



Kcell JSC

Interim condensed consolidated
financial statements (unaudited)

31 March 2021

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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 31 March 2021, the related interim condensed consolidated statement of comprehensive income for the three-month periods then ended, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three-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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

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

State Audit License for audit activities on
the territory of the Republic of Kazakhstan:
series МФЮ-2 No. 0000003 issued by the
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Kazakhstan dated 15 July 2005

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23 April 2021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

<i>In millions of tenge</i>	Notes	31 March 2021 (unaudited)	31 December 2020 (audited)
Assets			
Non-current assets			
Property and equipment	6	76,579	78,109
Intangible assets	7	37,167	39,730
Advances paid for non-current assets		329	293
Right-of-use assets	13	19,664	20,804
Long-term trade receivables	8	1,480	2,421
Cost to obtain contracts		198	185
Deferred tax assets		1,808	1,937
Total non-current assets		137,225	143,479
Current assets			
Inventories		9,787	9,362
Trade receivables	8	20,762	17,823
Other current non-financial assets	9	3,958	3,063
Other current financial assets		580	245
Prepaid income tax		755	813
Financial assets at amortised cost	10	5,970	18,923
Cash and cash equivalents	11	19,536	23,023
Total current assets		61,348	73,252
Total assets		198,573	216,731
Equity and liabilities			
Share capital	5	33,800	33,800
Retained earnings		55,433	48,283
Total equity		89,233	82,083
Non-current liabilities			
Borrowings: non-current portion	12	58,222	49,933
Long-term lease liabilities	13	18,305	19,447
Asset retirement obligation		3,779	4,007
Financial guarantee obligation	15	505	563
Total non-current liabilities		80,811	73,950
Current liabilities			
Borrowings: current portion	12	794	23,354
Trade payables	14	13,235	22,353
Contracts liabilities	17	1,903	1,978
Provisions	16	4,502	4,502
Due to employees		3,138	3,691
Short-term lease liabilities	13	4,330	4,219
Property tax payable		627	601
Total current liabilities		28,529	60,698
Total liabilities		109,340	134,648
Total equity and liabilities		198,573	216,731

Chairman of the Management Board & Chief Executive Officer



Igor Kharlamov

The accounting policies and notes on pages 6 to 19 are an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2021

<i>In millions of tenge</i>	Notes	For the three months ended 31 March	
		2021 (unaudited)	2020 (unaudited)
Revenue from contract with customers	17	44,016	40,062
Cost of sales	18	(29,456)	(28,453)
Gross profit		14,560	11,609
General and administrative expenses		(2,834)	(2,189)
Impairment of financial assets	8	(51)	(498)
Selling expenses		(291)	(772)
Impairment of property and equipment	6	-	(376)
Reversal of tax and related fines and penalties provision	22	-	480
Other operating income		390	-
Other operating expenses		(4)	-
Operating profit		11,770	8,254
Finance costs		(2,692)	(2,616)
Finance income		469	242
Foreign exchange gain, net		56	1,579
Other income		79	248
Other expenses		-	(29)
Profit before tax		9,682	7,678
Income tax expenses	19	(2,532)	(2,335)
Profit for the period		7,150	5,343
Other comprehensive income		-	-
Total comprehensive income for the period, net of tax		7,150	5,343
Earnings per share			
Basic and diluted, tenge	5	35.75	26.72

Chairman of the Management Board & Chief Executive Officer



Yurp Kharlamov

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2021

<i>In millions of tenge</i>	Share capital	Retained earnings	Total equity
Balance at 1 January 2020 (audited)	33,800	37,510	71,310
Net profit for the period (unaudited)	-	5,343	5,343
Other comprehensive income (unaudited)	-	-	-
Total comprehensive income (unaudited)	-	5,343	5,343
At 31 March 2020 (unaudited)	33,800	42,853	76,653
Balance at 1 January 2021 (audited)	33,800	48,283	82,083
Net profit for the period (unaudited)	-	7,150	7,150
Other comprehensive income (unaudited)	-	-	-
Total comprehensive income (unaudited)	-	7,150	7,150
At 31 March 2021 (unaudited)	33,800	55,433	89,233

