



**Kcell JSC**

Interim condensed consolidated  
financial statements (unaudited)

*31 March 2020*

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**Interim condensed consolidated financial statements (unaudited)**

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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 2020, the related interim condensed consolidated statement of comprehensive income for the three-month period 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*

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Paul Cohn  
Audit Partner

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Rustamzhan Sattarov  
Auditor

Audit Qualification Certificate  
No. МФ-0000060 dated 6 January 2012

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

25 April 2020

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Gulmira Turmagambetova  
General Director  
Ernst & Young LLP

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 March 2020

<i>In thousands of tenge</i>	Notes	31 March 2020 (unaudited)	31 December 2019 (audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	7	80,117,255	82,283,327
Intangible assets	8	36,729,423	38,819,624
Advances paid for non-current assets		343,245	232,657
Right-of-use assets	14	22,070,859	23,066,886
Long-term trade receivables	9	1,448,812	1,118,077
Cost to obtain contracts		227,459	239,612
Deferred tax assets		1,226,137	1,377,725
Other non-current assets		2,653	2,653
<b>Total non-current assets</b>		<b>142,165,843</b>	<b>147,140,561</b>
<b>Current assets</b>			
Inventories		6,576,193	6,636,242
Trade receivables	9	16,290,120	15,646,942
Other current non-financial assets	10	3,467,426	6,704,397
Other current financial assets		612,394	1,371,295
Prepaid income tax		30,319	30,319
Financial assets at fair value through other comprehensive income	11	5,803,813	4,964,633
Cash and cash equivalents	12	11,199,844	8,825,048
<b>Total current assets</b>		<b>43,980,109</b>	<b>44,178,876</b>
<b>Total assets</b>		<b>186,145,952</b>	<b>191,319,437</b>
<b>Equity and liabilities</b>			
Share capital	6	33,800,000	33,800,000
Retained earnings		43,124,966	37,771,288
<b>Total equity</b>		<b>76,924,966</b>	<b>71,571,288</b>
<b>Non-current liabilities</b>			
Borrowings: non-current portion	13	38,373,881	55,548,314
Long-term lease liabilities	14	20,779,682	21,619,521
Deferred tax liabilities		1,107,851	1,248,186
Asset retirement obligation		2,151,588	1,970,215
<b>Total non-current liabilities</b>		<b>62,413,002</b>	<b>80,386,236</b>
<b>Current liabilities</b>			
Borrowings: current portion	13	22,398,197	6,383,658
Trade payables	15	11,740,406	21,174,548
Contracts liabilities	17	5,015,039	4,149,365
Other payables	23	175,095	187,793
Other current financial liabilities	16	2,370,166	3,171,814
Short-term lease liabilities	14	3,244,777	3,198,428
Income tax payable		1,343,924	594,746
Taxes payable other than income tax		520,380	501,561
<b>Total current liabilities</b>		<b>46,807,984</b>	<b>39,361,913</b>
<b>Total liabilities</b>		<b>109,220,986</b>	<b>119,748,149</b>
<b>Total equity and liabilities</b>		<b>186,145,952</b>	<b>191,319,437</b>

Chairman of the Management Board

Chief Financial Officer

Kcell

Kaspars Kukelis

Yuri Kharlamov

*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 three months ended 31 March 2020

<i>In thousands of tenge</i>	Notes	For three months ended 31 March	
		2020 (unaudited)	2019* (unaudited)
Revenue from contract with customers	17	40,062,000	35,179,925
Cost of sales	18	(28,503,893)	(26,024,162)
<b>Gross profit</b>		<b>11,558,107</b>	<b>9,155,763</b>
General and administrative expenses		(2,188,699)	(1,880,107)
Impairment of financial assets	9	(498,380)	(449,779)
Selling expenses		(772,125)	(634,247)
Impairment of property and equipment	7	(375,853)	-
Reversal of tax and related fines and penalties provision	23	480,307	-
Penalty expenses	19	-	(14,551,865)
<b>Operating profit/(loss)</b>		<b>8,203,357</b>	<b>(8,360,235)</b>
Finance costs		(2,551,686)	(3,163,310)
Finance income		242,499	1,104,675
Net foreign exchange gain		1,578,739	5,073
Other income		248,097	4,588
Other expenses		(29,745)	(12,208)
<b>Profit/(loss) before tax</b>		<b>7,691,261</b>	<b>(10,421,417)</b>
Income tax (expenses)/benefit	20	(2,337,583)	1,670,012
<b>Profit/(loss) for the period</b>		<b>5,353,678</b>	<b>(8,751,405)</b>
Other comprehensive income		-	-
<b>Total comprehensive income/(loss) for the period, net of tax</b>		<b>5,353,678</b>	<b>(8,751,405)</b>
<b>Earnings/(loss) per share</b>			
Basic and diluted, tenge	6	26.77	(43.76)

\* Certain amounts shown here do not consistent to the interim condensed consolidated financial statements for the three months ended 31 March 2019, as they reflect the reclassifications made, as detailed in Note 4.

