Kazakhtelecom JSC

Consolidated financial statements

For the year ended 31 December 2023
together with independent auditor's report

CONTENTS

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Independent auditor's report

To the Shareholders, Board of Directors and Management of "Kazakhtelecom" JSC

Opinion

We have audited the consolidated financial statements of Kazakhtelecom JSC and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition from the provision of telecommunications services	
Recognition and measurement of revenue from provision of telecommunication services was one of the matters of most significance in our audit due to the risk of improper revenue recognition as the billing systems employed by the Group are complex and automated processes. In addition, effect of accounting treatment of changing tariff structures and multi-element arrangements on revenue could be significant. The selection and application of revenue recognition policies, including the application of IFRS 15 *Revenue from contracts with customers*, involve a number of key judgements and estimates, and therefore revenue could be subject to misstatement, whether due to fraud or error, including untimely recognition. The Group's disclosure of information in respect of the accounting policies on revenue recognition is included in *Note 3* to the consolidated financial statements, and detailed revenue disclosures are included in *Note 33* to the consolidated financial statements.	We have considered the relevant IT systems and the design of controls, and tested the operating effectiveness of controls over capturing and recording data in billing systems related to revenue recognition; authorisation of changes and accounting treatment of tariff rates input to the billing systems; and calculation of amounts billed to the customers. We performed analytical procedures, including monthly fluctuations analysis and analysis of changes in key drivers of revenue, and compared financial and non-financial data. We also analysed the timing of revenue recognition. We analysed the key judgements and estimates, and the accounting policy for compliance with IFRS 15. We considered the disclosures related to revenue recognition in light of the requirements of IFRS 15.

Other information included in the Group's 2023 Annual Report

Other information consists of the information included in the Group's 2023 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2023 Annual Report is expected to be made available to us after the date of this auditor's report.

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Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and the Audit Committee of the Board of Directors for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee of the Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee of the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee of the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee of the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Adil Syzdykov.

Ernst & Young LLP

Adil Syzdykov
Auditor

Auditor Qualification Certificate
No. МФ-0000172 dated 23 December 2013

Olga Khegay
Acting General Director
Ernst & Young LLP

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

050060, Republic of Kazakhstan, Almaty
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26 March 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

In thousands of tenge	**Note**	**31 December 2023**	31 December 2022
Assets			
Non-current assets			
Property and equipment	8	**662,836,825**	501,991,438
Investment properties	12	**105,995**	1,976,652
Intangible assets	9	**341,989,215**	195,141,499
Goodwill	11	**152,402,245**	152,402,245
Right-of-use assets	24	**86,297,307**	63,294,805
Advances paid for non-current assets	8,9	**2,268,635**	6,830,659
Cost to obtain contracts		**2,700,469**	2,781,123
Cost to fulfil contracts		**45,276**	80,103
Other non-current non-financial assets	14	**10,803,207**	6,624,903
Other non-current financial assets	13	**5,757,350**	6,973,300
Deferred tax assets	41	**369,451**	1,470,763
Total non-current assets		**1,265,575,975**	939,567,490
Current assets			
Inventories	15	**16,377,249**	13,857,314
Trade receivables	16	**50,755,814**	45,305,186
Advances paid	17	**9,695,088**	6,206,238
Corporate income tax prepaid		**4,848,165**	3,944,275
Cost to fulfil contracts		**556,811**	690,565
Other current non-financial assets	20	**13,155,629**	12,070,418
Other current financial assets	18	**5,280,059**	4,374,070
Financial assets carried at amortised cost	19	**45,770,813**	14,832,821
Cash and cash equivalents	21	**70,984,738**	242,122,154
		217,424,366	343,403,041
Assets held for sale	10	**–**	3,763,284
Total current assets		**217,424,366**	347,166,325
Total assets		**1,483,000,341**	1,286,733,815

The accounting policies and notes on pages 8 to 77 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

In thousands of tenge	Note	31 December 2023	31 December 2022
Equity and liabilities			
Share capital	22	**12,136,529**	12,136,529
Treasury shares	22	**(7,065,614)**	(7,065,614)
Foreign currency translation reserve		**23,441**	26,183
Other reserves	22	**1,820,479**	1,820,479
Retained earnings		**702,957,922**	641,236,831
		709,872,757	648,154,408
Non-controlling interests	6	**93,789,580**	82,453,415
Total equity		**803,662,337**	730,607,823
Non-current liabilities			
Borrowings	23	**210,801,920**	222,858,631
Lease liabilities	24	**79,673,946**	28,360,505
Other non-current financial liabilities		**7,339,002**	414
Employee benefits obligations	25	**13,835,162**	16,687,529
Debt component of preferred shares	22	**814,868**	814,868
Non-current contract liabilities	26	**7,088,642**	7,554,205
Government grants	32	**31,762,239**	20,690,473
Asset retirement obligation	27	**13,580,106**	6,595,165
Deferred tax liabilities	41	**25,734,663**	31,521,131
Total non-current liabilities		**390,630,548**	335,082,921
Current liabilities			
Borrowings	23	**80,589,678**	25,018,246
Lease liabilities	24	**11,844,932**	12,465,379
Other current financial liabilities	29	**32,865,868**	27,616,881
Employee benefit sobligations	25	**1,271,934**	1,562,857
Trade payables	28	**106,813,027**	104,832,254
Current corporate income tax payable		**-**	2,131,847
Current contract liabilities	30	**32,614,490**	26,742,107
Government grants	32	**8,414,199**	6,167,493
Other current non-financial liabilities	31	**14,293,328**	14,506,007
Total current liabilities		**288,707,456**	221,043,071
Total liabilities		**679,338,004**	556,125,992
Total equity and liabilities		**1,483,000,341**	1,286,733,815

Chairman of the Management Board ____________________ *Yessekeyev K.B.*

Chief financial officer ____________________ *Atamuratova L.V.*

Chief accountant ____________________ *Urazimanova M.M.*

ҚАЗАҚСТАН РЕСПУБЛИКАСЫ АСТАНА ҚАЛАСЫ АКЦИОНЕРЛІК ҚОҒАМЫ • ҚАЗАҚТЕЛЕКОМ •

The accounting policies and notes on pages 8 to 77 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

In thousands of tenge	Note	2023	2022
Revenue from contracts with customers	33	**669,467,961**	621,837,582
Compensation for provision of universal services in rural areas	34	**8,853,903**	6,326,916
Income from government grants	32	**9,459,782**	6,331,898
		687,781,646	634,496,396
Cost of sales	35	**(450,053,405)**	(399,170,034)
Gross profit		**237,728,241**	235,326,362
General and administrative expenses	36	**(43,994,606)**	(44,158,784)
Impairment losses on financial assets	44	**(10,443,884)**	(7,622,160)
Impairment losses on non-financial assets	44	**(760,899)**	(1,478,876)
Selling expenses	37	**(23,196,854)**	(16,908,727)
Loss on disposal of property and equipment, net		**(898,616)**	(229,712)
Other operating income	40	**6,032,736**	17,052,723
Other operating expenses	40	**(3,154,835)**	(1,322,018)
Operating profit		**161,311,283**	180,658,808
Share in profits of associates	10	**–**	380,019
Finance costs	39	**(38,920,897)**	(40,469,547)
Finance income	39	**15,802,142**	15,977,954
Net foreign exchange gain		**(3,954,737)**	7,901,638
Profit before tax		**134,237,791**	164,448,872
Income tax expenses	41	**(29,834,582)**	(35,695,727)
Profit for the year		**104,403,209**	128,753,145

