample basis and testing of the accuracy of the input in the lease calculation to the lease contracts.

We challenged management assumptions, specifically the assumptions used to determine the discount rates and lease terms. We recalculated the right-of-use assets and lease liabilities for different types of lease contracts.

We analyzed the updated accounting policy on the lease contracts of technical sites with the governmental entities in light of adoption of IFRIC agenda decision on the determination of the lease term for cancellable or renewable leases.

We assessed the adequacy of the related disclosures provided in the Group’s consolidated financial statements.



Finalisation of purchase price allocation assessment

On 28 June 2019, the Group acquired additional 49% share of Khan Tengri Holding B.V. and obtained control over this entity.

Net assets of Khan Tengri Holding B.V. recognized in the consolidated financial statements as at 31 December 2019 were based on a provisional assessment of their fair value.

In June 2020 the Group finalized the valuation of the net assets’ fair value and retrospectively adjusted the fair value recognised at the acquisition date and reflected new information obtained about facts and circumstances at the acquisition date.

Following the finalization of the purchase price allocation, the goodwill from this acquisition amounts to 96,205,967 thousand tenge as of 31 December 2020.

We considered this matter to be one of most significance in the audit due to the materiality of the balance of the goodwill to the Group assets, the significant judgements and estimates made by management in relation to the determination of the fair value of assets and liabilities and the value of separately identifiable intangible assets acquired during business combination.

The information on business combination, including significant judgments and estimates, is included in *Note 6* to the consolidated financial statements.

In the course of the audit procedures, we evaluated the methodology and assumptions behind the significant judgments involved in the determination of the final fair values of the identifiable assets and liabilities by engaging valuation specialists. We tested, on a sample basis, estimates of the fair values of identifiable assets and liabilities. We particularly focused on changes compared with the provisional accounting of the acquisition.

We analysed management’s assessment of the nature and value of separately identifiable intangible assets acquired.

We assessed the presentation and disclosure of business combination in the consolidated financial statements.





**Other information included in the Group's 2020 Annual report**

Other information consists of the information included in the Group's 2020 Annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2020 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

  
Rustamzhan Sattarov  
Auditor / General Director  
Ernst & Young LLP

Audit Qualification Certificate  
No. МФ-0000060 dated 6 January 2012

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

10 March 2021



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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

In thousands of tenge	Note	31 December 2020	31 December 2019 (restated)*	1 January 2019 (restated)*
<b>Assets</b>				
<b>Non-current assets</b>				
Property and equipment	10	463,047,336	438,122,294	347,701,051
Right-of-use assets	27	79,694,418	92,097,436	74,791,226
Intangible assets	11	217,353,880	231,114,114	121,476,465
Goodwill	6, 13	152,402,245	152,402,245	56,196,278
Advances paid for non-current assets	10	3,237,280	8,998,288	765,088
Investments in associates	12	2,982,957	2,218,889	77,669,224
Deferred tax assets	46	1,980,671	1,818,401	246,884
Cost to obtain contracts		1,732,174	977,279	1,037,984
Cost to fulfil contracts		350,648	574,012	107,539
Other non-current non-financial assets	16	1,819,045	2,798,316	3,194,682
Other non-current financial assets	15	4,789,179	4,170,159	9,649,734
<b>Total non-current assets</b>		<b>929,389,833</b>	<b>935,291,433</b>	<b>692,836,155</b>
<b>Current assets</b>				
Inventories	17	15,490,029	10,565,074	8,402,436
Trade receivables	18	34,711,705	37,255,772	52,173,348
Advances paid	19	4,651,549	5,696,515	1,406,161
Indemnification assets	36	–	–	10,171,407
Corporate income tax prepaid		4,166,824	6,429,567	935,022
Cost to obtain contracts		–	457,366	420,604
Cost to fulfil contracts		865,890	859,495	115,285
Other current non-financial assets	23	7,300,331	6,072,482	6,867,549
Other current financial assets	20	3,626,074	5,227,326	4,685,111
Financial assets at fair value through other comprehensive income	21	–	4,964,633	–
Financial assets at amortized cost	22	18,923,399	–	–
Cash and cash equivalents	24	94,428,532	71,321,822	45,350,092
		<b>184,164,333</b>	<b>148,850,052</b>	<b>130,527,015</b>
Assets held for sale	47	1,872,008	1,878,033	–
<b>Total current assets</b>		<b>186,036,341</b>	<b>150,728,085</b>	<b>130,527,015</b>
<b>Total assets</b>		<b>1,115,426,174</b>	<b>1,086,019,518</b>	<b>823,363,170</b>

\* Certain amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2019, as they reflect the adjustments made, as detailed in Note 5.

The accounting policies and notes on pages 178 to 261 are an integral part of these consolidated financial statements.

In thousands of tenge	Note	31 December 2020	31 December 2019 (restated)*	1 January 2019 (restated)*
<b>Equity</b>				
Share capital	25	12,136,529	12,136,529	12,136,529
Treasury shares	25	(7,065,614)	(7,065,614)	(6,464,374)
Foreign currency translation reserve	25	(17,200)	(3,292)	(15,157)
Other reserves	25	1,820,479	1,820,479	1,820,479
Retained earnings		476,006,801	420,370,835	373,000,830
		<b>482,880,995</b>	<b>427,258,937</b>	<b>380,478,307</b>

Non-controlling interests	8	35,659,002	36,139,332	34,399,073
<b>Total equity</b>		<b>518,539,997</b>	<b>463,398,269</b>	<b>414,877,380</b>

<b>Non-current liabilities</b>				
Borrowings: non-current portion	26	316,290,589	339,138,061	135,838,411
Lease liabilities: non-current portion	27	42,461,444	57,781,449	45,323,458
Other non-current financial liabilities	29	1,001	1,862,608	993,705
Deferred tax liabilities	46	37,293,300	43,608,409	40,862,330
Employee benefit obligations	28	16,265,307	16,315,828	14,471,353
Debt component of preferred shares	25	814,868	814,868	874,244
Non-current contract liabilities	30	6,355,295	6,878,309	5,699,301
Asset retirement obligations	31	7,926,958	6,875,583	1,444,530
<b>Total non-current liabilities</b>		<b>427,408,762</b>	<b>473,275,115</b>	<b>245,507,332</b>

<b>Current liabilities</b>				
Borrowings: current portion	26	46,111,485	28,477,663	57,614,129
Lease liabilities: current portion	27	16,649,191	15,435,140	10,874,952
Other current financial liabilities	33	21,157,700	22,239,053	18,853,954
Employee benefit obligations: current portion	28	1,150,837	1,147,812	1,334,417
Trade payables	32	54,866,134	58,632,660	42,024,342
Current corporate income tax payable		–	750,855	1,465,829
Current contract liabilities	34	18,589,517	18,971,934	9,142,320
Obligation to pay a fine for termination of the contract		–	–	14,551,865
Other current non-financial liabilities	35	10,057,334	3,247,984	7,116,650
		<b>168,582,198</b>	<b>148,903,101</b>	<b>162,978,458</b>
Liabilities directly associated with the assets held for sale	47	895,217	443,033	–
<b>Total current liabilities</b>		<b>169,477,415</b>	<b>149,346,134</b>	<b>162,978,458</b>
<b>Total liabilities</b>		<b>596,886,177</b>	<b>622,621,249</b>	<b>408,485,790</b>
<b>Total equity and liabilities</b>		<b>1,115,426,174</b>	<b>1,086,019,518</b>	<b>823,363,170</b>

\* Certain amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2019, as they reflect the adjustments made, as detailed in Note 5.

Chairman of the Management Board

Chief financial officer

Chief accountant

Yessekeyev K.B.  
Uzbekov A.A.  
Suleimanov Y.E.

The accounting policies and notes on pages 178 to 261 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT  
OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

In thousands of tenge	Note	2020 год	2019 (restated)*
Revenue from contracts with customers	37	520,916,698	420,659,896
Compensation for provision of universal services in rural areas	38	6,413,527	7,420,778
		527,330,225	428,080,674
Cost of sales	39	(336,970,281)	(292,576,930)
Gross profit		190,359,944	135,503,744
General and administrative expenses	40	(39,343,356)	(37,911,683)
Impairment losses on financial assets	50	(2,238,046)	(2,689,585)
Impairment losses on non-financial assets	50	(6,090,233)	(5,679,796)
Selling expenses	41	(12,790,172)	(11,997,906)
Reversal of tax and related fines and penalties provision	51	683,901	5,816,045
Provisions for legal claims	35	(4,385,679)	–
(Loss)/gain on disposal of property and equipment, net		(337,285)	386,915
Other operating income	45	4,276,695	3,442,931
Other operating expenses	45	(678,110)	(310,298)
Operating profit		129,457,659	86,560,367
Share in profits of associates	12	234,676	6,027,195
Finance costs	43	(51,449,062)	(42,900,937)
Finance income	43	4,520,300	4,305,508
Net foreign exchange gain/(loss)	44	4,161,428	(1,276,524)
Gain from re-measurement of previously held interest in the associate	6	–	17,042,490
Profit before tax		86,925,001	69,758,099
Income tax expenses	46	(21,661,972)	(9,481,716)
Profit for the year		65,263,029	60,276,383
Attributable to:			
Equity holders of the Parent		63,493,359	57,043,124
Non-controlling interests	8	1,769,670	3,233,259

\* Certain amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2019, as they reflect the adjustments made, as detailed in Note 5.

The accounting policies and notes on pages 178 to 261 are an integral part of these consolidated financial statements.

In thousands of tenge	Note	2020 год	2019 (restated)*
Other comprehensive (loss)/income			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods (net of tax)			
Foreign exchange differences from translation of financial statements of foreign subsidiaries		(13,908)	11,865
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		(13,908)	11,865
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods (net of tax)			
Actuarial gain/(losses) on defined benefits plans, net of tax	28, 46	615,923	(1,156,810)
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		615,923	(1,156,810)
Other comprehensive income/(loss) for the year, net of tax		602,015	(1,144,945)
Total comprehensive income for the year, net of tax		65,865,044	59,131,438
Attributable to:			
Equity holders of the Parent		64,095,374	55,898,179
Non-controlling interests	8	1,769,670	3,233,259
		65,865,044	59,131,438

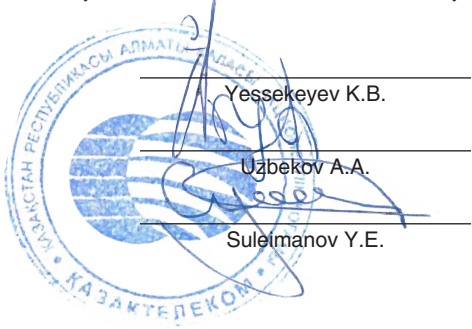
Earnings per share			
Basic and diluted, profit for the year attributable to ordinary equity holders of the parent	25	5,777.75	5,188.90

\* Certain amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2019, as they reflect the adjustments made, as detailed in Note 5.

Chairman of the Management Board

Chief financial officer

Chief accountant



The accounting policies and notes on pages 178 to 261 are an integral part of these consolidated financial statements.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020


In thousands of tenge	Attributable to equity holders of the Parent					Total	Non-controlling interests	Total equity
	Shares outstanding	Treasury shares	Foreign currency translation reserve	Other reserves	Retained earnings			
Note	25	25	25	25			8	
At 1 January 2019 (as previously reported)	12,136,529	(6,464,374)	(15,157)	1,820,479	373,056,587	380,534,064	33,742,060	414,276,124
Change in accounting policy and adjustments (Note 5)	-	-	-	-	(55,757)	(55,757)	657,013	601,256
At 1 January 2019 (restated)*	12,136,529	(6,464,374)	(15,157)	1,820,479	373,000,830	380,478,307	34,399,073	414,877,380
Net profit for the year (restated)*	-	-	-	-	57,043,124	57,043,124	3,233,259	60,276,383
Other comprehensive loss	-	-	11,865	-	(1,156,810)	(1,144,945)	-	(1,144,945)
Total comprehensive income (restated)*	-	-	11,865	-	55,886,314	55,898,179	3,233,259	59,131,438
Dividends (Note 25)	-	-	-	-	(8,516,309)	(8,516,309)	(1,493,000)	(10,009,309)
Non-controlling interests (Note 25)	-	(601,240)	-	-	-	(601,240)	-	(601,240)
At 31 December 2019 (restated)*	12,136,529	(7,065,614)	(3,292)	1,820,479	420,370,835	427,258,937	36,139,332	463,398,269
Net profit for the year	-	-	-	-	63,493,359	63,493,359	1,769,670	65,263,029
Other comprehensive income	-	-	(13,908)	-	615,923	602,015	-	602,015
Total comprehensive income	-	-	(13,908)	-	64,109,282	64,095,374	1,769,670	65,865,044
Dividends (Note 25)	-	-	-	-	(8,473,316)	(8,473,316)	(2,250,000)	(10,723,316)
At 31 December 2020	12,136,529	(7,065,614)	(17,200)	1,820,479	476,006,801	482,880,995	35,659,002	518,539,997

\* Certain amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2019, as they reflect the adjustments made, as detailed in Note 5.

Chairman of the Management Board

Chief financial officer

Chief accountant



Yessekeyev K.B.

Uzbekov A.A.

Suleimanov Y.E.

The accounting policies and notes on pages 178 to 261 are an integral part of these consolidated financial statements.





# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

In thousands of tenge	Note	2020	2019 (restated)*
<b>Operating activities</b>			
Profit before tax for the year		<b>86,925,001</b>	69,758,099
<b>Adjustment for:</b>			
Depreciation of property and equipment and right of use assets	10, 27	<b>81,418,841</b>	74,095,382
Amortisation of intangible assets	11	<b>28,945,419</b>	21,863,369
Impairment loss on non-financial assets	50	<b>6,090,233</b>	5,679,796
Impairment loss on financial assets	50	<b>2,238,046</b>	2,689,585
Net foreign exchange (gain)/loss	44	<b>(4,161,428)</b>	1,357,817
Changes in employee benefit obligations		<b>473,223</b>	266,452
Write-down of inventories to net realizable value	40	<b>1,199,617</b>	57,343
Share in profits of associates	12	<b>(234,676)</b>	(6,027,195)
Finance costs	43	<b>51,449,062</b>	42,900,937
Finance income	43	<b>(4,520,300)</b>	(4,305,508)
Provisions for legal claims	35	<b>4,385,679</b>	–
Loss/(gain) on disposal of property and equipment, net		<b>337,285</b>	(386,915)
Reversal of tax and related fines and penalties provision	51	<b>(683,901)</b>	(5,816,045)
Gain from re-measurement of previously held interest in the associate	6	–	(17,042,490)
<b>Operating cash flows before changes in operating assets and liabilities</b>		<b>253,862,101</b>	185,090,627
<b>Changes in operating assets and liabilities</b>			
Change in trade receivables		<b>(3,079,628)</b>	21,894,941
Change in inventories		<b>(6,124,572)</b>	(1,320,367)
Change in indemnification assets		–	10,171,407
Change in other current assets		<b>2,498,977</b>	13,320,260
Change in advances paid		<b>1,061,703</b>	138,132
Change in trade payables		<b>(6,455,578)</b>	(20,225,411)
Change in cost to obtain contracts and cost to fulfil contracts		<b>(80,560)</b>	(1,186,740)
Change in contract liabilities		<b>(606,706)</b>	3,303,265
Changes in other current liabilities		<b>3,947,470</b>	(13,054,704)
<b>Cash flows from operating activities</b>		<b>245,023,207</b>	198,131,410
Income tax paid		<b>(26,228,465)</b>	(21,593,054)
Interest paid	50	<b>(50,627,061)</b>	(36,106,901)
Interest received		<b>2,802,949</b>	1,136,754
<b>Net cash flows received from operating activities</b>		<b>170,970,630</b>	141,568,209

\* Certain amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2019, as they reflect the adjustments made, as detailed in Note 5.

The accounting policies and notes on pages 178 to 261 are an integral part of these consolidated financial statements.

[About the Company](#)

[Strategy report](#)

[Business and financial review](#)

[Sustainable development report](#)

In thousands of tenge	Note	2020	2019 (restated)*
<b>Investing activities</b>			
Purchase of property and equipment		<b>(93,092,011)</b>	(60,371,459)
Purchase of intangible assets		<b>(13,365,494)</b>	(9,337,598)
Purchase of financial assets at amortized cost	22	<b>(36,751,293)</b>	–
Purchase of financial assets at fair value through other comprehensive income	21	–	(5,021,171)
Proceeds from redemption of financial assets at amortized cost	22	<b>18,139,091</b>	–
Proceeds from redemption of financial assets at fair value through other comprehensive income	21	<b>5,385,385</b>	–
Proceeds from sale of property and equipment		<b>878,889</b>	972,881
Placement of deposits		<b>(43,243)</b>	–
Return of cash on deposits		–	175,968
Issuance of a covered bank guarantee		–	(997,730)
Issue of long-term loans to employees		<b>(555,099)</b>	(2,567,141)
Repayment of loans to employees		<b>404,554</b>	401,182
Investments in associates	12	<b>(529,392)</b>	(423,980)
Return of cash restricted in use		<b>9,181</b>	–
Acquisition of subsidiary, net of cash received	6	–	(176,143,312)
Return of funds of covered bank guarantee		–	1,018,925
<b>Net cash flows used in investing activities</b>		<b>(119,519,432)</b>	(252,293,435)
<b>Financing activities</b>			
Borrowings received	50	<b>53,307,169</b>	214,202,637
Borrowings repaid	50	<b>(58,216,453)</b>	(53,118,449)
Dividends paid to equity holders of the Parent	25	<b>(10,143,729)</b>	(9,041,085)
Dividends paid to non-controlling interests	8, 25	<b>(2,250,000)</b>	(1,493,000)
Repayment of lease liabilities	50	<b>(14,806,108)</b>	(11,778,794)
Own repurchased shares	25	–	(660,616)
<b>Net cash flows (used in) / received from financing activities</b>		<b>(32,109,121)</b>	138,110,693
Effect of exchange rate changes on cash and cash equivalents		<b>3,713,791</b>	(1,086,160)
Effect of changes in expected credit losses	24	<b>15,920</b>	(12,021)
<b>Net change in cash and cash equivalents</b>		<b>23,071,788</b>	26,287,286
Cash and cash equivalents, as at 1 January	24	<b>71,637,378</b>	45,350,092
<b>Cash and cash equivalents, as at 31 December</b>	24	<b>94,709,166</b>	71,637,378

\* Certain amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2019, as they reflect the adjustments made, as detailed in Note 5. Disclosure of significant non-cash transactions is presented in Note 48.

Chairman of the Management Board

Chief financial officer

Chief accountant

Yessekeyev K.B.

Uzbekov A.A.

Suleimanov Y.E.

The accounting policies and notes on pages 178 to 261 are an integral part of these consolidated financial statements.

[Corporate governance report](#)

[Financial statements](#)

[Annexes](#)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 1. General information

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

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

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

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

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

The Company and its subsidiaries listed in Note 7 (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 10 March 2021.

## 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

### Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes continuation

### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. 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.

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

in the accounting policies and the notes to these consolidated financial statements. The consolidated financial statements are presented in Kazakhstan tenge (“tenge”) and all amounts are rounded to the nearest thousands, except when otherwise indicated.

of the course of business, realization of assets and settlement of liabilities in the normal course of business.

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 obtains 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, noncontrolling 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

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but are not yet effective.

Amendments to IFRS 3: Definition of a Business

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

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

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

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information

is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 COVID-19 Related Rent Concessions

On 28 May 2020, the IASB issued COVID-19 *Related Rent Concessions* – amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

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.

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, 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.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 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.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations* – *Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 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 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

These amendments are not applicable to the Group.

