



Kcell JSC

Interim condensed consolidated
financial statements (unaudited)

30 June 2020

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«Эрнст энд Янг» ЖШС
Әл-Фараби д-лы, 77/7
«Есентай Тауэр» ғимараты
Алматы қ., 050060
Қазақстан Республикасы
Тел.: +7 727 258 59 60
Факс: +7 727 258 59 61
www.ey.com/kz

ТОО «Эрнст энд Янг»
пр. Аль-Фараби, д. 77/7
здание «Есентай Тауэр»
г. Алматы, 050060
Республика Казахстан
Тел.: +7 727 258 59 60
Факс: +7 727 258 59 61
www.ey.com/kz

Ernst & Young LLP
Al-Farabi ave., 77/7
Esentai Tower
Almaty, 050060
Republic of Kazakhstan
Tel.: +7 727 258 59 60
Fax: +7 727 258 59 61
www.ey.com/kz

Report on review of interim condensed consolidated financial statements

To the Shareholders of Kcell JSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Kcell JSC and its subsidiaries (together the "Group"), which comprise the interim condensed consolidated statement of financial position as at 30 June 2020, the related interim condensed consolidated statement of comprehensive income for the three and six-month periods then ended, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended and selected explanatory notes ("interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

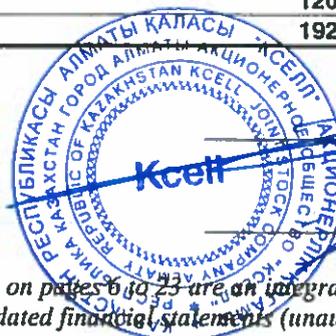
We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

<i>In thousands of tenge</i>	Notes	30 June 2020 (unaudited)	31 December 2019 (audited)
Assets			
Non-current assets			
Property and equipment	7	75,701,844	82,283,327
Intangible assets	8	34,910,451	38,819,624
Advances paid for non-current assets		342,226	232,657
Right-of-use assets	15	21,154,064	23,066,886
Long-term trade receivables	9	1,674,794	1,118,077
Cost to obtain contracts		207,320	239,612
Deferred tax assets		1,226,137	1,377,725
Other non-current assets		2,653	2,653
Total non-current assets		135,219,489	147,140,561
Current assets			
Inventories		5,544,656	6,636,242
Trade receivables	9	12,902,916	15,646,942
Other current non-financial assets	10	5,044,616	6,704,397
Other current financial assets		573,874	1,371,295
Prepaid income tax		30,319	30,319
Financial assets at fair value through other comprehensive income	11	5,268,598	4,964,633
Financial assets at amortized cost	12	17,269,254	-
Cash and cash equivalents	13	10,191,015	8,825,048
Total current assets		56,825,248	44,178,876
Total assets		192,044,737	191,319,437
Equity and liabilities			
Share capital	6	33,800,000	33,800,000
Retained earnings		37,327,528	37,771,288
Total equity		71,127,528	71,571,288
Non-current liabilities			
Borrowings: non-current portion	14	53,404,914	55,548,314
Long-term lease liabilities	15	19,859,675	21,619,521
Deferred tax liabilities		1,085,618	1,248,186
Asset retirement obligation		1,756,953	1,970,215
Total non-current liabilities		76,107,160	80,386,236
Current liabilities			
Borrowings: current portion	14	23,338,384	6,383,658
Trade and other payables	16	7,927,273	21,174,548
Contracts liabilities	18	3,097,560	4,149,365
Other payables	24	153,495	187,793
Other current financial liabilities	17	3,038,459	3,171,814
Short-term lease liabilities	15	3,487,384	3,198,428
Income tax payable		3,027,614	594,746
Taxes payable other than income tax		739,880	501,561
Total current liabilities		44,810,049	39,361,913
Total liabilities		120,917,209	119,748,149
Total equity and liabilities		192,044,737	191,319,437

Chairman of the Management Board



Kaspars Kukelis

Chief Financial Officer

Yuri Kharlamov

The accounting policies and notes on pages 6 to 23 are an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

<i>In thousands of tenge</i>	Notes	For three months ended 30 June		For six months ended 30 June	
		2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Revenue from contracts with customers	18	38,625,917	37,869,282	78,687,917	73,049,206
Cost of sales	19	(26,682,441)	(26,759,254)	(55,186,334)	(52,783,416)
Gross profit		11,943,476	11,110,028	23,501,583	20,265,790
General and administrative expenses		(2,501,325)	(2,003,940)	(4,690,024)	(3,884,046)
Impairment of financial assets	9	(391,404)	(430,724)	(889,784)	(880,502)
Selling expenses		(289,315)	(554,505)	(1,061,440)	(1,188,753)
Impairment of property and equipment	7	(468,154)	(1,844,104)	(844,007)	(1,844,104)
Reversal of tax and related fines and penalties provision	24	21,600	5,068,826	501,907	5,068,826
Penalty expenses	20	-	-	-	(14,551,865)
Operating profit		8,314,878	11,345,581	16,518,235	2,985,346
Finance costs		(2,868,308)	(2,899,304)	(5,419,994)	(6,062,615)
Finance income		484,891	120,350	727,390	1,225,025
Net foreign exchange gain/(loss)		(1,110,229)	9,807	468,510	14,881
Other income		60,323	153,779	308,420	158,367
Other expenses		(17,539)	(65,245)	(47,284)	(77,456)
Profit/(loss) before tax		4,864,016	8,664,968	12,555,277	(1,756,452)
Income tax (expenses)/benefit	21	(1,661,454)	(725,937)	(3,999,037)	944,075
Profit/(loss) for the period		3,202,562	7,939,031	8,556,240	(812,377)
Other comprehensive income		-	-	-	-
Total comprehensive income/(loss) for the period, net of tax		3,202,562	7,939,031	8,556,240	(812,377)
Earnings/(loss) per share					
Basic and diluted, tenge	6	16.01	39.70	42.78	(4.06)

Chairman of the Management Board



Kaspars Kukelis

Chief Financial Officer

Yuri Kharlamov

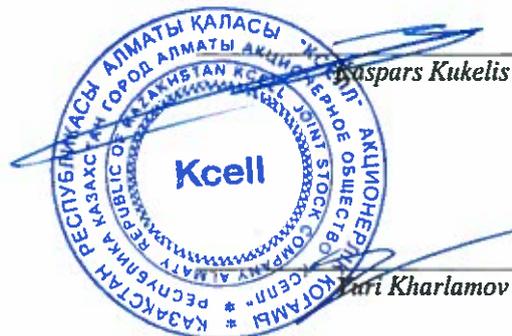
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