The accounting policies and notes on pages 8 to 77 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

In thousands of tenge	Note	2023	2022
Other comprehensive (loss) /income			
Other comprehensive (loss) /income to be reclassified to profit or loss in subsequent periods (net of tax)			
Foreign exchange differences from translation of financial statements of foreign subsidiaries		**(2,742)**	44,521
Net other comprehensive loss/(income) to be reclassified to profit or loss in subsequent periods		**(2,742)**	44,521
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods (net of tax)			
Actuarial income/(loss) on defined benefits plans	25	**2,280,970**	(3,348,018)
Tax effect	41	**(279,987)**	387,506
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		**2,000,983**	(2,960,512)
Other comprehensive income/(loss) for the year, net of tax		**1,998,241**	(2,915,991)
Total comprehensive income for the year, net of tax		**106,401,450**	125,837,154
Profit attributable to:			
Equity holders of the Parent		**93,067,044**	114,117,977
Non-controlling interests	6	**11,336,165**	14,635,168
		104,403,209	128,753,145
Total comprehensive income attributable to:			
Equity holders of the Parent		**95,065,285**	111,201,986
Non-controlling interests	6	**11,336,165**	14,635,168
		106,401,450	125,837,154
Basic and diluted, profit for the year attributable to ordinary equity holders of the parent, tenge	22	**8,465.09**	10,377.97

Chairman of the Management Board ______ Yessekeyev K.B.

Chief financial officer ______ Alamuratova L.V.

Chief accountant ______ Urazimanova M.M.

The accounting policies and notes on pages 8 to 77 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to equity holders of the Parent							
In thousands of tenge	Shares outstanding	Treasury shares	Foreign currency translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total Equity
Note	22	22		22			6	
At 1 January 2022	12,136,529	(7,065,614)	(18,338)	1,820,479	569,486,063	576,359,119	67,818,247	644,177,366
Net profit for the year	–	–	–	–	114,117,977	114,117,977	14,635,168	128,753,145
Other comprehensive loss	–	–	44,521	–	(2,960,512)	(2,915,991)	–	(2,915,991)
Total comprehensive income	–	–	44,521	–	111,157,465	111,201,986	14,635,168	125,837,154
Dividends *(Note 22)*	–	–	–	–	(39,421,921)	(39,421,921)	–	(39,421,921)
Other transactions	–	–	–	–	15,224	15,224	–	15,224
At 31 December 2022	**12,136,529**	**(7,065,614)**	**26,183**	**1,820,479**	**641,236,831**	**648,154,408**	**82,453,415**	**730,607,823**
Net profit for the year	–	–	–	–	93,067,044	93,067,044	11,336,165	104,403,209
Other comprehensive loss	–	–	(2,742)	–	2,000,983	1,998,241	–	1,998,241
Total comprehensive income	–	–	(2,742)	–	95,068,027	95,065,285	11,336,165	106,401,450
Dividends *(Note 22)*	–	–	–	–	(33,346,936)	(33,346,936)	–	(33,346,936)
At 31 December 2023	**12,136,529**	**(7,065,614)**	**23,441**	**1,820,479**	**702,957,922**	**709,872,757**	**93,789,580**	**803,662,337**

Chairman of the Management Board ______ Yessekeyev K.B.

Chief financial officer ______ Atamuratova L.Y.

Chief accountant ______ Urazimanova M.M.

The accounting policies and notes on pages 8 to 77 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

In thousands of tenge	Note	2023	2022
Operating activities			
Profit before tax for the year		**134,237,791**	164,448,872
Adjustments for:			
Depreciation of property and equipment and right of use assets	8, 24	**94,997,263**	90,445,532
Amortisation of intangible assets	9	**41,855,295**	28,203,711
Impairment loss of non-financial assets	44	**760,899**	1,478,876
Impairment loss on financial assets	44	**10,443,884**	7,622,160
Net foreign exchange gain		**3,954,737**	(7,901,638)
Changes in employee benefit obligations		**1,950,688**	(8,472,796)
Write-down of inventories to net realizable value	36	**867,068**	314,205
Share in profits of associates	10	**–**	(380,019)
Finance costs	39	**38,920,897**	40,469,547
Finance income	39	**(15,802,142)**	(15,977,954)
Accrual of provisions	31	**1,976,267**	1,019,959
Income from government grants	32	**(9,459,782)**	(6,331,898)
Loss on disposal of property and equipment, net		**898,616**	229,712
Income from disposal of an associate	10, 40	**(876,945)**	–
Reversal of tax and related fines and penalties provision	31, 44	**–**	(2,130,246)
Operating cash flows before changes in operating assets and liabilities		**304,724,536**	293,038,023
Changes in operating assets and liabilities			
Change in trade receivables		**(16,248,866)**	(15,518,083)
Change in inventories		**(3,387,003)**	(2,208,765)
Change in other current assets		**9,442,407**	3,700,055
Change in advances paid		**(3,874,576)**	1,294,313
Change in trade payables		**(22,829,773)**	18,881,620
Change in cost to obtain contracts and cost to fulfil contracts		**249,235**	(67,605)
Change in contract liabilities		**4,802,473**	2,645,145
Changes in other current liabilities		**29,552,692**	21,808,177
Cash flows from operating activities		**302,431,125**	323,572,880
Income tax paid		**(35,374,841)**	(33,721,779)
Interest paid	44	**(35,316,158)**	(39,103,847)
Interest received		**9,181,452**	14,224,876
Net cash flows from operating activities		**240,921,578**	264,972,130

The accounting policies and notes on pages 8 to 77 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In thousands of tenge	Note	2023	2022
Investing activities			
Purchase of property and equipment		**(194,476,548)**	(101,551,623)
Purchase of intangible assets		**(180,406,973)**	(19,948,771)
Proceeds from sale of property and equipment		**508,944**	206,549
Proceeds from sale of intangible assets		**–**	1,518,112
Purchase of financial assets at amortized cost	19	**(195,250,278)**	(84,163,285)
Proceeds from redemption of financial assets at amortized cost	19	**166,568,148**	69,350,275
Cash received from assets under reverse repurchase agreement	19	**–**	49,999,824
Placement of deposits		**(796,132)**	(908,440)
Refund on deposits		**810,299**	9,227,472
Proceeds from the sale of 49% of the shares of an associate	10	**4,544,676**	–
Issue of long-term loans to employees		**(5,871,872)**	(2,018,873)
Repayment of loans by employees		**385,512**	496,026
Dividends received from associate	10	**50,219**	76,855
Net cash flows used in investing activities		**(403,934,005)**	(77,715,879)
Financing activities			
Borrowings received	44	**133,584,742**	–
Borrowings repaid	44	**(91,120,692)**	(66,673,091)
Dividends paid on common and preferred shares	22	**(33,411,753)**	(39,511,557)
Repayment of principal portion of lease liabilities	44	**(12,109,799)**	(13,759,891)
Net cash flows used in financing activities		**(3,057,502)**	(119,944,539)
Effect of exchange rate changes on cash and cash equivalents		**(5,074,734)**	7,703,007
Effect of changes in expected credit losses	21	**7,247**	(2,404)
Net change in cash and cash equivalents		**(171,137,416)**	75,012,315
Cash and cash equivalents, as at 1 January	21	**242,122,154**	167,109,839
Cash and cash equivalents, as at 31 December	21	**70,984,738**	242,122,154

Disclosure of significant non-cash transactions is presented in *Note 42*.