Chairman of the Management Board & Chief Executive Officer



Dmitriy Khurlov

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**For the three months ended 31 March 2021**

<i>In millions of tenge</i>	Notes	For the three months ended 31 March	
		2021 (unaudited)	2020 (unaudited)
Cash flows from operating activities			
Profit before tax		9,682	7,678
Adjustments for:			
Impairment of financial assets	8	51	498
Finance costs		2,692	2,616
Depreciation of property and equipment and right-of-use assets	6, 13	4,969	5,011
Amortization of intangible assets	7	2,628	2,638
Finance income		(469)	(242)
Impairment of property and equipment		-	376
Write-off of inventory to net realisable value		55	99
Reversal of tax and related fines and penalties provision	22	-	(480)
Income from accounts payable write-off		(135)	-
Lease cancellation		(8)	-
Foreign exchange gain, net		(56)	(1,579)
Operating cash outflows before working capital changes		19,409	16,615
Change in inventories		(480)	68
Change in trade receivables		(2,139)	(1,387)
Change in other current non-financial assets		(894)	3,765
Change in other current financial assets		(280)	759
Change in cost to obtain contracts		(12)	12
Change in trade payables		268	(3,999)
Change in due to employees		(608)	(802)
Change in contract liabilities		(75)	866
Change in property taxes payable		24	40
Cash flows generated from operations		15,213	15,937
Income tax paid		(2,345)	(1,577)
Interest received		628	119
Interest paid		(3,120)	(3,195)
Net cash inflows from operating activities		10,376	11,284
Cash flows from investing activities			
Purchase of property and equipment		(7,475)	(5,521)
Purchase of intangible assets		(4,387)	(2,552)
Proceeds from disposal of property and equipment		32	-
Proceeds from redemption of financial assets at amortised cost	10	21,592	-
Purchase of financial assets at amortised cost	10	(8,939)	-
Net cash flows received from / (used in) investing activities		823	(8,073)

The accounting policies and notes on pages 6 to 19 are an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

<i>In millions of tenge</i>	Notes	For the three months ended 31 March	
		2021 (unaudited)	2020 (unaudited)
Proceeds from loans	12	20,000	4,500
Repayment of bonds issued	12	(21,754)	-
Repayment of loans	12	(12,000)	(5,000)
Repayment of principal portion of lease liabilities		(1,029)	(905)
Net cash flows used in financing activities		(14,783)	(1,405)
Net (decrease)/increase in cash and cash equivalents		(3,584)	1,806
Effect of exchange rate changes on cash and cash equivalents held in foreign currency		97	569
Cash and cash equivalents at the beginning of the period		23,023	8,825
Cash and cash equivalents at the end of the period		19,536	11,200

Chairman of the Management Board & Chief Executive Officer



Yuli Kharlamov

The accounting policies and notes on pages 6 to 19 are an integral part of these interim condensed consolidated financial statements (unaudited).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**For the three months period ended 31 March 2021****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 million tenge for LTE radio frequencies. On 1 March 2016, the Group launched LTE in its network on the previously granted frequencies.

As at 31 March 2021 and 31 December 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 31 March 2021 and 31 December 2020, the shareholders of the Company are presented as follow:

	31 March 2021 (unaudited)	31 December 2020
Kazakhtelecom JSC	75.00%	75.00%
Raiffeisenbank JSC	11.56%	11.60%
Other	13.44%	13.40%
	100.00%	100.00%

As at 31 March 2021 and 31 December 2020, the Company has the following principal subsidiaries:

	31 March 2021 (unaudited)	31 December 2020
KazNet Media LLP	100%	100%
KT-Telecom LLP	100%	100%

The accompanying interim condensed 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 23 April 2021.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the three months ended 31 March 2021 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 2020 and for the year then ended. The interim condensed consolidated financial statements are presented in Kazakhstan tenge, and all amounts are rounded to nearest millions, 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:

	31 March 2021	31 December 2020
US dollar	424.34	420.71
Euro	498.13	516.13
Russian ruble	5.59	5.65

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 2020, except for the adoption of new standards effective as at 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as it does not have any interest rate hedge relationships. The Group intends to use the practical expedients in future periods if they become applicable.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. 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.

