



Kcell JSC

Interim condensed consolidated
financial statements (unaudited)

30 September 2021

CONTENTS

Report on review of interim condensed consolidated financial statements

Interim condensed consolidated financial statements (unaudited)

Interim condensed consolidated statement of financial position..... 1
Interim condensed consolidated statement of comprehensive income..... 2
Interim condensed consolidated statement of changes in equity..... 3
Interim condensed consolidated statement of cash flows.....4-5
Notes to the interim condensed consolidated financial statements6-20



«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

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

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

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



Auditor 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
Ministry of finance of the Republic of
Kazakhstan dated 15 July 2005

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

22 October 2021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

<i>In millions of tenge</i>	Notes	30 September 2021 (unaudited)	31 December 2020 (audited)
Assets			
Non-current assets			
Property and equipment	6	75,291	78,109
Intangible assets	7	34,175	39,730
Advances paid for non-current assets		825	293
Right-of-use assets	13	18,067	20,804
Long-term trade receivables	8	2,926	2,421
Cost to obtain contracts		459	185
Deferred tax assets		2,678	1,937
Total non-current assets		134,421	143,479
Current assets			
Inventories		5,432	9,362
Trade receivables	8	17,412	17,823
Other current non-financial assets	9	2,140	3,063
Other current financial assets		994	245
Prepaid income tax		30	813
Financial assets at amortised cost	10	26,893	18,923
Cash and cash equivalents	11	21,487	23,023
Total current assets		74,388	73,252
Total assets		208,809	216,731
Equity and liabilities			
Share capital			
Share capital	5	33,800	33,800
Retained earnings		55,658	48,283
Total equity		89,458	82,083
Non-current liabilities			
Borrowings: non-current portion	12	60,212	49,933
Long-term lease liabilities	13	16,397	19,447
Asset retirement obligation		4,121	4,007
Financial guarantee obligation	15	-	563
Total non-current liabilities		80,730	73,950
Current liabilities			
Borrowings: current portion	12	845	23,354
Short-term lease liabilities	13	4,795	4,219
Trade payables	14	14,199	22,353
Financial guarantee obligation	15	380	-
Contracts liabilities	17	2,297	1,978
Provisions	16	3,685	4,502
Due to employees		4,210	3,691
Taxes payable other than income tax		5,305	601
Income tax payable		2,905	-
Total current liabilities		38,621	60,698
Total liabilities		119,351	134,648
Total equity and liabilities		208,809	216,731

Chairman of the Management Board & Chief Executive Officer

Chief Financial Officer

The stamp is circular and contains the text: "KCELL JSC", "KAZAKHSTAN", "KCELL JOINT STOCK COMPANY", "KAZAKHSTAN REPUBLIC", "KCELL JSC", "KAZAKHSTAN". The signature is written in blue ink over the stamp.

The accounting policies and notes on pages 6 to 20 are an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2021

<i>In millions of tenge</i>	Notes	For three months ended 30 September		For nine months ended 30 September	
		2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Revenue from contracts with customers	17	50,245	46,828	140,408	125,516
Cost of sales	18	(32,681)	(30,664)	(91,860)	(85,749)
Gross profit		17,564	16,164	48,548	39,767
General and administrative expenses		(3,690)	(2,451)	(10,619)	(7,141)
Impairment of financial assets	8	(313)	(746)	(943)	(1,636)
Selling expenses		(749)	(356)	(1,542)	(1,418)
Impairment of property and equipment	6	-	(562)	-	(1,406)
Reversal of tax and related fines and penalties provision	22	-	36	683	538
Other operating income		901	-	1,661	-
Other operating expenses		(839)	-	(861)	-
Operating profit		12,874	12,085	36,927	28,704
Finance costs		(2,435)	(3,116)	(7,533)	(8,660)
Finance income		909	757	1,824	1,484
Foreign exchange gain, net		(35)	791	212	1,260
Other income		-	295	79	603
Other expenses		-	(66)	-	(113)
Profit for before tax		11,313	10,746	31,509	23,278
Income tax expenses	19	(1,987)	(1,622)	(6,556)	(5,616)
Profit for the period		9,326	9,124	24,953	17,662
Other comprehensive income		-	-	-	-
Total comprehensive income for the period, net of tax		9,326	9,124	24,953	17,662
Earnings per share					
Basic and diluted, tenge	5	46.63	45.62	82.77	88.31