<i>In thousands of tenge</i>	Share capital	Retained earnings	Total equity
Balance at 1 January 2019 (audited)	33,800,000	33,625,889	67,425,889
Net loss for the period (unaudited)	-	(812,377)	(812,377)
Other comprehensive income (unaudited)	-	-	-
Total comprehensive income (unaudited)	-	(812,377)	(812,377)
Dividends declared (Note 6)	-	(5,972,000)	(5,972,000)
At 30 June 2019 (unaudited)	33,800,000	26,841,512	60,641,512
Balance at 1 January 2020 (audited)	33,800,000	37,771,288	71,571,288
Net profit for the period (unaudited)	-	8,556,240	8,556,240
Other comprehensive income (unaudited)	-	-	-
Total comprehensive income (unaudited)	-	8,556,240	8,556,240
Dividends declared (Note 6)	-	(9,000,000)	(9,000,000)
At 30 June 2020 (unaudited)	33,800,000	37,327,528	71,127,528

Chairman of the Management Board



Kaspars Kukelis

Chief Financial Officer

Iuri Kharlamov

The accounting policies and notes on pages 6 to 22 are an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**For the six months ended 30 June 2020**

<i>In thousands of tenge</i>	Notes	For the six months ended 30 June	
		2020 (unaudited)	2019* (unaudited)
Cash flows from operating activities			
Profit/(loss) profit before tax		12,555,277	(1,756,452)
Adjustments for:			
Impairment of financial assets	9	889,784	880,502
Finance costs		5,419,994	6,062,615
Depreciation of property and equipment and right of use assets	7, 15	9,789,983	10,683,179
Amortization of intangible assets	8	5,208,948	4,966,515
Income from accounts payable write-off		(62,611)	-
Finance income		(727,390)	(1,225,025)
Impairment of property and equipment	7	844,007	1,844,104
Write-off of inventory to net realisable value		279,506	-
Gain on disposal of property and equipment		(15,070)	-
Reversal of tax and related fines and penalties provision	24	(501,907)	(5,068,826)
Net foreign exchange gain		(468,510)	(14,881)
Operating cash flows before working capital changes		33,212,011	16,371,731
Change in inventories		916,845	(418,786)
Change in trade receivables		1,496,197	28,548
Change in other current non-financial assets		2,127,389	(2,814,278)
Change in other current financial assets		797,421	(44,010)
Change in cost to obtain contracts		32,292	51,244
Change in trade payables		(4,832,291)	6,573,437
Change in other current financial liabilities		(228,888)	55,106
Change in contract liabilities		(1,051,805)	(176,610)
Change in taxes payable other than income tax		272,569	(1,157,139)
Cash flows generated from operations		32,741,740	18,469,243
Income tax paid		(1,577,153)	(488,648)
Interest received		545,969	228,532
Interest paid		(5,045,400)	(4,548,241)
Net cash inflows from operating activities		26,665,156	13,660,886
Cash flows from investing activities			
Purchase of property and equipment		(9,360,625)	(6,828,997)
Purchase of intangible assets		(2,760,071)	(2,591,032)
Proceeds from disposal of property and equipment		21,004	-
Purchase of financial assets at amortized cost	12	(17,184,611)	-
Net cash flows used in investing activities		(29,284,303)	(9,420,029)

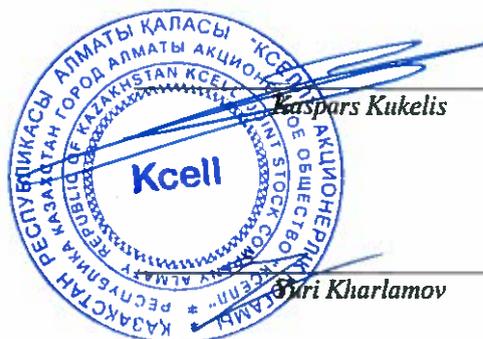
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

<i>In thousands of tenge</i>	Notes	For the six months ended 30 June	
		2020 (unaudited)	2019* (unaudited)
Cash flows from financing activities			
Proceeds from loans		19,500,000	15,000,000
Proceeds from bonds issued		-	17,024,647
Repayment of loans		(5,000,000)	(32,000,000)
Repayment of principal portion of lease liabilities		(1,632,647)	(1,336,618)
Dividends paid	6	(9,000,000)	-
Net cash flows generated from / (used in) financing activities		3,867,353	(1,311,971)
Net increase in cash and cash equivalents		1,248,206	2,928,886
Effect of exchange rate changes on cash and cash equivalents held in foreign currency			
		117,761	18,160
Cash and cash equivalents at the beginning of the period		8,825,048	6,029,042
Cash and cash equivalents at the end of the period		10,191,015	8,976,088

* Certain amounts shown here do not consistent to the interim condensed consolidated financial statements for the six months ended 30 June 2019, as they reflect the adjustments made, as detailed in Note 4.

Chairman of the Management Board



Chief Financial Officer

Miri Kharlamov

The accounting policies and notes on pages 6 to 22 are an integral part of these interim condensed consolidated financial statements (unaudited).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**For the six months period ended 30 June 2020****1. GENERAL INFORMATION**

Kcell JSC (the “Company”) was established as a limited liability partnership (GSM Kazakhstan OAO Kazakhtelecom LLP) on 1 June 1998 to design, construct and operate a cellular telecommunications network in the Republic of Kazakhstan, using the GSM (Global System for Mobile Communications) standard.

The Company’s registered address is Samal-2, 100, Almaty, the Republic of Kazakhstan.

On 25 December 2010, the Committee of Communications, Informatization and Information under the Ministry of Investments and Development of the Republic of Kazakhstan signed an addendum to the existing GSM license, which provided the Group with a right to operate a 3G network. In December 2010, the Group launched 3G services in Nur-Sultan and Almaty. As at 1 January 2015, the Group provided all locations with a population of over 10,000 people with mobile services using UMTS/WCDMA based on the terms of the addendum.