Chairman of the Management Board — *Yessekeyev K.B.*

Chief financial officer — *Atamuratova L.V.*

Chief accountant — *Urazimanova M.M.*

ҚАЗАҚСТАН РЕСПУБЛИКАСЫ АСТАНА ҚАЛАСЫ АКЦИОНЕРЛІК ҚОҒАМЫ • ҚАЗАҚТЕЛЕКОМ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

Kazakhtelecom JSC (the "Company" or "Kazakhtelecom") was established in June 1994 in accordance with the legislation of the Republic of Kazakhstan.

The Company is incorporated, domiciled and operates in the Republic of Kazakhstan. The legal address of the Company is: 12 Sauran Str., Astana, 010000, Republic of Kazakhstan.

The Company is controlled by the Government of the Republic of Kazakhstan through Sovereign Wealth Fund "Samruk-Kazyna" JSC ("Samruk-Kazyna" or the "Parent"), which owns 79.2% of the Company's controlling shares. Below is a list of the Company's shareholders as at 31 December 2023:

	At 31 December 2023	At 31 December 2022
Samruk-Kazyna	**79.2%**	51.0%
Committee of State Property and Privatization of the Ministry of finance of the Republic of Kazakhstan	**–**	28.2%
"First Heartland Jusan Bank" JSC	**9%**	–
ADR (The Bank of New York − depositor)	**0.6%**	9.6%
Corporate fund "Social Development fund"	**3.4%**	3.4%
Other	**7.8%**	7.8%
	100%	100%

The Company is included in the register of natural monopolists in relation to transit traffic services provided to telecommunication operators, public switch telecommunication network ("PSTN"), connection services provided to third party telecommunication operators, and rental of phone channels to telecommunication operators for connection to PSTN.

The Company and its subsidiaries listed in *Note 5* (hereinafter collectively referred to as the "Group") have a significant share of the fixed line and mobile communication markets, including local, long-distance intercity and international telecommunication services including CIS and non-CIS countries; leases out lines and provides data transfer services, sells mobile devices and provides other telecommunication services.

These consolidated financial statements of the Group were approved for issue by the Chairman of the Management Board on behalf of the Management of the Company on 26 March 2023.

2. BASIS FOR PREPARATION

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (hereinafter, "IFRS"), as issued by International Accounting Standard Board (hereinafter, "IASB").

These consolidated financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these consolidated financial statements. The consolidated financial statements are presented in Kazakhstani tenge ("tenge") and all amounts are rounded to the nearest thousands, except when otherwise indicated.

Going concern

As at 31 December 2023 the Group's current liabilities exceeded its current assets by 71,283,090 thousand tenge. The Group's current liabilities mainly comprise short-term borrowings of 80,589,678 thousand tenge, trade payables of 106,813,027 thousand tenge and other current financial and non-financial liabilities.

The management believes that the Group will continue its activity in accordance with the principle of going concern, and in making such a judgement, the management took into account current intentions of the Group and its financial position. In particular, the following factor was reviewed in estimating the ability of the Group to continue its activities in accordance with the going concern principle:

- The Group plans to continue generating positive net operating cash flows;
- Effective financial management of net working capital;
- Diversification of funding sources.

Thus, the Group's management believes that the Group will continue its activities accordance with the principle of going concern during the next 12 months from the date of authorization of this financial statement.

2. BASIS FOR PREPARATION (continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3. MATERIAL ACCOUNTING POLICIES

New and amended standards and interpretations

For the first time, the Group has applied certain standards and amendments that are effective for annual reporting periods beginning on or after 1 January 2023 (unless otherwise indicated). The Group has not prematurely applied standards, clarifications or amendments that have been issued but are not yet effective.

IFRS 17 Insurance Contracts

IFRS 17 *Insurance Contracts* is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

The new standard had no impact on the Group's consolidated financial statements.

3. MATERIAL SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS *Practice Statement 2 Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 *Income Tax* narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's consolidated financial statements.

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The Group is part of Samruk-Kazyna Group that is a multinational enterprise with revenue in excess of EUR 750 million per consolidated financial statements of the international group for the financial year, immediately preceding the reporting financial year, using the arithmetic average market exchange rate determined in accordance with the tax legislation of the Republic of Kazakhstan for the respective financial year.

The Group has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The Group and its Parent are still in the process of assessing the potential exposure to Pillar Two income taxes as at December 31, 2023. The potential exposure, if any, to Pillar Two income taxes is currently not known or reasonably estimable. The Group and its Parent continue to progress on the assessment and expects to complete the assessment in 2024.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial consolidated are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

3. MATERIAL SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback (continued)

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 *Statement of Cash Flo*ws and IFRS 7 *Financial Instruments: Disclosures* to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 *Financial Instruments: Disclosures* to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Lack of Exchangeability - Amendments to IAS 21

In August 2023, the Board issued Lack of Exchangeability (Amendments to IAS 21).

The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

Lack of Exchangeability - Amendments to IAS 21 (continued)

If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Foreign currency translation

The consolidated financial statements of the Group are presented in tenge, which is the 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 and balances

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 translation differences are recognized in the consolidated statement of comprehensive income.

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

Foreign exchange rates are presented in the following table:

	31 December 2023	31 December 2022
US dollar	**454.56**	462.65
Euro	**502.24**	492.86
Russian rubles	**5.06**	6.43

The functional currency of foreign operation KT-IX LLC (Russian Federation) is Russian rubles. During consolidation the assets and liabilities of foreign operation are translated into tenge at the rate of exchange prevailing at the reporting date and its statement of comprehensive income is translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within 12 (twelve) months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 (twelve) months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 (twelve) months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 (twelve) months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3. MATERIAL SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the *Note 44*.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 − quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 − valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 − valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The respective unit of the Group (hereinafter, the "Working Group") determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted AFS financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operations. The composition of the Working Group is determined by the Management of the Group.

External valuers are involved for valuation of significant assets, such as investment properties and unquoted financial assets, and significant liabilities, such as contingent consideration. Involvement of external valuers is determined annually by the Working Group after discussion with and approval by the Group's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The Working Group decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Working Group analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Working Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Working Group also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

The Working Group and external valuers of the Group provide valuation results to the Audit Committee and independent auditors of the Group on a regular basis that assumes discussion of main assumptions used in valuation.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Please refer to asset retirement obligation *(Note 27)* for further information about decommissioning provision recognised. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

	Years
Buildings	50
Constructions	10-20
Telecommunication equipment	3-20
Other	3-20

Land is not depreciated.

An item of property and equipment and any significant component initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Construction-in-progress

Construction-in-progress represents property and equipment under construction and machinery and equipment awaiting installation and is recorded at cost. Construction-in-progress includes cost of construction and equipment and other direct costs. When construction of such assets is completed or when the machinery and equipment are ready for their intended use, construction-in-progress is transferred to the appropriate category of depreciable assets. Construction-in-progress is not depreciated.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Intangible assets have finite useful lives.

Intangible assets with finite useful lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Expenses on amortization of intangible assets with finite useful life are recognized in the consolidated statement of comprehensive income in the category of expenses, which corresponds to the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of comprehensive income when the asset is derecognised.

3. MATERIAL SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Intangible assets are amortized on a straight-line basis within the following estimated useful lives.