Chairman of the Management Board & Chief Executive Officer



Yuri Khaslamov

Chief Financial Officer



Dina Nurpeissova

The accounting policies and notes on pages 6 to 20 are an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 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)	-	17,662	17,662
Other comprehensive income (unaudited)	-	-	-
Total comprehensive income (unaudited)	-	17,662	17,662
Dividends declared (Note 5)	-	(9,000)	(9,000)
At 30 September 2020 (unaudited)	33,800	46,172	79,972
Balance at 1 January 2021 (audited)	33,800	48,283	82,083
Net profit for the period (unaudited)	-	24,953	24,953
Other comprehensive income (unaudited)	-	-	-
Total comprehensive income (unaudited)	-	24,953	24,953
Dividends declared (Note 5)	-	(17,578)	(17,578)
At 30 September 2021 (unaudited)	33,800	55,658	89,458

Chairman of the Management Board & Chief Executive Officer



Yuri Kharlamov

Chief Financial Officer

Bina Nurpeissova

The accounting policies and notes on pages 6 to 20 are an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2021

<i>In millions of tenge</i>	Notes	For the nine months ended 30 September	
		2021 (unaudited)	2020 (unaudited)
Cash flows from operating activities			
Profit before tax		31,509	23,278
Adjustments for:			
Impairment of financial assets	8	943	1,636
Finance costs		7,533	8,660
Depreciation of property and equipment and right of use assets	6, 13	15,077	14,897
Amortization of intangible assets	7	7,968	7,987
Write-off of inventory to net realisable value		179	312
Finance income		(1,824)	(1,484)
Impairment of property and equipment	6	-	1,406
Loss/(gain) on disposal of property and equipment		12	(54)
Income from accounts payable write-off		(209)	(62)
Reversal of tax and related fines and penalties provision	22	(683)	(538)
Lease cancelation		(14)	-
Net foreign exchange gain		(212)	(1,260)
Operating cash flows before working capital changes		60,279	54,778
Change in inventories		3,751	(1,920)
Change in trade receivables		(696)	(1,780)
Change in other current non-financial assets		924	2,972
Change in other current financial assets		(750)	820
Change in cost to obtain contracts		(274)	56
Change in trade payables		196	(6,219)
Change in other current financial liabilities		102	(223)
Change in contract liabilities		319	(1,440)
Change in taxes payable other than income tax		4,704	168
Cash flows generated from operations		68,555	47,212
Income tax paid		(3,609)	(1,577)
Interest received		1,521	919
Interest paid		(7,798)	(8,770)
Net cash flows from operating activities		58,669	37,784
Cash flows from investing activities			
Purchase of property and equipment		(10,940)	(10,567)
Purchase of intangible assets		(8,787)	(4,373)
Proceeds from disposal of property and equipment		105	61
Purchase of financial assets at amortized cost	10	(95,341)	(22,913)
Proceeds from redemption of financial assets at amortized cost	10	87,141	4,860
Proceeds from redemption of financial assets at fair value through other comprehensive income		-	5,385
Net cash flows used in investing activities		(27,822)	(27,547)

The accounting policies and notes on pages 6 to 20 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 nine months ended 30 September	
		2021 (unaudited)	2020 (unaudited)
Cash flows from financing activities			
Proceeds from loans	12	22,000	19,500
Repayment of loans	12	(12,000)	(8,630)
Repayment of bonds issued	12	(21,754)	-
Repayment of principal portion of lease liabilities		(3,181)	(2,778)
Dividends paid	5	(17,578)	(9,000)
Net cash flows used in financing activities		(32,513)	(908)
Net (decrease)/increase in cash and cash equivalents		(1,666)	9,329
Effect of exchange rate changes on cash and cash equivalents held in foreign currency		130	726
Cash and cash equivalents at the beginning of the period		23,023	8,825
Cash and cash equivalents at the end of the period		21,487	18,880