On 27 August 2012, the Ministry of Justice registered the Company as a Joint Stock Company. Under Kazakhstani law, upon the conversion, retained earnings as at the date of the conversion became share capital of the Company and ceased to be available for distribution to shareholders.

On 13 December 2012, the Company successfully completed its offering of Global Depository Receipts at the London Stock Exchange and common shares at the Kazakhstan Stock Exchange (hereinafter – the “KASE”).

In 2016 the Group paid 26,000,000 thousand tenge for LTE radio frequencies. On 1 March 2016, the Group launched LTE in its network on the previously granted frequencies.

On 21 December 2018, the 75% stake in the Company owned by Telia Company was sold directly to Kazakhtelecom JSC (the “Parent”). As at 30 June 2020 the Company is controlled by Kazakhtelecom JSC. Kazakhtelecom JSC is controlled by the Government of the Republic of Kazakhstan through Sovereign Wealth Fund “Samruk-Kazyna” JSC (“Samruk-Kazyna”) which owns 51% of Kazakhtelecom’s controlling shares.

As at 30 June and 31 December 2019, the shareholders of the Company are presented as follow:

	30 June 2020 (unaudited)	31 December 2019
Kazakhtelecom JSC	75.00%	75.00%
Raiffeisenbank JSC	11.65%	11.82%
Other	13.35%	13.18%
	100.00%	100.00%

As at 30 June 2020 and 31 December 2019, the Company has the following principal subsidiaries:

	30 June 2020 (unaudited)	31 December 2019
KazNet Media LLP	100%	100%
KT-Telecom LLP	100%	100%

The accompanying consolidated financial statements include the financial statements of Kcell JSC and its subsidiaries (further referred as to “the Group”).

The interim condensed consolidated financial statements were authorised for issue by the Chairman of the Management Board on 29 July 2020.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2019 and for the year then ended. The interim condensed consolidated financial statements are presented in Kazakhstan tenge, and all amounts are rounded to nearest thousands, except otherwise indicated.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Going concern

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

Foreign currency translation

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

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

The following table summarises the foreign currency exchange rates for tenge:

	30 June 2020	31 December 2019
US dollar	403.93	382.59
Euro	452.52	429.00
Russian ruble	5.70	6.16

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New and amended standards and interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as at 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

IAS 1 and IAS 8: Definition of Material

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.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

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

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 economics 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

IFRS Interpretations Committee's agenda decision on cancellable or renewable leases, and related non-removable leasehold improvements (continued)

The current accounting policy of the Group

The Group has not yet adopted the agenda decision accordingly, in determining lease term the Group considered only contractual termination penalties to assess whether the cancellable or renewable leases are enforceable.

Potential effect of agenda decision on the Group accounting policy

The Group has lease contracts of technical sites from legal entities and individual entrepreneurs for installation of cellular base stations. The Group identified lease term for technical sites lease contracts equaled to average useful lives of cellular network stations. The approach applied by the Group in relations to these lease contracts is appropriate under the IFRIC agenda decision. However, the Group also concluded lease contracts of technical sites with the governmental entities which were 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.

This includes, for example, significant leasehold improvements undertaken (or expected to be undertaken) over the term of the contract that are expected to have significant economic benefit for the Group when an option to extend or terminate the lease becomes exercisable, technology development and also the Group's historical experience.

Therefore, agenda decision might affect the consolidated financial statements. As at the date when these interim condensed financial statements are issued, the Group continues to assess the impact of the future changes in the accounting policy. Effecting an accounting policy change requires the Group to undertake a number of steps, such as collecting additional information to apply the new policy and changing assessment processes.

The Group expects increase in right-of-use assets and related lease liabilities as of 1 January 2019 and increase in depreciation expenses for the year as a result of the agenda decision's adoption. However, the impact of the change is not reasonably estimable as retrospective application requires recalculation for approximately 700 of lease contracts with governmental entities effective as at 1 January 2019, the Group's date of adoption IFRS 16, which will take significant time and efforts. The Group could not complete the agenda decision's adoption process by the end of current interim reporting period, generally, due to disruption caused by Covid-19 pandemic. The Group expects to finalize adoption of the change by the end of 2020

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. RESTATEMENT OF COMPARATIVE INFORMATION

Certain amounts in interim condensed consolidated statement of cash flow for the three and six months ended 30 June 2019 were reclassified to conform with the presentation adopted in the interim condensed consolidated statements for three and six months ended 30 June 2020. The Group changed the presentation of its consolidated financial statements as new presentation provides information that is more relevant to users of the consolidated financial statements.

<i>In thousands of tenge</i>	As originally presented	Adjustment	Note	As adjusted
Interim condensed consolidated statement of cash flows for the six months ended 30 June 2019				
Interest paid	(3,035,211)	(1,513,030)	[1]	(4,548,241)
Net cash flows from operating activities	15,173,916	(1,513,030)		13,660,886
Repayment of principal portion of lease liabilities	(2,849,648)	1,513,030	[1]	(1,336,618)
Net cash flows from financing activities	(2,825,001)	1,513,030		(1,311,971)
Net increase in cash and cash equivalent	2,928,886	-		2,928,886

[1] The Group reclassified interest paid on lease liabilities in the amount of 1,513,030 thousand tenge from repayment of principal amount of lease liabilities in financing cash flows to interest paid in operating cash flows.

All the disclosure amounts within the comparative information were changed respectively.

5. SEGMENT INFORMATION

The Group's main operations are concentrated in the Republic of Kazakhstan and are mainly represented by provision of mobile communication services. The Group identifies the segment in accordance with the criteria set in IFRS 8 *Operating Segments* and based on the way the operations of the Group are regularly reviewed by the chief operating decision maker to analyse performance and allocate resources among business units of the Group.

The Group's Chairman of the Management Board has been determined as the chief operating decision-maker ("CODM"). The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements prepared in accordance with IFRS. Management has determined a single operating segment being mobile communication services based on these internal reports.