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

In May 2020, the IASB issued *Property, Plant and Equipment – Proceeds before Intended Use*, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling 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.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

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



3. Summary of Significant Accounting Policies (continued)

Standards issued but not yet effective (continued)

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

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. 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 are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

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

As part of its 2018–2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. These amendments are not applicable to the Group.

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

As part of its 2018–2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. 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. An entity applies the amendment to financial liabilities

that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018–2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. 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.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted. This standard is not applicable to the Group.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

In 2018, the IASB added a project to its agenda to consider the financial reporting implications of the Reform. It identified two groups of accounting issues that could have financial reporting implications. These were:

- Phase 1: pre-replacement issues – issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative RFR;
- Phase 2: replacement issues – issues that might affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR.

The IASB gave priority to the Phase 1 issues because they were more urgent and in September 2019, The Board issued Interest Rate Benchmark Reform, *Amendments to IFRS 9, IAS 39 and IFRS 7 (the Phase 1 Amendments)* to address them. The Phase 1 Amendments provided a number of temporary exceptions from applying specific hedge accounting

requirements of both IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement*, but also added some additional disclosure requirements to IFRS 7 *Financial Instruments: Disclosures*.

In August 2020, the IASB issued Interest Rate Benchmark Reform Phase 2, *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (the Phase 2 Amendments)*. The Phase 2 Amendments provide the following changes in respect of financial instruments that are directly required by the Reform:

- A practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted;
- Reliefs from discontinuing hedge relationships;
- Temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component;
- Additional IFRS 7 disclosures.

The Phase 2 Amendments also affected IFRS 16 *Leases* and IFRS 4 *Insurance Liabilities*.

The Phase 2 Amendments are effective for annual periods beginning on or after 1 January 2021 and early application is permitted. The amendments are not expected to have a material impact on the Group.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies

Foreign currency translation

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

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group’s entities at their respective functional currency spot rates at the date when the transaction first qualifies for recognition criteria. Monetary assets and liabilities denominated in foreign currency are translated at the official exchange rate ruling at the reporting date established by Kazakhstan Stock Exchange (“KASE”) and published

In February 2021 the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

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

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

In February 2021 the IASB issued amendments to IAS 8. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

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

by the National Bank of the Republic of Kazakhstan (“NBRK”). 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).

3. Summary of Significant Accounting Policies (continued)

Foreign currency translation (continued)

Foreign exchange rates are presented in the following table:

	31 December 2020	31 December 2019
US dollar	420.91	382.59
Euro	516.79	429.00
Russian rouble	5.62	6.16

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 noncontrolling interests in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling 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.

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

The functional currency of foreign operation KT-IX LLC (Russian Federation) is Russian Roubles. 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.

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

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;

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.

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.

- 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.



3. Summary of Significant Accounting Policies (continued)

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 50*.

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.

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 Company.

External valuation experts are involved for valuation of significant assets, such as investment properties and unquoted financial assets, and significant liabilities, such as contingent consideration. The decision to engage external value experts is taken on an annual basis by the Working Group after it is discussed and approved by the Group’s Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Working Group decides, after discussions with the Group’s external valuation experts, 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 valuation experts 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 disclosure, the Group classified assets and liabilities based on their nature, characteristics and risks related to them and applicable level of fair value hierarchy, as specified 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. Criteria for classification of the item as held-for-sale 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. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

Property and equipment

Property and equipment are 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 obligations (*Note 31*) 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

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

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

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

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.

3. Summary of Significant Accounting Policies (continued)

Investment property

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 in the consolidated statement of financial position when either they have been disposed of or when the investment property is permanently

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

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.

withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of comprehensive income when the asset is derecognized.

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.

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

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.

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

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.

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.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is tested for impairment annually as at 31 December, 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.

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 asset at fair value through other comprehensive income, financial assets at amortized cost and other current financial assets.

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3. Summary of Significant Accounting Policies (continued)

Financial assets (continued)

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.

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.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial

asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Derecognition

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

- 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).

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.

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 26*.

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.

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.

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.

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)

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.

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

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,

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

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right

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.

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.

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.

months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

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

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 insubstance 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

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.

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.

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.



3. Summary of Significant Accounting Policies (continued)

Financial liabilities (continued)

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

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”).

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

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.

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.

instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in equity.

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.

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.

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.

3. Summary of Significant Accounting Policies (continued)

Revenue from contracts with customers (continued)

Sale of equipment and mobile devices (continued)

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.

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.

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.

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).

Compensation for provision of universal services in rural areas

Compensation for provision of universal services is recognised where there is reasonable assurance that the compensation will be received, and all attached conditions will be complied with. When the compensation relates to an expense item, it is recognised as income over the period necessary to match the compensation on a systematic basis to the costs that it is intended to compensate. Where the compensation relates to an asset, it is recognised as deferred income and released to the consolidated statement of comprehensive income in equal amounts over the expected useful life of the related asset.

Compensation related to income is presented separately in the consolidated statement of comprehensive income within revenues from operating activities.

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

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.

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.

as part of finance income in the consolidated statement of comprehensive income.

Dividends

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

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.

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.

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.



3. Summary of Significant Accounting Policies (continued)

Revenue from contracts with customers (continued)

Deferred tax (continued)

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 relation to the underlying transaction either in the consolidated statement of comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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.

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

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 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.

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 the management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of these items and 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 50*;
- Sensitivity analyses disclosures – *Notes 13* and *28*.

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.

The Group included the renewal period as part of the lease term for leases of space for technical sites with shorter noncancellable period. The Group typically exercises its option

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*.

to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available.

Refer to *Note 50* for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

Assets held for sale

On 17 June 2019, the Group announced the decision of its Board of Directors to sell 100% share in the charter capital of KT Cloud Lab LLP, a wholly owned subsidiary, through open of two-step tender. Operations of KT Cloud Lab LLP are classified as a disposal group held for sale.

The Board considered the subsidiary met the criteria to be classified as held for sale at that date for the following reasons:

- KT Cloud Lab LLP is available for immediate sale and can be sold to the buyer in its current condition;
- The actions to complete the sale were initiated;
- A potential buyer has been identified and negotiations as at the reporting date are at an advance stage;
- The shareholders approved the plan to sell on 17 June 2019.

For more details on the disposed group, refer to *Note 47*.

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 13*.

4. Critical accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

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 18*.

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 2020 provision for expected credit losses was created in the amount of KZT 11,040,859 thousand (2019: KZT 9,790,812 thousand) (*Notes 18, 20 and 24*). 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.

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 2020, 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.

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 28*.

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.

In 2019, the Group recognized tax loss carry forward in the amount of KZT 1,377,725 thousand. During 2020, the Group recogned additional tax loss carry forward in the amount of KZT 306,891 thousand.

As at 31 December 2020, deferred tax assets of the Group were equal to KZT 1,980,671 thousand (at 31 December 2019: KZT 1,818,401 thousand). Further details are contained in *Note 46*.

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 50*.

Fair value of assets and liabilities acquired in a business combination

The Group must separately, at the acquisition date, recognize identifiable assets, liabilities and contingent liabilities acquired or assumed in a business combination at their fair value, which implies the use of valuations. Such estimates are based on various valuation methods, which require the use of significant judgments in predicting future cash flows and making other assumptions.

At the acquisition date, net assets of Khan Tengri Holding B.V. were recognized based on their fair value (*Note 6*).



5. Restatement of comparative information

Change in accounting policies

Certain amounts in the consolidated statements of financial position as at 31 December 2019 and 1 January 2019, consolidated financial statements of comprehensive income for the year ended 31 December 2019 and consolidated statements of cash flows for the year ended 31 December 2019 were restated to reflect the effect of changes in the accounting policy as a result of adoption of the IFRIC agenda decision, as described below.

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

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

Lease term

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

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

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

Useful life of non-removable leasehold improvements

An entity applies IAS 16 in determining the useful life of non-removable leasehold improvements. If the lease term of the related lease is shorter than the economic life of those leasehold improvements, the entity considers whether it

expects to use the leasehold improvements beyond that lease term. If the entity does not expect to do so, then, applying IAS 16, it concludes that the useful life of the non-removable leasehold improvements is the same as the lease term. Since the Group’s current practice is in line with this clarification, it will not impact on the consolidated financial statements of the Group.

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

Effect of agenda decision on the Group accounting policy

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

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

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

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

In thousands of tenge	As previously reported	Finalization of assessment of provisional fair value of Khan Tengri Holding B.V. (Note 6)	Change in accounting policy	Adjustments	Note	As restated
Consolidated statement of financial position as at 31 December 2019						
Non-current assets						
Property and equipment	437,315,934	806,360	–	–	[3]	438,122,294
Right-of-use assets	89,670,048	–	2,427,388	–	[1]	92,097,436
Intangible assets	223,340,462	7,773,652	–	–	[3]	231,114,114
Goodwill	158,684,705	(4,192,210)	–	(2,090,250)	[3], [2]	152,402,245
Deferred tax assets	1,766,127	–	52,274	–	[1]	1,818,401
Total non-current assets	930,514,219	4,387,802	2,479,662	(2,090,250)		935,291,433
Current assets						
Corporate income tax prepaid	4,237,313	–	–	2,192,254	[2]	6,429,567
Total current assets	148,535,831	–	–	2,192,254		150,728,085
Total assets	1,079,050,050	4,387,802	2,479,662	102,004		1,086,019,518
Equity						
Retained earnings	420,469,917	44,998	(144,080)	–	[1], [3]	420,370,835
Non-controlling interests	35,507,909	–	(65,327)	696,750		36,139,332
Total equity	462,865,928	44,998	(209,407)	696,750		463,398,269
Non-current liabilities						
Lease liabilities: non-current portion	55,236,254	–	2,545,195	–	[1]	57,781,449
Other non-current financial liabilities	1,318	1,861,290	–	–	[3]	1,862,608
Deferred tax liabilities	42,448,856	1,159,553	–	–	[1]	43,608,409
Total non-current liabilities	467,709,077	3,020,843	2,545,195	–		473,275,115
Current liabilities						
Lease liabilities: current portion	15,291,266	–	143,874	–	[1]	15,435,140
Other current financial liabilities	20,151,913	2,087,140	–	–	[3]	22,239,053
Trade payables	59,397,839	(765,179)	–	–	[3]	58,632,660
Current corporate income tax payable	1,345,601	–	–	(594,746)	[2]	750,855
Total current liabilities	148,475,045	1,321,961	143,874	(594,746)		149,346,134
Total liabilities	616,184,122	4,342,804	2,689,069	(594,746)		622,621,249
Total equity and liabilities	1,079,050,050	4,387,802	2,479,662	102,004		1,086,019,518

5. Restatement of comparative information (continued)

Change in accounting policies (continued)

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

Effect of agenda decision on the Group accounting policy (continued)

In thousands of tenge	As previously reported	Change in accounting policy	Adjustments	Note	As restated
Consolidated statement of financial position as at 1 January 2019					
Non-current assets					
Right-of-use assets	71,929,617	2,861,609	–	[1]	74,791,226
Goodwill	58,286,528	–	(2,090,250)	[2]	56,196,278
Total non-current assets	692,064,796	2,861,609	(2,090,250)		692,836,155
Current assets					
Corporate income tax prepaid	1,849	–	933,173	[2]	935,022
Total current assets	129,593,842	–	933,173		130,527,015
Total assets	821,658,638	2,861,609	(1,157,077)		823,363,170
Equity					
Retained earnings	373,056,587	(55,757)	–	[1]	373,000,830
Non-controlling interests	33,742,060	(39,737)	696,750		34,399,073
Total equity	414,276,124	(95,494)	696,750		414,877,380
Non-current liabilities					
Lease liabilities: non-current portion	43,278,960	2,044,498	–	[1]	45,323,458
Deferred tax liabilities	40,902,068	(39,738)	–	[1]	40,862,330
Total non-current liabilities	243,502,572	2,004,760	–		245,507,332
Current liabilities					
Lease liabilities: current portion	9,922,609	952,343	–	[1]	10,874,952
Current corporate income tax payable	3,319,656	–	(1,853,827)	[2]	1,465,829
Total current liabilities	163,879,942	952,343	(1,853,827)		162,978,458
Total liabilities	407,382,514	2,957,103	(1,853,827)		408,485,790
Total equity and liabilities	821,658,638	2,861,609	(1,157,077)		823,363,170

In thousands of tenge	As previously reported	Finalization of assess-ment of provisional fair value of Khan Tengri Holding B.V. (Note 6)	Change in accounting policy	Reclassifi-cation	Note	As restated
Consolidated statement of comprehensive income for the year ended 31 December 2019						
Cost of sales	(292,479,664)	(374,404)	277,138	–	[1], [3]	(292,576,930)
Gross profit	135,601,010	(374,404)	277,138	–		135,503,744
Selling expenses	(12,770,588)	772,682	–	–	[3]	(11,997,906)
Gain on disposal of property and equipment, net	–	–	–	386,915	[4]	386,915
Other operating income	–	–	–	3,442,931	[4]	3,442,931
Other operating expenses	–	–	–	(310,298)	[4]	(310,298)
Operating profit	82,365,403	398,278	277,138	3,519,548		86,560,367
Finance costs	(42,484,296)	–	(416,641)	–	[1]	(42,900,937)
Net foreign exchange loss	(1,269,021)	(7,503)	–	–	[3]	(1,276,524)
Gain from re-measurement of previously held interest in associate	17,310,113	(267,623)	–	–	[3]	17,042,490
Gain on disposal of property and equipment, net	386,915	–	–	(386,915)	[4]	–
Other income	3,442,931	–	–	(3,442,931)	[4]	–
Other expenses	(310,298)	–	–	310,298	[4]	–
Profit before income tax	69,774,450	123,152	(139,503)	–		69,758,099
Income tax expenses	(9,429,152)	(78,154)	25,590	–	[1], [3]	(9,481,716)
Total comprehensive income for the year, net of tax	60,345,298	44,998	(113,913)	–		60,276,383
Earnings per share						
Basic and diluted, profit for the year attributable to ordinary equity holders of the parent, in tenge	5,192,83	4,09	(8,02)	–	[1], [3]	5,188,90



5. Restatement of comparative information (continued)

Change in accounting policies (continued)

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

Effect of agenda decision on the Group accounting policy (continued)

In thousands of tenge	As previously reported	Finalization of assessment of provisional fair value of Khan Tengri Holding B.V. (Note 6)	Change in accounting policy	Note	As restated
Consolidated statement of cash flows for the year ended 31 December 2019					
Cash flows from operating activities					
Profit before tax	69,774,450	123,152	(139,503)	[1], [3]	69,758,099
Adjustments for:					
Depreciation of property and equipment and right of use assets	73,481,369	(18,438)	632,451	[1], [3]	74,095,382
Amortisation of intangible assets	21,470,527	392,842	–	[3]	21,863,369
Finance costs	42,484,296	–	416,641	[1]	42,900,937
Income from re-measurement of previously held interest in the associate	(17,310,113)	267,623	–	[3]	(17,042,490)
Operating cash flows before changes in operating assets and liabilities	183,415,859	765,179	909,589		185,090,627
Changes in other current liabilities	(12,242,827)	–	(811,877)		(13,054,704)
Cash flows from operating activities	197,268,519	765,179	97,712		198,131,410
Interest paid	(35,690,260)	–	(416,641)	[1]	(36,106,901)
Net cash flows received from operating activities	141,121,959	765,179	(318,929)		141,568,209
Cash flows from financing activities					
Repayment of principal portion of lease liabilities	(11,332,544)	–	(446,250)	[1]	(11,778,794)
Net cash flows received from financing activities	138,556,943	–	(446,250)		138,110,693
Net change in cash and cash equivalents	26,287,286	765,179	(765,179)		26,287,286

- [1] The Group adopted IFRS Interpretations Committee’s agenda decision on cancellable or renewable leases, and related non-removable leasehold improvements and restated the comparative information as required by IAS 8.

[2] In 2020, Kcell JSC, subsidiary, revised the calculation of income tax recognized in its 2015–2018 consolidated financial statements for the purpose of the re-submission of income tax declarations for 2015–2018 periods, and as a result, Kcell JSC identified certain adjustments to calculation of income tax related to 2015–2018 periods. Identified adjustments are mainly related to delay in receipt of fiscal documents and long reconciliation process between Kcell JSC and its counterparties. As a result, the amount of goodwill has been reduced by KZT 2,090,250 thousand.
- [3] In June 2020, the valuation of the fair value of the identified assets and liabilities of Khan Tengri Holding B.V. has been completed and 2019 comparative information was restated to reflect the adjustment to the provisional amounts (Note 6).

[4] Gain on disposal of property and equipment, other income and expenses were reclassified from other non-operating part into separate lines within the operating part in the consolidated statement of comprehensive income. Reclassification was made in order to conform with the presentation adopted in the consolidated statement of comprehensive income for the year ended 31 December 2020.

Reclassification in disclosure (Note 37 Revenue from contracts with customers)

In thousands of tenge	As previously reported	Reclas-sification	Note	As restated
Revenue from contracts with customers				
Mobile connection				
Data transfer services	62,664,151	26,076,587	[1]	88,740,738
Rendering of fixed line and wireless phone services	116,592,951	(26,076,587)	[1]	90,516,364
	215,977,168	–		215,977,168

- [1] The Group changed its approach to the allocation of bundled services to data transfer services and rendering of fixed line and wireless phone services. Reclassification was made in order to conform with the presentation adopted in the disclosure Revenue from contracts with customers for the year ended 31 December 2020.
- All the disclosure amounts within the comparative information were changed respectively.

6. Business Combinations

Acquisition in 2019

Acquisition of Khan Tengri Holding B.V.

On 29 February 2016, the Group acquired 51% share capital and 49.48% of voting shares in Khan Tengri Holding B.V., which is the sole participant of mobile operator in the Republic of Kazakhstan – Mobile Telecom Service LLP, the company rendering GSM and LTE mobile telecommunication services under Tele2 and Altel brands. Khan Tengri Holding B.V. is a private entity and not listed on the stock exchange. Khan Tengri Holding B.V. was an equity accounted associate for the Group till 28 June 2019 (Note 12).

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

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

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

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

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

On 25 February 2016, the Group provided a guarantee to associate organization Khan Tengri Holding B.V. under the credit facility from Development Bank of Kazakhstan JSC with a credit limit of up to KZT 10,008,780 thousand for the period until 19 December 2024.

Guarantee issued in the amount of KZT 937,145 thousand was included into the consideration of business combination due to the acquisition of residual shares in associate Khan Tengri Holding B.V.

The Group’s interest in Khan Tengri Holding B.V. was recorded in the consolidated financial statements using the equity method till the date of control acquisition.