5. SHARE CAPITAL AND EARNINGS PER SHARE

Share capital of the Group is as follows:

	31 March 2021		31 December 2020	
	Share	Number of shares	Share	Number of shares
Kazakhtelecom JSC	75.00%	150,000,000	75.00%	150,000,000
Raiffeisenbank JSC	11.56%	23,128,442	11.60%	23,209,124
Other	13.44%	26,871,558	13.40%	26,790,876
	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.

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

<i>In millions of tenge</i>	Three months ended	
	31 March 2021	31 March 2020
Profit for the period attributable to equity shareholders	7,150	5,343
Weighted average number of ordinary shares	200,000,000	200,000,000
Earnings per share (tenge), basic and diluted	35.75	26.72

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 31 March 2021 and 31 December 2020 is presented below.

<i>In millions of tenge</i>	31 March 2021	31 December 2020
Net assets, excluding intangible assets	52,066	42,353
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" (tenge)	260.33	211.77

During the three months ended 31 March 2021 and 2020, the Group did not declare dividends payable.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. PROPERTY AND EQUIPMENT

During the three months period ended 31 March 2021, additions to property and equipment totaled to 2,721 million tenge (during three months period ended 31 March 2020: 2,056 million tenge).

During the three months period ended 31 March 2021, transfer from construction-in-progress to property and equipment amounted to 2,270 million tenge (during three months period ended 31 March 2020: 2,131 million tenge).

During the three months period ended 31 March 2021, the Group recognised depreciation expense in the amount of 3,822 million tenge (during three months ended 31 March 2020: 3,887 million tenge).

During the three months period ended 31 March 2021, the Group recognised decrease in changes in estimates in assets retirement obligation in the amount of 400 million tenge (during three months period ended 31 March 2020: 148 million tenge).

During the three months period ended 31 March 2021, the Group sold property with gross book value in the amount of 143 million tenge and net book value in the amount of 29 million tenge (during three months period ended 31 March 2020: nil tenge).

As at 31 March 2021, the gross carrying value of property and equipment which has been fully depreciated and still in use, was 166,583 million tenge were (as at 31 December 2020: 164,522 million tenge).

During the three months period ended 31 March 2021, the Group did not recognize impairment loss on property and equipment (during three months period ended 31 March 2020: 376 million tenge).

7. INTANGIBLE ASSETS

During the three months ended 31 March 2021, the Group acquired intangible assets in the amount of 65 million tenge (during three months ended 31 March 2020: 548 million tenge).

During the three months ended 31 March 2021, the Group recognized amortization expense in the amount of 2,628 million tenge (during three months ended 31 March 2020: 2,638 million tenge).

As at 31 March 2021, the carrying amount of 3G license was 1,583 million tenge (31 December 2020: 1,667 million tenge) and its remaining amortization period was 5 years. As at 31 March 2021, the carrying amount of the 4G license was 17,044 million tenge (31 December 2020: 17,478 million tenge) and its remaining amortization period was 10 years.

As at 31 March 2021, the gross carrying value of intangible assets, which have been fully amortized and still in use, was 43,943 million tenge (31 December 2020: 36,451 million tenge).

8. TRADE RECEIVABLES

As at 31 March 2021 and 31 December 2020, trade receivables comprised of the following:

<i>In millions of tenge</i>	31 March 2021 (unaudited)	31 December 2020
Trade receivable from subscribers	24,008	27,412
Trade receivable from interconnect services	1,316	986
Trade receivables from roaming operators	93	170
Trade receivables from dealers and distributors	232	452
Trade receivables from related parties (<i>Note 20</i>)	1,721	1,188
Less: allowance for expected credit losses	(5,128)	(9,964)
	22,242	20,244
Less: long-term portion of trade receivable from subscribers	(1,480)	(2,421)
	20,762	17,823

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. TRADE RECEIVABLES (continued)

During the three months ended 31 March movements in the allowance for expected credit losses were as follows:

<i>In millions of tenge</i>	31 March 2021 (unaudited)	31 March 2020 (unaudited)
Allowance for expected credit losses at the beginning of the period	(9,964)	(8,605)
Charge for the period	(51)	(498)
Write-off for the period	777	-
Sales of trade receivables	4,110	-
Allowance for expected credit losses at the end of the period	(5,128)	(9,103)

On 18 and 19 February 2021 the Group sold overdue receivables with gross value in the amount of 4,548 million tenge and net book value in the amount of 438 million tenge for 438 million tenge.