Chairman of the Management Board



Kasparys Kukelis

Chief Financial Officer

Yuri Kharlamov

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 three months ended 31 March 2020

<i>In thousands of tenge</i>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
<b>Balance at 1 January 2019 (audited)</b>	33,800,000	33,625,889	67,425,889
Net loss for the period (unaudited)	-	(8,751,405)	(8,751,405)
Other comprehensive income (unaudited)	-	-	-
<b>Total comprehensive income (unaudited)</b>	-	(8,751,405)	(8,751,405)
<b>At 31 March 2019 (unaudited)</b>	33,800,000	24,874,484	58,674,484
<b>Balance at 1 January 2020 (audited)</b>	33,800,000	37,771,288	71,571,288
Net profit for the period (unaudited)	-	5,353,678	5,353,678
Other comprehensive income (unaudited)	-	-	-
<b>Total comprehensive income (unaudited)</b>	-	5,353,678	5,353,678
<b>At 31 March 2020 (unaudited)</b>	33,800,000	43,124,966	76,924,966

Chairman of the Management Board



Chief Financial Officer

Yuri Kharlamov

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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the three months ended 31 March 2020

<i>In thousands of tenge</i>	Notes	For the three months ended 31 March	
		2020 (unaudited)	2019* (unaudited)
<b>Cash flows from operating activities</b>			
Profit/(loss) profit before tax		7,691,261	(10,421,417)
<b>Adjustments for:</b>			
Impairment of financial assets	9	498,380	449,779
Finance costs		2,551,686	3,163,310
Depreciation of property and equipment and right of use assets	7, 14	4,899,984	5,399,409
Amortization of intangible assets	8	2,637,832	2,347,528
Finance income		(242,499)	(1,104,675)
Impairment of property and equipment	7	375,853	-
Write-off of inventory to net realisable value		99,042	-
Reversal of tax and related fines and penalties provision	23	(480,307)	-
Net foreign exchange gain		(1,578,739)	(5,073)
<b>Operating cash outflows before working capital changes</b>		<b>16,452,493</b>	<b>(171,139)</b>
Change in inventories		68,016	1,779,463
Change in trade receivables		(1,387,317)	1,865,581
Change in other current non-financial assets		3,764,956	(1,167,449)
Change in other current financial assets		759,086	47,090
Change in cost to obtain contracts		12,154	11,504
Change in trade payables		(3,998,637)	(161,783)
Change in other current financial liabilities		(801,648)	15,801,901
Change in contract liabilities		865,674	(1,006,466)
Change in taxes payable other than income tax		39,769	(1,150,891)
<b>Cash flows generated from operations</b>		<b>15,774,546</b>	<b>15,847,811</b>
Income tax paid		(1,577,153)	-
Interest received		118,710	130,931
Interest paid		(3,130,799)	(2,662,049)
<b>Net cash inflows from operating activities</b>		<b>11,185,304</b>	<b>13,316,693</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(5,521,058)	(4,345,792)
Purchase of intangible assets		(2,551,934)	(1,703,208)
<b>Net cash flows used in investing activities</b>		<b>(8,072,992)</b>	<b>(6,049,000)</b>

\* Certain amounts shown here do not consistent to the interim condensed consolidated financial statements for the three months ended 31 March 2019, as they reflect the adjustments made, as detailed in Note 4.

*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 thousands of tenge</i>	Notes	For the three months ended 31 March	
		2020 (unaudited)	2019* (unaudited)
Proceeds from loans		4,500,000	5,000,000
Proceeds from bonds issued		-	17,024,648
Repayment of loans		(5,000,000)	(27,884,000)
Repayment of principal portion of lease liabilities		(807,327)	(662,821)
<b>Net cash flows used in financing activities</b>		<b>(1,307,327)</b>	<b>(6,522,173)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,804,985</b>	<b>745,520</b>
Effect of exchange rate changes on cash and cash equivalents held in foreign currency		569,811	(16,188)
Cash and cash equivalents at the beginning of the period		8,825,048	6,029,042
<b>Cash and cash equivalents at the end of the period</b>		<b>11,199,844</b>	<b>6,758,374</b>

\* Certain amounts shown here do not consistent to the interim condensed consolidated financial statements for the three months ended 31 March 2019, as they reflect the adjustments made, as detailed in Note 4.