	Years
Licenses	3-20
Computer software	1-14
Customer base	8-10
Other	2-15

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's or cash-generating unit's (CGU) recoverable amount is the higher of: the fair value of an asset (cash generating unit) less costs of disposal and its value in use (cash generating unit). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of 5 (five) years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of comprehensive income.

3. MATERIAL SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

Goodwill

Goodwill is tested for impairment annually as at 31 December (*Note 11*), and when circumstances indicate that the carrying amount may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Financial assets of the Group include cash and cash equivalents, trade receivables, financial assets at amortized cost and other current financial assets.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);

Financial assets at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, loans to employees, bank deposits and other non-current and current financial assets.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed excluded from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, the Group evaluates if it has retained the risks and rewards of the property, and to which extent, if any. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

Financial assets carried at amortised cost

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

3. MATERIAL SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

For long-term trade receivable that contain a significant financing component the Group measures the loss allowance at an amount equal to lifetime expected losses. An entity applies the simplified approach for ECL calculation of long-term trade receivables

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities comprise trade payables, loans and borrowings, lease liabilities, debt component of preferred shares.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

This category is the most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the consolidated statement of comprehensive income.

This category generally applies to interest-bearing loans and borrowings. Further details are contained in *Note 23*.

Financial guarantee obligations

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of the loss allowance determined in accordance with IFRS 9 *Financial Instruments* and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with IFRS 15 *Revenue from Contracts with Customers*.

3. MATERIAL SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Debt component of preferred shares recorded in liabilities

The debt component of the preferred shares that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of transaction costs. The corresponding minimal guaranteed dividends on those shares are charged as interest expense in the consolidated statement of comprehensive income. On initial recognition, the fair value of the liability component is determined by discounting expected future cash flows at a market interest rate for a comparable debt instrument. The fair value of the equity component on initial recognition is assigned the residual amount after deducting from the initial carrying amount of the instrument as a whole the fair value determined for the liability component. Subsequently, the liability component is measured according to the same principles used for loans and borrowings, and the equity component is not remeasured in subsequent years.

Trade payables

Liabilities for trade payables are recognised at fair value to be paid in the future for goods and services received, whether or not billed to the Group.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are only offset and reported at the net amount in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Group intends to either settle on a net basis, to realise the asset and settle the liability simultaneously.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease

liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

Right-of-use assets (continued)

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Years
Buildings and constructions	5-10
Equipment	3-15

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section *Impairment of non-financial assets*.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment that have a lease term of 12 months or less from the commencement date. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Inventories

Inventories are valued at the lower of: cost of acquisition and net realisable value.

Cost comprise expenses incurred in bringing inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The same cost formula is used for all inventories having a similar nature and use. All inventories are determined based on weighted average cost method.

3. MATERIAL SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and short-term deposits

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Decommissioning liability

Decommissioning liabilities are recognized in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the reporting period when the related environmental disturbance occurs. Decommissioning costs are recorded at the discounted value of expected liability settlement costs calculated using estimated cash flows and recognized as part of the initial cost of the particular asset. Cash flows are discounted at the current rate before tax, which reflects risks inherent to the decommissioning obligations. Unwinding of discount is expensed as incurred and recognised in the consolidated statement of comprehensive income as finance costs. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

Employee benefit

Social tax

The Group pays social tax according to the current statutory requirements of the Republic of Kazakhstan. Social tax expenses are charged to expenses as incurred.

Besides, the Group withholds 10% of the salary of employees paid as contributions of employees to the accumulating pension funds. Under the legislation, employees are responsible for their retirement benefits and the Group has no present or future obligation to further compensate its employees upon their retirement, except as provided below.

Pension payments

The Group does not incur any expenses in relation to provision of pensions or other post-employment benefits to its employees. In accordance with the legal requirements of the Republic of Kazakhstan, the Group withholds pension contributions from employee salaries and transfers them into state or private pension funds on behalf of its employees. Pension contributions are the responsibility of employees, and the Group has no current or future obligations to make payments to employees following their retirement. Upon retirement of employees, all pension payments are administered by the pension funds directly.

Defined benefits pension plan

In accordance with the Collective Agreement the Company provides certain long-term and retirement benefits to some of its employees (the "Defined Benefit Scheme").

Long-term benefits are paid to employees upon completion of a certain number of years of service whereas retirement benefits represent one-off payments paid upon retirement in accordance with the the Collective Agreement. Both items vary according to the employee's average salary and length of service.

Cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

3. MATERIAL ACCOUNTING POLICIES (continued)

Employee benefit (continued)

Defined benefits pension plan (continued)

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit obligation and the return on plan assets (excluding amounts included in net interest on the net defined benefit obligation), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Group recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit obligation or asset. The Group recognises the outlined changes of net defined benefit obligation in the lines: "cost of sales", "general and administrative expenses" in the consolidated statement of comprehensive income.

Cash dividend and non-cash distribution to equity holders of the Parent

The Group recognises a liability to make cash or non-cash distributions to equity holders of the Parent when the distribution is authorised and the distribution is no longer at the discretion of the Group. According to the legislation, distribution is approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the consolidated statement of comprehensive income.

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the acquisition, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in equity.

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group's activities mainly relates to the provision of data transmission services, rendering of fixed line and wireless phone services, rent of channels, local, intercity and international calls, interconnect / traffic transmission of other operators, value added services and sale of equipment and mobile devices.

At the beginning of the contract, the Group assesses the goods and services promised in the contract with the buyer and defines as a performance obligation each promise to transfer to the buyer a certain product or service or a set of certain goods or services.

The Group has concluded that it is acting as a principal in all of its revenue arrangements, since in all cases it is the main party that assumed obligations under the contract, controls the goods and services before transferring them to the customer.

Interconnection fees from domestic and foreign telecommunication operators are recognized when the services are rendered based on the actual minutes of traffic transferred through the network.

Revenue from international and intercity calls and calls to local operators are recognized at the time the call is made over the Group's network.

3. MATERIAL ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Subscription fees, consisting primarily of monthly charges for access to broadband and other internet services or voice services, are recognised as revenue over time on a straight-line basis. Revenue from dial up internet is recognized based on the actual airtime provided to the customers.

Revenue from the rental of analogue and digital channels and private circuits as well as wholesale access revenue is recognised on a straight-line basis over the period to which it relates.

Non-refundable upfront fees received for initial connection of new subscribes to fixed line and wireless networks are recognized during the expected period of the customer relationship. The expected period of the customer relationship is based on past history of customer period and industry practice.

Equipment provided to customers

The Group provides Internet and other data transmission services and equipment for the provision of these services, including modem, routers and others.

Based on the analysis of current operating indicators, the Group concluded that equipment that cannot be used by the subscriber separately from the services of the Group is not a separately identifiable performance obligation.

The Group capitalized the cost of equipment provided free of charge as costs to fulfil a contract. Costs to fulfil a contract are amortized over the period the service is provided to the customer.

Sale of equipment and mobile devices

The Group may bundle services and products into one customer offering. Offerings may involve the delivery or performance of multiple products, services, or rights to use assets (multiple deliverables). In some cases, the arrangements include initial installation, initiation, or activation services and involve consideration in the form of a fixed fee or a fixed fee coupled with a continuing payment stream. Costs associated with the equipment are recognised when revenue is recognised. The revenue is allocated to separate product and services on a relative stand-alone selling price method.