9. OTHER CURRENT NON-FINANCIAL ASSETS

As at 31 March 2021 and 31 December 2020, other current non-financial assets comprised of the following:

<i>In millions of tenge</i>	31 March 2021 (unaudited)	31 December 2020
Advances paid	1,726	1,548
VAT recoverable	1,003	397
Prepaid expenses	290	408
Prepaid taxes other than income taxes	939	710
	3,958	3,063

10. FINANCIAL ASSETS AT AMORTISED COST

As at 31 March 2021 financial assets at amortised cost in the amount of 5,970 million tenge (31 December 2020: 18,923 million tenge) were represented by short-term discount notes of National Bank of the Republic of Kazakhstan ("NBRK") denominated in tenge. In 2021 the Group acquired additional NBRK notes at purchase price of 8,939 million tenge. As of 31 March 2021, short-term NBRK discount notes were redeemed for a total amount of 21,592 million tenge of nominal value and interest income of 408 million tenge (for the three months ended 31 March 2020: nil). For the three month period ended 31 March 2021 the Group recognised interest income in the amount of 108 million tenge.

Subsequently, on 14 April 2021, the NBRK notes with nominal value in the amount of 3,000 million tenge was fully redeemed.

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 March 2021 financial assets at amortised cost comprised of the following:

<i>In millions of tenge</i>	Maturity date	Yield to maturity	Nominal value	31 March 2021 (unaudited)	31 December 2020
NBRK notes	13 January 2021	8.92%	10,000	-	9,969
NBRK notes	15 January 2021	9.41%	4,000	-	3,984
NBRK notes	22 January 2021	9.85%	3,000	-	2,982
NBRK notes	22 January 2021	9.85%	2,000	-	1,988
NBRK notes	14 April 2021	8.89%	3,000	2,990	-
NBRK notes	28 April 2021	8.88%	3,000	2,980	-
				5,970	18,923

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. CASH AND CASH EQUIVALENTS

As at 31 March 2021 and 31 December 2020, cash and cash equivalents comprised of the following:

<i>In millions of tenge</i>	31 March 2021 (unaudited)	31 December 2020
Cash on current bank accounts	5,768	14,202
Bank deposits with original maturity of less than 90 days	13,765	8,782
Cash on hand	3	39
	19,536	23,023

As of 31 March 2021, short-term bank deposits represent overnight deposit in the amount of 5,351 million tenge denominated in tenge placed in Altyn Bank JSC at interest rate 8.5% and three-month term deposit placed in the amount of 8,414 million tenge denominated in US dollars placed in Halyk Bank of Kazakhstan JSC at interest rate 0.2%.

As at 31 March 2021 and 31 December 2020, cash and cash equivalents were denominated in various currencies as follows:

<i>In millions of tenge</i>	31 March 2021 (unaudited)	31 December 2020
US dollars	13,542	12,982
Tenge	5,465	9,398
Euro	523	642
Russian rubles	5	-
Other	1	1
	19,536	23,023

12. BORROWINGS

As at 31 March 2021 and 31 December 2020, borrowings comprised of the following:

<i>In millions of tenge</i>	Currency	Effective interest rate	Maturity date	31 March 2021 (unaudited)	31 December 2020
Halyk Bank of Kazakhstan JSC	Tenge	11.88%	22 February 2024	22,292	15,223
Alfa Bank JSC	Tenge	11.29%	5 January 2024	12,300	-
Bank of China Kazakhstan JSC	Tenge	11.71%	20 August 2022	11,061	11,059
VTB Bank JSC	Tenge	11.37%	15 October 2023	7,005	6,005
Eurasian Development Bank JSC	Tenge	12.59%	20 June 2024	6,358	18,129
Bonds	Tenge	11.84%	16 January 2021	-	22,871
				59,016	73,287
Less: non-current portion				(58,222)	(49,933)
				794	23,354

The Group's borrowings are denominated in Kazakhstani tenge and represented by 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 31 March 2021, there have been no breaches of the covenants.