6. SHARE CAPITAL AND EARNINGS PER SHARE

Share capital of the Group is as follows:

	30 June 2020		31 December 2019	
	Share	Number of shares	Share	Number of shares
Kazakhtelecom JSC	75.00%	150,000,000	75.00%	150,000,000
Raiffeisenbank JSC	11.65%	23,301,454	11.82%	23,641,857
Other	13.35%	26,698,546	13.18%	26,358,143
	100.00%	200,000,000	100.00%	200,000,000

The total authorized number of ordinary shares is 200,000,000 shares with a par value of 169 tenge per share, all of which are issued and fully paid.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. SHARE CAPITAL AND EARNINGS PER SHARE (continued)

The calculation of basic and diluted earnings per share is based on the following data:

<i>In thousands of tenge</i>	Three months ended		Six months ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Profit/(loss) for the period attributable to equity shareholders	3,202,562	7,939,031	8,556,240	(812,377)
Weighted average number of ordinary shares	200,000,000	200,000,000	200,000,000	200,000,000
Earnings/(loss) per share (Kazakhstani tenge), basic and diluted	16.01	39.70	42.78	(4.06)

The Group has no dilutive or potentially dilutive securities outstanding.

Additional information disclosed in accordance with “KASE” requirements

The cost of ordinary shares, calculated in accordance with the requirements of the “KASE”

According to the requirements of the “KASE”, the Group has calculated its cost per ordinary share, which was calculated based on the number of ordinary shares outstanding at the reporting date. The cost per ordinary share as at 30 June 2020 and 31 December 2019 is presented below.

<i>In thousands of tenge</i>	30 June 2020	31 December 2019
Net assets, excluding intangible assets	36,217,077	32,751,664
Number of ordinary shares in issue	200,000,000	200,000,000
Cost of ordinary share, calculated in accordance with listing requirements of the “KASE” (Kazakhstani tenge)	181.1	163.8

During the six months ended 30 June 2020 and 2019, the Group declared dividends payable in the amount of 9,000,000 thousand tenge and 5,972,000 thousand tenge, respectively, and paid 9,000,000 thousand tenge and nil respectively.

7. PROPERTY AND EQUIPMENT

During the three and six-month period ended 30 June 2020, additions to property and equipment totaled to 312,589 thousand tenge and 2,368,708 thousand tenge, respectively (during three and six-month period ended 30 June 2019: 907,107 thousand tenge and 2,231,180 thousand tenge, respectively).

During the three and six-month period ended 30 June 2020, transfer from construction-in-progress to property and equipment amounted to 1,249,379 thousand tenge and 3,380,208 thousand tenge, respectively (during three and six-month period ended 30 June 2019: 1,429,966 thousand tenge and 4,291,767 thousand tenge, respectively).

During the three and six-month period ended 30 June 2020, the Group recognised depreciation expense in the amount of 3,828,125 thousand tenge and 7,715,404 thousand tenge, respectively (during three and six-month ended 30 June 2019: 4,366,555 thousand tenge and 8,848,749 thousand tenge, respectively).

During the three and six-month period ended 30 June 2020, the Group recognised decrease in changes in estimates in assets retirement obligation in the amount of nil and 280,116 thousand tenge, respectively (during three and six-month period ended 30 June 2019: nil).

During the three and six-month period ended 30 June 2020, transfer from property and equipment to inventory amounted to nil and 107,009 thousand tenge, respectively (during three and six-month period ended 30 June 2019: nil).

During three and six-month period ended 30 June 2020, the Group has sold property and equipment with gross book value in the amount of 138,755 thousand tenge with net book value 3,655 thousand tenge (during three and six-month ended 30 June 2019: gross book value 52,924 thousand tenge, net book value: nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. PROPERTY AND EQUIPMENT (continued)

During the three and six-month period ended 30 June 2020, the impairment loss in the amount of 468,154 thousand tenge and 844,007 thousand tenge, respectively (during three and six-month period ended 30 June 2019: 1,844,104 thousand tenge) represented write-down of certain property and equipment to the recoverable amount as a result of technological obsolescence and damage. Loss was recognized in the consolidated statement of comprehensive income as an operating expense.

As at 30 June 2020, the gross carrying value of property and equipment which has been fully depreciated and still in use, was 156,206,886 thousand tenge (as at 31 December 2019: 150,824,435 thousand tenge).

8. INTANGIBLE ASSETS

During the three and six-month ended 30 June 2020, the Group acquired intangible assets in the amount of 752,144 thousand tenge and 1,299,775 thousand tenge, respectively (during three and six-month ended 30 June 2019: 1,228,704 thousand tenge and 2,032,400 thousand tenge, respectively).

During the three and six-month ended 30 June 2020, the Group recognized amortization expense in the amount of 2,571,116 thousand tenge and 5,208,948 thousand tenge, respectively (during three and six-month ended 30 June 2019: 2,328,683 thousand tenge and 4,966,515 thousand tenge, respectively).

During the three and six-month ended 30 June 2020, the Group written-off fully amortized intangible assets with gross book value nil and 493,257 thousand tenge, respectively (during three and six-month ended 30 June 2019: nil and 677,778 thousand tenge, respectively).

As at 30 June 2020, the carrying amount of 3G license was 1,833,333 thousand tenge (31 December 2019: 2,000,000 thousand tenge) and its remaining amortization period was 6 years. As at 30 June 2020, the carrying amount of the 4G license was 18,344,444 thousand tenge (31 December 2019: 19,211,111 thousand tenge) and its remaining amortization period was 11 years.

As at 30 June 2020, the gross carrying value of intangible assets, which have been fully amortized and still in use, was 35,753,230 thousand tenge (31 December 2019: 36,192,358 thousand tenge).

9. TRADE RECEIVABLES

As at 30 June 2020 and 31 December 2019, trade receivables comprised of the following:

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019
Trade receivables from subscribers	22,327,848	23,734,679
Trade receivables from interconnect services	744,963	406,524
Trade receivables from roaming operators	148,597	301,760
Trade receivables from dealers and distributors	37,141	40,328
Trade receivables from related parties (Note 22)	814,434	887,217
Less: allowance for expected credit losses	(9,495,273)	(8,605,489)
	14,577,710	16,765,019
Less: long-term portion of trade receivable from subscribers	(1,674,794)	(1,118,077)
	12,902,916	15,646,942

During the six months ended 30 June 2020 and 2019, movements in the allowance for expected credit losses were as follows:

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	30 June 2019 (unaudited)
Allowance for expected credit losses at the beginning of the period	(8,605,489)	(6,680,113)
Charge for the period	(889,784)	(880,502)
Write-offs for the period	-	330,773
Allowance for expected credit losses at the end of the period	(9,495,273)	(7,229,842)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. OTHER CURRENT NON-FINANCIAL ASSETS