Chairman of the Management Board & Chief Executive Officer



Yuri Kharlanov

Chief Financial Officer

Dina Nurpeissova

The accounting policies and notes on pages 6 to 20 are an integral part of these interim condensed consolidated financial statements (unaudited).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**For the nine months period ended 30 September 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.

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

On 13 December 2012, the Company successfully completed its offering of Global Depository Receipts at the London Stock Exchange (LSE) and common shares at the Kazakhstan Stock Exchange (hereinafter – the “KASE”). On 14 June 2021, the Group officially completed delisting of Global Depository Receipts (GDR) on LSE and Astana International Exchange (AIX).

As at 30 September 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.

On 30 September 2021 Kazakhtelecom sold 24 % of shares of the Company on Kazakhstan Stock Exchange (KASE).

As at 30 September 2021 and 31 December 2020, the shareholders of the Company are presented as follow:

	30 September 2021 (unaudited)	31 December 2020
Kazakhtelecom JSC	51.00%	75.00%
PIONEER TECHNOLOGIES S.A.R.L.	14.87%	–
First Heartland Jusan Bank JSC	9.08%	–
Single accumulative pension fund JSC	7.06%	–
Raiffeisenbank JSC	–	11.60%
Other	17.99%	13.40%
	100.00%	100.00%

As at 30 September 2021 and 31 December 2020, the Company has the following principal subsidiary:

	30 September 2021 (unaudited)	31 December 2020
KazNet Media LLP	100%	100%

The accompanying interim condensed consolidated financial statements include the financial statements of Kcell JSC and its subsidiary (further referred to as “the Group”). On 6 September 2021 the Company sold 100% shares in subsidiary KT-Telecom LLP to Kazakhtelecom JSC.

The interim condensed consolidated financial statements were authorised for issue by the Chairman of the Management Board on 22 October 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the nine months ended 30 September 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 tenge, and all amounts are rounded to nearest millions, except otherwise indicated.

Going concern

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

Foreign currency translation

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

Transactions 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 September 2021	31 December 2020
US dollar	425.67	420.71
Euro	496.42	516.13
Russian ruble	5.85	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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

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 financial instruments with floating interest rate. The Group intends to use the practical expedients in future periods if they become applicable.

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 Company is as follows:

	30 September 2021		31 December 2020	
	Share	Number of shares	Share	Number of shares
Kazakhtelecom JSC	51.00%	102,000,000	75.00%	150,000,000
PIONEER TECHNOLOGIES S.A.R.L	14.87%	29,745,215	–	–
First Heartland Jusan Bank JSC	9.08%	18,167,753	–	–
Single accumulative pension fund JSC	7.06%	14,123,242	–	–
Raiffeisenbank JSC	–	–	11.60%	23,209,124
Other	17.99%	35,963,790	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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. SHARE CAPITAL AND EARNINGS PER SHARE (continued)

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

<i>In millions of tenge</i>	Three months ended		Nine months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
Profit for the period attributable to equity shareholders	9,326	9,124	24,953	17,662
Weighted average number of ordinary shares	200,000,000	200,000,000	200,000,000	200,000,000
Earnings per share (Kazakhstani tenge), basic and diluted	46.63	45.62	124.77	88.31

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 September 2021 and 31 December 2020 is presented below.

<i>In millions of tenge</i>	30 September 2021	31 December 2020
Net assets, excluding intangible assets	55,283	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” (Kazakhstani tenge)	276.42	211.77

During the nine months ended 30 September 2021 and 2020, the Group declared and paid dividends in the amount of 17,578 million tenge and 9,000 million tenge, respectively.