The fair value of the identified assets and liabilities of Khan Tengri Holding B.V. as at the date of acquisition were:

6. Business Combinations (continued)

Acquisition in 2019 (continued)

Acquisition of Khan Tengri Holding B.V. (continued)

In thousands of tenge	Previously reported provisional fair values	Finalization of assessment of provisional fair values	Note	Fair values recognized on acquisition
<b>Assets</b>				
Property and equipment	99,771,598	787,921	[A]	100,559,519
Right-of-use assets	26,457,939	–		26,457,939
Intangible assets	112,272,032	8,166,494	[B]	120,438,526
Advances paid for non-current assets	2,061,017	–		2,061,017
Cash and cash equivalents	5,391,581	–		5,391,581
Other non-current financial assets	77,640	–		77,640
Trade receivables	14,921,849	–		14,921,849
Inventories	909,245	–		909,245
Advances paid	2,439,609	–		2,439,609
Corporate income tax prepaid	614,125	–		614,125
Other current non-financial assets	2,023,828	–		2,023,828
Other current financial assets	887,739	–		887,739
<b>Total assets</b>	<b>267,828,202</b>	<b>8,954,415</b>		<b>276,782,617</b>
<b>Liabilities</b>				
Trade payables	(27,070,515)	–		(27,070,515)
Borrowings	(8,799,548)	–		(8,799,548)
Lease liabilities	(26,913,327)	–		(26,913,327)
Contract liabilities	(8,094,854)	–		(8,094,854)
Deferred tax liabilities	(9,058,099)	(1,081,398)	[Г]	(10,139,497)
Asset retirement obligations	(4,826,230)	–		(4,826,230)
Other non-current financial liabilities	–	(1,861,290)	[B]	(1,861,290)
Other current financial liabilities	(2,460,538)	(2,087,140)	[B]	(4,547,678)
Other current non-financial liabilities	(1,193,897)	–		(1,193,897)
<b>Total liabilities</b>	<b>(88,417,008)</b>	<b>(5,029,828)</b>		<b>(93,446,836)</b>
<b>Net identifiable assets at fair value</b>	<b>179,411,194</b>	<b>3,924,587</b>		<b>183,335,781</b>
Consideration transferred for 49% interest acquired on 28 June 2019*	181,534,893	–		181,534,893
Acquisition-date fair value of initial 51% interest	99,211,623	(267,623)		98,944,000
	<b>280,746,516</b>	<b>(267,623)</b>		<b>280,478,893</b>
Acquisition-date fair values of identifiable net assets acquired	179,411,194	3,924,587		183,335,781
Guarantee issued to Mobile Telecom Service LLP	937,145	–		937,145
<b>Goodwill</b>	<b>100,398,177</b>	<b>(4,192,210)</b>		<b>96,205,967</b>
<b>Analysis of cash flows on acquisition</b>				
Net cash acquired with the subsidiary	5,391,581	–		5,391,581
Consideration transferred*	(181,534,893)	–		(181,534,893)
<b>Net cash outflow</b>	<b>(176,143,312)</b>	<b>–</b>		<b>(176,143,312)</b>

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

Net assets recognized the consolidated financial statements as at 31 December 2019 were based on a provisional assessment of their fair value, while the Group sought an independent valuation for the assets owned by Khan Tengri Holding B.V. The valuation had not been completed by the date the 2019 consolidated financial statements were approved for issue by the Chairman of the Management Board.

In June 2020, the valuation was completed, and the acquisition date fair value of the following accounts has been changed:

[A] Property and equipment were KZT 100,559,519 thousand, increase of KZT 787,921 thousand over the provisional value as a result of increase in the fair value of buildings and constructions and equipment;

[B] Intangible assets were KZT 120,438,526 thousand, increase of KZT 8,166,494 thousand over the provisional value as a result of increase in the fair value of Tele2 and Altel trademarks and subscribers' base;

[C] Other current financial liabilities were KZT 6,408,968 thousand, increase of KZT 3,948,430 thousand over the provisional value as a result of recognition of trademark royalty payment obligations;

[D] Deferred tax liabilities were KZT 10,139,497 thousand, increase of KZT 1,081,398 thousand over the provisional value.

The 2019 comparative information was restated to reflect the adjustment to the provisional amounts. As a result, there was a decrease in goodwill of KZT 4,192,210 thousand, resulting in KZT 96,205,967 thousand of total goodwill arising on the acquisition. There was a decrease in income from re-measurement of previously held interest in the associate of KZT 267,623 thousand, resulting in KZT 17,042,490 thousand of income from re-measurement of previously held interest in the associate. The increased depreciation charge on the property and equipment and intangible assets and decreased deferred tax expenses from the acquisition date to 31 December 2019 was corrected by KZT 374,403 thousand and KZT 74,881 thousand, respectively. The Group has reversed royalty expenses recognized during the second half of 2019 for KZT 765,179 thousand with related deferred tax effect for KZT 153,036 thousand due to recognition of trademark payment obligations on the acquisition date.

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

At the date of the acquisition, the fair value of the trade receivables was KZT 14,921,849 thousand. The carrying

amount of trade receivables is KZT 14,921,849 thousand and it is expected that the full contractual amounts can be collected.

As at date of the acquisition, the fair value of trademark payment obligation was KZT 3,948,430 thousand that represented by the liability of the Group to pay royalty for the usage of Tele2 trademark. During the years ended 31 December 2020, the Group made first payment under the agreement for KZT 2,087,140 thousand (*Notes 29, 33*).

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

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

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

The amount of goodwill equal to KZT 96,205,967 thousand and includes the cost of the expected synergetic effect from the acquisition. The entire amount of goodwill is allocated to the mobile telecommunications segment. It is expected that recognized goodwill will not be deductible for the purposes of the taxation either in full or in part.

During 2019, the Group recognized income from re-measurement of previously held interest in the equity-accounted associate in the amount of KZT 17,042,490 thousand as a result of remeasuring its existing interest in the equity-accounted associate amount of KZT 81,901,510 thousand at the date of obtaining control to its acquisition-date fair value of KZT 98,944,000 thousand.

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



7. Consolidation

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

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

On 28 June 2019, the Group has obtained control over Khan Tengri Holding B.V., in which the Group previously held investment in associate as described in *Note 6*.

8. Material partly-owned subsidiaries

Kcell JSC

Financial information of subsidiary Kcell JSC that has material non-controlling interests is provided below:

Name	Country of incorporation	31 December 2020	31 December 2019
Kcell JSC	Kazakhstan	25.00%	25.00%

The following tables illustrate summarized financial information of subsidiary on a stand-alone basis, in which the Group has significant non-controlling interests. This information is based on amounts before inter-company eliminations.

Summarised consolidated statement of comprehensive income of Kcell JSC for 2020 and 2019 from the acquisition date:

In thousands of tenge	2020	2019
Revenue from contracts with customers	174,683,563	156,656,861
Cost of sales	(132,257,468)	(122,052,416)
Provisions for legal claims	(4,385,785)	–
General and administrative expenses	(10,426,147)	(8,924,684)
Impairment of financial assets	(1,547,115)	(2,256,120)
Impairment of non-financial assets	(5,223,925)	(1,844,104)
Selling expenses	(1,964,949)	(2,887,221)
Reversal of tax and related fines and penalties provision	683,901	5,816,045
Finance costs	(11,749,583)	(11,894,471)
Finance income	2,300,398	1,415,357
Net foreign exchange income/(loss)	986,942	(91,454)
Other income	807,545	317,052
Other expenses	(410,009)	(84,469)
Profit before tax	11,497,368	14,170,376
Income tax expenses	(4,418,647)	(1,237,342)
Profit for the year	7,078,721	12,933,034
Profit attributable to equity holders of the Parent	5,309,051	9,699,775
Profit attributable to non-controlling interests	1,769,670	3,233,259
Change in accounting policy	–	(171,503)
Dividends paid to non-controlling interests	2,250,000	1,493,000

Summarised consolidated statement of financial position of Kcell JSC as at 31 December 2020 and 2019:

In thousands of tenge	2020	2019
Non-current assets	218,992,458	237,093,834
Current assets	73,253,134	46,371,130
Non-current liabilities	(88,909,214)	(99,732,744)
Current liabilities	(60,700,371)	(39,174,894)
Total equity	142,636,007	144,557,326

Attributable to:		
Equity holders of the Participants	106,977,005	108,417,994
Non-controlling interests	35,659,002	36,139,332

Summarised consolidated cash flow information of Kcell JSC for the years ended 31 December 2020 and 2019:

In thousands of tenge	2020	2019
Operating cash flows	52,259,104	35,061,346
Investing cash flows	(36,621,393)	(18,182,552)
Financing cash flows	(1,887,190)	(14,032,498)
Foreign exchange effect on cash and cash equivalents	447,076	(50,290)
Net increase in cash and cash equivalents	14,197,597	2,796,006

9. 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 and KT Cloud Lab LLP;
  - Rendering mobile telecommunication services in GSM and LTE standards by business units of Khan Tengri Holding B.V. and Kcell JSC.

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

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

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

9. Segment information

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

For the year ended 31 December 2020

In thousands of tenge	Fixed line	Mobile telecommuni- cation services in GSM and LTE standards	Other	Eliminations and adjust- ments	Group
<b>Revenue from contracts with customer</b>					
Sales to external customers	215,672,911	310,924,680	732,634	–	527,330,225
Inter-segment	36,613,456	13,395,884	620,740	(50,630,080)	–
<b>Total revenue from contracts with customers</b>	<b>252,286,367</b>	<b>324,320,564</b>	<b>1,353,374</b>	<b>(50,630,080)</b>	<b>527,330,225</b>
<b>Financial results</b>					
Depreciation and amortisation	(37,207,916)	(74,634,638)	(29,582)	1,507,876	(110,364,260)
Finance costs	(27,773,738)	(25,348,210)	(475)	1,673,361	(51,449,062)
Finance income	3,187,081	2,635,644	3	(1,302,428)	4,520,300
Dividends income	7,011,582	–	–	(7,011,582)	–
Share in profits of associates	–	–	234,676	–	234,676
Impairment losses on non-financial assets	(2,693)	(6,041,408)	(46,132)	–	(6,090,233)
Impairment losses on financial assets	(380,882)	(1,866,211)	(12,005)	21,052	(2,238,046)
Income tax expenses	(7,740,699)	(13,840,162)	90,916	(172,027)	(21,661,972)
<b>Segment profit/(loss)</b>	<b>41,504,158</b>	<b>51,464,318</b>	<b>52,587</b>	<b>(6,096,062)</b>	<b>86,925,001</b>
<b>Operating assets</b>	<b>750,627,968</b>	<b>724,829,686</b>	<b>3,943,053</b>	<b>(363,974,533)</b>	<b>1,115,426,174</b>
<b>Operating liabilities</b>	<b>323,183,472</b>	<b>296,030,213</b>	<b>639,868</b>	<b>(22,967,376)</b>	<b>596,886,177</b>
<b>Other disclosures</b>					
Investments in associates	–	–	2,982,957	–	2,982,957
Assets held for sale	1,872,008	–	–	–	1,872,008
<b>Capital expenditures</b>	<b>63,575,357</b>	<b>51,800,983</b>	<b>10,778</b>	<b>–</b>	<b>115,387,118</b>

For the year ended 31 December 2019

In thousands of tenge	Fixed line	Mobile telecommuni- cation services in GSM and LTE standards	Other	Eliminations and adjust- ments	Group
<b>Revenue from contracts with customer</b>					
Sales to external customers	211,648,838	215,977,168	454,668	–	428,080,674
Inter-segment	22,294,505	6,957,249	280,201	(29,531,955)	–
<b>Total revenue from contracts with customer</b>	<b>233,943,343</b>	<b>222,934,417</b>	<b>734,869</b>	<b>(29,531,955)</b>	<b>428,080,674</b>
<b>Financial results</b>					
Depreciation and amortisation	(37,694,711)	(58,875,901)	(228,346)	840,207	(95,958,751)
Finance costs	(26,007,763)	(19,617,103)	–	2,723,929	(42,900,937)
Finance income	4,932,477	1,585,120	433	(2,212,522)	4,305,508
Dividends income	9,101,302	–	–	(9,101,302)	–
Share in profit of associates	–	5,830,925	196,270	–	6,027,195
Impairment losses on non-financial assets	(300,971)	(5,377,947)	(878)	–	(5,679,796)
Impairment losses on financial assets	(28,402)	(2,653,023)	(8,160)	–	(2,689,585)
Income tax expenses	(6,307,021)	(3,143,069)	(5,687)	(25,939)	(9,481,716)
<b>Segment profit/(loss)</b>	<b>32,337,163</b>	<b>13,792,086</b>	<b>(148,686)</b>	<b>23,777,536</b>	<b>69,758,099</b>
<b>Operating assets</b>	<b>750,602,980</b>	<b>706,904,382</b>	<b>2,677,106</b>	<b>(374,164,950)</b>	<b>1,086,019,518</b>
<b>Operating liabilities</b>	<b>348,535,158</b>	<b>307,458,473</b>	<b>317,483</b>	<b>(33,689,865)</b>	<b>622,621,249</b>
<b>Other disclosures</b>					
Investments in associates	–	–	2,218,889	–	2,218,889
Assets held for sale	1,878,033	–	–	–	1,878,033
Capital expenditures	41,930,188	28,758,575	–	41,085	70,729,848

- 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	2020	2019
<b>Segment profit</b>	93,021,063	45,980,563
Other	(6,096,062)	23,777,536
<b>Profit of the Group</b>	<b>86,925,001</b>	<b>69,758,099</b>

Reconciliation of assets

In thousands of tenge	2020	2019
<b>Segment operating assets</b>	<b>1,479,400,707</b>	1,460,184,468
Elimination of the Company's investments in subsidiaries	<b>(340,809,525)</b>	(338,530,820)
Elimination of intra-group receivables and payables	<b>(23,165,008)</b>	(35,634,130)
<b>Total assets of the Group</b>	<b>1,115,426,174</b>	1,086,019,518



## 9. SEGMENT INFORMATION (continued)

### Reconciliation of liabilities

In thousands of tenge	2020	2019
<b>Segment operating liabilities</b>	<b>619,853,553</b>	656,311,114
Elimination of intra-group receivables and payables	<b>(22,967,376)</b>	(33,689,865)
<b>Total liabilities of the Group</b>	<b>596,886,177</b>	622,621,249

## 10. PROPERTY AND EQUIPMENT

Movements of property and equipment in 2020 and 2019 were as follows:

In thousands of tenge	Land	Buildings and constructions	Equipment	Other	Construc-tion in progress	Total
<b>Cost</b>						
<b>At 1 January 2019</b>	2.927.610	54.747.006	544.905.927	16.714.716	52.652.625	671.947.884
Additions	23	404.498	20.516.975	794.880	36.868.969	58.585.345
Acquisition of subsidiary (Note 6)	350.814	12.920.247	67.634.326	1.691.611	17.962.521	100.559.519
Asset retirement obligations (Note 31)	–	–	577.768	–	–	577.768
Transfers	–	1.375.068	22.942.450	133.075	(24.450.593)	–
Disposals	(13.973)	(325.011)	(4.094.966)	(372.918)	(87.885)	(4.894.753)
Assets held for sale (Note 47)	–	(405.118)	(1.021.623)	(74.182)	–	(1.500.923)
<b>At 31 December 2019</b>	<b>3.264.474</b>	<b>68.716.690</b>	<b>651.460.857</b>	<b>18.887.182</b>	<b>82.945.637</b>	<b>825.274.840</b>
<b>Cost</b>						
<b>At 1 January 2020</b>	<b>3.264.474</b>	<b>68.716.690</b>	<b>651.460.857</b>	<b>18.887.182</b>	<b>82.945.637</b>	<b>825.274.840</b>
Additions	<b>777</b>	<b>480.587</b>	<b>26.752.929</b>	<b>486.085</b>	<b>71.206.468</b>	<b>98.926.846</b>
Asset retirement obligations (Note 31)	–	–	<b>740.628</b>	–	–	<b>740.628</b>
Transfers	–	<b>16.394.604</b>	<b>70.010.032</b>	<b>326.140</b>	<b>(86.730.776)</b>	–
Disposals	<b>(5.622)</b>	<b>(331.080)</b>	<b>(6.953.391)</b>	<b>(343.675)</b>	<b>(37.486)</b>	<b>(7.671.254)</b>
<b>At 31 December 2020</b>	<b>3.259.629</b>	<b>85.260.801</b>	<b>742.011.055</b>	<b>19.355.732</b>	<b>67.383.843</b>	<b>917.271.060</b>
<b>Accumulated depreciation and impairment</b>						
<b>At 1 January 2019</b>	–	20.038.240	291.626.220	11.478.648	1.103.725	324.246.833
Depreciation charge	–	2.559.055	58.859.551	1.581.648	–	63.000.254
Impairment	–	–	2.136.947	–	3.077.728	5.214.675
Disposals	–	(136.918)	(3.837.861)	(358.882)	4.565	(4.329.096)
Assets held for sale (Note 47)	–	(43.346)	(886.731)	(50.043)	–	(980.120)
<b>At 31 December 2019</b>	–	22.417.031	347.898.126	12.651.371	4.186.018	387.152.546
<b>Accumulated depreciation and impairment</b>						
<b>At 1 January 2020</b>	–	22.417.031	347.898.126	12.651.371	4.186.018	387.152.546
Depreciation charge	–	<b>3.000.450</b>	<b>63.589.529</b>	<b>1.923.616</b>	–	<b>68.513.595</b>
Impairment	–	<b>165.034</b>	<b>94.746</b>	–	<b>4.964.287</b>	<b>5.224.067</b>
Disposals	–	<b>(193.572)</b>	<b>(6.147.925)</b>	<b>(324.987)</b>	–	<b>(6.666.484)</b>
<b>At 31 December 2020</b>	–	<b>25.388.943</b>	<b>405.434.476</b>	<b>14.250.000</b>	<b>9.150.305</b>	<b>454.223.724</b>
<b>Net book value</b>						
<b>At 31 December 2019</b>	3.264.474	46.299.659	303.562.731	6.235.811	78.759.619	438.122.294
<b>At 31 December 2020</b>	<b>3.259.629</b>	<b>59.871.858</b>	<b>336.576.579</b>	<b>5.105.732</b>	<b>58.233.538</b>	<b>463.047.336</b>

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

As at 31 December 2020, the gross carrying value of property and equipment which has been fully depreciated and still in use was KZT 404,178,863 thousand (as at 31 December 2019: KZT 347,558,082 thousand).

### Impairment test

The coronavirus (COVID-19) outbreak has affected many countries and resulted in significant volatility in financial and commodity markets around the world. There is already evidence that the virus has significantly impacted the global economy (Note 51). The Group's management analyzed external and internal sources of information, including the current and future impact of the COVID-19 pandemic on the Group and on macroeconomic environment, and did not observe any significant negative impacts on the Group's business, financial conditions and results of operations. During 2020, the Group did not identify impairment factors for all CGUs related with Covid-19 impact, except certain items of property and equipment as described below.

As at 31 December 2020, advances paid for non-current assets in the amount of KZT 3,237,280 thousand mainly represented by advances paid for installation of base stations, construction and delivery of fixed assets (as at 31 December 2019: KZT 8,998,288 thousand). During 2020, the Group has recognized impairment loss on its advances paid for non-current assets for KZT 356,318 thousand (2019: KZT 423,395 thousand).

During 2020, the Group recognized an impairment loss in the amount of KZT 259,780 thousand (2019: KZT 1,844,104 thousand) for property and equipment and KZT 4,964,287 thousand for construction-in-progress (2019: KZT 3,077,728 thousand), which represented the writedown of certain assets to the recoverable amount as a result of technological obsolescence and damage. Impairment was recognized in the consolidated statement of comprehensive income as an operating expense. Additionally, during 2019, the Group recognized an impairment loss of KZT 292,843 thousand to reduce the carrying amount of the assets in the disposal group to their fair value less costs to sell (Note 47).