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

On 23 April 2020, the Group obtained loan in the amount of 15,000 million 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. On 14 July 2020 interest rate of loan was decreased from 11.5% to 11.2% per annum under credit line agreement. The change in the interest rate from 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. Consequently, in 2020 the Group recognized finance income in the amount of 115 million tenge as a result of change in the interest rate. On 24 February 2021 the Group obtained two loans in the amount of 2,100 million tenge and 4,900 million tenge from Halyk Bank JSC within the same credit line agreement.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. BORROWINGS (continued)

On 6 January 2021 the Group obtained a loan in the amount of 12,000 million tenge from Alfa Bank JSC with maturity till 5 January 2024 at interest rate 10.7% per annum.

During 2019 and 2020, the Group obtained loan in the amount of 11,000 million 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 14 October 2020 the Group has signed addendum to loan agreement with Bank of China to decrease interest rate from 10.5% to 10.3% per annum under credit line agreement. The change in the interest rate does not represent a substantial modification as in accordance with IFRS 9 and thus, it did not lead to the derecognition of the original liability. Consequently, in 2020 the Group recognized finance income in the amount of 33 million tenge as a result of change in the interest rate. The loan is secured by the financial guarantee provided by Kazakhtelecom JSC, the parent company. The Group considers the financial guarantee provided by the parent to be an integral part of the loan, and therefore does not recognize the guarantee received separately in its interim condensed consolidated financial statements.

On 15 October 2020 the Group signed credit line agreement with VTB Bank JSC for the amount of 6,000 million tenge at fixed interest rate of 10.7% per annum. On 28 October 2020 the Group obtained loan in the amount of 6,000 million tenge within the credit line agreement with VTB Bank JSC with maturity till October 2023 at interest rate 10.7% per annum. On 31 March 2021 the Group signed an additional agreement with VTB Bank JSC to increase the amount of the credit line from 6,000 million tenge to 7,000 million tenge, and obtained 1,000 million tenge with a maturity until 15 October 2023 and an interest rate of 10.7% per annum.

On 8 January 2021 the Group partially repaid the principal of the loan obtained from Eurasian Development Bank JSC in the amount of 12,000 million tenge.

On 21 February 2019, the Group undertook a bond placement at the Kazakhstan Stock Exchange, in which bonds to the value of 17,025 million tenge were placed with investors at a yield of 11.5% per annum and on 16 January 2018 a bond placement with the value of 4,950 million tenge at a yield of 11.5% per annum. On 26 January 2021, in accordance with schedule, the Group fully repaid bonds in the amount of 23,005 million tenge, including the principal portion in the amount of 21,754 million tenge and accrued interest in the amount of 1,251 million tenge.

13. 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 millions of tenge</i>	Total
Cost	
At 1 January 2020	29,133
Modification	14
At 31 March 2020	29,147
At 1 January 2021	29,485
Additions	-
Modification	50
Cancellation	(62)
At 31 March 2021	29,473
Accumulated depreciation	
At 1 January 2020	(4,157)
Depreciation charge	(1,124)
At 31 March 2020	(5,281)
At 1 January 2021	(8,681)
Depreciation charge	(1,147)
Cancellation	19
At 31 March 2021	(9,809)
Net book value	
At 31 December 2020	20,804
At 31 March 2021	19,664

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

<i>In millions of tenge</i>	31 March 2021 (unaudited)	31 March 2020 (unaudited)
At the beginning of the period	23,666	27,053
Interest expenses	722	816
Payments	(1,752)	(1,721)
Modifications	50	14
Cancellation	(51)	-
At the end of the period	22,635	26,162
Long-term lease liabilities	18,305	22,628
Short-term lease liabilities	4,330	3,534

The following amounts are recognised in profit or loss:

<i>In millions of tenge</i>	For three months ended 31 March	
	2021 (unaudited)	2020 (unaudited)
Depreciation expense of right-of-use assets	1,147	1,124
Interest expense on lease liabilities	722	816
	1,869	1,940

14. TRADE PAYABLES

As at 31 March 2021 and 31 December 2020, trade payables comprised of the following:

<i>In millions of tenge</i>	31 March 2021 (unaudited)	31 December 2020
Trade payables to third parties	11,492	21,259
Trade payables to related parties (<i>Note 20</i>)	1,743	1,094
	13,235	22,353

As at 31 March 2021 and 31 December 2020, the Group's trade payables were denominated in the following currencies:

<i>In millions of tenge</i>	31 March 2021 (unaudited)	31 December 2020
Tenge	13,093	21,043
US dollars	932	1,304
Other currency	18	6
	14,043	22,353

15. FINANCIAL GUARANTEE OBLIGATION

On 27 November 2020 the Group issued the financial guarantee on loan agreement of Kazakhtelecom JSC obtained from Development Bank of Kazakhstan JSC in the amount of 18,266 million tenge. The financial guarantee has maturity till 19 December 2024. The Group initially recognised the financial guarantee at fair value in the amount of 592 million tenge through retained earnings in equity. As at 31 March 2021 and 31 December 2020, the Group measured financial guarantee obligation 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*. As of 31 March 2021, financial guarantee obligation equaled to 505 million tenge, which represents the initial amount less the cumulative amount of income recognised in accordance with IFRS 15 (31 December 2020: 563 million tenge).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. PROVISIONS

In 2020 the Group accrued certain amount of payable amount related to legal claims on contractual obligation and fines and penalties that Management considers as probable in the amount of 3,685 million tenge and 701 million tenge, respectively.

<i>In millions of tenge</i>	31 March 2021 (unaudited)	31 December 2020
Legal claims on contractual obligation	3,685	3,685
Provision of fines and penalties (Note 22)	701	701
Other liabilities	116	116
	4,502	4,502

17. REVENUE FROM CONTRACTS WITH CUSTOMERS

<i>In millions of tenge</i>	For the three months ended 31 March	
	2021 (unaudited)	2020 (unaudited)
Voice and other services	17,987	19,279
Data service	15,747	13,787
Sale of handsets and equipment	8,214	5,442
Value added services	2,068	1,554
	44,016	40,062
Over time	35,802	34,620
At a point of time	8,214	5,442
	44,016	40,062

As at 31 March 2021 and 31 December 2020, the contract liabilities in the amount of 1,903 million tenge and 1,978 million tenge, respectively, were represented by deferred revenue.

18. COST OF SALES

<i>In millions of tenge</i>	For the three months ended 31 March	
	2021 (unaudited)	2020 (unaudited)
Cost of SIM-card and handsets	6,900	4,777
Depreciation and amortization	6,479	6,842
Interconnect fees and expenses	4,401	5,758
Personnel costs	2,760	2,561
Transmission services	2,584	2,543
Repair and maintenance	1,799	1,921
Fees for use of frequency range	1,768	1,518
Electricity	845	851
Network sharing agreement	627	215
Mobile service tax	501	489
Security and safety	86	111
Materials	26	62
Other	680	805
	29,456	28,453

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. INCOME TAX EXPENSES

<i>In millions of tenge</i>	For the three months ended 31 March	
	2021 (unaudited)	2020 (unaudited)
Current income tax expense	2,403	1,837
Adjustments in respect of income tax of previous year (<i>Note 22</i>)	-	488
Deferred income tax expense	129	10
	2,532	2,335

20. 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.