6. PROPERTY AND EQUIPMENT

During the three and nine-month periods ended 30 September 2021, additions to property and equipment totaled to 5,143 million tenge and 9,010 million tenge, respectively (during three and nine-month periods ended 30 September 2020: 2,157 million tenge and 4,526 million tenge, respectively).

During the three and nine-month periods ended 30 September 2021, transfer from construction-in-progress to property and equipment amounted to 1,872 million tenge and 5,720 million tenge, respectively (during three and nine-month periods ended 30 September 2020: 1,926 million tenge and 5,307 million tenge, respectively).

During the three and nine-month periods ended 30 September 2021, the Group recognised depreciation expense in the amount of 3,903 million tenge and 11,619 million tenge, respectively (during three and nine-month periods ended 30 September 2020: 3,758 million tenge and 11,474 million tenge, respectively).

During the three and nine-month periods ended 30 September 2021, the Group recognised decrease in changes in estimates in assets retirement obligation in the amount of 28 million tenge and 92 million tenge, respectively (during three and nine-month periods ended 30 September 2020: 1,777 million tenge and 1,497 million tenge, respectively).

During the three and nine-month periods ended 30 September 2021, the Group did not recognise the impairment loss (during three and nine-month periods ended 30 September 2020: 562 million tenge and 1,406 million tenge, respectively). During three and nine-month periods ended 30 September 2021, the Group has sold property and equipment with gross book value in the amount of 641 million tenge with net book value 117 million tenge (during three and nine-month periods ended 30 September 2020: gross book value in the amount of 36 million tenge and 175 million tenge, net book value nil and 3.6 million tenge).

As at 30 September 2021, the gross carrying value of property and equipment which has been fully depreciated and still in use, was 172,452 million tenge (as at 31 December 2020: 164,522 million tenge).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. INTANGIBLE ASSETS

During the three and nine-month periods ended 30 September 2021, the Group acquired intangible assets in the amount of 1,594 million tenge and 2,413 million tenge, respectively (during three and nine-month periods ended 30 September 2020: 1,365 million tenge and 2,665 million tenge, respectively).

During the three and nine-month periods ended 30 September 2021, the Group recognized amortization expense in the amount of 2,657 million tenge and 7,968 million tenge, respectively (during three and nine-month periods ended 30 September 2020: 2,778 million tenge and 7,987 million tenge, respectively).

As at 30 September 2021, the carrying amount of 3G license was 1,416 million tenge (31 December 2020: 1,667 million tenge) and its remaining amortization period was 5 years. As at 30 September 2021, the carrying amount of the 4G license was 16,178 million tenge (31 December 2020: 17,478 million tenge) and its remaining amortization period was 10 years. As at 30 September 2021, the gross carrying value of intangible assets, which have been fully amortized and still in use, was 44,711 million tenge (31 December 2020: 36,451 million tenge).

8. TRADE RECEIVABLES

As at 30 September 2021 and 31 December 2020, trade receivables comprised of the following:

<i>In millions of tenge</i>	30 September 2021 (unaudited)	31 December 2020
Trade receivables from subscribers	22,280	27,412
Trade receivables from interconnect services	1,056	986
Trade receivables from roaming operators	161	170
Trade receivables from dealers and distributors	226	452
Trade receivables from related parties (<i>Note 20</i>)	2,636	1,188
Less: allowance for expected credit losses	(6,021)	(9,964)
	20,338	20,244
Less: long-term portion of trade receivable from subscribers	(2,926)	(2,421)
	17,412	17,823

During the nine months ended 30 September 2021 and 2020, movements in the allowance for expected credit losses were as follows:

<i>In millions of tenge</i>	30 September 2021 (unaudited)	30 September 2020 (unaudited)
Allowance for expected credit losses at the beginning of the period	(9,964)	(8,605)
Charge for the period	(943)	(1,636)
Write-offs for the period	776	188
Sale of trade receivables	4,110	-
Allowance for expected credit losses at the end of the period	(6,021)	(10,053)