As at 30 June 2020 and 31 December 2019, other current non-financial assets comprised of the following:

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019
Advances paid	3,565,542	2,928,205
Prepaid taxes other than income taxes	655,861	1,883,164
VAT recoverable	638,329	1,890,908
Prepaid expenses	184,884	2,120
	5,044,616	6,704,397

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 30 June 2020 financial assets at fair value through other comprehensive income in the amount of 5,268,598 thousand tenge (31 December 2019: 4,964,633 thousand tenge) were represented by investments in US treasury bills acquired in August 2019. The Group recognized the financial assets at fair value through other comprehensive income as the contractual cash flows are solely principal and interest and the financial assets are held within a business model for collecting contractual cash flows and selling financial assets. Nominal amount is 12,880,000 USD (equivalent to 5,021,171 thousand tenge at the date of acquisition), with maturity till August 2020 and yield to maturity at 0.012%. Fair value of debt instrument is determined by reference to published price quotations in an active market (Level 1).

12. FINANCIAL ASSETS AT AMORTISED COST

As at 30 June 2020 financial assets at amortized cost in the amount of 17,269,254 thousand tenge (31 December 2019: nil) were represented by short-term NBRK discount notes denominated in tenge, which were acquired at purchase price 17,184,611 thousand tenge in May-June 2020.

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 30 June 2020 financial assets at amortised cost comprised of the following:

<i>In thousands of tenge</i>	Maturity date	Yield to maturity	Nominal value	30 June 2020 (unaudited)	31 December 2019
NBRK note	21 August 2020	10.3%	5,000,000	4,924,927	-
NBRK note	4 December 2020	10.1%	9,900,000	9,487,813	-
NBRK note	25 December 2020	10.7%	3,000,000	2,856,514	-
			17,900,000	17,269,254	-

13. CASH AND CASH EQUIVALENTS

As at 30 June 2020 and 31 December 2019, cash and cash equivalents comprised of the following:

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019
Cash on current bank accounts	5,949,433	5,548,613
Bank deposits with original maturity of less than 90 days	4,201,278	3,255,562
Cash on hand	40,304	20,873
	10,191,015	8,825,048

As of 30 June 2020, short-term bank deposit for the amount of 1,078 thousand tenge represents overnight deposits in tenge placed in Citibank Kazakhstan JSC at interest rate 6.5%, 4,200,200 thousand tenge represents overnight deposit in tenge placed in Altyn Bank JSC at interest rate 9.1%.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. CASH AND CASH EQUIVALENTS (continued)

As at 30 June 2020 and 31 December 2019, cash and cash equivalents were denominated in various currencies as follows:

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019
Tenge	4,386,875	4,923,274
US dollars	5,163,607	3,767,034
Euro	627,109	111,234
Russian rubles	12,654	18,117
Other	770	5,389
	10,191,015	8,825,048

14. BORROWINGS

As at 30 June 2020 and 31 December 2019, borrowings comprised of the following:

<i>In thousands of tenge</i>	Currency	Effective interest rate	Maturity date	30 June 2020 (unaudited)	31 December 2019
Eurasian Development Bank	Tenge	13.06%	20 May 2024	28,990,100	28,956,330
Bonds	Tenge	11.84%	16 January 2021	22,849,198	22,828,110
Halyk Bank of Kazakhstan JSC	Tenge	11.5%	21 April 2023	15,325,833	–
Bank of China Kazakhstan JSC	Tenge	10.7%	20 August 2022	9,578,167	5,059,792
VTB Bank JSC	Tenge	11.9%	1 February 2020	–	5,087,740
				76,743,298	61,931,972
Less: non-current portion				(53,404,914)	(55,548,314)
				23,338,384	6,383,658

The Group's borrowings are denominated in Kazakhstani tenge and represent unsecured loans and bonds. The borrowings have financial and non-financial covenants. Breaches in meeting the covenants would permit the banks to immediately call loans and borrowings. As at 30 June 2020, there have been no breaches of the covenants.

As at 30 June 2020 current portion of borrowings includes principal amount and interest accrued of bonds in the amount of 22,849,198 thousand tenge and interest accrued of other borrowings in the amount of 489,186 thousand tenge.

The Group has not entered into any hedging arrangements in respect of its interest rate exposures.

On 21 February 2019, the Group undertook a bond placement at the Kazakhstan Stock Exchange, in which bonds to the value of 17,024,648 thousand tenge were placed with investors at a yield of 11.5% and on 16 January 2018 a bond placement with the value of 4,950,000 thousand tenge. Both placements were part of 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 3 February 2020, the Group fully repaid loan obtained from VTB Bank JSC in the amount of 5,133,249 thousand tenge, including principal and interest accrued in the amount of 5,000,000 thousand tenge and 133,249 thousand tenge, respectively.

On 16 March 2020, the Group obtained additional loan in the amount of 4,500,000 thousand tenge within credit line agreement with Bank of China Kazakhstan JSC with a repayment period of 30 months and a fixed interest rate of 10.5% per annum.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group's right of use assets are represented by buildings and constructions. Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

<i>In thousands of tenge</i>	Total
Cost	
At 1 January 2019	24,070,061
At 30 June 2019	24,785,751
At 1 January 2020	26,665,367
Modification	161,757
At 30 June 2020	26,827,124
Accumulated depreciation	
At 1 January 2019	–
Depreciation charge	(1,834,430)
At 30 June 2019	(1,834,430)
At 1 January 2020	(3,598,481)
Depreciation charge	(2,074,579)
At 30 June 2020	(5,673,060)
Net book value	
At 31 December 2019	23,066,886
At 30 June 2020	21,154,064

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

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	30 June 2019 (unaudited)
At the beginning of the period	24,817,949	24,881,810
Interest expenses	1,493,706	1,513,030
Payments	(3,126,353)	(2,849,648)
Additions	–	326,026
Modifications	161,757	389,664
At the end of the period	23,347,059	24,260,882

Set out below are the carrying amounts of short-term and long-term lease liabilities:

	30 June 2020 (unaudited)	31 December 2019	30 June 2019 (unaudited)
Long-term lease liabilities	19,859,675	21,619,521	21,381,140
Short-term lease liabilities	3,487,384	3,198,428	2,879,742