Chairman of the Management Board



Kaspars Kukelis

Chief Financial Officer

Yuri Kharlamov

*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 three months period ended 31 March 2020****1. GENERAL INFORMATION**

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

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

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

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

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

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

On 21 December 2018, the 75 percent stake in the Company owned by Telia Company was sold directly to Kazakhtelecom JSC (the “Parent”). As at 31 March 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 2020 and 31 December 2019, the shareholders of the Company are presented as follow:

	<b>31 March 2020 (unaudited)</b>	31 December 2019
Kazakhtelecom JSC	<b>75.00%</b>	75.00%
Raiffeisenbank JSC	<b>11.81%</b>	11.82%
Other	<b>13.19%</b>	13.18%
	<b>100.00%</b>	100.00%

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

	<b>31 March 2020 (unaudited)</b>	31 December 2019
KazNet Media LLP	<b>100%</b>	100%
KT-Telecom LLP	<b>100%</b>	100%

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

The interim condensed consolidated financial statements were authorised for issue by the Chairman of the Management Board on 25 April 2020.

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

### 2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the three months ended 31 March 2020 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

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

#### 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.

As of 31 March 2020 the Group's current liabilities exceeds its current assets by 2,827,875 thousand tenge. The management believes that the Group will operate as going concern, and in forming this view, management has considered the current intention and financial position of the Group. In particular, in March 2020 the Group concluded additional agreement with Halyk Bank JSC to increase undrawn amount of credit line to 42,000,000 thousand tenge and extended availability of credit line due 31 December 2021.

#### 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:

	<b>31 March 2020</b>	31 December 2019
US dollar	<b>447.67</b>	382.59
Euro	<b>491.36</b>	429
Russian rouble	<b>5.74</b>	6.16

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### New and amended standards and interpretations

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

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

#### *IFRS 3: Definition of a Business*

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

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

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

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

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

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

##### *IAS 1 and IAS 8: Definition of Material*

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

##### *Conceptual Framework for Financial Reporting issued on 29 March 2018*

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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

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

### 4. RESTATEMENT OF COMPARATIVE INFORMATION

Certain amounts in the interim condensed consolidated statement of comprehensive income and the interim condensed consolidated statement of cash flow for the three months ended 31 March 2019 were restated to conform with the presentation adopted in the interim condensed consolidated statements for three months ended 31 March 2020. The Group changed the presentation of its consolidated financial statements as new presentation provides information that is more relevant to users of the consolidated financial statements.

<i>In thousands of tenge</i>	<b>As originally presented</b>	<b>Reclassifications</b>	<b>Note</b>	<b>As adjusted</b>
<b>Interim condensed consolidated statement of comprehensive income for the three months ended 31 March 2019</b>				
Cost of sales	(25,562,588)	(461,574)	[1]	(26,024,162)
<b>Gross profit</b>	<b>9,617,337</b>	<b>(461,574)</b>		<b>9,155,763</b>
General and administrative expenses	(2,341,681)	461,574	[1]	(1,880,107)
<b>Operating loss</b>	<b>(8,360,235)</b>	-		<b>(8,360,235)</b>
<b>Loss before tax</b>	<b>(10,421,417)</b>	-		<b>(10,421,417)</b>
<b>Loss for the period</b>	<b>(8,751,405)</b>	-		<b>(8,751,405)</b>

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

### 4. RESTATEMENT OF COMPARATIVE INFORMATION (continued)

<i>In thousands of tenge</i>	As originally presented	Adjustment	Note	As adjusted
<b>Interim condensed consolidated statement of cash flows for the three months ended 31 March 2019</b>				
Interest paid	(1,900,044)	(762,005)	[2]	(2,662,049)
<b>Net cash flows from operating activities</b>	<b>14,078,698</b>	<b>(762,005)</b>		<b>13,316,693</b>
Repayment of principal portion of lease liabilities	(1,424,826)	762,005	[2]	(662,821)
<b>Net cash flows from financing activities</b>	<b>(7,284,178)</b>	<b>762,005</b>		<b>(6,522,173)</b>
<b>Net increase in cash and cash equivalent</b>	<b>745,520</b>	<b>-</b>		<b>745,520</b>

[1] The Group reclassified mobile service tax in the amount of 461,574 thousand tenge from general and administrative expenses to cost of sales.

[2] The Group reclassified interest paid on lease liabilities in the amount of 762,005 thousand tenge from repayment of principal amount of lease liabilities in financing cash flows to interest paid in operating cash flows.

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

### 5. SEGMENT INFORMATION

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

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

### 6. SHARE CAPITAL AND EARNINGS PER SHARE

Share capital of the Group is as follows:

	31 March 2020		31 December 2019	
	Share	Number of shares	Share	Number of shares
Kazakhtelecom JSC	75.00%	150,000,000	75.00%	150,000,000
Raiffeisenbank JSC	11.81%	23,619,457	11.82%	23,641,857
Other	13.19%	26,380,543	13.18%	26,358,143
	<b>100.00%</b>	<b>200,000,000</b>	<b>100.00%</b>	<b>200,000,000</b>

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 thousands of tenge</i>	Three months ended	
	31 March 2020	31 March 2019
Profit/(loss) for the period attributable to equity shareholders	5,353,678	(8,751,405)
Weighted average number of ordinary shares	200,000,000	200,000,000
<b>Earnings/(loss) per share (Kazakhstani tenge), basic and diluted</b>	<b>26.77</b>	<b>(43.76)</b>

The Group has no dilutive or potentially dilutive securities outstanding.