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 30 September 2021 and 31 December 2020, other current non-financial assets comprised of the following:

<i>In millions of tenge</i>	30 September 2021 (unaudited)	31 December 2020
Advances paid	1,183	1,548
Prepaid expenses	339	408
Prepaid taxes other than income tax	618	710
VAT recoverable	-	397
	2,140	3,063

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. FINANCIAL ASSETS AT AMORTISED COST

As at 30 September 2021 financial assets at amortised cost in the amount of 26,893 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. During nine month-period ended 30 September 2021 the Group acquired additional NBRK notes at purchase price of 95,341 million tenge (nine month period ended 30 September 2020: 22,913 million tenge). During nine month period ended 30 September 2021, short-term NBRK discount notes were redeemed for a total amount of 87,141 million tenge of nominal value and interest income of 859 million tenge (30 September 2020: 4,860 million tenge and 140 million tenge). For the nine months period ended 30 September 2021 the Group recognised interest income in the amount of 653 million tenge.

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 September 2021 and 31 December 2020 financial assets at amortised cost comprised of the following:

<i>In millions of tenge</i>	Maturity date	Yield to maturity	Nominal value	30 September 2021 (unaudited)	31 December 2020
NBRK notes	6 October 2021	9.14%	8,000	7,988	–
NBRK notes	20 October 2021	9.14%	19,000	18,905	–
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
				26,893	18,923

11. CASH AND CASH EQUIVALENTS

As at 30 September 2021 and 31 December 2020, cash and cash equivalents comprised of the following:

<i>In millions of tenge</i>	30 September 2021 (unaudited)	31 December 2020
Cash on current bank accounts	8,147	14,202
Bank deposits with original maturity of less than 90 days	13,333	8,782
Cash on hand	7	39
	21,487	23,023

As of 30 September 2021, short-term bank deposit represents overnight deposits in tenge in Altyn Bank JSC at interest rate 8.5%, and deposits in USD in Halyk Bank JSC at interest rate 0.2% in the amount of 4,886 and 8,447 million tenge, respectively.

As at 30 September 2021 and 31 December 2020, cash and cash equivalents were denominated in various currencies as follows:

<i>In millions of tenge</i>	30 September 2021 (unaudited)	31 December 2020
US dollars	14,915	12,982
Tenge	5,915	9,398
Euro	653	642
Russian rubles	3	–
Other	1	1
	21,487	23,023

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. BORROWINGS

As at 30 September 2021 and 31 December 2020, borrowings comprised of the following:

<i>In millions of tenge</i>	Currency	Effective interest rate	Maturity date	30 September 2021 (unaudited)	31 December 2020
Halyk Bank of Kazakhstan JSC	Tenge	11.20%	22 February 2024	22,333	15,223
Bank of China Kazakhstan JSC	Tenge	10.30%	2 June 2024	13,087	11,059
Alfa Bank JSC	Tenge	10.70%	5 January 2024	12,303	–
VTB Bank JSC	Tenge	10.70%	15 October 2023	7,004	6,005
Eurasian Development Bank JSC	Tenge	11.19%	20 June 2024	6,330	18,129
Bonds	Tenge	11.84%	16 January 2021	–	22,871
				61,057	73,287
Less: non-current portion				(60,212)	(49,933)
				845	23,354

The Group's borrowings are denominated in 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 September 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 does not represent a substantial modification 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.

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 6,500 million and 4,500 million tenge, respectively, within credit line agreement with Bank of China Kazakhstan JSC with a repayment period of 36 months and a fixed interest rate of 10.5% per annum. On 14 October 2020 the Group has signed addendum to loan agreement with Bank of China JSC 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 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 2 June 2021 the Group obtained additional tranche in the amount of 2,000 million tenge from Bank of China JSC within the same credit line agreement.