As at 31 March 2021, the Group recognized an allowance for expected credit losses in the amount of 93 million tenge in respect of receivables from related parties (31 December 2020: 56 million 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 for three months ended 31 March 2021 and 2020, and the balances with related parties as at 31 March 2021 and 31 December 2020, were as follows:

<i>In millions of tenge</i>	For the three months ended 31 March	
	2021 (unaudited)	2020 (unaudited)
Sales of goods and services		
Entities of Samruk Kazyna group	48	44
Entities of Kazakhtelecom group	3,314	2,901
Government entities	43	69
	3,405	3,014
Purchases of goods and services		
Entities of Samruk Kazyna group	143	102
Entities of Kazakhtelecom group	5,289	4,535
Government entities	31	1
	5,463	4,638
	31 March	31 December
<i>In millions of tenge</i>	2021 (unaudited)	2020
Trade receivables (<i>Note 8</i>)		
Entities of Samruk Kazyna group	19	43
Entities of Kazakhtelecom group	1,677	1,100
Government entities	25	45
	1,721	1,188
Trade payable (<i>Note 14</i>)		
Entities of Samruk Kazyna group	115	62
Entities of Kazakhtelecom group	1,602	1,018
Government entities	26	14
	1,743	1,094

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. RELATED PARTY DISCLOSURES (continued)

Compensation to key management personnel

For the three month period ended 31 March 2021 and 2020, the total compensation to key management personnel included in the accompanying interim condensed consolidated statement of comprehensive income under general and administrative expenses was 596 million tenge and 556 million 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.

21. 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 31 March 2021 and 31 December 2020 was as follow:

<i>In millions of tenge</i>	Date of valuation	Price quotation on active market (Level 1)	Significant observable in-puts (Level 2)	Significant unobservable in-puts (Level 3)	Total
Assets for which fair values are disclosed					
Financial assets at amortised cost	31 March 2021	5,963	-	-	5,963
Short-term trade receivables	31 March 2021	-	-	20,762	20,762
Long-term trade receivables	31 March 2021	-	-	1,534	1,534
Other current financial assets	31 March 2021	-	-	580	580
Liabilities for which fair values are disclosed					
Borrowings	31 March 2021	-	-	57,356	57,356
Financial guarantee obligation	31 March 2021	-	-	505	505
Trade payables	31 March 2021	-	-	13,235	13,235

<i>In millions of tenge</i>	Date of valuation	Price quotation on active market (Level 1)	Significant observable in-puts (Level 2)	Significant unobservable in-puts (Level 3)	Total
Assets for which fair values are disclosed					
Financial assets at amortized cost	31 December 2020	18,624	-	-	18,624
Short-term trade receivables	31 December 2020	-	-	17,823	17,823
Long-term trade receivables	31 December 2020	-	-	2,504	2,504
Other current financial assets	31 December 2020	-	-	245	245
Liabilities for which fair values are disclosed					
Borrowings	31 December 2020	-	-	72,692	72,692
Financial guarantee obligation		-	-	563	563
Trade payables	31 December 2020	-	-	22,353	22,353

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. FINANCIAL INSTRUMENTS (continued)

Fair values (continued)

As at 31 March 2021 and 31 December 2020, the carrying amounts of the Group's financial assets and liabilities presented as follow:

<i>In millions of tenge</i>	Carrying amount 31 March 2021	Fair value 31 March 2021	Unrecog- nised gain/ (loss)	Carrying amount 31 December 2020	Fair value 31 December 2020	Unrecog- nised gain/ (loss)
Financial assets						
Cash and cash equivalents	19,536	19,536	-	23,023	23,023	-
Financial assets at amortized cost	5,970	5,963	(7)	18,923	18,624	(299)
Short-term trade receivables	20,762	20,762	-	17,823	17,823	-
Long-term trade receivables	1,480	1,534	54	2,421	2,504	83
Other current financial assets	580	580	-	245	245	-
Financial liabilities						
Borrowings	59,016	57,356	1,660	73,287	72,692	595
Financial guarantee obligation	505	505	-	563	563	-
Trade payables	13,235	13,235	-	22,353	22,353	-
Total unrecognised change in unrealised fair value			1,707			379

22. 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

The coronavirus pandemic left its mark on 2020 and continues to have impact in 2021, requiring businesses to limit or suspend operations and implement restrictions. Thus, on 20 March 2021 chief state sanitary doctor of Almaty city introduced new quarantine period from 21 March 2021 till 28 March 2021, which subsequently was extended till 5 April 2021. The measures taken to contain the virus have adversely affected operations activity and disrupted many businesses resulting in significant economic downturn in the markets. As the outbreak continues to progress and evolve, it is extremely challenging to predict the full extent and duration of its impact on the Group's businesses.