The stand-alone selling prices are determined based on the list prices at which the Group sells the mobile devices and telecommunication services. Customised equipment that can be used only in connection with services or products provided by the Group is not accounted for separately and revenue is deferred over the total service arrangement period.

In revenue arrangements where more than one performance obligation, transaction price is allocated between the goods and services using relative stand-alone selling price method. Determining the transaction price for each separate performance obligation can require complex estimates. The Group generally determines the stand-alone selling price for each separate performance obligation based on prices at which the good or services are regularly sold on a stand-alone basis after considering volume discounts where appropriate.

Roaming discounts

The Group enters into roaming discount agreements with a number of wireless operators. According to the terms of the agreements the Group is obliged to provide and entitled to receive a discount that is generally dependent on the volume of inter operator roaming traffic. The Group uses various estimates and assumptions, based on historical data and adjusted for known changes, to determine the amount of discount to be received or granted. Such estimates are adjusted monthly to reflect newly-available information.

The Group accounts for discounts received as a reduction of roaming expenses and discounts granted as reduction of roaming revenue. The Group considers terms of the various roaming discount agreements to determine the appropriate presentation of amount of receivable from and payable to its roaming partners in its consolidated statement of financial position.

Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

The Group also receives long-term advances from customers for the connection to international telecommunication network. The transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

3. MATERIAL ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Costs to obtain a contract

The Group sells part of payment scratch cards, sim cards, and handsets using sales agents. The Group pays commission to sales agents for new connected subscribers in the B2C segment. The commission to sales agents is capitalized as costs to obtain a contract in the consolidated statements of financial position. Costs to obtain a contract are amortized over the period the service is provided to the customer.

Government grants and compensation for provision of universal services in rural areas

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

Government grants and compensation for provision of universal services are presented separately in the consolidated statement of comprehensive income within revenues from operating activities.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section *Financial instruments − initial recognition and subsequent measurement.*

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as AFS, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The interest income is recorded as part of finance income in the consolidated statement of comprehensive income.

Expense recognition

Expenses are recognized as incurred and reported in the consolidated statement of comprehensive income in the period to which they relate on the accrual basis.

Connection cost

The Group records connection costs incurred and attributable to the related deferred income over the expected period of the customer relationship.

3. MATERIAL ACCOUNTING POLICIES (continued)

Expense recognition (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Income tax

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in transaction that is not a business combination and, at the same time of transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

3. MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax (continued)

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Contingent assets and liabilities

Contingent assets are not recognized in the consolidated financial statements. Where an inflow of economic benefits is probable, they are disclosed.

Contingent liabilities are not recognized in the consolidated financial statements unless an outflow of resources embodying economic benefits has become probable. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Related parties

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Transactions with related parties are used to reflect the status of settlements for property, works and services received from companies or sold to companies that are related parties to the Group. Items of a similar nature are disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Financial instruments and financial risk management objectives and principles − *Note 44*;
- Sensitivity analyses disclosures − *Notes 11 and 25*.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Determining the lease term of contracts with renewal and termination options − Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group re-assesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

Determining the lease term of contracts with renewal and termination options − Group as lessee (continued)

The Group included the renewal period as part of the lease term for leases of space for technical sites with shorter non-cancellable period. The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available.

As of 31 December 2023, the Group reassessed the likelihood of exercising the option to extend contracts for the lease of technical sites. The lease term for the previously concluded agreements on technical sites is coming to an end in 2024- 2025. The lease extension period of 7 years was determined based on the judgment of the management of the Group at the time of initial recognition based on the useful life of the base station. The effect of the modification of the lease period amounted to KZT 51,574,166 thousand (*Note 24*).

Leases − estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Useful lives of property and equipment and intangible assets

The Group assesses the remaining useful lives of items of property and equipment and intangible assets at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The Group assessed the useful life of 5G frequencies to be 15 years based on an assessment of the development of communication technologies, the practices of other cellular operators and the expected average period of income generation from the use of 5G frequencies.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

An impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of: its fair value less costs of disposal and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next 5 (five) years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and growth rates used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in *Note 11*.

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Provision for expected credit losses

The Group recognizes provision for expected credit losses for trade receivables, other current financial assets and funds in credit institutions (cash and cash equivalents, bank deposits).

For trade receivables, the Group has applied the standard's simplified approach and has calculated expected credit losses based on lifetime of these financial instruments. The Group used a provision model that is prepared taking into account Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in *Note 16*.

For funds in credit institutions (cash and cash equivalents, bank deposits), the Group calculated expected credit losses based on the 12-month period. The 12-month expected credit losses is the portion of lifetime expected credit losses that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit losses.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. Also, it is considered a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Thus, as at 31 December 2023 provision for expected credit losses was created in the amount of KZT 17,628,662 thousand (2022: of KZT 18,309,842 thousand) *(Notes 13, 16, 18 and 21)*. Changes in the economy, industry or specific customer conditions would have impact to these allowances recorded in the consolidated financial statements.

Significant financing component

The Group concludes that certain long-term contracts contain significant financing components due to the time interval between the provision of the Group's services to the customer and the moment the customer pays for such services.

The transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

Costs to obtain a contract

The Group considers commission to sales agents to be an additional cost to obtain a contract, and capitalizes such costs as an asset on expenses under contracts with customers. The Group depreciates the costs to obtain a contract with customers on a systematic basis, which corresponds to the timing of the provision of services to customers. The Group reviews depreciation periods if the expected service dates have changed.

Contract liabilities

Deferred revenues are recognized as contract liabilities and recognized over the expected period of the customer relationship. In making its judgments, management considered the detailed criteria for the recognition of revenues from contracts with customers set out in IFRS 15, industry practice and the Company's historical churn rate.

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Non-refundable upfront fees

Upfront fees received for activation and connection to the fixed line and wireless network that do not represent a separate earning process are recognized as contract liabilities and recognized over the expected period of the customer relationship. In making its judgments, management considered the detailed criteria for the recognition of revenues from connection fees set out in IFRS 15, industry practice and the Company's historical churn rate. As at 31 December 2023, average customer relationship period is assessed as 13 (thirteen) years for fixed line customers and 5 (five) years for internet customers.

Decommissioning liability

Decommissioning liabilities are recognized in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs in the reporting period when the related environmental disturbance occurs. Decommissioning costs are recorded at the discounted value of expected liability settlement costs calculated using estimated cash flows and recognized as part of the initial cost of the particular asset. Cash flows are discounted at the current rate before tax, which reflects risks inherent to the decommissioning obligations. Unwinding of discount is

expensed as incurred and recognised in the consolidated statement of comprehensive income as finance costs. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

Employee benefit obligations

The Group uses actuarial valuation method for measurement of the present value of defined employee benefit obligation and related current service cost. This involves the use of demographic assumptions about the future characteristics of current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, etc.) as well as financial assumptions (discount rate, future salary increases). Due to the long-term nature of these benefits, such estimates are subject to significant uncertainty.

The current portion of employee benefit obligations represents the obligations which the Group is going to repay within the twelve months period since the end of the annual reporting period.

In determining the appropriate discount rate, management of the Group considers the interest rates of high-yield corporate bonds in respective currencies.

The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates.

Further details about employee benefit obligations are contained in *Note 25*.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

As at 31 December 2023, deferred tax assets of the Group were equal to KZT 369,451 thousand (at 31 December 2022: KZT 1,470,763 thousand). Further details are contained in *Note 41*.