On 3 February 2020, the Group fully repaid loans obtained from VTB Bank JSC in the amount of 5,133 million tenge, including principal and interest accrued in the amount of 5,000 million tenge and 133 million tenge, respectively. 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 September 2020 the Group repaid principal amount of the loan obtained from Eurasian Development Bank in the amount of 3,630 million tenge. On 20 May 2021 the Group has signed addendum to loan agreement with Eurasian Development Bank JSC to decrease interest rate from 11.5% to 11.19% per annum under credit line agreement. The change in the interest rate does not represent a substantial modification in accordance with IFRS 9 and thus, it did not lead to the derecognition of the original liability.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. BORROWINGS (continued)

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
Modifications	162
At 30 September 2020	29,295
At 1 January 2021	29,485
Additions	-
Modifications	814
Cancellations	(138)
At 30 September 2021	30,161
Accumulated depreciation	
At 1 January 2020	(4,157)
Depreciation charge	(3,423)
At 30 September 2020	(7,580)
At 1 January 2021	(8,681)
Depreciation charge	(3,458)
Cancellations	45
At 30 September 2021	(12,094)
Net book value	
At 31 December 2020	20,804
At 30 September 2021	18,067

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

<i>In millions of tenge</i>	30 September 2021 (unaudited)	30 September 2020 (unaudited)
At the beginning of the period	23,666	27,053
Interest expenses	2,100	2,398
Payments	(5,281)	(5,176)
Cancelations	(107)	-
Modifications	814	162
At the end of the period	21,192	24,437

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

<i>In millions of tenge</i>	30 September 2021 (unaudited)	31 December 2020 (audited)
Long-term lease liabilities	16,397	19,447
Short-term lease liabilities	4,795	4,219

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

The following are the amounts recognised in profit or loss:

<i>In millions of tenge</i>	For three months ended 30 September		For nine months ended 30 September	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Depreciation expense of right-of-use assets	1,167	1,127	3,458	3,423
Interest expense on lease liabilities	680	780	2,100	2,398
	1,847	1,907	5,558	5,821

14. TRADE PAYABLES

As at 30 September 2021 and 31 December 2020, trade payables comprised of the following:

<i>In millions of tenge</i>	30 September 2021 (unaudited)	31 December 2020
Trade payables to third parties	11,180	21,259
Trade payables to related parties (Note 20)	3,019	1,094
	14,199	22,353

As at 30 September 2021 and 31 December 2020, the Group's trade payables were denominated in the following currencies:

<i>In millions of tenge</i>	30 September 2021 (unaudited)	31 December 2020
Tenge	12,515	21,043
US dollars	1,659	1,304
Other currency	25	6
	14,199	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 30 September 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 30 September 2021, financial guarantee obligation equaled to 380 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).

16. PROVISIONS

In 2020 the Group accrued certain amount of provision related to legal claims on contractual obligation and fines and penalties that Management considers as probable in the amount of 3,685 million tenge and 701 million tenge, respectively. Portion of provision of fines and penalties in the amount of 683 million tenge was derecognised due to finalization of custom audit and receipt of notice with actual amount of fine and penalties (Note 22).

<i>In millions of tenge</i>	30 September 2021 (unaudited)	31 December 2020
Legal claims on contractual obligation	3,685	3,685
Provision of fines and penalties (Note 22)	-	701
Other liabilities	-	116
	3,685	4,502

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. REVENUE FROM CONTRACTS WITH CUSTOMERS

<i>In millions of tenge</i>	For three months ended 30 September		For nine months ended 30 September	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Voice and other services	20,396	18,449	57,765	54,835
Data services	17,416	15,239	49,850	42,759
Sale of handsets and equipment	9,827	10,987	25,867	22,394
Value added services	2,606	2,153	6,926	5,528
	50,245	46,828	140,408	125,516
Over time	40,418	35,841	114,541	103,122
At a point of time	9,827	10,987	25,867	22,394
	50,245	46,828	140,408	125,516

As at 30 September 2021 and 31 December 2020, the contract liabilities in the amount of 2,297 million tenge and 1,978 million tenge, respectively, were represented by deferred revenue.