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

### 6. SHARE CAPITAL AND EARNINGS PER SHARE (continued)

#### 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 2020 and 31 December 2019 is presented below.

<i>In thousands of tenge</i>	<b>31 March 2020</b>	31 December 2019
Net assets, excluding intangible assets	<b>40,195,543</b>	32,751,664
Number of ordinary shares in issue	<b>200,000,000</b>	200,000,000
<b>Cost of ordinary share, calculated in accordance with listing requirements of the “KASE” (Kazakhstani tenge)</b>	<b>201</b>	163.8

During the three months ended 31 March 2020 and 2019, the Group did not declare dividends payable.

### 7. PROPERTY AND EQUIPMENT

During the three months period ended 31 March 2020, additions to property and equipment totaled to 2,056,119 thousand tenge (during three months period ended 31 March 2019: 1,324,073 thousand tenge).

During the three months period ended 31 March 2020, transfer from construction-in-progress to property and equipment amounted to 2,130,829 thousand tenge (during three months period ended 31 March 2019: 2,861,801 thousand tenge).

During the three months period ended 31 March 2020, the Group recognised depreciation expense in the amount of 3,887,279 thousand tenge (during three months ended 31 March 2019: 4,482,194 thousand tenge).

During the three months period ended 31 March 2020, the Group recognised increase in changes in estimates in assets retirement obligation in the amount of 147,950 thousand tenge (during three months period ended 31 March 2019: nil).

During the three months period ended 31 March 2020, transfer from property and equipment to inventory amounted to 107,009 thousand tenge (during three months period ended 31 March 2019: nil).

As at 31 March 2020, the gross carrying value of property and equipment which has been fully depreciated and still in use, was 152,516,712 thousand tenge were (as at 31 December 2019: 150,824,435 thousand tenge).

During the three months period ended 31 March 2020, the impairment loss in the amount of 375,853 thousand tenge (during three months period ended 31 March 2019: nil) represented write-down of certain property and equipment to the recoverable amount as a result of technological obsolescence and damage. Loss was recognized in the consolidated statement of comprehensive income as an operating expense.

### 8. INTANGIBLE ASSETS

During the three months ended 31 March 2020, the Group acquired intangible assets in the amount of 547,631 thousand tenge (during three months ended 31 March 2019: 803,696 thousand tenge).

During the three months ended 31 March 2020, the Group recognized amortization expense in the amount of 2,637,832 thousand tenge (during three months ended 31 March 2019: 2,347,528 thousand tenge).

During the three months ended 31 March 2020, the Group written-off fully amortized intangible assets with gross book value 493,257 thousand tenge (during three months ended 31 March 2019: nil).

As at 31 March 2020, the carrying amount of 3G license was 1,916,667 thousand tenge (31 December 2019: 2,000,000 thousand tenge) and its remaining amortization period was 6 years. As at 31 March 2020, the carrying amount of the 4G license was 18,777,778 thousand tenge (31 December 2019: 19,211,111 thousand tenge) and its remaining amortization period was 11 years.

As at 31 March 2020, the gross carrying value of intangible assets, which have been fully amortized and still in use, was 35,699,101 thousand tenge (31 December 2019: 36,192,358 thousand tenge).

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

### 9. TRADE RECEIVABLES

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

<i>In thousands of tenge</i>	<b>31 March 2020 (unaudited)</b>	31 December 2019
Trade receivable from subscribers	25,251,571	23,734,679
Trade receivable from interconnect services	527,349	406,524
Trade receivables from roaming operators	202,244	301,760
Trade receivables from dealers and distributors	35,965	40,328
Trade receivables from related parties (Note 21)	825,672	887,217
Less: allowance for expected credit losses	<b>(9,103,869)</b>	<b>(8,605,489)</b>
	<b>17,738,932</b>	16,765,019
Less: long-term portion of trade receivable from subscribers	<b>(1,448,812)</b>	<b>(1,118,077)</b>
	<b>16,290,120</b>	15,646,942

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

<i>In thousands of tenge</i>	<b>31 March 2020 (unaudited)</b>	31 March 2019 (unaudited)
<b>Allowance for expected credit losses at the beginning of the period</b>	<b>(8,605,489)</b>	(6,680,113)
Charge for the period	<b>(498,380)</b>	(449,779)
<b>Allowance for expected credit losses at the end of the period</b>	<b>(9,103,869)</b>	<b>(7,129,892)</b>

### 10. OTHER CURRENT NON-FINANCIAL ASSETS

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

<i>In thousands of tenge</i>	<b>31 March 2020 (unaudited)</b>	31 December 2019
VAT recoverable	1,696,606	1,890,908
Advances paid	1,318,637	2,928,205
Prepaid expenses	239,258	2,120
Prepaid taxes other than income taxes	212,925	1,883,164
	<b>3,467,426</b>	6,704,397

### 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 March 2020 financial assets at fair value through other comprehensive income in the amount of 5,803,813 thousand tenge (31 December 2019: 4,964,633 thousand tenge) were represented by investments in US treasury bills acquired in August 2019. The Group recognized the financial assets at fair value through other comprehensive income as the contractual cash flows are solely principal and interest and the financial assets are held within a business model for collecting contractual cash flows and selling financial assets. Nominal amount is 12,880,000 USD (equivalent to 5,021,171 thousand tenge at the date of acquisition), with maturity till August 2020 and yield to maturity at 0.09%. Fair value of debt instrument is determined by reference to published price quotations in an active market (Level 1).