Leases − estimating the incremental borrowing rate

For those lease agreements, for which the Group cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Fair value measurement of financial instruments

When the fair value of financial instruments and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on data in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the fair value reported in the consolidated financial statements. For more details on the fair values refer to *Note 44*.

Climate-related matters

The Group considers climate-related matters in estimates and assumptions, where appropriate. This assessment includes a wide range of possible impacts on the group due to both physical and transition risks. Even though the Group believes its business model and products will still be viable after the transition to a low-carbon economy, climate-related matters increase the uncertainty in estimates and assumptions underpinning several items in the financial statements. Even though climate-related risks might not currently have a significant impact on measurement, the Group is closely monitoring relevant changes and developments, such as new climate-related legislation.

The items and considerations that are most directly impacted by climate-related matters are:

- Useful life of property, plant and equipment. When reviewing the residual values and expected useful lives of assets, the Group considers climate-related matters, such as climate-related legislation and regulations that may restrict the use of assets or require significant capital expenditures;
- Impairment of non-financial assets. The value-in-use may be impacted in several different ways by transition risk in particular, such as climate-related legislation and regulations and changes in demand for the Group's products;
- Decommissioning liability. The impact of climate-related legislation and regulations is considered in estimating the timing and future costs of decommissioning one of the Group's manufacturing facilities.

5. CONSOLIDATION

The following subsidiaries have been included in these consolidated financial statements:

		Percentage ownership	
	Country of incorporation	31 December 2023	31 December 2022
Mobile Telecom-Service LLP	Kazakhstan	**100.00%**	100.00%
KT-IX LLC	Russia	**100.00%**	100.00%
VostokTelecom LLP	Kazakhstan	**100.00%**	100.00%
Digital Economy Development Center LLP	Kazakhstan	**100.00%**	100.00%
Nursat+ LLP	Kazakhstan	**100.00%**	100.00%
KT-Telecom JSC	Kazakhstan	**100.00%**	100.00%
Kcell JSC	Kazakhstan	**51.00%**	51.00%

6. MATERIAL PARTLY-OWNED SUBSIDIARIES

Kcell JSC

The following is a summary of financial information of the subsidiary that has material non-controlling interests of 49%. This information is based on amounts before inter-company eliminations.

6. MATERIAL PARTLY-OWNED SUBSIDIARIES (continued)

Kcell JSC (continued)

Summarised consolidated statement of comprehensive income of Kcell:

In thousands of tenge	**2023**	2022
Revenue from contracts with customers	**223,747,312**	219,002,382
Income from government grants	**3,745,709**	2,229,406
Cost of sales	**(168,210,279)**	(149,370,828)
General and administrative expenses	**(8,810,772)**	(16,259,344)
Impairment of financial assets	**(5,702,317)**	(6,265,499)
Selling expenses	**(5,401,262)**	(2,713,999)
Finance costs	**(12,888,999)**	(9,269,786)
Finance income	**5,339,139**	4,349,947
Net foreign exchange income	**(1,346,426)**	(32,355)
Other income	**1,909,862**	1,185,572
Other expenses	**(2,532,571)**	(736,966)
Profit before tax	**29,849,396**	42,118,530
Income tax expenses	**(6,714,366)**	(12,250,840)
Profit for the year	**23,135,030**	29,867,690
Profit attributable to equity holders of the Parent	**11,798,865**	15,232,522
Profit attributable to non-controlling interests	**11,336,165**	14,635,168

Summarised consolidated statement of financial position of Kcell JSC as at 31 December:

In thousands of tenge	**2023**	2022
Non-current assets	**363,722,055**	217,067,822
Current assets	**63,301,344**	103,311,358
Non-current liabilities	**(148,332,773)**	(75,740,005)
Current liabilities	**(78,563,174)**	(67,646,745)
Total equity	**200,127,452**	176,992,430
Attributable to:		
Equity holders of the Participants	**106,337,872**	94,539,015
Non-controlling interests	**93,789,580**	82,453,415

Summarised consolidated cash flow information of Kcell JSC for the years ended 31 December:

In thousands of tenge	**2023**	2022
Operating cash flows	**80,239,490**	65,928,336
Investing cash flows	**(145,153,844)**	(52,463,179)
Financing cash flows	**30,651,917**	(18,370,212)
Foreign exchange effect on cash and cash equivalents	**(954,390)**	(249,271)
Net decrease in cash and cash equivalents	**(35,216,827)**	(5,154,326)

7. SEGMENT INFORMATION

For management purposes, the Group represents business units based on the organizational structure of the Group and has reportable operating segments as follows:

- Rendering fixed-line telecommunication services by business units of Kazakhtelecom JSC, Vostoktelecom LLP;
- Rendering mobile telecommunication services in GSM and LTE standards by business units of Mobile Telecom-Service LLP and Kcell JSC.

No operating segments have been aggregated to form the above reportable operating segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. SEGMENT INFORMATION (continued)

Management monitors operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

The following tables disclose revenue and profit information for the Group's operating segments for the years ended 31 December 2023 and 2022.

For the year ended 31 December 2023

In thousands of tenge	Fixed line	Mobile tele-communi-cation services in GSM and LTE standards	Other	Elimina-tions and adjustments	Group
Revenue from contracts with customer					
Sales to external customers	245,222,090	423,182,506	1,063,365	–	669,467,961
Inter-segment	44,530,364	22,291,025	1,840,762	(68,662,151)	–
Total revenue from contracts with customers	289,752,454	445,473,531	2,904,127	(68,662,151)	669,467,961
Compensation for provision of universal services in rural areas	8,853,903	–	–	–	8,853,903
Income from government grants	2,309,209	7,150,573	–	–	9,459,782
Total	300,915,566	452,624,104	2,904,127	(68,662,151)	687,781,646
Financial results					
Depreciation and amortisation	(40,081,397)	(98,330,397)	(46,580)	1,621,214	(136,837,160)
Finance costs	(17,186,381)	(25,992,031)	(3,067)	4,260,582	(38,920,897)
Finance income	8,138,392	8,063,471	102,507	(502,228)	15,802,142
Impairment losses on non-financial assets	55,127	2,059,376	–	(1,353,604)	760,899
Impairment losses on financial assets	(4,507,026)	(5,968,300)	(17,586)	49,028	(10,443,884)
Income tax expenses	(4,938,459)	(28,973,973)	23,490	4,054,360	(29,834,582)
Segment profit before tax /(loss before tax)	30,369,080	105,540,800	(418,941)	(1,253,148)	134,237,791
Operating assets	1,224,250,161	1,390,514,250	2,417,860	(1,134,181,930)	1,483,000,341
Operating liabilities	284,268,091	447,797,103	1,927,232	(54,654,422)	679,338,004
Other disclosures					
Capital expenditures	73,991,757	328,253,641	109,966	(525,552)	401,829,812