Whilst the Group's business model is more resilient than many others, it is not immune to the challenges. The Group is experiencing a direct impact on roaming revenues from lower international travel and also expect economic pressures to impact customer revenues over time. However, there is significant increases in data volumes and further improvements in loyalty, as customers place greater value on the quality, speed and reliability of the Group's networks.

The Group's investments in the network infrastructure have paid off throughout the pandemic: networks were running stably even under substantially higher loads. The Group fulfilled its responsibility as an employer by introducing comprehensive rules and protective and supportive measures to help employees work from home while continuing to safeguard service for customers in parallel. At sites and in stores, the Group rolled out strict hygiene and safety measures with the support of hygiene experts.

Based on information available as at 31 March 2021, the management of the Group believes that there were no impairment indicators of its long-term assets. While it is impossible to quantify the long-term impact of the coronavirus pandemic, the Group expects to see appreciable effects on the economy as a whole, while on the other, the pandemic has given a boost to the digitalization trend, which would contribute strengthen the role of the companies in telecommunications and IT sector, and will give impetus to the development of technologies and communication networks.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Capital commitments

The Group generally enters into contracts for the completion of construction projects and purchase of equipment. As at 31 March 2021, the Group had contractual commitments totaling 5,323 million tenge, excluding VAT (unaudited) (as at 31 December 2020: 4,375 million 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 31 March 2021. Management believes that as at 31 March 2021 its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these interim condensed consolidated financial statements.

Tax risks assessment

For the three month ended 31 March 2020, the Group recognised income from reversal of the tax and related fines and penalties provision in the amount of 12 million tenge recognized due to expiration of the limitation period for tax liabilities.

For the three month ended 31 March 2020, the Group recognised income from reversal of provision in the amount of 480 million tenge, which represents recalculation of the tax risk provisions for VAT and PIT recognized by the Group in previous years. As a result, for the three month ended 31 March 2020, the Group recognized income from reversal of provision on VAT and personal income tax in the amount of 257 million tenge and 211 million tenge, respectively. In addition, in the interim condensed consolidated statement of comprehensive income for the three month ended 31 March 2020 the Group recognised reserve on CIT expenses in the amount of 488 million tenge (*Note 19*).

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. The Group plans to complete modernization by the end of November 2021 and total amount of capital expenditures is expected to amount to 5,677 million tenge. As of 31 March 2021 capital expenditures incurred by the Group equaled to 3,490 million tenge.

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 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 701 million tenge.

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

23. 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.

24. SUBSEQUENT EVENTS

On 5 April 2021 the changes to the Rules for the assignment of frequency bands, radio frequencies (radio frequency channels), operation of radio-electronic means and high-frequency devices ("the Rules") were approved by Ministry of Digital Development, Innovation and Aerospace Industry of the Republic of Kazakhstan. In accordance with changes to the Rules, mobile operators are subject to 90% reduction in the rates of fees for use of radio frequency spectrum from 2020 till 2024, if funds released from the reduction of the rates for use of radio frequency spectrum is invested by the mobile operators in construction of the broadband internet access in rural areas.

On 9 April 2021, the Board of Directors of the Group hold an extraordinary general meeting of shareholders to approve the decision on delisting of global depository receipts (GDRs) of Kcell JSC on the LSE and AIX, as well as to approve the termination of the GDR program. The exclusion of the Group's GDRs from the official list and the termination of admission to trading on the LSE and AIX should take place on 7 July 2021.

On 13 April 2021, the Group signed an agreement on implementation of the billing platform Nexign Converged BSS with Nexine JSC (Nexign), a leading provider of business support systems (Business Support System) and Internet of Things solutions for telecom operators (part of IKS Holding). The purpose of the agreement is implementation of a converged digital billing platform – transition to a unified billing system servicing subscribers.

On 14 April 2021, the NBRK notes with nominal value in the amount of 3,000 million tenge was fully redeemed (*Note 10*).

On 14 April 2021, the Group additionally acquired notes of the National Bank of Republic of Kazakhstan in the amount of 4,966 million tenge.