18. COST OF SALES

<i>In millions of tenge</i>	For three months ended 30 September		For nine months ended 30 September	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Cost of handsets and equipment sold	8,489	8,762	22,222	18,304
Depreciation and amortization	6,546	6,794	19,532	20,366
Interconnect fees and expenses	4,772	4,250	13,823	14,490
Personnel costs	3,187	2,560	8,473	7,844
Transmission services	2,470	2,552	7,710	7,489
Repair and maintenance	2,119	1,771	5,575	5,395
Fees for use of frequency range	1,662	1,682	5,198	4,708
Electricity	1,033	688	2,898	2,350
Network sharing agreement	890	269	2,226	543
Mobile service tax	574	502	1,611	1,443
Security and safety	88	80	259	264
Materials	53	83	133	213
Rent expenses	12	-	35	-
Other	786	671	2,165	2,340
	32,681	30,664	91,860	85,749

19. INCOME TAX EXPENSES

<i>In millions of tenge</i>	For three months ended 30 September		For nine months ended 30 September	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Current income tax expense	2,649	2,755	7,297	6,113
Adjustments in respect of current income tax of previous year	-	-	-	652
Deferred income tax benefit	(662)	(1,133)	(741)	(1,149)
	1,987	1,622	6,556	5,616

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

For the three and nine-month period ended 30 September 2021, the Group recognised reversal and accrual of allowance for expected credit losses in the amount of 31 million tenge and 47 million tenge, respectively (accrual for the three and nine-month period ended 30 September 2020: 110 million tenge and 51 million tenge, respectively).

As at 30 September 2021, the Group recognized an allowance for expected credit losses in the amount of 104 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 during three and nine months ended 30 September 2021 and 2020, and the balances with related parties as at 30 September 2021 and 31 December 2020, were as follows:

<i>In millions of tenge</i>	For three months ended 30 September		For nine months ended 30 September	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Sales of goods and services				
Entities of Samruk Kazyna group	63	46	164	152
Entities of Kazakhtelecom group	3,455	3,274	10,347	9,033
Government entities	72	240	202	380
	3,590	3,560	10,713	9,565
Purchases of goods and services				
Entities of Samruk Kazyna group	103	111	338	327
Entities of Kazakhtelecom group	6,695	5,297	19,206	14,704
Government entities	14	34	61	48
	6,812	5,442	19,605	15,079
Trade receivables (Note 8)				
			30 September 2021 (unaudited)	31 December 2020
Entities of Samruk Kazyna group			61	43
Entities of Kazakhtelecom group			2,522	1,100
Government entities			53	45
			2,636	1,188
Trade payable (Note 14)				
Entities of Samruk Kazyna group			28	62
Entities of Kazakhtelecom group			2,970	1,018
Government entities			21	14
			3,019	1,094

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. RELATED PARTY DISCLOSURES (continued)

Compensation to key management personnel

For the three and nine-month period ended 30 September 2021, the total compensation to key management personnel included in the accompanying interim condensed consolidated statement of comprehensive income under general and administrative expenses was 202 million tenge and 995 million tenge, respectively (for the three and nine-month period ended 30 September 2020: 168 million tenge and 913 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 30 September 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	30 September 2021	26,806	–	–	26,806
Short-term trade receivables	30 September 2021	–	–	17,412	17,412
Long-term trade receivables	30 September 2021	–	–	3,029	3,029
Other current financial assets	30 September 2021	–	–	994	994
Liabilities for which fair values are disclosed					
Borrowings	30 September 2021	–	–	61,165	61,165
Financial guarantee obligation	30 September 2021	–	–	380	380
Trade payables	30 September 2021	–	–	14,199	14,199