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

### 12. CASH AND CASH EQUIVALENTS

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

<i>In thousands of tenge</i>	<b>31 March 2020 (unaudited)</b>	31 December 2019
Cash on current bank accounts	<b>4,950,496</b>	5,548,613
Bank deposits with original maturity of less than 90 days	<b>6,212,130</b>	3,255,562
Cash on hand	<b>37,218</b>	20,873
	<b>11,199,844</b>	8,825,048

As of 31 March 2020, short-term bank deposit for the amount of 1,030 thousand tenge represents overnight deposits in tenge placed in Citibank Kazakhstan JSC at interest rate 9%, 6,011,100 thousand tenge represents overnight deposit in tenge placed in Altyn Bank JSC at interest rate 10.5% and 200,000 thousand tenge represents three-month term deposit in tenge placed in Altyn Bank JSC at interest rate 8.4%.

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

<i>In thousands of tenge</i>	<b>31 March 2020 (unaudited)</b>	31 December 2019
Tenge	<b>6,900,858</b>	4,923,274
US dollars	<b>4,208,043</b>	3,767,034
Russian rubles	<b>6,706</b>	18,117
Other	<b>84,237</b>	116,623
	<b>11,199,844</b>	8,825,048

### 13. BORROWINGS

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

<i>In thousands of tenge</i>	<b>Currency</b>	<b>Effective interest rate</b>	<b>Maturity date</b>	<b>31 March 2020 (unaudited)</b>	31 December 2019
Eurasian Development Bank	Tenge	13.06%	20 May 2024	<b>28,987,462</b>	28,956,330
Bank of China Kazakhstan JSC	Tenge	10.7%	20 August 2022	<b>9,578,021</b>	5,059,792
VTB Bank JSC	Tenge	11.9%	1 February 2020	-	5,087,740
Bonds	Tenge	11.84%	16 January 2021	<b>22,206,595</b>	22,828,110
				<b>60,772,078</b>	61,931,972
Less: non-current portion				<b>(38,373,881)</b>	(55,548,314)
				<b>22,398,197</b>	6,383,658

The Group's borrowings are denominated in Kazakhstani tenge and represents 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 2020, there have been no breaches of the covenants.

As at 31 December 2019 current portion of borrowings includes principal amount and interest accrued of VTB Bank JSC loan in the amount of 5,087,740 thousand tenge and interest accrued for other borrowings in the amount of 1,295,918 thousand tenge.

As at 31 March 2020 current portion of borrowings includes principal amount and interest accrued of bonds in the amount of 22,206,595 thousand tenge and interest accrued of other borrowings in the amount of 191,602 thousand tenge.

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

On 21 February 2019, the Group undertook a bond placement at the Kazakhstan Stock Exchange, in which bonds to the value of 17,024,648 thousand tenge were placed with investors at a yield of 11.5% and on 16 January 2018 a bond placement with the value of 4,950,000 thousand tenge. Both placements were part of program, which the Group had announced on 14 December 2017, aimed at expanding and diversifying the Group's funding sources, increasing the average term of the Group's financial liabilities and decreasing its funding costs.

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

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

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

<i>In thousands of tenge</i>	<b>Buildings and construction</b>	<b>Total</b>
<b>Cost</b>		
<b>At 1 January 2019</b>	24,070,061	24,070,061
<b>At 31 March 2019</b>	24,070,061	24,070,061
<b>At 1 January 2020</b>	26,665,367	26,665,367
Additions	<b>2,841</b>	<b>2,841</b>
Modification	<b>13,837</b>	<b>13,837</b>
<b>At 31 March 2020</b>	<b>26,682,045</b>	<b>26,682,045</b>
<b>Accumulated depreciation</b>		
<b>At 1 January 2019</b>	-	-
Depreciation charge	(917,215)	(917,215)
<b>At 31 March 2019</b>	(917,215)	(917,215)
<b>At 1 January 2020</b>	(3,598,481)	(3,598,481)
Depreciation charge	<b>(1,012,705)</b>	<b>(1,012,705)</b>
<b>At 31 March 2020</b>	<b>(4,611,186)</b>	<b>(4,611,186)</b>
<b>Net book value</b>		
<b>At 31 December 2019</b>	23,066,886	23,066,886
<b>At 31 March 2020</b>	<b>22,070,859</b>	<b>22,070,859</b>