## 11. Intangible assets

Movements of intangible assets for 2020 and 2019 were as follows:

In thousands of tenge	Licenses	Software	Other	Intangible assets under development	Total
<b>Cost</b>					
<b>At 1 January 2019</b>	112,628,735	24,356,327	10,733,889	1,190,442	148,909,393
Additions	3,604,581	5,503,654	186,964	2,271,536	11,566,735
Acquisition of subsidiary ( <i>Note 6</i> )	108,498,898	2,180,628	9,759,000	–	120,438,526
Disposals	(1,185,574)	(1,489,826)	–	–	(2,675,400)
Assets held for sale ( <i>Note 47</i> )	–	(729,247)	–	–	(729,247)
Transfers	90,406	2,181,130	–	(2,271,536)	–
<b>At 31 December 2019</b>	223,637,046	32,002,666	20,679,853	1,190,442	277,510,007
Additions	<b>3,352,911</b>	<b>11,147,577</b>	<b>448,150</b>	<b>771,006</b>	<b>15,719,644</b>
Disposals	<b>(879,619)</b>	<b>(53,410)</b>	–	–	<b>(933,029)</b>
Transfers	<b>(70,372)</b>	<b>1,559,087</b>	–	<b>(1,488,715)</b>	–
<b>At 31 December 2020</b>	<b>226,039,966</b>	<b>44,655,920</b>	<b>21,128,003</b>	<b>472,733</b>	<b>292,296,622</b>
<b>Accumulated amortisation and impairment</b>					
<b>At 1 January 2019</b>	7,389,985	17,539,499	2,503,444	–	27,432,928
Amortisation charge	14,323,070	6,002,130	1,538,169	–	21,863,369
Disposals	(1,165,320)	(1,489,771)	–	–	(2,655,091)
Assets held for sale ( <i>Note 47</i> )	–	(245,313)	–	–	(245,313)
<b>At 31 December 2019</b>	20,547,735	21,806,545	4,041,613	–	46,395,893
Amortisation charge	<b>18,303,264</b>	<b>8,781,910</b>	<b>1,860,245</b>	–	<b>28,945,419</b>
Impairment	–	<b>46,132</b>	–	<b>472,733</b>	<b>518,865</b>
Disposals	<b>(879,619)</b>	<b>(37,816)</b>	–	–	<b>(917,435)</b>
<b>At 31 December 2020</b>	<b>37,971,380</b>	<b>30,596,771</b>	<b>5,901,858</b>	<b>472,733</b>	<b>74,942,742</b>
<b>Net book value</b>					
<b>At 31 December 2019</b>	203,089,311	10,196,121	16,638,240	1,190,442	231,114,114
<b>At 31 December 2020</b>	<b>188,068,586</b>	<b>14,059,149</b>	<b>15,226,145</b>	–	<b>217,353,880</b>

Licenses and trademarks, software and other include intangible assets acquired as a result of business combinations (*Note 6*).

During 2020, the Group recognized an impairment loss of KZT 472,733 thousand for intangible assets under development, which represented the write-down of billing system (2019: nil). The loss was recorded in the consolidated statement of comprehensive income as part of impairment losses on non-financial assets.

As at 31 December 2020 the gross carrying value of intangible assets, which have been fully amortized and still in use was KZT 57,814,037 thousand (as at 31 December 2019: KZT 52,411,724 thousand).

## 12. Investments in associates

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

In thousands of tenge	Primary activities	Country of incorp-oration	31 December 2020		31 December 2019	
			Carrying amount	Ownership share	Carrying amount	Ownership share
QazCloud LLP	IT services	Kazakhstan	<b>2,982,957</b>	<b>49%</b>	2,218,889	49%
			<b>2,982,957</b>		2,218,889	

Movements in investments in associates for the years 2020 and 2019 are as follows:

In thousands of tenge	Khan Tengri Holding B.V.	QazCloud LLP	Total
<b>At 31 December 2018</b>	76,070,585	1,598,639	77,669,224
Additional contribution to the charter capital of an associate	–	423,980	423,980
Share in profit of associates	5,830,925	196,270	6,027,195
Derecognition of investment in associate ( <i>Note 6</i> )	(81,901,510)	–	(81,901,510)
<b>At 31 December 2019</b>	–	2,218,889	2,218,889
Additional contribution to the charter capital of an associate	–	<b>529,392</b>	<b>529,392</b>
Share in profits of associates	–	<b>234,676</b>	<b>234,676</b>
<b>At 31 December 2020</b>	–	<b>2,982,957</b>	<b>2,982,957</b>

### Investments in Khan Tengri Holding B.V.

As described in *Note 6*, the Group obtained control over in Khan Tengri Holding B.V. and since that date Khan Tengri Holding B.V. is consolidated. In the consolidated financial statements, the Group's interest in Khan Tengri Holding B.V. was accounted using the equity method till the date of obtaining control.

The table below provides a summarized financial information on the Group's investment in Khan Tengri Holding B.V. on the basis of an assessment of the fair value:

In thousands of tenge	2020	From 1 January 2019 till 28 June 2019
Revenue from contracts with customers	–	67,183,065
Depreciation and amortization	–	(9,540,681)
Finance income	–	134,131
Finance costs	–	(6,428,117)
Income tax expense	–	(1,991,712)
<b>Profit for the year</b>	–	11,433,187
<b>Total comprehensive income</b>	–	11,433,187
Share of the Group in profit for the year	–	5,830,925



12. Investments in associates (continued)

Investments in QazCloud LLP

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

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

On 15 November 2017, 27 April 2018, 29 April 2019 and 30 December 2019 the Group made contributions to the charter capital of QazCloud LLP in the amount of KZT 986,980 thousand, KZT 563,000 thousand, KZT 200,000 thousand and KZT 223,980 thousand, respectively.

On 5 November 2020, the Board of Directors of Kazakhtelecom JSC approved a decision to make an additional investment contribution to the charter capital of QazCloud LLP in the amount of KZT 529,392 thousand.

On 9 December 2020, the Group made contributions to the charter capital of QazCloud LLP in the amount of KZT 529,392 thousand. The additional contributions to the charter capital of QazCloud LLP did not lead to the change in share of interest of the Group as the second participant, Samruk-Kazyna Business Service LLP, also made the contributions to the charter capital of QazCloud LLP according to its share. The table below provides a summarized financial information on the Group's investment in QazCloud LLP on the basis of an assessment of the fair value:

In thousands of tenge	31 December 2020	31 December 2019
Non-current assets	4,364,015	2,982,071
Current assets, including	7,033,758	3,356,967
Cash and cash equivalents	4,589,503	2,621,936
Non-current liabilities, including	(970,186)	(395,465)
Non-current financial liabilities	(881,229)	(267,526)
Current liabilities, including	(4,339,919)	(1,415,229)
Current financial liabilities	(2,711,217)	(1,343,183)
Equity	6,087,668	4,528,344
Share of the ownership – 49%	2,982,957	2,218,889
Carrying amount of the investment of the Group	2,982,957	2,218,889

In thousands of tenge	2020	2019
Revenue from contracts with customers	6,594,529	3,489,009
Depreciation and amortization	(1,040,130)	(603,879)
Finance income	31,844	27,085
Finance costs	(165,072)	(57,264)
Income tax expense	(119,735)	(100,137)
Profit for the year	478,931	400,550
Total comprehensive income	478,931	400,550

Share of the Group in profit for the year	234,676	196,270
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13. 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.”). IP TV CGU is part of the fixed telecommunications segment,

while Kcell JSC and Khan Tengri Holding B.V. 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	2020	2019
Khan Tengri Holding B.V. (Note 6)	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 2020 and 2019.

Khan Tengri Holding B.V.

The recoverable amount of the Khan Tengri Holding B.V. CGU has been determined based on the calculation of fair value less costs of disposal 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 pre-tax discount rate applied to projected cash flows was 18.63% (2019: 16.96%), and cash flows beyond the five-year period were extrapolated taking into account a growth rate of 1.5% (2019: 1.5%).

As a result of the analysis, management did not identify an impairment for this CGU as at 31 December 2020.

Kcell JSC

The recoverable amount of Kcell JSC CGU was has been determined based on the calculation of fair value less costs of disposal 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 pre-tax discount rate applied to projected cash flows was 17.88% (2019: 16.71%), and cash flows beyond the fiveyear period were extrapolated taking into account a growth rate of 1.5% (2019: 1.5%).

As a result of the analysis, management did not identify an impairment for this CGU as at 31 December 2020.

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 15.02% (2019: 15.14%), and cash flows beyond the five-year period are extrapolated using a 1.5% growth rate (2019: 1.5%).

As a result of the analysis, management did not identify an impairment for this CGU as at 31 December 2020.

Key assumptions used in value in use calculations

The calculation of value-in-use for IPTV and fair value less costs of disposal for Mobile telecommunications 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.

13. Impairment testing (continued)

Key assumptions used in value in use calculations (continued)

Customer base and average revenue per customer (continued)

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.

Level of capital investments

The level of capital investments is important in Mobile telecommunications 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 Mobile telecommunications CGUs into its financial plan with consideration of market conditions, competition and other

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 not 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 3.65% (2019: 16.80%), would result in a loss from impairment in IP TV CGU for KZT 26 thousand (2019: KZT 1,247 thousand).

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.

Level of capital investments

Increase in capital investments by more than 95% (2019: 366.50%) would result in loss from impairment in IP TV CGU for KZT 201 thousand (2019: KZT 2,127 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 pre-tax discount rate to23.56% (2019: 34.00%) would result in impairment loss in IP TV CGU for KZT 28 thousand (KZT 2,620 thousand).

Sensitivity to changes in assumptions – Khan Tengri Holding B.V.

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 6.30% (2019: 9.54%), would result in a loss from impairment in Khan Tengri Holding B.V. CGU for KZT 720,765 thousand (2019: KZT 4,531,171 thousand).

Level of capital investments

Increase in capital investments by more than 85% (2019: 72.39%) would result in loss from impairment in Khan Tengri Holding B.V. CGU for KZT 1,415,055 thousand (2019: KZT 4,513,932 thousand).

EBITDA margin

Decrease in EBITDA margin by more than 14% (2019: 12.23%) would result in loss from impairment in Khan Tengri Holding B.V. CGU for KZT 979,530 thousand (2019: KZT 4,466,584 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 by 54,3% (2019: 21.39%) per annum in the long-term growth rate in Khan Tengri Holding B.V CGU would result in impairment loss for KZT 41,140 thousand (2019: KZT 4,502,738 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 5.06% (2019: 12.48%), would result in a loss from impairment in Kcell CGU for KZT 84,186 thousand (2019: KZT 237,528 thousand).

Level of capital investments

Increase in capital investments by more than 91.5% (2019: 53.24%) would result in loss from impairment in Kcell CGU for KZT 189.203 thousand (2019: KZT 230,913 thousand).

Discount rate

An increase in pre-tax discount rate to 33% (2019: 28.59%) would result in impairment loss in Khan Tengri Holding B.V. CGU for KZT 2,399,056 thousand (2019: KZT 4,538,160 thousand).

EBITDA margin

Decrease in EBITDA margin by more than 11.2% (2019: 7.99%) would result in loss from impairment in Kcell CGU for KZT 204,366 thousand (2019: KZT 285,645 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 by 30.21% (2019: 13.57%) per annum and more in the long-term growth rate in Kcell CGU would result in impairment loss for KZT 261,186 thousand (2019: KZT 242,484 thousand).

Discount rate

An increase in pre-tax discount rate to 28.85% (2019: 25.05%) would result in loss from impairment in Kcell CGU for KZT 270,725 thousand (2019: KZT 231,239 thousand).

14. Investment property

Movements in investment property for the years ended 31 December 2020 and 2019 were as follows:

In thousands of tenge	2020	2019
Cost		
At 1 January	1,264,668	1,264,668
At 31 December	1,264,668	1,264,668
Accumulated depreciation and impairment		
At 1 January	(1,264,668)	(1,264,668)
At 31 December	(1,264,668)	(1,264,668)
Carrying amount		
At 1 January	–	–
At 31 December	–	–

Investment property 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 2020 and 2019, 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. The fair value of investment property is determined by reference to significant unobservable in-puts (Level 3).



15. Other non-current financial assets

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

In thousands of tenge	2020	2019
Long-term accounts receivable	2,421,066	1,118,077
Loans to employees	2,060,858	2,767,965
Cash restricted in use	43,243	2,653
Other	264,012	281,464
	4,789,179	4,170,159

As at 31 December 2020 and 2019, the Group’s other non-current financial assets were denominated in the following currencies:

In thousands of tenge	2020	2019
Tenge	4,745,936	4,170,159
US dollars	43,243	–
	4,789,179	4,170,159

As at 31 December 2020, the long-term accounts receivable represented by special agreements with customers for the purchase of contract phones for KZT 2,421,066 thousand (as at 31 December 2019: KZT 1,118,077 thousand). These long-term accounts receivable were discounted as at market interest rates of 10% per annum (2019: 10% 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% (2019: from 12.2% to 19.1% per annum). Repayment of long-term loans to employees is made through withholding of amounts due from employees’ salaries. Loans are secured by employees’ real estate properties.

16. Other non-current non-financial assets

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

In thousands of tenge	2020	2019
Deferred connection cost of operators	1,353,299	1,679,290
Long-term VAT receivable	369,524	1,041,255
Other	96,222	77,771
	1,819,045	2,798,316

As at 31 December 2020 and 2019, the Group’s other non-current non-financial assets were denominated in the following currencies:

In thousands of tenge	2020	2019
US dollars	995,943	1,216,292
Tenge	465,746	1,119,026
Other currencies	357,356	462,998
	1,819,045	2,798,316

17. Inventories

As at 31 December 2020 and 2019, inventories comprised:

In thousands of tenge	2020	2019
Goods for resale at lower of cost and net realisable value	11,734,343	7,261,070
Raw and other materials at cost	1,641,865	926,043
Cable materials at cost	1,340,654	1,506,324
Spare parts at cost	463,893	541,525
Fuel at cost	309,274	330,112
	15,490,029	10,565,074

During 2020, an amount of KZT 1,199,617 (2019: KZT 57,343 thousand) was recognized as expenses in respect of inventories recorded at net realizable value. In 2020,

this amount was recorded within the item “General and administrative expenses” in the consolidated statement of comprehensive income.

18. Trade receivables

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

In thousands of tenge	2020	2019
Trade receivables	40,847,311	42,206,665
	40,847,311	42,206,665
Less: allowance for expected credit losses	(6,135,606)	(4,950,893)
	34,711,705	37,255,772

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

In thousands of tenge	2020	2019
Allowance for expected credit losses at the beginning of the year	(4,950,893)	(3,175,108)
Charge for the year (Note 50)	(2,159,063)	(2,569,696)
Write-off for the year	974,350	785,721
Assets held for sale	–	8,190
Allowance for expected credit losses at the end of the year	(6,135,606)	(4,950,893)

Below is information as at 31 December 2020 about the credit risk exposure on the Group’s trade receivables using a matrix of reserves:

In thousands of tenge	Current	Days past due						Total
		1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 360 days	Over 360 days	
Estimated credit loss rate	0.50%	6.89%	18.30%	23.32%	39.95%	68.41%	100%	
Estimated total gross carrying amount at default	28,423,009	3,314,635	1,694,987	1,062,628	791,244	2,117,242	3,443,566	40,847,311
Allowance for expected credit losses	(141,385)	(228,289)	(310,136)	(247,793)	(316,064)	(1,448,373)	(3,443,566)	(6,135,606)

18. Trade receivables (continued)

Below is information as at 31 December 2019 about the credit risk exposure on the Group’s trade receivables using a matrix of reserves:

In thousands of tenge	Current	Days past due						Total
		1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 360 days	Over 360 days	
Estimated credit loss rate	2.00%	2.44%	8.04%	7.64%	8.10%	32.59%	100%	
Estimated total gross carrying amount at default	29,549,281	3,480,458	1,152,284	1,244,615	1,041,629	2,576,623	3,161,775	42,206,665
Allowance for expected credit losses	(592,272)	(85,006)	(92,587)	(95,109)	(84,370)	(839,774)	(3,161,775)	(4,950,893)

As at 31 December 2020 and 2019, the Group’s trade receivables were denominated in the following currencies:

In thousands of tenge	2020	2019
Tenge	33,215,353	35,008,599
US dollars	1,260,092	1,830,387
Euro	205,826	140,286
Other currencies	30,434	276,500
	34,711,705	37,255,772

19. Advances Paid

As at 31 December 2020 and 2019, advances paid comprised:

In thousands of tenge	2020	2019
Advances paid	4,688,615	5,741,078
	4,688,615	5,741,078
Less: allowance for impairment	(37,066)	(44,563)
	4,651,549	5,696,515

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

In thousands of tenge	2020	2019
Allowance for impairment at the beginnings of the year	(44,563)	(3,137)
Reversal/(charge) for the year	9,017	(41,426)
Write-off for the year	(1,520)	–
Allowance for impairment at the end of the year	(37,066)	(44,563)

As at 31 December 2020 and 2019, advances paid for short term assets were given to contractors for services and delivery of inventories for operational activities of the Group.

20. Other current financial assets

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

In thousands of tenge	2020	2019
Bank deposits	3,399,500	3,399,500
Loans to employees	1,502,112	1,879,405
Restricted cash	920,317	929,499
Due from employees	364,405	283,688
Other accounts receivable	2,341,581	3,555,821
	8,527,915	10,047,913
Less: allowance for expected credit losses	(4,901,841)	(4,820,587)
	3,626,074	5,227,326

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

As at 31 December 2020 and 2019, the allowance for expected credit losses includes a provision in the amount of KZT 3,399,500 thousand accrued on a deposit placed in Eximbank Kazakhstan JSC due to the liquidation of the bank.

Restricted cash represents cash on the accounts with KazInvestBank JSC and Eximbank Kazakhstan JSC for KZT 420,863 thousand and KZT 499,454 thousand, respectively, which are assessed as unlikely to be recovered due to the revocation of banking licenses. Allowance for expected credit loss was recorded for the whole amount of this cash.

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

In thousands of tenge	2020	2019
Allowance for expected credit losses at the beginning of the year	(4,820,587)	(4,220,670)
Charge for the year (Note 50)	(90,887)	(108,003)
Write-off for the year	9,633	7,540
Transfer from cash and cash equivalents (Note 24)	–	(499,454)
Allowance for expected credit losses at the end of the year	(4,901,841)	(4,820,587)

Below is information as at 31 December 2020 about the credit risk exposure on the Group’s loans to employees, due from employees and other receivables using the reserve matrix:

In thousands of tenge	Current	Days past due						Total
		1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 360 days	Over 360 days	
Estimated credit loss rate	1.75%	1.99%	8.57%	7.37%	24.86%	56.30%	100.00%	
Estimated total gross carrying amount at default	3,631,594	26,950	14,707	5,444	1,585	27,351	500,467	4,208,098
Allowance for expected credit losses	(63,568)	(535)	(1,260)	(401)	(394)	(15,399)	(500,467)	(582,024)



20. Other current financial assets (continued)

Below is information as at 31 December 2019 about the credit risk exposure on the Group's loans to employees, due from employees and other receivables using the reserve matrix:

In thousands of tenge	Current	Days past due						Total
		1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 360 days	Over 360 days	
Estimated credit loss rate	1.36%	3.45%	8.83%	3.48%	11.64%	46.78%	100.00%	
Estimated total gross carrying amount at default	5,271,177	3,918	10,692	4,138	3,221	13,692	412,076	5,718,914
Allowance for expected credit losses	(71,509)	(135)	(944)	(144)	(375)	(6,405)	(412,076)	(491,588)

As at 31 December 2020 and 2019, other current financial assets were denominated in the following currencies:

In thousands of tenge	2020	2019
Tenge	3,618,457	5,070,053
US dollars	7,617	157,273
	3,626,074	5,227,326

21. Financial assets at fair value through other comprehensive income

As at 31 December 2020 financial assets at fair value through other comprehensive income represented by investments in US treasury bills acquired in August 2019, were fully redeemed (31 December 2019: KZT 4,964,633 thousand). The Group recognized the financial assets at fair value through other comprehensive income as the contractual cash flows were solely principal and interest and the financial assets were held within a business model for collecting contractual cash flows and selling financial assets. Nominal amount was 12,880,000 USD (equivalent to KZT 5,021,171

thousand at the date of acquisition), with maturity till August 2020 and yield to maturity at 2.6%. Fair value of debt instrument was determined by reference to published price quotations in an active market (Level 1). On 18 August 2020 US treasury bills were repaid and the Group received the nominal amount and coupon income in the amount of 12,880,000 USD and 338,100 USD, respectively (equivalent to KZT 5,385,385 thousand and KZT 141,366 thousand, respectively).