7. SEGMENT INFORMATION (continued)

For the year ended 31 December 2022

In thousands of tenge	Fixed line	Mobile tele-communi-cation services in GSM and LTE standards	Other	Elimina-tions and adjustments	Group
Revenue from contracts with customer					
Sales to external customers	232,536,678	387,613,412	1,687,492	–	621,837,582
Inter-segment	38,598,380	20,358,415	2,044,761	(61,001,556)	–
Total revenue from contracts with customers	**271,135,058**	**407,971,827**	**3,732,253**	**(61,001,556)**	**621,837,582**
Compensation for provision of universal services in rural areas	6,326,916	–	–	–	6,326,916
Income from government grants	1,755,766	4,576,132	–	–	6,331,898
Total	**279,217,740**	**412,547,959**	**3,732,253**	**(61,001,556)**	**634,496,396**
Financial results					
Depreciation and amortisation	(38,410,683)	(81,842,592)	(65,294)	1,669,326	(118,649,243)
Finance costs	(22,615,516)	(19,528,225)	5,453	1,668,741	(40,469,547)
Finance income	9,644,772	7,770,013	72,199	(1,509,030)	15,977,954
Dividends income	45,548,416	–	–	(45,548,416)	–
Share in profits of associates	–	–	380,019	–	380,019
Impairment losses on non-financial assets	8,275	(1,463,856)	(23,295)	–	(1,478,876)
Impairment losses on financial assets	(822,142)	(6,631,371)	(16,100)	(152,547)	(7,622,160)
Income tax expenses	(7,156,518)	(33,258,755)	(58,895)	4,778,441	(35,695,727)
Segment profit before tax /(loss before tax)	**96,922,361**	**112,450,208**	**775,217**	**(45,698,914)**	**164,448,872**
Operating assets	**1,231,669,037**	**800,777,903**	**2,349,528**	**(748,062,653)**	**1,286,733,815**
Operating liabilities	**300,556,012**	**291,337,564**	**1,460,707**	**(37,228,291)**	**556,125,992**
Other disclosures					
Investments in associates *(Note 10)* *	–	–	3,763,284	–	3,763,284
Capital expenditures	55,588,403	70,521,370	16,980	–	126,126,753

* *On September 20, 2022, the Board of Directors of Kazakhtelecom JSC decided to sell 49% of shares of QazCloud LLP through an open two-stage tender. As of December 31, 2022, the assets and liabilities of QazCloud LLP were classified as assets held for sale.*

1) Income and expenses between segments are excluded during consolidation;
2) Finance costs and finance income comprise intersegment finance costs and intersegment finance income;
3) Operating income of segments comprises income from intersegment transactions;
4) Capital expenditures include additions to property and equipment and intangible assets.

Reconciliation of profit

In thousands of tenge	2023	2022
Segment profit before tax	**158,690,304**	210,147,786
Other	**(24,452,513)**	(45,698,914)
Profit of the Group	**134,237,791**	164,448,872

Reconciliation of assets

In thousands of tenge	2023	2022
Segment operating assets	**2,269,896,480**	2,034,796,468
Elimination of the Company's investments in subsidiaries	**(697,877,620)**	(699,527,549)
Elimination of intra-group receivables and payables	**(89,018,519)**	(48,535,104)
Total assets of the Group	**1,483,000,341**	1,286,733,815

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. SEGMENT INFORMATION (continued)

Reconciliation of liabilities

In thousands of tenge	**2023**	2022
Segment operating liabilities	**735,404,762**	593,354,283
Elimination of intra-group receivables and payables	**(89,018,519)**	(37,228,291)
Deferred tax liabilities	**32,951,761**	–
Total liabilities of the Group	**679,338,004**	556,125,992

8. PROPERTY AND EQUIPMENT

Movements of property and equipment in 2023 and 2022 were as follows:

In thousands of tenge	**Land**	**Buildings and constructions**	**Equipment**	**Other**	**Construc-tion in progress**	**Total**
Cost						
At 1 January 2022	3,227,809	88,766,468	796,692,380	20,481,563	82,744,255	991,912,475
Additions	832	580,753	15,214,917	1,833,506	90,721,644	108,351,652
Asset retirement obligation (*Note 27*)	–	–	(1,352,105)	–	–	(1,352,105)
Transfers to investment property (*Note 12*)	–	(3,536,100)	–	–	–	(3,536,100)
Transfers	(884)	1,039,978	28,701,043	371,155	(30,111,292)	–
Disposals	(390)	(1,060,398)	(16,998,345)	(252,377)	(1,343,346)	(19,654,856)
At 31 December 2022	3,227,367	85,790,701	822,257,890	22,433,847	142,011,261	1,075,721,066
Additions	**95,040**	**404,301**	**35,157,035**	**11,055,398**	**166,399,064**	**213,110,838**
Asset retirement obligation (*Note 27*)	**–**	**–**	**3,227,077**	**–**	**–**	**3,227,077**
Transfers from right-of-use assets (*Note 24*)	**–**	**–**	**42,431,622**	**–**	**–**	**42,431,622**
Transfers from investment property (*Note 12*)	**–**	**3,173,000**	**–**	**–**	**–**	**3,173,000**
Transfers	**–**	**5,730,329**	**66,979,204**	**60,999**	**(72,770,532)**	**–**
Disposals	**(2,533)**	**(390,819)**	**(30,823,727)**	**(799,329)**	**(2,838,689)**	**(34,855,097)**
At 31 December 2023	**3,319,874**	**94,707,512**	**939,229,101**	**32,750,915**	**232,801,104**	**1,302,808,506**
Accumulated depreciation and impairment						
At 1 January 2022	–	28,712,854	459,301,526	15,653,744	12,206,259	515,874,383
Depreciation charge	–	4,062,886	71,923,023	1,471,163	–	77,457,072
Impairment / (recovery)	–	(504)	164,157	(516)	1,013,226	1,176,363
Disposals	–	(1,001,000)	(16,670,356)	(223,120)	(1,324,266)	(19,218,742)
Transfers to investment property (*Note 12*)	–	(1,559,448)	–	–	–	(1,559,448)
At 31 December 2022	–	30,214,788	514,718,350	16,901,271	11,895,219	573,729,628
Depreciation charge	**–**	**4,295,810**	**78,392,512**	**1,524,499**	**–**	**84,212,821**
Impairment / (recovery)	**–**	**582**	**(94,996)**	**1,541**	**1,057,996**	**965,123**
Disposals	**–**	**(182,649)**	**(30,129,527)**	**(777,874)**	**(2,597,787)**	**(33,687,837)**
Transfers from right-of-use assets (*Note 24*)	**–**	**–**	**13,388,946**	**–**	**–**	**13,388,946**
Transfers from investment property (*Note 12*)	**–**	**1,363,000**	**–**	**–**	**–**	**1,363,000**
At 31 December 2023	**–**	**35,691,531**	**576,275,285**	**17,649,437**	**10,355,428**	**639,971,681**
Net book value						
At 31 December 2022	3,227,367	55,575,913	307,539,540	5,532,576	130,116,042	501,991,438
At 31 December 2023	**3,319,874**	**59,015,981**	**362,953,816**	**15,101,478**	**222,445,676**	**662,836,825**

As at 31 December 2023 and 2022, assets under construction represented by equipment for installation for base transmission stations, mobile switch servers and other telecommunication equipment and services works.

8. PROPERTY AND EQUIPMENT (continued)

During 2023, the equipment as part of the asset of the right of use with a net book value of KZT 29,042,676 thousand was transferred to the equipment, fixed assets, as the financial lease agreement with FitLeasing LLP expired, payments were completed and ownership rights were transferred to the Group (*Note 24*).

During 2023 a part of the investment property with the carrying amount of KZT 1,810,000 thousand was transferred to property, plant and equipment as these premises were occupied by the Group. The remaining premises in the amount of KZT 105,995 thousand was still leased to third and related parties. As of 31 December 2023 the fair value of the investment property equaled to KZT 427,268 thousand (2022: KZT 2,700,000 thousand) (*Note 12*).