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

<i>In thousands of tenge</i>	<b>31 March 2020 (unaudited)</b>	31 March 2019 (unaudited)
<b>At the beginning of the period</b>	<b>24,817,949</b>	24,881,810
Interest expenses	<b>752,243</b>	762,005
Payments	<b>(1,559,570)</b>	(1,424,826)
Modifications	<b>13,837</b>	-
<b>At the end of the period</b>	<b>24,024,459</b>	24,218,989
Long-term lease liabilities	<b>20,779,682</b>	21,450,227
Short-term lease liabilities	<b>3,244,777</b>	2,768,762

### 15. TRADE PAYABLES

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

<i>In thousands of tenge</i>	<b>31 March 2020 (unaudited)</b>	31 December 2019
Trade payables to third parties	<b>10,679,935</b>	20,042,873
Trade payables to related parties (Note 21)	<b>1,060,471</b>	1,131,675
	<b>11,740,406</b>	21,174,548

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

### 16. OTHER CURRENT FINANCIAL LIABILITIES

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

<i>In thousands of tenge</i>	<b>31 March 2020 (unaudited)</b>	31 December 2019
Accrued salaries and bonuses to employees	<b>2,370,166</b>	3,171,814
	<b>2,370,166</b>	3,171,814

### 17. REVENUE FROM CONTRACTS WITH CUSTOMERS

<i>In thousands of tenge</i>	<b>For three months ended 31 March</b>	
	<b>2020 (unaudited)</b>	2019 (unaudited)
Voice and other services	<b>19,279,144</b>	17,850,505
Data service	<b>13,787,243</b>	11,822,343
Sale of handsets and equipment	<b>5,441,578</b>	3,526,152
Value added services	<b>1,554,035</b>	1,980,925
	<b>40,062,000</b>	35,179,925
Over time	<b>34,620,422</b>	31,653,773
At a point of time	<b>5,441,578</b>	3,526,152
	<b>40,062,000</b>	35,179,925

As at 31 March 2020 and 31 December 2019, the contract liabilities in the amount of 5,015,039 thousand tenge and 4,149,365 thousand tenge, respectively, were represented by deferred revenue.

### 18. COST OF SALES

<i>In thousands of tenge</i>	<b>For three months ended 31 March</b>	
	<b>2020 (unaudited)</b>	2019 (unaudited)
Depreciation and amortization	<b>6,732,087</b>	6,912,214
Interconnect fees and expenses	<b>5,757,876</b>	5,729,676
Cost of SIM-card, scratch card and handsets	<b>4,776,772</b>	2,916,597
Personnel costs	<b>2,561,176</b>	2,508,550
Transmission services	<b>2,542,806</b>	2,336,004
Repair and maintenance	<b>1,921,423</b>	1,740,131
Fees for use of frequency range	<b>1,518,042</b>	1,348,919
Electricity	<b>851,336</b>	970,449
Mobile tax	<b>489,066</b>	461,574
Rental of base stations	<b>375,952</b>	271,079
Security and safety	<b>110,728</b>	101,445
Materials	<b>61,568</b>	58,353
Other	<b>805,061</b>	669,171
	<b>28,503,893</b>	26,024,162

### 19. PENALTY EXPENSES

On 12 April 2019, the Group received from Kar-Tel LLP a notice on termination of the Network Sharing Agreement (hereinafter referred to as the "Agreement"), since there was a change in the Group's controlling shareholder in December 2018, which represents, in accordance with the Agreement, a breach of conditions of the Agreement, giving the right to the second party to terminate the Agreement and request payment of termination fine, determined in accordance with the methodology specified in the Agreement. The Group received from Kar-Tel LLP an invoice for payment of a termination fine in the amount of 14,551,865 thousand tenge. The Group repaid the termination fine in full in June 2019.

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

### 20. INCOME TAX EXPENSES

<i>In thousands of tenge</i>	<b>For three months ended 31 March</b>	
	<b>2020</b> <b>(unaudited)</b>	<b>2019</b> <b>(unaudited)</b>
Current income tax expense	<b>(1,837,951)</b>	–
Adjustments in respect of income tax of previous year ( <i>Note 23</i> )	<b>(488,380)</b>	–
Deferred income tax (expense)/benefit	<b>(11,252)</b>	1,670,012
	<b>(2,337,583)</b>	1,670,012

### 21. 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 2020, the Group recognized an allowance for expected credit losses in the amount of 49,031 thousand tenge in respect of receivables from related parties (31 December 2019: 98,302 thousand tenge).