22. Financial assets at AMORTIZED COST

As at 31 December 2020 financial assets at amortized cost in the amount of KZT 18,923,399 thousand (31 December 2019: nil) were represented by short-term discount notes of National Bank of the Republic of Kazakhstan (“NBRK”) denominated in tenge, which were acquired at purchase price KZT 36,751,293 thousand in June-December 2020. During 2020, short-term NBRK discount note was redeemed for a total amount of KZT 18,139,091 thousand of nominal value and interest income of KZT 760,909 thousand.

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

As at 31 December 2020, financial assets at amortised cost comprised of the following:

In thousands of tenge	Maturity date	Yield to maturity	Nominal value	31 December 2020	31 December 2019
NBRK note	13 January 2021	8.92%	10,000,000	9,968,318	–
NBRK note	15 January 2021	9.41%	4,000,000	3,984,591	–
NBRK note	22 January 2021	9.85%	3,000,000	2,982,294	–
NBRK note	22 January 2021	9.85%	2,000,000	1,988,196	–
			19,000,000	18,923,399	–

23. Other current non-financial assets

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

In thousands of tenge	2020	2019
VAT receivable	4,661,908	3,468,766
Taxes prepaid other than corporate income tax	1,241,207	1,734,131
Deferred connection cost of operators	237,750	237,750
Other	1,159,466	631,835
	7,300,331	6,072,482

24. Cash and cash equivalents

As at 31 December 2020 and 2019, cash and cash equivalents comprised:

In thousands of tenge	2020	2019
Cash on current bank accounts	84,060,922	67,674,762
Deposits with less than 90 days’ maturity from the date of opening	10,325,020	3,631,562
Cash on hand	46,002	34,830
	94,431,944	71,341,154
Less: allowance for expected credit losses	(3,412)	(19,332)
Total cash and cash equivalents	94,428,532	71,321,822

Cash on current bank accounts earn interest at the rates ranging from 0.1% to 7.25% per annum (2019: from 0.2% to 8.0% per annum).

one day and three months, depending on the immediate cash requirements of the Group, and earned interest at the rate of up to 8.50% per annum (as at 31 December 2019: KZT 3,631,562 thousand with a rate of up to 8.40%).

As at 31 December 2020, short-term deposits for KZT 10,325,020 thousand were placed for varying periods between

24. Cash and cash equivalents (continued)

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

In thousands of tenge	2020	2019
Cash on current bank accounts	84,060,922	67,674,762
Deposits with less than 90 days’ maturity from the date of opening	10,325,020	3,631,562
Cash on current bank accounts attributable to disposed group (Note 47)	280,634	315,556
Cash on hand	46,002	34,830
	94,712,578	71,656,710
Less: allowance for expected credit losses	(3,412)	(19,332)
Total cash and cash equivalents	94,709,166	71,637,378

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

In thousands of tenge	2020	2019
US dollars	79,699,144	43,199,243
Tenge	13,491,284	27,356,685
Euro	1,116,469	652,984
Russian roubles	120,751	107,521
Other	884	5,389
	94,428,532	71,321,822

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

In thousands of tenge	2020	2019
Allowance for expected credit losses at the beginning of the year	(19,332)	(506,765)
Reversal/(charge) for the year (Note 50)	15,920	(12,021)
Transfer to other current financial assets (Note 20)	–	499,454
Allowance for expected credit losses at the end of the year	(3,412)	(19,332)

25. Equity

Authorised and issued shares

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

Treasury shares

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

Shares issued less reacquired shares

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

In the period from 13 December 2018 to 8 January 2019, the Group received applications from non-controlling shareholders demanding the Group to repurchase their shares in connection with their disagreement with the decision of the Board of Directors of the Group, adopted

Preferred shares

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

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 2020 (at 31 December 2019: KZT 89,635 thousand) and are recorded as interest expenses in the consolidated statement of comprehensive income (Note 43).

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

In thousands of tenge	2020	2019
Dividends payable at the beginning of the year	1,598,354	2,033,495
Dividends declared on common shares to equity holders of the parent	8,330,464	8,362,107
Dividends declared on common shares to non-controlling interests	2,250,000	1,493,000
Dividends declared on preferred shares in excess of the obligatory amount	142,852	154,202
Interest on debt component of preferred shares (Note 43)	89,636	89,635
Dividends paid to equity holders of the parent	(10,143,729)	(9,041,085)
Dividends paid to non-controlling interests	(2,250,000)	(1,493,000)
Dividends payable at the end of the year (Note 33)	17,577	1,598,354

For the year ended 31 December 2020 the Group paid withholding tax on dividends in the amount of KZT 162,819 thousand (2019: KZT 156,411 thousand).

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

component of preferred shares. As at 31 December 2019 the debt component of preferred shares decreased by KZT 59,376 thousand as a result of repurchased 21,771 preferred shares during 2019. Preferred shareholders receive the right to vote if the general meeting of shareholders considers decisions restricting rights of preferred shareholders, decisions on reorganization or liquidation of the Company and if dividends on preferred shares are not paid within 3 (three) months after a specified payment date.

On the basis of the decision made at the annual shareholders general meeting of Kazakhtelecom JSC on 30 April 2020, the Company declared dividends on preferred shares based on 2019 results in the amount of KZT 142,852 thousand and dividends on common shares in the amount of KZT 10,580,464 thousand (2019: KZT 154,202 thousand and KZT 9,855,107 thousand, respectively). The dividends accrued on common shares during 2020. Dividends per share (common and preferred) as at 31 December 2020 were equal to KZT 778.11 (as at 31 December 2019: KZT 781.06 per common share).



25. Equity (continued)

Other reserves

According to the Company’s Charter, the Company created a reserve capital equal to 15% of the authorized share capital. This reserve capital was created through appropriation

of the retained earnings. There were no movements in the reserve capital in 2020 and 2019.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of the subsidiaries, whose functional currency

is not tenge and whose financial statements are included in these consolidated financial statements in accordance with the accounting policy disclosed in *Note 3*.

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	2020	2019
Net profit	63,493,359	57,043,124
Interest on preferred shares ( <i>Note 43</i> )	89,636	89,635
Net profit for calculating of basic and diluted earnings per share	63,582,995	57,132,759

Weighted average number of common and preferred shares for calculation of basic and diluted earnings per share	11,004,809	11,010,577
Basic and diluted earnings per share, tenge	5,777.75	5,188.90

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	2020	2019
Total assets	1,115,426,174	1,086,019,518
Less: intangible assets, including goodwill	369,756,125	383,516,359
Less: total liabilities	596,886,177	622,621,249
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	148,485,087	79,583,125

Number of ordinary shares	10,706,024	10,706,024
Cost of ordinary share, calculated in accordance with listing requirements of KASE (in tenge)	13,869	7,433

Another requirement for disclosure is the amount of the dividends payable to owners of preferred non-voting shares, preferred non-voting shares in the equity and debt component of preferred non-voting shares, divided by number of preferred non-voting shares. At the same time, according to the methodology of KASE, the dividend payable on preferred

shares, which are not paid due to the lack of up-to-date information about the shareholders, their payment details, are not taken into account. As at 31 December 2020, this indicator amounted to 3,727 tenge (as at 31 December 2019: 3,727 tenge).

26. Borrowings

As at 31 December 2020 and 2019, borrowings comprised:

In thousands of tenge	Weighted average effective interest rate	2020	Weighted average effective interest rate	2019
Borrowings with a fixed interest rate of 7.12% to 13.06% per annum	10.99%	181,449,097	11.22%	160,758,517
Bonds with a fixed interest rate of 7.78% to 11.86% per annum	11.85%	180,952,977	11.84%	206,857,207
		362,402,074		367,615,724

Borrowings are repayable as follows:

In thousands of tenge	2020 год	2019 год
Current portion of borrowings	46,111,485	28,477,663
Maturity between 1 and 2 years	28,978,947	38,648,363
Maturity between 2 and 5 years	187,254,778	196,418,649
Maturity over 5 years	100,056,864	104,071,049
Total non-current portion of borrowings	316,290,589	339,138,061
Total borrowings	362,402,074	367,615,724

As of 31 December 2020 and December 2019, loans represented by the following:

Borrowings	Maturity date	Currency	Effective interest rate	2020	2019
Halyk Bank of Kazakhstan JSC	21 May 2027	Tenge	12.20%	68,609,396	79,135,027
Development Bank of Kazakhstan JSC ( <i>Note 49</i> )	30 June 2032	Tenge	7.95-8.41%	25,762,791	13,293,317
Development Bank of Kazakhstan JSC ( <i>Note 49</i> )	19 December 2024	Tenge	7.12-9.20%	23,651,673	29,226,311
Eurasian Development Bank JSC	20 June 2024	Tenge	13.06%	18,129,058	28,956,330
Halyk Bank of Kazakhstan JSC	21 April 2023	Tenge	11.20%	15,223,348	–
Halyk Bank of Kazakhstan JSC	30 June 2023	Tenge	12.18%	13,008,089	–
Bank of China Kazakhstan JSC	20 August 2022	Tenge	10.70%	11,059,412	5,059,792
VTB Bank JSC	15 October 2023	Tenge	11.90%	6,005,330	5,087,740
Total				181,449,097	160,758,517

As of 31 December 2020 and 2019 the Group’s borrowings have fixed interest rates.

On 22 May 2019, the Group and Halyk Bank JSC entered into credit facility agreement with the credit line limit in the amount of KZT 90,000,000 thousand and effective interest rate equal to 12.2%. The maturity of the loan is 21 May 2027. During 2020, the Group made principal repayment of the loan obtained for KZT 10,428,192 thousand and interest repayment for KZT 8,761,130 thousand.

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

of the Republic of Kazakhstan by the Technology of Fiber Optic Communication Lines”.

During March-June 2020, the Group obtained several loans within the credit line agreements in Development Bank of Kazakhstan JSC for KZT 13,307,169 thousand with the maturity in June 2032 and during 2020 the Group made repayment of principal amount for KZT 1,066,666 thousand and interest amount for KZT 1,435,082 thousand.

During 2020, the Group made repayment of principal amount for KZT 5,485,532 thousand and interest amount for KZT 2,195,942 thousand under the credit line agreements concluded with the Development Bank of Kazakhstan JSC with the maturity in December 2024.

26. Borrowings (continued)

During 2020, the Group repaid principal amount of the loan obtained from Eurasian Development Bank in the amount of KZT 11,130,000 thousand and interest amount in amount of KZT 3,256,059 thousand.

On 23 April 2020, the Group obtained loan in the amount of KZT 15,000,000 thousand within credit line agreement with Halyk Bank of Kazakhstan JSC with a maturity of 36 months and an effective interest rate of 11.5% per annum. On 14 July 2020 interest rates of loan was decreased from 11.5% to 11.2% per annum under credit line agreement. The change in the interest rate from 11.5% to 11.2% 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. The Group recognized finance income in the amount of KZT 115,580 thousand as a result of change in the interest rate. During 2020, the Group made interest repayment for KZT 864,125 thousand.

On 30 June 2020, the Group obtained loan in the amount of KZT 13,000,000 thousand within credit line agreement with Halyk Bank of Kazakhstan JSC with an effective interest rate of 12.18% and maturity date on June 2023. During 2020, the Group made interest repayment for KZT 736,089 thousand.

On 16 March 2020, the Group obtained additional loan in the amount of KZT 4,500,000 thousand within credit line agreement with Bank of China Kazakhstan JSC with

As of 31 December 2020 and 2019, debt securities issued represented by the following:

Bonds	Maturity date	Currency	Effective interest rate	2020	2019
Local bonds of Kazakhtelecom JSC (KZTKb3)	19 June 2026	Tenge	11.86%	80,207,595	80,189,473
Local bonds of Kazakhtelecom JSC (KTCB.1024 and KTCB2.1024) (Note 49)	1 November 2024	Tenge	11.84%	77,875,000	103,833,333
Local bonds of Kcell JSC (KCELb1)	16 January 2021	Tenge	11.84%	22,870,382	22,828,111
Local bonds of Kazakhtelecom JSC (KZTKb3)	10 January 2020	Tenge	7.78%	–	6,290
				180,952,977	206,857,207

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

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

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

a repayment period of 30 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 Kazakhstan JSC to decrease interest rate from 10.5% to 10.3% per annum under credit line agreement. The change in the interest rate from 10.5% to 10.3% 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. The Group recognized finance income in the amount of KZT 31,974 thousand as a result of change in the interest rate.

On 8 December 2020 the Group has obtained additional loan in the amount of KZT 1,500,000 thousand from Bank of China Kazakhstan JSC. During 2020, the Group made interest repayment for KZT 892,085 thousand.

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

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 11.9% per annum. During 2020, the Group made interest repayment for KZT 105,958 thousand.

On 21 February 2019, the Group undertook a bond placement at the Kazakhstan Stock Exchange, in which bonds to the value of KZT 17,024,648 thousand were placed with an effective interest rate of 11.84% and on 16 January 2018 a bond placement with the value of KZT 4,950,000 thousand. This was the first placement in the program, which the Group had announced on 14 December 2017, aimed at expanding and diversifying the Group’s funding sources, increasing the average term of the Group’s financial liabilities and decreasing its funding costs.

On 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.

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 2020 and 2019, the Group complied with all financial and non-financial covenants.

27. 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 2019	32,562,164	42,229,062	74,791,226
Additions and modifications	4,358,733	619,429	4,978,162
Acquisition of subsidiary	23,423,176	–	23,423,176
At 31 December 2019	60,344,073	42,848,491	103,192,564
Additions	920,142	–	920,142
Modifications	(137,957)	–	(137,957)
Disposals	(283,107)	–	(283,107)
Recognition of right-of use assets as a result of lease back transactions	3,150	–	3,150
At 31 December 2020	60,846,301	42,848,491	103,694,792
Accumulated depreciation			
At 1 January 2019	–	–	–
Depreciation charge	7,196,419	3,898,709	11,095,128
At 31 December 2019	7,196,419	3,898,709	11,095,128
Depreciation charge	9,373,301	3,531,945	12,905,246
At 31 December 2020	16,569,720	7,430,654	24,000,374
Net book value			
At 31 December 2019	53,147,654	38,949,782	92,097,436
At 31 December 2020	44,276,581	35,417,837	79,694,418



27. Right-of-use assets and lease liabilities (continued)

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

In thousands of tenge	31 December 2020	31 December 2019
At the beginning of the year	73,216,589	56,198,410
Additions (Note 50)	920,142	4,918,409
Modifications (Note 50)	(137,957)	–
Disposals (Note 50)	(281,000)	–
Lease back transactions (Note 50)	198,969	–
Acquisition of subsidiary	–	23,878,564
Interest expenses (Note 43)	8,254,779	8,422,715
Payment of interest part (Note 50)	(8,254,779)	(8,422,715)
Payment of principal part (Note 50)	(14,806,108)	(11,778,794)
At the end of the year	59,110,635	73,216,589

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

In thousands of tenge	31 December 2020	31 December 2019
Non-current portion of liabilities	42,461,444	57,781,449
Current portion of lease liabilities	16,649,191	15,435,140

The following are the amounts recognised in profit or loss:

In thousands of tenge	2020	2019
Depreciation expense of right-of-use assets	12,905,246	11,095,128
Interest expense on lease liabilities (Note 43)	8,254,779	8,422,715
Expense relating to short-term leases and leases of low-value assets (included in cost of sales) (Note 39)	611,299	748,690
Expense relating to short-term leases (included in general and administrative expenses) (Note 40)	78,946	111,427
	21,850,270	20,377,960

The Group had total cash outflows for leases of KZT 23,751,132 thousand in 2020, including cash outflow of KZT 690,245 thousand related to leases of low-value assets and short-term leases (2019: KZT 21,061,626 thousand

and KZT 860,117 thousand, respectively). The Group also had non-cash additions to right-of-use assets and lease liabilities of KZT 920,142 thousand in 2020 (2019: KZT 4,918,409 thousand).

28. 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 2020 and 2019, the total employee benefit obligations of the Group comprised the following:

In thousands of tenge	2020	2019
Present value of defined benefit pension plan obligation	16,688,944	16,823,296
Present value of obligations for other long-term payments	727,200	640,344
	17,416,144	17,463,640

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 2020 and 2019:

In thousands of tenge	2020	2019
Total liability at the beginning of the year	16,823,296	15,225,384
Current service cost	422,107	431,740
Interest expenses	1,278,571	1,277,409
Benefits paid during the year	(1,300,764)	(1,502,655)
Actuarial (income)/losses recognized during the year within other comprehensive income	(534,266)	1,391,418
Total liability at the end of the year	16,688,944	16,823,296
Liability payable within one year	(1,044,538)	(1,061,940)
Liability payable after one year	15,644,406	15,761,356

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 2020 and 2019:

In thousands of tenge	2020	2019
Total liability at the beginning of the year	640,344	580,386
Current service cost	56,861	53,440
Interest expenses	48,666	48,695
Benefits paid during the year	(77,960)	(68,464)
Actuarial losses recognized during the year in profit and loss	59,289	26,287
Total liability at the end of the year	727,200	640,344
Liability payable within one year	(106,299)	(85,872)
Liability payable after one year	620,901	554,472

Actuarial losses recognised in 2020 have resulted primarily from changes in the assumptions relating to the discount rate and from historical adjustments.

Actuarial losses recognized in 2020 within other comprehensive income, net of income tax, were equal to KZT 615,923 thousand (2019: KZT 1,156,810 thousand).

Cost of current service, interest expenses and actuarial losses in the total amount of KZT 1,865,494 thousand were recorded in cost of sales and general and administrative expenses within personnel costs (2019: KZT 1,837,571 thousand) (Note 42).

There were no unrecognised actuarial losses or past service costs.

28. Employee benefit obligations (continued)

Employee benefit obligations (continued)

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:

	2020	2019
Discount rate	7.95%	7.60%
The expected rate of future annual minimum salary increases	7.50%	8.00%

A quantitative sensitivity analysis for significant assumptions as at 31 December 2020, was as follows:

Sensitivity level	Discount rate		The expected rate of future annual minimum salary increases	
	Growth by 0.5%	Reduction by 0.5%	Growth by 1%	Reduction by 1%
Impact on defined benefit plan obligations, in thousands tenge	(952,376)	1,311,061	1,306,837	(1,235,297)

A quantitative sensitivity analysis for significant assumptions as at 31 December 2019, was as follows:

Sensitivity level	Discount rate		The expected rate of future annual minimum salary increases	
	Growth by 0.5%	Reduction by 0.5%	Growth by 1%	Reduction by 1%
Impact on defined benefit plan obligations, in thousands tenge	(960,179)	1,342,120	1,380,472	(1,287,095)

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.

29. Other non-current Financial liabilities

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

In thousands of tenge	2020	2019
Non-current accounts payable	1,001	1,318
Trademark payment obligation (Note 33)	–	1,861,290
	1,001	1,862,608

30. Non-current contract liabilities

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

In thousands of tenge	2020	2019
Contract liabilities from operators	3,775,772	4,292,035
Contract liabilities for connection of subscribers	704,852	889,219
Other contract liabilities	1,874,671	1,697,055
	6,355,295	6,878,309

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

In thousands of tenge	2020	2019
Contract liabilities as at 1 January	25,850,243	14,841,621
Deferred during the year	327,962,587	239,214,018
Recognised as revenue during the year	(328,868,018)	(228,205,396)
Total contract liabilities as at 31 December	24,944,812	25,850,243
Current (Note 34)	18,589,517	18,971,934
Non-current	6,355,295	6,878,309

31. Asset retirement obligations

Provision for asset retirement obligations 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 obligations.