The following are the amounts recognised in profit or loss:

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Depreciation expense of right-of-use assets	1,061,874	917,215	2,074,579	1,834,430
Interest expense on lease liabilities	741,463	751,025	1,493,706	1,513,030
Expense relating to short-term leases (included in cost of sales)	220,851	291,163	596,803	562,243
	2,024,188	1,959,403	4,165,088	3,909,703

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. TRADE PAYABLES

As at 30 June 2020 and 31 December 2019, trade payables comprised of the following:

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019
Trade payables to third parties	7,248,919	20,042,873
Trade payables to related parties (Note 22)	678,354	1,131,675
	7,927,273	21,174,548

17. OTHER CURRENT FINANCIAL LIABILITIES

As at 30 June 2020 and 31 December 2019, other current financial liabilities comprised of the following:

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019
Accrued salaries and bonuses to employees	3,038,459	3,171,814
	3,038,459	3,171,814

18. REVENUE FROM CONTRACTS WITH CUSTOMERS

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Voice and other services	17,107,487	20,014,053	36,386,631	37,864,558
Data services	13,733,146	12,442,812	27,520,389	24,265,154
Sale of handsets and equipment	5,964,889	3,680,418	11,406,467	7,206,570
Value added services	1,820,395	1,731,999	3,374,430	3,712,924
	38,625,917	37,869,282	78,687,917	73,049,206
Over time	32,661,028	34,188,864	67,281,450	65,842,636
At a point of time	5,964,889	3,680,418	11,406,467	7,206,570
	38,625,917	37,869,282	78,687,917	73,049,206

As at 30 June 2020 and 31 December 2019, the contract liabilities in the amount of 3,097,560 thousand tenge and 4,149,365 thousand tenge, respectively, were represented by deferred revenue.

19. COST OF SALES

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Depreciation and amortization	6,619,291	7,063,754	13,351,378	13,975,968
Cost of SIM-cards, scratch cards and handsets	4,765,217	3,799,369	9,541,989	6,715,965
Interconnect fees and expenses	4,481,812	6,345,356	10,239,688	12,075,032
Personnel costs	2,723,014	1,717,976	5,284,190	4,226,526
Transmission services	2,394,190	2,293,036	4,936,996	4,629,039
Repair and maintenance	1,702,483	1,658,370	3,623,906	3,398,501
Fees for use of frequency range	1,508,649	1,389,868	3,026,691	2,738,787
Electricity	811,159	890,796	1,662,495	1,861,245
Mobile tax	452,541	461,576	941,607	923,150
Rental of base stations	220,851	291,163	596,803	562,243
Security and safety	73,878	95,113	184,606	196,558
Materials	68,484	39,155	130,052	97,507
Other	860,872	713,722	1,665,933	1,382,895
	26,682,441	26,759,254	55,186,334	52,783,416

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. PENALTY EXPENSES

On 12 April 2019, the Group 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 the Group’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. The Group received from Kar-Tel LLP an invoice for payment of a termination fine in the amount of 14,551,865 thousand tenge. The Group repaid the termination fine in full in June 2019.

21. INCOME TAX EXPENSES

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Current income tax expense	1,519,947	249,263	3,357,901	249,260
Adjustments in respect of current income tax of previous year	163,740	–	652,120	–
Deferred income tax (expense)/benefit	(22,233)	476,674	(10,984)	(1,193,335)
	1,661,454	725,937	3,999,037	(944,075)

22. RELATED PARTY DISCLOSURES

Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Group’s primary transactions with related parties are consulting services, technical assistance and operational support, transmission rent, roaming and interconnect.

For the three and six-month period ended 30 June 2020, the Group recognised reversal and accrual of allowance for expected credit losses in the amount of 49,271 thousand tenge and 58,161 thousand tenge, respectively (accrual for the three and six-month period ended 30 June 2019: 157,992 and 4,742 thousand tenge, respectively).

As at 30 June 2020, the Group recognized an allowance for expected credit losses in the amount of 156,463 thousand tenge in respect of receivables from related parties (31 December 2019: 98,302 thousand tenge).

Kazakhtelecom JSC is controlled by the Government of the Republic of Kazakhstan through Sovereign Wealth Fund “Samruk-Kazyna” JSC (“Samruk-Kazyna”) which owns 51% of Kazakhtelecom’s controlling shares (*Note 1*). Governmental entities include entities under common control and associates of the Government of the Republic of Kazakhstan.

Related party transactions were made on terms agreed between parties that may not necessarily be at market rate. Sales and purchases with related parties during three and six months ended 30 June 2020 and 2019, and the balances with related parties as at 30 June 2020 and 31 December 2019, were as follows:

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Sales of goods and services				
Entities of Samruk Kazyna group	62,019	55,203	105,865	106,384
Entities of Kazakhtelecom group	2,858,662	2,443,081	5,759,176	5,135,832
Government entities	70,924	64,205	140,077	75,944
	2,991,605	2,562,489	6,005,118	5,318,160
Purchases of goods and services				
Entities of Samruk Kazyna group	113,064	154,971	215,410	334,266
Entities of Kazakhtelecom group	4,872,756	4,624,587	9,407,481	9,229,790
Government entities	13,469	11,642	14,691	16,504
	4,999,289	4,791,200	9,637,582	9,580,560

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. RELATED PARTY DISCLOSURES (continued)

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019
Trade and other receivables (Note 9)		
Entities of Samruk Kazyna group	69,920	65,448
Entities of Kazakhtelecom group	705,911	816,404
Government entities	38,603	5,365
	814,434	887,217
Advances paid		
Entities of Kazakhtelecom group	2,938,713	-
	2,938,713	-
Accounts payable (Note 16)		
Entities of Samruk Kazyna group	23,533	155,618
Entities of Kazakhtelecom group	650,467	975,617
Government entities	4,354	440
	678,354	1,131,675

Compensation to key management personnel

For the three and six-month period ended 30 June 2020, the total compensation to key management personnel included in the accompanying consolidated statement of comprehensive income under general and administrative expenses was 31,928 thousand and 184,661 thousand tenge, respectively (for the three and six-month period ended 30 June 2019: 19,508 thousand and 63,699 thousand tenge, respectively). Compensation to key management personnel consists of wages fixed in the employment agreement, as well as remuneration based on the performance for the year.