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

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

<i>In thousands of tenge</i>	<b>For three months ended 31 March</b>	
	<b>2020</b> <b>(unaudited)</b>	<b>2019</b> <b>(unaudited)</b>
<b>Sales of goods and services</b>		
Entities of Samruk Kazyna group	<b>43,846</b>	51,181
Entities of Kazakhtelecom group	<b>2,900,514</b>	2,692,751
Government entities	<b>69,153</b>	11,739
	<b>3,013,513</b>	2,755,671
<b>Purchases of goods and services</b>		
Entities of Samruk Kazyna group	<b>102,346</b>	179,296
Entities of Kazakhtelecom group	<b>4,534,725</b>	4,605,203
Government entities	<b>1,222</b>	4,862
	<b>4,638,293</b>	4,789,361
	<b>31 March</b>	<b>31 December</b>
<i>In thousands of tenge</i>	<b>2020</b> <b>(unaudited)</b>	<b>2019</b>
<b>Trade and other receivables (<i>Note 9</i>)</b>		
Entities of Samruk Kazyna group	<b>57,339</b>	65,448
Entities of Kazakhtelecom group	<b>735,540</b>	816,404
Government entities	<b>32,793</b>	5,365
	<b>825,672</b>	887,217
<b>Accounts payable (<i>Note 15</i>)</b>		
Entities of Samruk Kazyna group	<b>31,369</b>	155,618
Entities of Kazakhtelecom group	<b>1,028,795</b>	975,617
Government entities	<b>307</b>	440
	<b>1,060,471</b>	1,131,675

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

### 21. RELATED PARTY DISCLOSURES (continued)

#### Compensation to key management personnel

For the three month period ended 31 March 2020 and 2019, the total compensation to key management personnel included in the accompanying consolidated statement of comprehensive income under general and administrative expenses was 152,733 thousand tenge and 44,191 thousand tenge, respectively. Compensation to key management personnel consists of wages fixed in the employment agreement, as well as remuneration based on the performance for the year.

### 22. 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 2020 and 31 December 2019 was as follow:

<i>In thousands of tenge</i>	Date of valuation	Price quotation on active market (Level 1)	Significant observable in-puts (Level 2)	Significant unobservable in-puts (Level 3)	Total
<b>Assets measured at fair value</b>					
Financial assets at fair value through other comprehensive income	31 March 2020	5,803,813	-	-	5,803,813
<b>Assets for which fair values are disclosed</b>					
Short-term trade receivables	31 March 2020	-	-	16,290,120	16,290,120
Long-term trade receivables	31 March 2020	-	-	1,491,104	1,491,104
Other current financial assets	31 March 2020	-	-	612,394	612,394
<b>Liabilities for which fair values are disclosed</b>					
Borrowings	31 March 2020	-	-	60,779,367	60,779,367
Trade payables	31 March 2020	-	-	11,740,406	11,740,406
Other current financial liabilities	31 March 2020	-	-	2,370,166	2,370,166

<i>In thousands 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
<b>Assets measured at fair value</b>					
Financial assets at fair value through other comprehensive income	31 December 2019	4,964,633	-	-	4,964,633
<b>Assets for which fair values are disclosed</b>					
Short-term trade receivables	31 December 2019	-	-	15,646,942	15,646,942
Long-term trade receivables	31 December 2019	-	-	1,146,506	1,146,506
Other current financial assets	31 December 2019	-	-	1,371,295	1,371,295
<b>Liabilities for which fair values are disclosed</b>					
Borrowings	31 December 2019	-	-	61,777,730	61,777,730
Trade payables	31 December 2019	-	-	21,174,548	21,174,548
Other current financial liabilities	31 December 2019	-	-	3,171,814	3,171,814

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

### 22. FINANCIAL INSTRUMENTS (continued)

#### Fair values (continued)

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

<i>In thousands of tenge</i>	<b>Carrying amount 31 March 2020</b>	<b>Fair value 31 March 2020</b>	<b>Unrecog- nised gain/ (loss)</b>	Carrying amount 31 December 2019	Fair value 31 December 2019	Unrecog- nised gain/ (loss)
<b>Financial assets</b>						
Cash and cash equivalents	11,199,844	11,199,844	-	8,825,048	8,825,048	-
Financial assets at fair value through other comprehensive income	5,803,813	5,803,813	-	4,964,633	4,964,633	-
Short-term trade receivables	16,290,120	16,290,120	-	15,646,942	15,646,942	-
Long-term trade receivables	1,448,812	1,491,104	42,292	1,118,077	1,146,506	28,429
Other current financial assets	612,394	612,394	-	1,371,295	1,371,295	-
<b>Financial liabilities</b>						
Borrowings	60,772,078	60,779,367	7,289	61,931,972	61,777,730	(154,242)
Trade payables	11,740,406	11,740,406	-	21,174,548	21,174,548	-
Other current financial liabilities	2,370,166	2,370,166	-	3,171,814	3,171,814	-
<b>Total unrecognised change in unrealised fair value</b>			<b>49,581</b>			<b>(125,813)</b>

### 23. COMMITMENTS AND CONTINGENT LIABILITIES

#### Operating environment

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

#### Coronavirus pandemic and market conditions

Starting from March 2020, there has been significant volatility in the stock, currency and commodity markets, including a drop in oil prices and a devaluation of tenge against the US dollar and the euro. Moreover, in connection with the recent rapid development of the coronavirus pandemic (COVID-19), on 16 March 2020 Kazakhstan introduced state emergency measures during the period through 16 April 2020, and subsequently extended until 30 April 2020, including quarantine in major cities, which had a significant impact on the level and scale of business activity. It is expected that both the pandemic itself and measures to minimize its consequences can affect the activities of companies from various industries.