Movements in provision for asset retirement obligations for the years ended 31 December 2020 and 2019 were as follows:

In thousands of tenge	2020	2019
Provision for asset retirement obligations as at 1 January	7,221,083	1,444,530
Change in estimate (Note 10)	740,628	577,768
Amortization of discount (Note 43)	518,865	372,555
Acquisition of subsidiary (Note 6)	–	4,826,230
Provision for asset retirement obligations as at 31 December	8,480,576	7,221,083
Current (Note 35)	553,618	345,500
Non-current	7,926,958	6,875,583

32. Trade payables

As at 31 December 2020 and 2019, trade payables comprised:

In thousands of tenge	2020	2019
Trade payables for supply of property and equipment	34,791,217	32,009,038
Trade payables for services rendered	18,624,547	25,187,191
Trade payables for inventory received	1,450,370	1,436,431
	54,866,134	58,632,660

As at 31 December 2020 and 2019, trade payables were interest-free.

32. Trade payables (continued)

As at 31 December 2020 and 2019, trade payables were mainly denominated in the following currencies:

In thousands of tenge	2020	2019
Tenge	48,813,976	49,492,395
US dollars	4,825,924	7,898,867
Euro	1,011,825	977,256
Russian roubles	108,125	256,091
Other	106,284	8,051
	54,866,134	58,632,660

33. Other current financial liabilities

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

In thousands of tenge	2020	2019
Payable to employees	18,724,559	16,111,648
Trademark payment obligation (Note 6)	1,861,290	2,087,140
Dividends payable (Note 25)	17,577	1,598,354
Other	554,274	2,441,911
	21,157,700	22,239,053

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

As at 31 December 2020, trademark payment obligation in the amount of KZT 1,861,290 thousand was represented by the liability of the Group to pay royalty for the usage of Tele2 trademark (31 December 2019: KZT 3,948,430 thousand) (Note 6).

34. Current contract liabilities

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

In thousands of tenge	2020	2019
Advances received	16,613,199	17,052,535
Contract liabilities from operators	1,382,292	1,338,555
Contract liabilities for connection of subscribers	365,438	409,310
Other contract liabilities	83,758	74,662
Other	144,830	96,872
	18,589,517	18,971,934

Advances received represents the prepayment for the services of the Group like telecommunications services, internet services, IP-TV by customers. The customers can be divided

to three major groups: individuals, private firms and legal firms under government sector.

35. Other current non-financial liabilities

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

In thousands of tenge	2020	2019
Legal claims on contractual obligation and penalties	4,385,679	–
Taxes payable other than income tax	2,091,070	2,042,840
Tax provisions	1,616,063	–
Payable to pension funds	604,275	558,931
Asset retirement obligations	553,618	345,500
Other	806,629	300,713
	10,057,334	3,247,984

In 2020, the Group accrued certain payable amounts related to legal claims on contractual obligation, tax provisions and penalties that Management considers as probable in the amount of KZT 6,001,742 thousand. The Group

recognized provisions for legal claims and penalties for KZT 4,385,679 thousand in the separate line in the consolidated statements of comprehensive income.

36. Indemnification assets and obligation to pay a fine for termination of the contract

On 12 April 2019, Kcell JSC, the subsidiary of Kazakhtelecom JSC, received from Kar-Tel LLP a notice on termination of the Network Sharing Agreement (hereinafter referred to as the “Agreement”), since there was a change in Kcell JSC’s controlling shareholder in December 2018, which represents, in accordance with the Agreement, a breach of conditions of the Agreement, giving the right to the second party to terminate the Agreement and request payment of termination fine, determined in accordance with the methodology specified in the Agreement. Kcell JSC received from Kar-Tel LLP an invoice for payment of a termination fine in the amount of KZT 14,551,865 thousand. Under the terms of the salepurchase agreement of 75% stake in Kcell JSC, Telia Company and Fintur Holding

B.V. guaranteed to the Group repayment of their respective shares in 75% of the termination fine.

However, in July 2019 after the negotiations with Telia Company and Fintur Holding B.V., the amount of indemnification assets was reconsidered from KZT 10,913,899 thousand to KZT 10,171,407 thousand. On 10 June 2019, the Group repaid the termination fine in full. On 25 July 2019, Telia Company and Fintur Holding B.V. repaid KZT 6,157,326 thousand and KZT 4,014,149 thousand, respectively, to Kazakhtelecom JSC and totally reimbursed 75% share of fine paid by Kcell JSC to Kar-Tel LLP for termination of the Network Sharing Agreement.



37. Revenue from contracts with customers

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

In thousands of tenge	For the year ended 31 December 2020			
	Fixed line	Mobile connection	Other	Total
Data transfer services	112,334,456	145,691,466	14,146	258,040,068
Rendering of fixed line and wireless phone services	38,705,399	112,547,108	–	151,252,507
Sale of equipment and mobile devices	10,909	34,411,607	–	34,422,516
Interconnect	15,116,577	10,863,509	–	25,980,086
Rent of channels	3,034,972	–	–	3,034,972
Other	40,057,071	7,410,990	718,488	48,186,549
	209,259,384	310,924,680	732,634	520,916,698

Services transferred over time	209,248,475	276,513,073	732,634	486,494,182
Goods transferred at a point of time	10,909	34,411,607	–	34,422,516
	209,259,384	310,924,680	732,634	520,916,698

B2C*	111,959,505	260,667,094	–	372,626,599
B2B**	36,633,762	28,258,893	732,634	65,625,289
B2O***	17,383,629	20,754,915	–	38,138,544
B2G****	43,282,488	1,243,778	–	44,526,266
	209,259,384	310,924,680	732,634	520,916,698

In thousands of tenge	For the year ended 31 December 2019[1]			
	Fixed line	Mobile connection	Other	Total
Data transfer services	106,657,901	88,740,738	15,198	195,413,837
Rendering of fixed line and wireless phone services	39,830,602	90,516,364	–	130,346,966
Interconnect	15,162,225	15,510,651	–	30,672,876
Sale of equipment and mobile devices	–	19,092,662	–	19,092,662
Rent of channels	9,595,335	–	–	9,595,335
Other	32,981,489	2,116,753	439,978	35,538,220
	204,227,552	215,977,168	455,176	420,659,896

Services transferred over time	204,227,552	196,884,506	455,176	401,567,234
Goods transferred at a point of time	–	19,092,662	–	19,092,662
	204,227,552	215,977,168	455,176	420,659,896

B2C*	105,585,105	174,184,160	–	279,769,265
B2B**	34,665,007	16,051,632	455,176	51,171,815
B2O***	28,030,146	25,437,915	–	53,468,061
B2G****	35,947,294	303,461	–	36,250,755
	204,227,552	215,977,168	455,176	420,659,896

[1] Certain amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2019, as they reflect the adjustments made, as detailed in *Note 5*.

\* 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.

38. 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.

There are no unfulfilled conditions or contingencies attached to these subsidies. The compensation received for the year ended 31 December 2020 was equal to KZT 6,413,527 thousand (2019: KZT 7,420,778 thousand).

39. Cost of sales

Cost of sales for the years ended 31 December comprised:

In thousands of tenge	2020	2019
Depreciation and amortization	105,590,510	91,486,382
Personnel costs ( <i>Note 42</i> )	80,316,588	69,737,976
Cost of SIM-card, scratch card and handsets	30,435,527	17,288,323
Interconnect	29,802,995	31,145,689
Repair and maintenance	20,824,147	17,611,758
Fees for radiofrequencies use	14,453,143	10,066,530
Rent of channels	10,233,175	13,375,816
Electricity	8,481,407	7,534,144
Fee to provide telecom services	7,146,145	4,968,143
Inventories	6,086,681	7,094,023
Content	4,466,583	4,809,281
Security and safety	3,285,881	2,822,916
Fees for the usage of license software	2,798,041	2,194,403
Utilities	2,336,516	2,040,847
Emergency expenses	1,337,089	–
Business trip expenses	1,004,466	1,115,966
Satellite communication services	814,243	844,450
Network sharing agreement	720,119	180,280
Insurance	747,157	671,954
Short-term leases and leases of low-value assets ( <i>Note 27</i> )	611,299	748,690
Fees for usage of GSM radiofrequencies of Mobile Telecom Services LLP	–	2,667,239
Fees for usage of billing system of Mobile Telecom Services LLP	–	111,135
Other	5,478,569	4,060,985
	336,970,281	292,576,930

40. General and administrative expenses

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

In thousands of tenge	2020	2019
Personnel costs (Note 42)	19,914,268	17,904,255
Depreciation and amortization	4,773,750	4,472,369
Taxes other than corporate income tax	4,501,801	4,070,810
Consulting services	2,240,647	3,528,329
Write-down of inventories to net realizable value (Note 17)	1,199,617	57,343
Repair and maintenance expenses	525,946	716,424
Inventories	470,726	435,828
Social activities	365,396	885,195
Collectors services	360,849	609,581
Trainings	289,410	170,128
Business trips	286,401	647,782
Bank fees	229,113	142,734
Insurance	225,138	208,651
Security and safety	107,468	115,561
Short-term lease expenses (Note 27)	78,946	111,427
Other	3,773,880	3,835,266
	39,343,356	37,911,683

41. Selling expenses

Selling expenses for the years ended 31 December comprised:

In thousands of tenge	2020	2019
Marketing and advertising	6,880,692	6,023,361
Amortization of cost to obtain a contract	4,599,413	5,155,168
Other	1,310,067	819,377
	12,790,172	11,997,906

42. Personnel expenses

Personnel expenses for the years ended 31 December comprised:

In thousands of tenge	2020	2019
Payroll	89,707,975	78,538,576
Payroll related taxes	8,657,387	7,266,084
Employee benefits (Note 28)	1,865,494	1,837,571
	100,230,856	87,642,231

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

In thousands of tenge	2020	2019
Cost of sales (Note 39)	80,316,588	69,737,976
General and administrative expenses (Note 40)	19,914,268	17,904,255
	100,230,856	87,642,231

43. (Finance costs) / finance income

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

In thousands of tenge	2020	2019
<b>Finance costs</b>		
Interest expense on loans (Note 50)	(42,165,267)	(32,865,372)
Interest expense on lease liabilities (Note 27)	(8,254,779)	(8,422,715)
Unwinding of discount (provision for asset retirement obligations) (Note 31)	(518,865)	(372,555)
Discounting of long-term loans to employees	(259,241)	(1,072,221)
Interest on debt component of preferred shares (Note 25)	(89,636)	(89,635)
Discounting of other non-current financial assets	(18,251)	(11,808)
Other costs	(143,023)	(66,631)
	(51,449,062)	(42,900,937)

<b>Finance income</b>		
Interest income on deposits	1,320,422	293,104
Interest income on financial assets at amortised cost	1,064,616	–
Unwinding of discount on long-term loans to employees	918,945	872,308
Interest income on cash balances	771,777	842,788
Unwinding of discount on long-term accounts receivable	182,403	200,873
Recognition of discount on long-term loans	147,554	977,095
Interest income on loans issued	–	1,007,975
Interest income on guarantees issued	–	21,586
Other income	114,583	89,779
	4,520,300	4,305,508

44. Net foreign exchange gain/(LOSS)

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. Net foreign exchange gain for the year ended 31 December 2020 was KZT 4,161,428 thousand (net foreign exchange loss for the year ended 31 December 2019 was KZT 1,276,524 thousand).

45. Other operating income/(expenses)

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

In thousands of tenge	2020	2019
Other operating income		
Rental income	1,696,194	1,953,194
Fines and penalties	760,473	256,860
Services for the provision of secure communication channels	311,964	204,987
Income from liabilities write-off	250,519	123,144
Non-core operations	150,898	251,998
Other	1,106,647	652,748
	4,276,695	3,442,931
Other operating expenses		
Non-core operations	(497,671)	(248,153)
Rental expenses	(10,954)	(14,167)
Other	(169,485)	(47,978)
	(678,110)	(310,298)

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

46. Income tax expenses

Income tax expenses for the years ended 31 December comprised:

In thousands of tenge	2020	2019
Current corporate income tax expenses	27,986,492	18,133,350
Adjustments in respect of income tax of previous year	71,202	(75,644)
Deferred income tax benefit	(6,395,722)	(8,575,990)
	21,661,972	9,481,716

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.

A reconciliation of income tax expenses applicable to profit before taxation at the statutory rate of 20% (2019: 20%), with the current corporate income tax expenses for the years ended 31 December is out below:

Tax rate for the Group and subsidiaries except for subsidiaries stated above was 20% in 2020 and 2019.

In thousands of tenge	2020	2019
Profit before taxation	86,925,001	69,758,099
Income tax at statutory income tax rate of 20%	17,385,000	13,951,620
Impairment of non-financial assets	1,218,047	–
Legal disputes expenses	877,136	–
Adjustments in respect of deferred income tax of previous year	328,000	520,178
Non-deductible expenses related to employee benefits obligations	218,297	367,514
Inventories write-offs	129,611	6,594
Adjustments in respect of income tax of previous year	71,202	(75,644)
Share in profit of associates	(46,935)	(1,205,439)
Change in unrecognized tax assets	–	(1,377,725)
Gain from re-measurement of previously held interest in the associate	–	(3,462,023)
Non-deductible expenses	1,481,614	756,641
Total income tax expenses	21,661,972	9,481,716

As at 31 December 2020, 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:

In thousands of tenge	Consolidated statement of financial position		Consolidated statement of comprehensive income		The effect of the application of new standards		Acquisition of a subsidiary (Note 6)		As part of other comprehensive loss	
	31 December 2020	31 December 2019	2020	2019	2020	2019	2020	2019	2020	2019
Deferred tax assets										
Property and equipment	12,170,519	11,813,629	356,890	943,787	–	–	–	10,869,842	–	–
Deferred services	4,520,418	650,877	3,869,541	622,267	–	–	–	–	–	–
Reserves on employee bonuses	2,460,521	2,140,076	320,445	2,140,076	–	–	–	–	–	–
Tax loss carry forward	1,684,616	1,377,725	306,891	–	–	–	–	–	–	–
Asset retirement obligations reserves	1,663,002	1,444,217	218,785	190,065	–	–	–	965,246	–	–
Employee benefit obligations	1,330,675	1,258,300	(9,282)	(80,566)	–	–	–	–	81,657	234,608
Lease liabilities	864,188	658,975	205,213	504,638	–	154,337	–	–	–	–
Accrued provisions for unused vacations	753,244	601,040	152,204	262,602	–	–	–	–	–	–
Allowance for expected credit losses	627,375	547,369	80,006	(384,698)	–	–	–	125,799	–	–
Trademark payment obligation	372,258	636,650	(264,392)	(153,036)	–	–	–	789,686	–	–
Intangible assets	181,306	136,254	45,052	(74,418)	–	–	–	–	–	–
Obligation to pay a fine for termination of the contract	–	–	–	(2,910,373)	–	–	–	–	–	–
Other	1,196,643	4,215,015	(3,018,372)	(1,899,472)	–	–	–	2,984,385	–	–
Less: unrecognized tax assets less deferred tax	–	–	–	1,377,725	–	–	–	–	–	–
Less: deferred tax assets less deferred tax liabilities	(25,844,094)	(23,661,726)	(2,182,368)	449,900	–	–	–	(15,734,958)	–	–
Deferred tax assets	1,980,671	1,818,401	80,613	988,497	–	154,337	–	–	81,657	234,608
Deferred tax liabilities										
Property and equipment	30,691,836	32,509,284	(1,817,448)	(3,626,397)	–	–	–	3,271,448	–	–
Intangible assets	32,259,165	34,811,462	(2,552,297)	(1,792,745)	–	–	–	22,603,007	–	–
Indemnification assets	–	–	–	(2,182,780)	–	–	–	–	–	–
Other	186,393	(50,611)	237,004	(435,471)	–	–	–	–	–	–
Less: deferred tax assets less deferred tax liabilities	(25,844,094)	(23,661,726)	(2,182,368)	449,900	–	–	–	(15,734,958)	–	–
Deferred tax liabilities	37,293,300	43,608,409	(6,315,109)	(7,587,493)	–	–	–	10,139,497	–	–
The effect of the application of new standards					–	154,337				
Acquisition of a subsidiary (Note 6)								(10,139,497)		
Deferred income tax benefit	–	–	6,395,722	8,575,990					81,657	234,608



46. Income tax expenses (continued)

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

In thousands of tenge	2020	2019
Deferred tax assets	1,980,671	1,818,401
Deferred tax liabilities	(37,293,300)	(43,608,409)
Net deferred tax liabilities	(35,312,629)	(41,790,008)

In thousands of tenge	2020	2019
Reconciliation of deferred tax liabilities, net		
Balance at 1 January	(41,790,008)	(40,615,446)
Income tax benefit for the reporting period – origination and recovery of temporary differences	6,395,722	8,575,990
Less: deferred tax recognised within other comprehensive loss	81,657	234,608
The effect of the application of new standards	–	154,337
Deferred taxes acquired in business combinations (Note 6)	–	(10,139,497)
Balance at 31 December	(35,312,629)	(41,790,008)

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 2020, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised was equal to KZT 23,297,788 thousand (as at 31 December 2019: deferred tax assets – KZT 30,844,785 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.

47. Disposal Group

KT Cloud Lab LLP

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

On 13 November 2019, the results of the tender for realization were announced with the selling price of KZT 1,435,000 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. In connection with the introduction of a quarantine and state emergency measures due to the COVID-19 pandemic from March 2020,

the approval of Samruk-Kazyna was postponed from April 2020 till the first quarter of 2021. The extension of the period required to complete a sale does not preclude KT Cloud LLP from being classified as held for sale as the delay is caused by the events beyond the Group's control. The Group assesses the sale of KT Cloud Lab LLP as highly probable.

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.

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

In thousands of tenge	31 December 2020	31 December 2019
Assets		
Property and equipment	524,616	520,803
Intangible assets	483,934	483,934
Other non-current financial assets	78,504	83,841
Inventories	14,485	9,631
Trade receivables	277,519	266,252
Other current non-financial assets	43,130	37,923
Other current financial assets	165,422	129,380
Advanced paid	3,764	30,713
Cash and cash equivalents	280,634	315,556
Assets held for sale	1,872,008	1,878,033
Liabilities		
Deferred tax liabilities	11,099	17,450
Trade payables	227,904	79,144
Other current financial liabilities	235,884	179,651
Contract liabilities	136	126
Other current non-financial liabilities	420,194	166,662
Liabilities directly associated with assets held for sale	895,217	443,033
Net assets directly associated with disposal group	976,791	1,435,000

Impairment of property and equipment

Immediately before the classification of KT Cloud Lab LLP as a disposal group held for sale, the recoverable amount was estimated for certain items of property and equipment. In 2019, the Group has recognized impairment loss in the consolidated

statement of comprehensive income as part of impairment losses on non-financial assets for KZT 292,843 thousand to reduce the carrying amount of the assets in the disposal group to their fair value less costs to sell.

48. Non-Cash Transactions

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

In 2020, the Group paid an amount of KZT 32,009,038 thousand for property and equipment purchased in prior year (2019: KZT 17,425,331 thousand). Property and equipment in the amount of KZT 34,791,217 thousand was purchased in 2020 but not paid as at 31 December 2020 (2019: KZT 32,009,038 thousand).

In 2020, in accordance with the lease agreements, the Group received telecommunication equipment amounting to KZT 11,885 thousand (2019: KZT 680,885 thousand).

In 2020, the Group withhold from the salary of employees the amount of previously issued loans for KZT 1,894,649 thousand (2019: KZT 2,210,760 thousand).

49. Related party transactions

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

Related party transactions (including transactions with Khan Tengri Holdings B.V. and its subsidiary Mobile Telecom Service LLP before 28 June 2019) were made on terms, agreed

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

At 31 December 2020, the Group recognized a provision for expected credit loss in the amount of KZT 62,828 thousand in respect of receivables from related parties.