23. FINANCIAL INSTRUMENTS

Fair values

The fair value of non-current financial assets is estimated using discounted cash flow based on deposit rates currently available to the Group with similar terms and average maturities. The fair value of non-current financial liabilities is estimated using discounted cash flow based on credit rates currently available to the Group with similar terms and average maturities.

The tables below present fair value hierarchy of assets and liabilities of the Group. Disclosure of quantitative information of fair value hierarchy of financial instruments as at 30 June 2020 and 31 December 2019 was as follow:

<i>In thousands of tenge</i>	Date of valuation	Price quotation on active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value					
Financial assets at fair value through other comprehensive income	30 June 2020	5,268,598	-	-	5,268,598
Assets for which fair values are disclosed					
Financial assets at amortised cost	30 June 2020	17,269,254	-	-	17,269,254
Short-term trade receivables	30 June 2020	-	-	12,902,916	12,902,916
Long-term trade receivables	30 June 2020	-	-	1,712,087	1,712,087
Other current financial assets	30 June 2020	-	-	573,874	573,874
Liabilities for which fair values are disclosed					
Borrowings	30 June 2020	-	-	76,866,708	76,866,708
Trade payables	30 June 2020	-	-	7,927,273	7,927,273
Other current financial liabilities	30 June 2020	-	-	3,038,459	3,038,459

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. FINANCIAL INSTRUMENTS (continued)

Fair values (continued)

<i>In thousands of tenge</i>	Date of valuation	Price quotation on active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
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					
Short-term trade receivables	31 December 2019	-	-	15,646,942	15,646,942
Long-term trade receivables	31 December 2019	-	-	1,146,506	1,146,506
Other current financial assets	31 December 2019	-	-	1,371,295	1,371,295
Liabilities for which fair values are disclosed					
Borrowings	31 December 2019	-	-	61,777,730	61,777,730
Trade payables	31 December 2019	-	-	21,174,548	21,174,548
Other current financial liabilities	31 December 2019	-	-	3,171,814	3,171,814

As at 30 June 2020 and 31 December 2019, the carrying amounts of the Group's financial assets and liabilities presented as follow:

<i>In thousands of tenge</i>	Carrying amount 30 June 2020	Fair value 30 June 2020	Unrecognised gain/(loss)	Carrying amount 31 December 2019	Fair value 31 December 2019	Unrecognised gain/(loss)
Financial assets						
Cash and cash equivalents	10,191,015	10,191,015	-	8,825,048	8,825,048	-
Financial assets at fair value through other comprehensive income	5,268,598	5,268,598	-	4,964,633	4,964,633	-
Financial assets at amortized cost	17,269,254	17,245,571	(23,683)	-	-	-
Short-term trade receivables	12,902,916	12,902,916	-	15,646,942	15,646,942	-
Long-term trade receivables	1,674,794	1,712,087	37,293	1,118,077	1,146,506	28,429
Other current financial assets	573,874	573,874	-	1,371,295	1,371,295	-
Financial liabilities						
Borrowings	76,743,298	76,866,708	123,410	61,931,972	61,777,730	(154,242)
Trade payables	7,927,273	7,927,273	-	21,174,548	21,174,548	-
Other current financial liabilities	3,038,459	3,038,459	-	3,171,814	3,171,814	-
Total unrecognised change in unrealised fair value			137,020			(125,813)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. COMMITMENTS AND CONTINGENT LIABILITIES

Operating environment

Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy will largely depend on these reforms, as well as on the effectiveness of the Government's actions in the area of economy, financial and monetary policy.

Coronavirus pandemic and market conditions

Starting from March 2020, there has been significant volatility in the stock, currency and commodity markets, including a drop in oil prices and a devaluation of tenge against the US dollar and the euro. Moreover, in connection with the recent rapid development of the coronavirus pandemic (COVID-19), on 16 March 2020 Kazakhstan introduced state emergency measures during the period through 16 April 2020, and subsequently extended until 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 with possibility of prolongation.

The coronavirus pandemic has developed into a global economic crisis. Higher demand for certain telecommunications services means the impact of the crisis is likely to be felt less severely by the telecommunications industry than by other industries. Nevertheless, there is currently a great deal of uncertainty regarding the extent to which business activities and thus the results of operations and financial position of the Group could be affected overall.

The Group is experiencing a direct impact on roaming revenues from lower international travel and expects economic pressures to impact the Group's customer revenues over time. However, the Group is also seeing significant increases in data volumes. Despite trade restrictions till 15 May 2020 revenue from sales of handsets and equipment was not highly affected.

Further possible future effects on the measurement of individual assets and liabilities are currently being 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 30 June 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 differ materially from the estimates. The Group will continue to monitor the situation closely.

Capital commitments

The Group generally enters into contracts for the completion of construction projects and purchase of equipment. As at 30 June 2020, the Group had contractual commitments totaling 7,143,571 thousand tenge, excluding VAT (unaudited) (as at 31 December 2019: 5,213,491 thousand tenge, excluding VAT).

Taxation

Tax legislation and regulatory framework of the Republic of Kazakhstan are subject to constant changes and allow for different interpretations. 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 80% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of the Republic of Kazakhstan multiplied by 1.25. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review.

Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 30 June 2020. Management believes that as at 30 June 2020 its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these interim condensed consolidated financial statements.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)**

24. COMMITMENTS AND CONTINGENT LIABILITIES (continued)**Taxation (continued)***Tax audit for 2012 – 3rd quarter 2015*

In July 2017, the Kazakhstan tax authority completed its comprehensive tax audit for the period of 2012 – 3rd quarter 2015. Based on the results of the tax audit, the tax authority made an accrual of additional taxes and fines and penalties in the total amount of 9,008,002 thousand tenge, of which 5,789,678 thousand tenge is for unpaid taxes and 3,218,324 thousand tenge represents fines and penalties. The Group did not agree with some results of tax audit and filed an appeal.

In January 2018, Kcell disputed the results of the tax authority in the First Instance Court and the Group's appeal was dismissed. In June 2018, the Court of Appeal reviewed the appeal claim and left the unfavorable ruling of the First Instance Court in force. Although the decision was binding, the Group reserved the right to further appeal it in the Supreme Court. On 5 November 2018, the Group filed a petition to the cassation instance of the Supreme Court of the Republic of Kazakhstan. On 5 December 2018, the petition was dismissed by the Supreme Court of the Republic of Kazakhstan.