The Group evaluated that those events may have negative impact on revenue from sales of handsets, however it would be compensated by increased demand for voice and data services that the Group already observed during three month period ended 31 March 2020. The Group monitored consumer behavior and credit worthiness of the subscribers and concluded that cash collections are not significantly affected since the Group provides mainly services on pre-paid basis. In addition, the Group analysed any possible impact of worldwide lockdown on importing goods and services, including telecommunication equipment and maintenance and technical support services for its software systems. The Group believes that there is no significant risk in operation of software and telecommunication equipment due to lack of technical maintenance and support.

The Group believes that there were no impairment indicators of its long-term assets as at 31 March 2020. However, the Group evaluated that at the moment the quantitative effect of pandemic cannot be estimated with a sufficient degree of confidence due to the uncertainty as to the severity and duration of the pandemic. The Group will continue to monitor the situation closely.

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

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### 23. 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 2020, the Group had contractual commitments totaling 8,006,158 thousand tenge, excluding VAT (unaudited) (as at 31 December 2019: 5,213,491 thousand tenge, excluding VAT).

#### Taxation

Tax legislation and regulatory framework of the Republic of Kazakhstan are subject to constant changes and allow for different interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Penalties are generally 80% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of the Republic of Kazakhstan multiplied by 1.25. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review.

Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 31 March 2020. Management believes that as at 31 March 2020 its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these interim condensed consolidated financial statements.

#### *Tax audit for 2012 – 3<sup>rd</sup> quarter 2015*

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

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

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

- Additional charge on withholding tax for services provided by non-resident legal entities in the amount of 2,196,555 thousand tenge;
- Additional VAT on software technical support services provided by non-resident legal entities in the amount of 779,916 thousand tenge;
- Related fines and penalties in the amount of 2,839,574 thousand tenge.

As at 31 March 2020, the Group had remaining liability for fine and penalty in the amount of 175,095 thousand tenge (as at 31 December 2019: 187,793 thousand tenge).

Group recognized income from reversal of the tax and related fines and penalties provision in the total amount of 12,698 thousand tenge in the consolidated statement of comprehensive income for the period ended 31 March 2020 due to expiration of the limitation period.

#### *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, the Group recognised reversal of provision on VAT and personal income tax in the amount of 256,782 thousand tenge and 210,827 thousand tenge, respectively. In addition, the Group recognized reserve on CIT expenses in the amount of 488,380 thousand tenge in the consolidated statement of comprehensive income for three months ended 31 March 2020 (*Note 20*).

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

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### 23. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

#### 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.

#### Cases related to the abuse of dominant position

##### *Tariffication of Kcell's mobile Internet services*

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

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

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

On 25 October 2019, Specialised Inter-district Economic Court of Almaty issued the resolution to cancel administrative proceedings due to the lack of an offense. However, the Committee has the right to appeal within 180 days after announcement of the resolution. On 14 April 2020, the Committee appealed the decision of Specialised Inter-district Economic Court of Almaty. The case was initiated and submitted to the judge for preliminary consideration of the motion for re-examination of the case. The cassation court hearing has not been appointed yet. The management of the Group believes that the Committee's claims against the Group are not supported and an outflow of economic resources related to the above matter is remote.

##### *Billing cycle of mobile phone plans*

On 27 December 2019, the Company received a notification from the Committee on Regulation and Protection of Competition of the Ministry of National Economy of the Republic of Kazakhstan (“Committee”) prescribing that the Group should bring its existing and legacy mobile phone plans in line with Rules for provision of mobile services (“Rules”), namely to set a calendar month as default billing cycle, as follows from the definition of the term “accounting period”. According to the Committee, by establishing a one-day, a weekly, a 28-day or a 30-day billing cycle on mobile phone plans the Group breaches article 174.1 of the Business Code of the Republic of Kazakhstan. The Committee also sees the reduction of billing cycle as possible abuse of the dominant position through violation of the rights of consumers.

The management of the Group believes that the Committee's claims against the Group are not supported. As of 31 March 2020, the Group did not receive an act of the Committee on the investigation initiation and assessed the probability of the investigation and any outflow of economic resources related to the above matter as remote.

### 24. 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.

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

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**25. SUBSEQUENT EVENTS**

On 10 April 2020 the President of Kazakhstan extended the emergency situation period until 30 April 2020. The Group is analysing the possible impact of extension of emergency situation on the financial statements and considering alternatives to minimise negative impact on the operations of the Group.

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