Sales and purchases with related parties during the years ended 31 December 2020 and 2019 and the balances with related parties at 31 December 2020 and 2019 were as follows:

In thousands of tenge	2020	2019
<b>Sales of goods and services</b>		
Parent	37,924	190,428
Parent-controlled entities	2,462,596	2,758,492
Associate (Khan Tengri Holding B.V.) [1]	–	18,516,552
Associate (Qaz Cloud LLP)	826,289	695,499
Government-related entities	38,055,152	36,252,401
<b>Purchases of goods and services</b>		
Parent	–	–
Parent-controlled entities	2,277,127	2,582,219
Associate (Khan Tengri Holding B.V.) [1]	–	10,185,382
Associate (Qaz Cloud LLP)	701,511	313,338
Government-related entities	244,924	109,485
<b>Interest accrued on borrowings and bonds</b>		
Entities under state control		
(Development Bank of Kazakhstan JSC)	3,749,325	2,233,153
Average interest rate on borrowings	8.09%	8.13%
Parent*	11,332,292	11,500,000
Average interest rate on bonds	11.84%	11.84%

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

In thousands of tenge	2020	2019
<b>Cash and cash equivalents</b>		
Entities under state control		
(Development Bank of Kazakhstan JSC)	50	64
<b>Borrowings and bonds (Note 26)</b>		
Entities under state control		
- (Development Bank of Kazakhstan JSC)	49,414,464	42,519,628
Parent*	77,875,000	103,833,333
<b>Trade receivables</b>		
Parent	2,760	17,425
Parent-controlled entities	608,395	678,645
Associate (Qaz Cloud LLP)	137,327	98,055
Government-related entities	6,019,838	7,030,150
<b>Trade payables</b>		
	59	73
Parent	231,402	352,044
Parent-controlled entities	134,869	75,991
Associate (Qaz Cloud LLP)	1,081,231	991,114
Government-related entities		
<b>Other non-current assets</b>		
Long-term loans to key management personnel	23,573	28,707

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

In 2020 and 2019, the Group provided communication services for the entities controlled by the Parent, and purchased goods and services to support operating activities related to provision of telecommunication services from such entities.

[1] As stated in Note 6, the Group has acquired control over Khan Tengri Holding B.V. and since the date of control Khan Tengri Holding B.V. is consolidated as a subsidiary. The Group’s interest in Khan Tengri Holding B.V. was accounted in the consolidated financial statements using the equity method till the date of control acquisition.

The Group has significant volumes of transactions with Mobile Telecom Services LLP (“MTS”), subsidiary of Khan Tengri B.V., including revenue from data transmission, access to internet, rental of lines, interconnect and other revenue that in total comprise 4% from total consolidated revenue of the Group for 2019. In addition, the Group purchased from MTS services related to the usage of GSM radiofrequencies, interconnect, mobile traffic for converged services and other services that in total comprise 3% from total consolidated cost of sales of the Group for 2019.

49. Related party transactions (continued)

Sales and purchases with MTS during the years ended 31 December 2020 and 2019 were as follows:

In thousands of tenge	2020	From 1 January 2019 till 28 June 2019
<b>Sales</b>		
Data transmission [A]	–	7,566,176
Interconnect [B]	–	5,646,243
Rent of channels [C]	–	2,778,374
Rent of sites for base stations	–	342,678
Base cell stations maintenance [D]	–	338,132
Other	–	1,844,949
	–	18,516,552
<b>Purchases</b>		
Interconnect [E]	–	4,473,217
Fee for usage of GSM radiofrequencies [F]	–	2,667,239
Mobile traffic at wholesale tariffs [G]	–	2,551,672
Fee for usage of billing system [H]	–	111,135
Other	–	382,119
	–	10,185,382

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

[B] Revenue from interconnect is calculated based on the actual volumes of minutes of the connection.

[C] Rent of channels represents revenue from the provision to the temporary use of channels with the specified technical characteristics, organized based on LTE base cell stations (i.e. 4G license radiofrequencies). It is calculated based on the actual number of rented channels. In February 2016, the Group concluded an agreement with MTS for renting out 4G license radiofrequencies. Rental fees are payable on a monthly basis. Simultaneously upon concluding the agreement for renting out 4G license radiofrequencies the Group and MTS agreed to increase fees for use of GSM radiofrequencies and fee for usage of the billing system payable by the Group as described below. For the period from 1 January 2019 till 28 June 2019, revenue from rent of channels amounted to KZT 2,778,374 thousand.
- [D] Revenue from base cell stations maintenance represents revenue from the provision of various services to ensure the stable and uninterrupted operation of radio access networks, and is calculated based on the actual number of base stations served.

[E] Expenses on interconnect are calculated based on the actual volume of minutes of the connections.

[F] Fee for usage of GSM radiofrequencies is fixed monthly payment for the usage of the GSM radiofrequencies owned by MTS. For the period from 1 January 2019 till 28 June 2019, fee for usage of GSM radiofrequencies amounted to KZT 2,667,239 thousand.

[G] Cost of mobile traffic at wholesale tariffs is the actual traffic used by Kazakhtelecom JSC customers in the mobile operator’s network and is calculated based on the actual number of outgoing minutes, short messages (SMS), and megabytes of mobile traffic.

[H] Fee for usage of billing system is fixed monthly payment for the usage of the MTS billing system. For the period from 1 January 2019 till 28 June 2019, fee for usage of billing system amounted to KZT 111,135 thousand.

The provision of these service is governed by different agreements that are not related to each other. Under each such agreement, the Group is either receiving or providing a certain type of services, for which the Group receives or pays a fee, which may differ from the terms under agreements with third

Compensation to key management personnel

For the years ended 31 December 2020 and 2019, the total compensation to key management personnel included in the accompanying consolidated statement of comprehensive income under general and administrative expenses was KZT 1,740,130 thousand and KZT 1,040,277 thousand, respectively. Compensation to key management personnel

parties. The difference from the terms under agreements with third parties could be explained by volume discounts and other special conditions between the Group and its associate. Volumes of services purchased from / sold to MTS exceed the volume of similar transactions with third party operators.

consists of wages fixed in the employment agreement, as well as remuneration based on the performance for the year.

As disclosed in Note 38, the Government of the Republic of Kazakhstan provides the Group with certain compensation for the provision of universal services in rural areas.

50. 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 2020, comprise accrued/(reversed) allowance for expected credit loss for trade receivables in amount of KZT 2,159,063 thousand (Note 18), other current financial assets in amount of KZT 90,887 thousand (Note 20), cash and cash equivalents in amount of KZT (15,920) thousand (Note 24) and trade receivables of disposal group (KT Cloud

Lab LLP) in amount of KZT 4,016 thousand (2019: trade receivables in amount of KZT 2,569,696 thousand, other current financial assets in amount of KZT 108,003 thousand, other non-current financial assets in amount of KZT (135) thousand, cash and cash equivalents in amount of KZT 12,021 thousand).

Impairment losses on non-financial assets

Impairment losses on non-financial assets for the year ended 31 December 2020, comprise accrued/(recovered) allowance for impairment for advances paid for non-current assets for KZT 356,318 thousand (Note 10), advances paid for current assets for KZT (9,017) thousand (Note 19), impairment of property and equipment for KZT 5,224,067 thousand (Note 10) and impairment of intangible assets for KZT 518,865 thousand (Note 11) (for the year ended 30 June 2019: allowance for impairment for advances paid for non-current assets for KZT 423,395 thousand, advances paid for current

assets for KZT 41,426 thousand and impairment of property and equipment for KZT 5,214,675 thousand).

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

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 2020 and 2019, 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.

significantly by movement in the US dollar / tenge 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

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.



50. Financial instruments and financial risk management objectives and principles (continued)

In thousands of tenge	2020		2019	
	Increase/ (decrease) in exchange rate	Effect on profit before tax	Increase/ (decrease) in exchange rate	Effect on profit before tax
US dollars	14%	10,556,797	12%	3,903,990
	-11%	(8,294,626)	-9%	(2,927,993)

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.

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

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 15, 18, 20, 21 and 22*.

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.

In thousands of tenge	Rating 2020	Rating 2019	Cash balance		Balance on deposit accounts	
			2020	2019	2020	2019
Halyk Bank Kazakhstan JSC	BB/stable/BB, kzA+	BB/stable/B, kzA+	78,477,311	49,606,338	1,542,952	376,000
Citibank Kazakhstan JSC	A+/stable/ A+	A+/stable	2,887,111	3,119,696	658	138,712
Altyn Bank JSC	BBB-/stable, kzAA+	BBB-/stable	1,299,966	1,862,580	8,781,410	3,116,850
Credit Suisse (Schweiz) AG	A+	A+/stable	1,056,758	465,918	-	-
Sberbank PAO	Baa3/stable	Baa3	181,893	169,278	-	-
Kaspi Bank JSC	BB-/stable, kzA	BB-/stable/B, kzA	145,276	515,813	-	-
Sberbank JSC	BBB-/stable, kzAA+	BBB-/stable	7,917	97,142	-	-
Bank of China in Kazakhstan JSC	BBB +/stable, kzAAA	A/stable	393	430	-	-
Bank CenterCredit JSC	B/stable, kzBB+	B/negative/B, kzBB+	302	264	-	-
First Heartland Jýsan Bank JSC	B/negative, kzBB+	B-/positive/B, kzBB	291	31	-	-
Alfa Bank JSC	BB-/stable/BB-, kzBBB+	BB-/positive/B, kzA	85	31	-	-
Forte Bank JSC	B/stable/B+, kzBBB	B+/stable/B, kzBBB	70	21,989	-	-
VTB Bank (Kazakhstan)	BB+/stable, kzAA	BB+/stable/B, kzAA	61	27	-	-

In thousands of tenge	Rating 2020	Rating 2019	Cash balance		Balance on deposit accounts	
			2020	2019	2020	2019
Development Bank of Kazakhstan JSC	BB+/stable/B, kzAA+	BB+/stable/B, kzAA+	50	64	-	-
ATF Bank JSC	B-/stable/B-, kzBB-	B-/stable/B, kzBB	26	11,794,238	-	-
AO «Halyk Finance»	BB/stable/B, kzA+	BB/stable/B, kzA+	-	1,232	-	-
Eurasian Bank JSC	Baa1/stable	Baa1/stable	-	359	-	-
Total			84,057,510	67,655,430	10,325,020	3,631,562

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 15% of the Group’s debt will mature in less than one year at 31 December 2020 (31 December 2019: 10%) based on the carrying amount of borrowings and leases reflected in the consolidated financial statements.

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 2020						
Borrowings	-	33,244,905	36,815,685	296,497,461	110,334,560	476,892,611
Lease liabilities	-	5,505,016	15,572,341	45,380,417	6,948,821	73,406,595
Trade payables	41,827,632	5,433,430	7,605,072	-	-	54,866,134
Other financial liabilities	-	19,296,410	1,861,290	1,001	-	21,158,701
	41,827,632	63,479,761	61,854,388	341,878,879	117,283,381	626,324,041
At 31 December 2019						
Borrowings	-	20,017,580	40,613,328	367,228,861	135,536,632	563,396,401
Lease liabilities	-	5,429,949	15,950,465	58,938,794	18,911,841	99,231,049
Trade payables	45,282,413	5,117,029	8,233,218	-	-	58,632,660
Other financial liabilities	-	22,239,053	-	1,862,608	-	24,101,661
	45,282,413	52,803,611	64,797,011	428,030,263	154,448,473	745,361,771

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.

50. Financial instruments and financial risk management objectives and principles (continued)

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 2020 and 2019.

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 2020	31 December 2019
Interest-bearing loans and borrowings	362,402,074	367,615,724
Lease liabilities	59,110,635	73,216,589
Net debt	421,512,709	440,832,313
Total equity, including non-controlling interests	518,539,997	463,398,269
Debt-equity ratio	0.81	0.95

Fair value

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

The table below presents fair value hierarchy of assets and liabilities of the Group. Disclosure of quantitative information of fair value hierarchy of financial instruments as at 31 December 2020 was as follows:

In thousands of tenge	Date of valuation	Fair value measurement using			Total
		Price quotations on active markets (Level 1)	Significant observable in-puts (Level 2)	Significant unobservable in-puts (Level 3)	
Assets for which fair values are disclosed					
Financial assets at amortized cost	31 December 2020	18,624,000	–	–	18,624,000
Other non-current financial assets	31 December 2020	–	–	5,139,320	5,139,320
Other current financial assets	31 December 2020	–	–	3,626,074	3,626,074
Trade receivables	31 December 2020	–	–	34,711,705	34,711,705
Liabilities for which fair values are disclosed					
Borrowings	31 December 2020	–	–	361,549,441	361,549,441
Other non-current financial liabilities	31 December 2020	–	–	1,001	1,001
Other current financial liabilities	31 December 2020	–	–	21,157,700	21,157,700
Trade payables	31 December 2020	–	–	54,866,134	54,866,134

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 2019 was as follows:

In thousands of tenge	Date of valuation	Fair value measurement using			Total
		Price quotations on active markets (Level 1)	Significant observable in-puts (Level 2)	Significant unobservable in-puts (Level 3)	
Assets measured at fair value					
Financial assets at fair value through other comprehensive income	31 December 2019	4,964,633	–	–	4,964,633
Assets for which fair values are disclosed					
Other non-current financial assets	31 December 2019	–	–	3,734,079	3,734,079
Other current financial assets	31 December 2019	–	–	5,227,326	5,227,326
Trade receivables	31 December 2019	–	–	37,255,772	37,255,772
Liabilities for which fair values are disclosed					
Borrowings	31 December 2019	–	–	367,461,482	367,461,482
Other non-current financial liabilities	31 December 2019	–	–	1,862,608	1,862,608
Other current financial liabilities	31 December 2019	–	–	22,239,053	22,239,053
Trade payables	31 December 2019	–	–	58,632,660	58,632,660

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 2020	Fair value 2020	Unrecognised gain/(loss) 2020	Carrying amount 2019	Fair value 2019	Unrecognised gain/(loss) 2019
Financial assets						
Cash and cash equivalents	94,428,532	94,428,532	–	71,321,822	71,321,822	–
Other non-current financial assets	4,789,179	5,139,320	350,141	4,170,159	3,734,079	(436,080)
Other current financial assets	3,626,074	3,626,074	–	5,227,326	5,227,326	–
Financial assets at amortized cost	18,923,399	18,624,000	(299,399)	–	–	–
Financial assets at fair value through other comprehensive income	–	–	–	4,964,633	4,964,633	–
Trade receivables	34,711,705	34,711,705	–	37,255,772	37,255,772	–
Financial liabilities						
Borrowings	362,402,074	361,549,441	852,633	367,615,724	367,461,482	154,242
Other non-current financial liabilities	1,001	1,001	–	1,862,608	1,862,608	–
Other current financial liabilities	21,157,700	21,157,700	–	22,239,053	22,239,053	–
Trade payables	54,866,134	54,866,134	–	58,632,660	58,632,660	–
Total unrecognised change in unrealised fair value			903,375			(281,838)

50. Financial instruments and financial risk management objectives and principles (continued)

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.

Changes in liabilities arising from financial activities

Changes in liabilities arising from financial activities for 2020 were as follows:

In thousand tenge	1 January 2020	Principal obtained	Additions	Modifica-tions	Disposals	Leaseback transac-tions	Reclassifi-cation	Repayment of principal	Interest expense (Note 43)	Interest paid	Discount (Note 43)	Other	31 December 2020
Borrowings: long term	339,138,061	53,307,169	-	-	-	-	(76,007,087)	-	-	-	(147,554)	-	316,290,589
Borrowings: short term	28,477,663	-	-	-	-	-	76,007,087	(58,216,453)	42,165,267	(42,372,282)	-	50,203	46,111,485
Lease liabilities: long term	57,781,449	-	920,142	(137,957)	(281,000)	198,969	(16,020,159)	-	-	-	-	-	42,461,444
Lease liabilities: short term	15,435,140	-	-	-	-	-	16,020,159	(14,806,108)	8,254,779	(8,254,779)	-	-	16,649,191
Total	440,832,313	53,307,169	920,142	(137,957)	(281,000)	198,969	-	(73,022,561)	50,420,046	(50,627,061)	(147,554)	50,203	421,512,709

Changes in liabilities due to financial activities for 2019 were as follows:

In thousand tenge	1 January 2019	Acquisition of subsidiary (Note 6)	Principal obtained	Additions and modifi-cations	Reclassifi-cation	Repayment of principal	Interest expense (Note 43)	Interest paid	Discount (Note 43)	Other	31 December 2019
Borrowings: long term	135,838,411	7,091,161	93,089,611	-	104,095,973	-	-	-	(977,095)	-	339,138,061
Borrowings: short term	57,614,129	1,708,387	121,113,026	-	(104,095,973)	(53,118,449)	32,865,372	(27,684,186)	-	75,357	28,477,663
Lease liabilities: long term	45,323,458	18,911,643	-	4,918,409	(11,372,061)	-	-	-	-	-	57,781,449
Lease liabilities: short term	10,874,952	4,966,921	-	-	11,372,061	(11,778,794)	8,422,715	(8,422,715)	-	-	15,435,140
Total	249,650,950	32,678,112	214,202,637	4,918,409	-	(64,897,243)	41,288,087	(36,106,901)	(977,095)	75,357	440,832,313



51. 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

Coronavirus pandemic and market conditions

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

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

The coronavirus pandemic has developed into a global economic crisis. Due to higher demand for certain telecommunications services the impact of the crisis was felt less severely by the telecommunications industry than by other industries.

The Group experienced a direct impact on roaming revenues from lower international travel and expected economic pressures to impact the Group's customer revenues over time. However, the Group sustained significant increases

Capital commitments

The Group generally enters into contracts for the completion of construction projects and purchase of telecommunication equipment. As at 31 December 2020, the Group had contractual obligations in the total

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

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.

in data volumes. Despite trade restrictions revenue from sales of handsets and equipment was not highly affected.

The management assessed that even there is currently a deal of uncertainty regarding the pandemic, the results of operations and financial position of the Group would not be significantly affected.

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

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

The Group believes that there were no impairment indicators of its long-term non-financial assets as at 31 December 2020. As uncertainties in market trend and economic conditions may remain persistent considering duration of the spread of COVID-19 and countermeasures taken by country, actual results in any future periods could be differ materially from the estimates. The Group will continue to monitor the situation closely.

amount of KZT 33,543,751 thousand, including VAT (31 December 2019: KZT 38,186,280 thousand, including VAT) mainly related to purchase of telecommunication equipment and construction of telecommunication network.

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 2020. Management believes that as at 31 December 2020 its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these consolidated financial statements.

Tax audit for 2012 – 3<sup>rd</sup> quarter 2015

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

In January 2018, Kcell JSC disputed the results of the tax authority in the First Instance Court and the Group's

New Technical Regulations

Order No. 91 of the Committee of the National Security dated 20 December 2016 on approval of the Technical Regulations General Requirements to the Telecommunication Equipment in Ensuring Conducting of Operative Search Measures, Collection and Storage of Subscribers' Information was published on 7 February 2017 and came into force on 8 February 2018. According to the new regulations, there are additional requirements to the telecommunication

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

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

- Additional charge on withholding tax for services provided by non-resident legal entities in the amount of KZT 2,196,555 thousand;
- Additional VAT on software technical support services provided by non-resident legal entities in the amount of KZT 779,916 thousand;
- Related fines and penalties in the amount of KZT 2,839,574 thousand.

For the year ended 31 December 2019, the Group recognised income from reversal of tax and related penalties provision in the amount of KZT 5,816,045 thousand tenge.

For the year ended 31 December 2020, the Group recognised income from reversal of the tax and related fines and penalties provision in the amount of KZT 683,901 thousand recognized due to expiration of the limitation period for tax liabilities.

Tax risks assessment

In the beginning of 2020, the Group performed recalculation of the tax risk provisions for VAT and PIT recognized by the Group in previous years. As a result, for the year ended 31 December 2020, the Group recognized income from reversal of provision on VAT and personal income tax in the amount of KZT 256,782 thousand tenge and KZT 210,827 thousand, respectively.

equipment that include expansion of technical capabilities of equipment to conduct operative search activities, collection and storage of subscribers' information (hereinafter – "ORA"). Currently, the Group is in the process of modernization of the telecommunication equipment of the Kcell's network in order to comply with the requirements of the Technical Regulations.