<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	31 December 2020	–	–	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 30 September 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 30 September 2021	Fair value 30 September 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	21,487	21,487	-	23,023	23,023	-
Financial assets at amortized cost	26,893	26,806	(87)	18,923	18,624	(299)
Short-term trade receivables	17,412	17,412	-	17,823	17,823	-
Long-term trade receivables	2,926	3,029	103	2,421	2,504	83
Other current financial assets	994	994	-	245	245	-
Financial liabilities						
Borrowings	61,057	61,165	(108)	73,287	72,692	595
Financial guarantee obligation	380	380	-	563	563	-
Trade payables	14,199	14,199	-	22,353	22,353	-
Total unrecognised change in unrealised fair value			(92)			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. On 1 July 2021, Ministry of Healthcare performed PCR screening and the Indian strain of COVID-19 was found in all regions and cities of Nur-Sultan, Almaty, Shymkent. Thus, on 1 July 2021 chief state sanitary doctor of the Republic of Kazakhstan introduced new decree, which obliges Akims of regions, cities of Almaty, Nur-Sultan, Shymkent, NPP "Atameken" (as agreed), national companies, heads of organizations, individuals and legal entities, regardless of the form of ownership, operating in the territory of the Republic of Kazakhstan to organize preventive vaccinations of employees with the first component by 10 August 2021 and with the second component of the COVID-19 by 1 September 2021 (except for those who have permanent medical contraindications and have recovered from COVID-19 during the last three months). Admission to full-time work of those organizations for unvaccinated employees is limited. 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.

On 10 September 2021 chief state sanitary doctor of the Republic of Kazakhstan signed a resolution *On Restrictive Quarantine Measures and Their Phased Mitigation*. Based on this resolution, the quarantine measures were partially weakened. The new ordinance is effective from 13 September 2021.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Coronavirus pandemic and market conditions (continued)

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 30 September 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.

Capital commitments

The Group generally enters into contracts for the completion of construction projects and purchase of equipment. As at 30 September 2021, the Group had contractual commitments totaling 19,512 million tenge, excluding VAT (unaudited) (as at 31 December 2020: 4,375 million tenge, excluding VAT), which includes capital expenditures in respect to new technical regulation in the amount of 5,677 million tenge (as of 31 December 2020: 3,490 million tenge) described below.

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 September 2021. Management believes that as at 30 September 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

In the beginning of 2020, the Group performed recalculation of the tax risk provisions recognized by the Group in previous years. Accordingly, for the nine months ended 30 September 2020, the Group recognised reversal of provision on VAT and personal income tax in the amount of 257 million tenge and 211 million tenge, respectively. In addition, for the three and nine months ended 30 September 2020, the Group recognised income from reversal of the tax and related fines and penalties provision in the amount of 36 million tenge and 70 million tenge, respectively, due to expiration of the limitation period.

In addition, for the nine months ended 30 September 2020 the Group recognized reserve on CIT expenses in the amount of 652 million 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. The Group plans to complete modernization by the end of November 2021 and total amount of capital expenditures in respect to this technical regulation is expected to amount to 5,677 million tenge. As of 30 September 2021 capital expenditures in respect to this technical regulation incurred by the Group equaled to 3,490 million tenge.

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

22. COMMITMENTS AND CONTINGENT LIABILITIES (continued)**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 fines and penalties in the amount of 701 million tenge (*Note 16*).

On 22 April 2021 the custom audit was resumed, and a preliminary report was issued. According to the report, the Group was charged additional VAT charge in the amount of 39 million tenge and late payment penalty in the amount of 18 million tenge. The preliminary report was reviewed by the Group.

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

On 28 May 2021, the Group sent a letter to the customs authority informing about fulfillment of the requirements stated in the notice. During three and nine months ended 30 September 2021, the Group reversed unutilized part of provision in the amount of nil and 683 million tenge, respectively.

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 nine 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 6 October 2021 and 20 October 2021, the NBRK notes with nominal value in the amount of 8,000 million tenge and 19,000 million tenge, respectively, were fully redeemed (*Note 10*).

On 20 October 2021, the Group additionally acquired notes of the National Bank of Republic of Kazakhstan in the amount of 24,821 million tenge.