In February 2019, the Group appealed to the Supreme Court of the Republic of Kazakhstan. Based on resolution of the Supreme Court of the Republic of Kazakhstan dated 23 July 2019, the appeal of the Group was partially satisfied. Precisely, First Instance Court's act in the part of concerning following cases was cancelled:

- Additional charge on withholding tax for services provided by non-resident legal entities in the amount of 2,196,555 thousand tenge;
- Additional VAT on software technical support services provided by non-resident legal entities in the amount of 779,916 thousand tenge;
- Related fines and penalties in the amount of 2,092,355 thousand tenge.

For the three and six-month ended 30 June 2019, the Group recognised income from reversal of tax and related penalties provision in the amount of 5,068,826 thousand tenge.

For the three and six-month ended 30 June 2020, the Group recognized income from reversal of the tax and related fines and penalties provision in the total amount of 21,600 thousand tenge and 501,907 thousand tenge, respectively, in the consolidated statement of comprehensive income. Income from reversal of the tax and related fines and penalties provision for the six month period ended 30 June 2020 included income in the amount of 34,298 thousand tenge due to expiration of the limitation period and income from reversal of provision on VAT and personal income tax in the amount of 256,782 thousand tenge and 210,827 thousand tenge, respectively, as it is described below. Income from reversal of the tax and related fines and penalties provision for the three month period ended 30 June 2020 included income in the amount of 21,600 thousand tenge due to expiration of the limitation period and income from reversal of provision on VAT and personal income tax in the amount of 256,782 thousand tenge and 210,827 thousand tenge.

As at 30 June 2020, the Group had remaining liability for fine and penalty in the amount of 153,495 thousand tenge (as at 31 December 2019: 187,793 thousand tenge).

Tax risks assessment

In the beginning of 2020, the Group performed recalculation of the tax risk provisions recognized by the Group in previous years. Accordingly, for the six months ended 30 June 2020, the Group recognised reversal of provision on VAT and personal income tax in the amount of 256,782 thousand tenge and 210,827 thousand tenge, respectively. In addition, for the six months ended 30 June 2020 the Group recognized reserve on CIT expenses in the amount of 488,380 thousand tenge in the consolidated statement of comprehensive income.

New technical regulations

Order No. 91 of the Committee of the National Security dated 20 December 2016 on approval of the Technical Regulations *General Requirements to the Telecommunication Equipment in Ensuring Conducting of Operative Search Measures, Collection and Storage of Subscribers' Information* was published on 7 February 2017 and came into force on 8 February 2018. According to the new regulations, there are additional requirements to the telecommunication equipment that include expansion of technical capabilities of equipment to conduct operative search activities, collection and storage of subscribers' information (hereinafter – "ORA"). Currently, the Group is in the process of modernization of the telecommunication equipment of the Kcell's network in order to comply with the requirements of the Technical Regulations.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Cases related to the abuse of dominant position

Tariffication of Kcell's mobile internet services

On 19 October 2018, the Committee on Regulation of Natural Monopolies, Protection of Competition and Consumer Rights of the Ministry of National Economy of the Republic of Kazakhstan ("Committee") initiated administrative proceedings against the Group for an alleged administrative violation related to the abuse of its dominant position in 2017. The potential fine, which can be imposed by the court, constitutes approximately 2,000,000 thousand tenge.

According to the Committee, the violation resulted in the establishment of different prices for Kcell's mobile Internet access service, when the data allowance was exceeded or the monthly subscription fee was not paid in a timely manner. In addition, the Committee issued an order for the Group to return to Kcell brand subscribers all fees charged in 2017 when the monthly data allowance was exceeded and when the monthly subscription fee for mobile Internet access services had not been paid.

The Group did not agree with the order issued by the Committee. On 3 July 2019, the Group appealed to the Court. The management of the Group believed that the appeal would be successful and assessed the probability of outflow of cash as possible.

On 25 October 2019, Specialised Inter-district Economic Court of Almaty issued the resolution to cancel administrative proceedings due to the lack of an offense. However, the Committee has the right to appeal within 180 days after announcement of the resolution. On 14 April 2020, the Committee appealed the decision of Specialised Inter-district Economic Court of Almaty. 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 2019, the Company received a notification from the Committee on Regulation and Protection of Competition of the Ministry of National Economy of the Republic of Kazakhstan ("Committee") prescribing that the Group should bring its existing and legacy mobile phone plans in line with Rules for provision of mobile services ("Rules"), namely to set a calendar month as default billing cycle, as follows from the definition of the term "accounting period". According to the Committee, by establishing a one-day, a weekly, a 28-day or a 30-day billing cycle on mobile phone plans the Group breaches article 174.1 of the Business Code of the Republic of Kazakhstan. The Committee also sees the reduction of billing cycle as possible abuse of the dominant position through violation of the rights of consumers.

The management of the Group believes that the Committee's claims against the Group are not supported. As of 30 June 2020, the Group did not receive an act of the Committee on the investigation initiation and assessed the probability of the investigation and any outflow of economic resources related to the above matter as remote.

25. SEASONALITY OF OPERATIONS

The Group's services are impacted by seasonal trends throughout the year. Revenue and operating profits in the second half of year are usually expected to be higher than in the first six months. Higher revenue during the period from July to September is mainly attributable to increased demand for telecom services during the peak holiday season. Higher revenue also occurs in the months of December, due to increased demand for telecom services and equipment from subscribers.

This information is provided to allow for a better understanding of the Group's results; however, management has concluded that these impacts on the results are not "highly seasonal" as considered by IAS 34.

26. SUBSEQUENT EVENTS

On 5 July 2020 the President of Kazakhstan extended the quarantine period until 2 August 2020 with possible prolongation for undefined period. The Group is analysing the possible impact of extension of emergency situation on the financial statements and considering alternatives to minimise negative impact on the operations of the Group.

On 14 July 2020 the Group signed an additional agreement with Halyk Bank JSC to decrease interest rates of loan from 11.5% to 11.2% per annum under credit line agreement dated 23 April 2020.

In July 2020, the Group acquired additional short-term NBRK discount notes denominated in tenge at purchase price 2,859,552 thousand tenge with maturity January 2021.