51. Commitments and contingencies (continued)

Cases related to the abuse of dominant position

Tariffication of Kcell's mobile Internet services

On 19 October 2019, the Committee on Regulation of Natural Monopolies, Protection of Competition and Consumer Rights of the Ministry of National Economy of the Republic of Kazakhstan ("Committee") initiated administrative proceedings against Kcell JSC for an alleged administrative violation related to the abuse of dominant position in 2017. The potential fine, which can be imposed by the court, constitutes approximately KZT 2,000,000 thousand.

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

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

On 25 October 2019, Specialised Inter-district Economic Court of Almaty issued the resolution to cancel administrative proceedings due to the lack of an offense. However, the Committee has the right to appeal within 180 days after announcement of the resolution. On 14 April 2020, the Committee appealed the decision of Specialised

Kcell Solutions tax legal case

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

Kcell Solutions disputed the results of the tax authority in Judicial Board for Civil Cases of Almaty City Court. On 29 January 2020, Judicial Board for Civil Cases of Almaty City Court dismissed the appeal of Kcell Solutions. Kcell

Customs inspection

On 13 September 2019, the Customs Control Department ("CCD") of Almaty issued an order on initiation of custom audit in relation to the Group's operation for the period 2014–2019. CCD examines the Group's tax reporting documents for the purpose of the revealing of violations on incorrect determination of the customs value of goods and its incorrect classification. On 9 October 2019, CCD suspended the custom audit to allow the Group to prepare required documents. On 9 September 2020, the Group provided the entire package of documents requested by the CCD, which are currently being examined by the auditors of CCD. The ongoing custom audit is related to the revealing of violations of customs regulations, incorrect determination

Inter-district Economic Court of Almaty. On 4 May 2020 the administrative proceedings were finalized after the decision of the Supreme Court of RK to reject the Committee's appeal due to lack of offence. The decision of Supreme Court of RK (as the superior level of authority) is final decision, that essentially not subject to revision.

Billing cycle of mobile phone plans

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

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

of the customs value of goods, and if violations are identified, the Group may be brought to administrative penalty and be liable to pay appropriate customs charges, including import VAT and late payment fees. On 15 October 2020 the Customs Control Department issued the notice to postpone the customs inspection of the Group for an indefinite period. The Group estimated probability of the outflow of resources embodying economic benefits as probable and accrued provision on additional charge, fines and penalties in the amount of KZT 701,004 thousand (Note 35).

5G services

In accordance with the Order of Committee of competition protection of the Ministry of national economics, the Group has an obligation to start providing 5G services not later than 31 December 2022 (not later than 31 December 2021 if

5G standard is approved in 3rd Generation Partnership Project (3GPP) and International Telecommunications Union (ITU) before 31 December 2020).

52. Subsequent events

On 6 January 2021 the Group has obtained loan from Alfa Bank in the amount of KZT 12,000,000 thousand with interest rate of 10.7% per annum with maturity till 5 January 2024.

On 8 January 2021 the Group has partially repaid loan obtained from Eurasian Development Bank in the amount of KZT 12,000,000 thousand ahead of the schedule.

On 27 January 2021 the Group additionally acquired notes of the National Bank of the Republic of Kazakhstan in the amount of KZT 2,979,637 thousand.

On 24 February 2021, the Group has obtained two tranches within the credit line from Halyk Bank of Kazakhstan JSC from 24 September 2013 for the total amount of KZT 7,000,000 thousand with interest rate of 11.2% per annum with maturity till 22 February 2024.

On 24 February 2021, the Group has sold notes of the National Bank of the Republic of Kazakhstan in the amount of KZT 3,000,000 thousand with a coupon interest of KZT 20,364 thousand.







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*To support the population during the quarantine period, Kazakhtelecom JSC together with the Ministry of Culture and Sports of the Republic of Kazakhstan held a series of online concerts as part of the Star in Quarantine project with the participation of national show business stars. Online concerts were free and available to every Internet user. The project gained more than 20 million views on the YouTube channel of Kazakhtelecom JSC.*





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# GLOSSARY

**3G** (third generation) – third generation mobile communication technology that combines both high-speed mobile access with Internet services and radio technology that creates a data link.

**4G** (fourth generation) – mobile generation with increased requirements. It is common to refer to the fourth generation as promising technologies that allow data transmission at a speed exceeding 100 Mbit/s – mobile and 1 Gbit/s – fixed subscribers.

**5G** (fifth generation) – high-speed wireless Internet technology of the fifth-generation, which provides more efficient communication and access to data and communication services by increasing data and expanding the range.

**ADSL** (Asymmetric Digital Subscriber Line) – modem technology in which channel bandwidth is available distributed between outbound and inbound traffic asymmetric.

**AMPS** (Advanced Mobile Phone Service) – analog cellular standard related to first generation networks.

**API** (Application programming interface) – describes how one computer program can interact with another program.

**ARPU** (Average Revenue Per User) – average revenue per month per subscriber.

**B2B** (Business to Business) – a term denoting commercial relations between legal entities.

**B2C** (Business to Consumer) – a term denoting commercial relations between a legal entity and a consumer.

**B2G** (Business to Government) – the term designating a commercial relationship between a legal person and a State.

**B2O** (Business to Operators) – a term denoting commercial relations between a legal entity and communication operator.

**Big Data** – processing of large amounts of data.

Blockchain – continuous chain of blocks containing information built according to certain rules. Most often, copies of block chains are stored on many different computers independently of each other.

**BSS** (base station subsystem) – one of the main elements of the mobile radiotelephone system responsible for transmitting voice and signaling traffic between the subscriber’s mobile terminal and the GSM core network subsystem.

**CDMA** (Code Division Multiple Access) – multiple access with code division, digital cellular (wireless) communication network. Arrangement of CDMA wireless communication is recommended by the international organization for communication standardization of communications as the most promising for the construction of third-generation networks.

**Cost Per Action** (CPA) – cost per action is a model of online advertising in which an advertiser pays for a user-made action on his website.

**DWDM** (Dense Wave Division Multiplexing) – technology of dense wave multiplexing, is the most reliable technology for the support infrastructure of multi-service and mobile networks, provides a sharp increase in network bandwidth and implements a wide range of fundamentally new communication services.

**EDGE** (Enhanced Data rates for GSM Evolution) – digital wireless data technology for mobile communications that functions as an add-on over 2G and 2.5G (GPRS) networks.

**ESG factors** (Environmental. Social. Governance) – environmental, social, and governance factors.

**EVDO** (Evolution Data Optimized) – high-speed data transmission technology used in cellular networks of CDM standard.

**Firewall** – technology barrier designed to prevent unauthorized or unwanted communication between computer networks or hosts.

**FMC** – One contact (fixed mobile convergence) – technology integration fixed and mobile communications) with further transfer to commercial services.

**FTTH** (Fiber to the Home) – fiber optic cable to the house (implied individual/private house).

**FTTx** (fiber to the x) – fiber optic connection technology.

**GRPS** – data technology which is used to access the Internet.

**GSM** – global standard of digital mobile cellular communication with division of channels in time and frequency, is characterized by high security and works in networks of 2G type. The main purpose is to make calls and exchange messages.

**GPON** – Gigabit passive optical network.

**IaaS** (Infrastructure as a Service) – infrastructure as a service, for example, virtual servers and virtual network; the client can install any software and applications.

**IPTV** (Internet Protocol Television) – internet protocol television, digital television technology (standard) in IP protocol data networks used by digital cable television operators, a new generation of television.

**IP-transit** – service for providing controlled and high-speed Internet access via modern optical BGP data networks. BGP is a dynamic routing protocol between autonomous systems that is used in the Internet.

**IoT** (Internet of things) – a common name for technologies that allow devices embedded in individual objects, to send and receive information through the Internet (wired or wireless).

**LoRa** (Long Range) – a technology and modulation method of the same name. Wireless technology for the long-range transmission of small data, designed for distributed telemetry networks, machine-to-machine communication and the Internet of things.

**LPWAN** – wireless technology for transmitting small amounts of data over long distances, developed for distributed networks of telemetry, inter-machine interaction and the Internet of things.

**LTE** (Long-Term Evolution) – wireless high-speed data transmission standard for mobile phones and other data terminals.

**M2M** (Machine-to-machine) – machine-to-machine interaction (machine-to-machine interaction) is a common name for technologies that allow machines to exchange information with each other or transmit it unilaterally. It may be include wired and wireless sensor monitoring systems or any device parameters.

**NPS** (Net Promoter Score) – index of determination of consumer commitment to a product or company (index of readiness to recommend), is used to assess readiness for repeated purchases. It is one of the main indices of customer loyalty measurement.

**SaaS** (Software as a Service) – software as a service, for example, e-mail or other office application; the customer uses the application, the basic settings of the application are managed by the provider.

**SDN/NFV** – software-defined networking (Software-Defined Networks, SDN) and network functions virtualization (Network Function Virtualization, NFV).

**VAS** – Value-Added Services.

**VoIP** – Voice over Internet Protocol or IP telephony is voice communication over the Internet.

**VPN** (Virtual Privet Network) – a generalized name of technologies that enable to provide one or more network connections (logical network) on top of another network (for example, the Internet).

**VPS** (virtual private server) – virtual dedicated server, a lease service of the so-called virtual dedicated server.

**WAP** – Wireless Application Protocol. The protocol is designed specifically for GSM networks, where it is necessary to connect portable devices with the Internet. Using WAP, a mobile user can download any digital data from the Internet.

**FOCL RS** – fiber-optic communication lines in rural settlements.

# 1. ABOUT REPORT

This Integrated Annual Report Kazakhtelecom JSC (the “Annual Report, Report”) discloses information on financial and non-financial performance indicators of the Company for 2020. The company adheres to the principle of openness and strives for effective disclosure of information on a wide range of issues to all key stakeholders.

In the part of financial indicators the report covers the Group of companies Kazakhtelecom JSC in the part of non-financial indicators – Central Office and 15 branches of the Company.

The financial information is obtained from the consolidated financial statements under IFRS standards for the year ended 31 December 2020 for the Group of Companies that are part of the consolidation perimeter.

Sustainability reporting is prepared in accordance with the GRI Standards (the “core” option).

The report describes relevant activities from 1 January to 31 December 2020, the reporting cycle being annual.

Kazakhtelecom JSC issues annual public non-financial reports since 2017. All reports of the Company are available on the official website of Kazakhtelecom JSC. The report on the results of 2019 was published on 26.05.2020. In order to disclose the most relevant topics in the Report, the Company has carried out an analysis of the materiality of the aspects

**ICT** – information and communication technologies.

**BA** – broadband or high-speed internet access – Internet access with data transmission speed exceeding the maximum possible when using dial-up access using modem and public telephone network.

of sustainable development for selected indicators and topics specified in the GRI Standards, based on a review of the internal and external environment and on the basis of interaction with stakeholders. Information for the Report based on the results of the materiality analysis was collected using the corporate reporting system and ad hoc information queries on GRI requirements.

In preparing the Annual Report Kazakhtelecom was guided by the principles for determining the content of the report defined by the GRI Standards:

- **Stakeholder engagement** – we have sought to ensure that stakeholder interests are taken into account when disclosing information.
- **Context of Sustainable Development** – the company defines its work within the context of the external environment, including economic, social and environmental aspects.
- **Materiality** – the focus of the annual report is on topics recognized by the most significant internal or external stakeholders of the Company.
- **Completeness** – the company strives to fully cover significant topics in the field of sustainable development.

The report is approved by the Board of Directors of Kazakhtelecom JSC.

The report has no external assurance.

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403-2	Hazard identification, risk assessment, accident investigation	Occupational Health and Safety
403-3	Health protection services	Occupational Health and Safety
403-4	Employee engagement, consultation and communication on occupational health and safety issues	Occupational Health and Safety
403-5	Professional training in occupational health and safety issues	Occupational Health and Safety
403-6	Employee health protection	Occupational Health and Safety
403-7	Prevention and mitigation of health and safety impacts directly related to business relationships	Occupational Health and Safety
403-8	Employees covered by the occupational health and safety management system	Occupational Health and Safety
403-9	Occupational injuries	Occupational Health and Safety
404 – Training and education		
404-1	Average number of training hours	Personnel Management/Employee Training
404-2	Sills development and employee adaptation programs	Personnel Management/Employee Training
404-3	Personnel performance appraisal	Personnel Management/Employee Appraisal System
405 – Equal opportunities		
405-1	Diversity of management bodies and employees	Personnel Management/Structure and Staff Size
405-2	Ratio of basic salary of men and women	Personnel Management/Remuneration



# 3. RELATED-PARTY TRANSACTIONS

In 2020, the Management Board of Kazakhtelecom JSC approved and submitted to the Board of Directors for consideration 2 Resolutions of the Management Board and approved 12 Resolutions of the Management Board concerning the conclusion of related-party transactions, including:

1. **Resolution of the Management Board No. 2/9 dated 13.09.2020 “On conclusion of transactions in which Kazakhtelecom JSC has an interest”.**  
In accordance with the resolution of the Management Board, an Agreement No. 32-08-DU-84693 dated February 19, 2020 on provision of services for organizing procurement activities and implementing procurement procedures was concluded between Kazakhtelecom JSC and Kcell JSC.
2. **Resolution of the Management Board No. 7/40 dated 24.02.2020 “On conclusion of a transaction in which Kazakhtelecom JSC has an interest”.**  
In accordance with the resolution of the Management Board, an Agreement No. 90/21-112-24-DU dated 01.04.2020 on provision of maintenance services for fiber-optic communication lines was signed between Kazakhtelecom JSC and Kcell JSC.
3. **Resolution of the Management Board No. 10/56 dated 10.03.2020 “On conclusion of a transaction in which Kazakhtelecom JSC has an interest – a Supplementary Agreement No. 10 to the Joint Activity Agreement No. 743/12-DO/1171-03-DSD dated 14.12.2012”.**  
In accordance with the resolution of the Management Board, a Supplementary Agreement No. 10 to the Joint Activity Agreement No. 743/12-DO/1171-03-DSD dated 14.12.2012 was concluded with Mobile Telecom-Service LLP.
4. **Resolution of the Management Board No. 14/72 dated 30.03.2020 “On conclusion of a transaction in which Kazakhtelecom JSC has an interest”.**  
In accordance with the resolution of the Management Board, an Agreement No. 51-08-DU dated 07.04.2020 on provision of services for organizing procurement activities and implementing procurement procedures was concluded between Mobile Telecom-Service LLP and Kazakhtelecom JSC.

5. **Resolution of the Management Board No. 16/85 dated 13.04.2020 “On conclusion of transactions in which Kazakhtelecom JSC has an interest”.**  
In accordance with the resolution of the Management Board, a Supplementary Agreement No. 2 to the Joint Activity Agreement No. 523-24-DZ dated 06.08.2018 was concluded with Qazcloud LLP.
6. **Resolution of the Management Board No. 17/92 dated 20.04.2020 “On conclusion of transactions in which Kazakhtelecom JSC has an interest”.**  
In accordance with the resolution of the Management Board:

1) the Agreement on purchase of goods No. 145/55-02-T-2020 dated 08.06.2020 was signed with Mobile Telecom-Service LLP;

2) the Agreement on provision of services No. 146/55-02-T-2020 dated 08.06.2020 was signed with Mobile Telecom-Service LLP.
7. **Resolution of the Management Board No. 19/104 dated 04.05.2020 “On conclusion of a transaction in which Kazakhtelecom JSC has an interest – a Supplementary Agreement No. 1 to the Joint Activity Agreement with NURSAT+ LLP No. 778-27-DSD dated 24.10.2018”.**  
In accordance with the resolution of the Management Board, a Supplementary Agreement No. 1 to the Joint Activity Agreement with NURSAT+ LLP No. 778-27-DSD dated 24.10.2018 was signed between NURSAT+ LLP and Kazakhtelecom JSC.
8. **Resolution of the Management Board No. 32/157 dated 27.07.2020 “On conclusion of a transaction in which Kazakhtelecom JSC has an interest – a Supplementary Agreement No. 3 to the Joint Activity Agreement with NURSAT+ LLP No. 104-27-DSD dated March 28, 2017”.**  
In accordance with the resolution of the Management Board, a Supplementary Agreement No. 3 to the Joint Activity Agreement with NURSAT+ LLP No. 104-27-DSD dated March 28, 2017 was signed between NURSAT+ LLP and Kazakhtelecom JSC.

9. **Resolution of the Management Board No. 35/172 dated 17.08.2020 “On approval of conclusion of a transaction with Kcell JSC in which Kazakhtelecom JSC has an interest – an Agreement on purchase and sale of 100% stake in the authorized capital of KT-Telecom LLP.**  
The issue will be submitted to the Board of Directors of Kazakhtelecom JSC for consideration in the prescribed manner after the issue is agreed upon by Samruk-Kazyna JSC in accordance with the provisions of the Corporate Standard of Samruk-Kazyna JSC.
10. **Resolution of the Management Board No. 36/179 dated 24.08.2020 “On conclusion of transactions in which Kazakhtelecom JSC has an interest”.**  
In accordance with the resolution of the Management Board, Kazakhtelecom JSC and Kcell JSC signed:

1) an Agreement on provision of a guarantee No. 204-15-SG dated November 27, 2020, specifying the terms of provision of a guarantee of Kcell JSC in favor of the Development Bank of Kazakhstan JSC to secure the fulfillment of the Company’s obligations to the Bank;

2) an Agreement No. 1220-i dated November 27, 2020 on termination of the Agreement on provision of a guarantee and compensation for expenses No. 570-i/234-15-DPG dated February 25, 2016 between the Company and Samruk-Kazyna JSC in connection with the termination of the Guarantee Agreement No. 30-DG-z/05 dated February 25, 2016 between Samruk-Kazyna JSC and the Bank due to the replacement of the guarantor from Samruk-Kazyna JSC with Kcell JSC.
11. **Resolution of the Management Board No. 40/191 dated 25.09.2020 “On conclusion of transactions in which Kazakhtelecom JSC has an interest – a mandate letter and an agreement between consultants, Kazakhtelecom JSC and Sovereign Welfare Fund “Samruk-Kazyna” JSC.**  
The issue was approved by the Management Board of Kazakhtelecom JSC; to sign the contracts, a decision on this issue is expected from Samruk-Kazyna JSC.

12. **Resolution of the Management Board No. 44/213 dated 19.10.2020 “On conclusion of a transaction in which Kazakhtelecom JSC has an interest”.**  
In accordance with the decision of the Management Board, Kazakhtelecom JSC and Samruk-Kazyna JSC concluded a deal to redeem coupon bonds of Kazakhtelecom JSC. The bonds were redeemed on December 10, 2020.
13. **Resolution of the Management Board No. 44/217 dated 19.10.2020 “On conclusion of a transaction in which Kazakhtelecom JSC has an interest – a network sharing agreement”.**  
In accordance with the Resolution, the issue was raised and considered at the in-person meeting of the Board of Directors of Kazakhtelecom JSC, minutes No. 12 dated 05.11.2020.  
In accordance with the resolution of the Board of Directors, a Network Sharing Agreement of November 13, 2020 was concluded between Kazakhtelecom JSC, Kcell JSC, Mobile Telecom-Service LLP, VOSTOKTELECOM LLP and KaR-Tel LLP.
14. **Resolution of the Management Board No. 47/238 dated 19.10.2020 “On conclusion of a transaction in which Kazakhtelecom JSC has an interest – an Agreement on provision of services for the maintenance and technical support of the information system entered into with Digital Economy Development Center LLP.**  
In accordance with the Resolution, an Agreement No. 239-23-DZU dated 10.11.2020 was concluded for 2020 between Digital Economy Development Center LLP and Kazakhtelecom JSC.



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