As at 31 December 2023 the gross carrying value of property and equipment which has been fully depreciated and still in use was KZT 514,731,498 thousand (as at 31 December 2022: KZT 478,739,825 thousand).

During 2023, the Group recognized reversal of impairment of equipment of KZT 94,996 thousand and impairment loss on construction-in-progress of KZT 1,057,996 thousand (2022: impairment loss of property and equipment of KZT 164,157 thousand and impairment of construction-in- progress of KZT 1,013,226 thousand), which represented the write-off of certain assets to recoverable value as a result of technological obsolescence and damage. Impairment was recognized in the consolidated statement of comprehensive income as an operating expense.

As at 31 December 2023, advances paid for non-current assets in the amount of KZT 2,268,635 thousand mainly represented by advances paid for installation of base stations, construction and delivery of fixed assets (2022: KZT 3,308,209 thousand). During 2023 the Group (reversed)/recognized impairment of advances paid for non-current assets for KZT (554,636) thousand (2022: KZT 510,195 thousand) *(Note 44)*.

9. INTANGIBLE ASSETS

Movements of intangible assets for 2023 and 2022 were as follows:

In thousands of tenge	Licenses	Software	Other	Intangible assets under development	Total
Cost					
At 1 January 2022	229,905,641	53,722,404	20,426,342	472,733	304,527,120
Additions	8,076,875	10,863,912	186,419	–	19,127,206
Disposals	(1,249,434)	(2,336,957)	(614)	–	(3,587,005)
Transfers	45,555	(47,777)	2,222	–	–
At 31 December 2022	236,778,637	62,201,582	20,614,369	472,733	320,067,321
Additions	**174,572,253**	**8,666,011**	**498,810**	**4,981,900**	**188,718,974**
Transfers	**–**	**263,141**	**–**	**(263,141)**	**–**
Disposals	**(3,459,720)**	**(565,492)**	**(188,018)**	**(472,000)**	**(4,685,230)**
At 31 December 2023	**407,891,170**	**70,565,242**	**20,925,161**	**4,719,492**	**504,101,065**
Accumulated amortisation and impairment					
At 1 January 2022	53,015,099	39,723,790	5,890,713	472,733	99,102,335
Amortisation charge	19,120,305	7,212,809	1,870,597	–	28,203,711
Reversal of impairment	(93,265)	(218,066)	–	–	(311,331)
Disposals	(1,133,352)	(935,321)	(220)	–	(2,068,893)
At 31 December 2022	70,908,787	45,783,212	7,761,090	472,733	124,925,822
Amortisation charge	**28,681,629**	**11,269,943**	**1,903,723**	**–**	**41,855,295**
Reversal of impairment	**(32,433)**	**(2,881)**	**–**	**–**	**(35,314)**
Disposals	**(3,399,563)**	**(574,381)**	**(188,009)**	**(472,000)**	**(4,633,953)**
At 31 December 2023	**96,158,420**	**56,475,893**	**9,476,804**	**733**	**162,111,850**
Net book value					
At 31 December 2022	165,869,850	16418,370	12,853,279	–	195,141,499
At 31 December 2023	**311,732,750**	**14,089,349**	**11,448,357**	**4,718,759**	**341,989,215**

During 2023, the Group recognized income from reversal of impairment of intangible assets of KZT 35,314 thousand (31 December 2022: loss of impairment of intangible assets of KZT 311,331 thousand). The income was recorded in the consolidated statement of comprehensive income as an operating income .

9. INTANGIBLE ASSETS (continued)

As at 31 December 2023 the gross carrying value of intangible assets, which have been fully amortized and still in use was KZT 68,741,862 thousand (as at 31 December 2022: KZT 69,108,150 thousand).

On 22-23 December 2022 the Group participaterd in an open electronic auction of radio frequencies for the fifth generation of mobile communications (5G). Internet trading was organized by Ministry of Digital Development, Innovation and Aerospace Industry. Participants competed for the 3600-3700 MHz (100 MHz) and 3700-3800 MHz (100 MHz) radio frequency bands for 5G technology. The Group paid starting price of the auction of KZT 3,522,450 thousand to participate in the auction. The Group consisting of Mobile Telecom Service LLP (under the Tele2 and Altel brands) and Kcell JSC (under the Kcell and Activ brands) won the auction by bidding final price of KZT 156,069,426 thousand. The balance of the final bid price less initially paid starting price will be paid in 2023. The Group classified prepayment of KZT 3,522,450 thousand as non-current as result of the auction was already known.

In 2023, the Group began developing its own digital products, which will be used by the Group and its clients in the future. As of December 31, 2023, the carrying value of digital assets included in development costs amounted to 4,981,900 thousand tenge. Costs capitalized as development costs meet the criteria for recognition as intangible assets under IAS 38.

10. INVESTMENTS IN ASSOCIATES

QazCloud LLP – associate

As at 31 December 2022 the Group had a 49% interest in QazCloud LLP, which was a service company providing services for support, maintenance and modernization of IT infrastructure, rental of virtual IT resources, and protection of information data of the Samruk-Kazyna Group. The Group's interest in QazCloud LLP was accounted for using the equity method in the consolidated financial statements.

On 20 September 2022 the Board of Directors of Kazakhtelecom JSC decided to sell 49% of share of QazCloud LLP through an open two-stage tender.

On 26 December 2022 the results of the tender for realization were announced with the selling price of KZT 4,590,010 thousand. The tender winner was selected. In accordance with the tender terms, the conclusion of sale and purchase agreement can only be made after the approval of Samruk-Kazyna, the Parent of the Group.

Investment in associate of QazCloud LLP was classified as an assets held for sale from 20 September 2022. The Company discontinued the use of the equity method from the date that the investment was classified as held for sale. Instead, the associate is measured at the lower of its carrying amount and fair value less cost to sell.

On 3 March 2023 Kazakhtelecom JSC received approval of investment committee of Samruk-Kazyna JSC on the sale of 49% of share in QazCloud LLP to Daneker Sala LLP at a price of KZT 4,544,676 thousand. The Company and Daneker Sala LLP signed a contract for the purchase and sale on 20 March 2023. On 28 March 2023 Kazakhtelecom JSC received full amount of payment for 49% of share in QazCloud LLP.

During 2023, QazCloud LLP announced and paid dividends to the Group in the amount of KZT 50,219 thousand.

Caspinet B.V. – joint venture

Azertelecom INT LLC (AT) and Kazakhtelecom JSC (KT) have a mutual interest in the construction, operation and ownership of a fiber-optic cable between Azerbaijan and Kazakhstan along the bottom of the Caspian Sea ("Caspian Cable"). In this regard, and in accordance with the intergovernmental agreement between the Republic of Azerbaijan and the Republic of Kazakhstan, AT and KT agreed to cooperate in the establishment and management of the Business as a joint venture through "Caspinet B.V.". On 22 August 2023 based on the intergovernmental agreement Caspinet B.V. was registered in accordance with Dutch law. The Group has 50% interest in Caspinet B.V. As of 31 December 2023 Caspinet B.V. did not have any assets and liabilities.

11. IMPAIRMENT TESTING

Goodwill

For impairment testing, goodwill acquired through business combinations was allocated to three cash-generating units ("CGUs") ("IP TV", "Kcell JSC" and "Mobile Telecom-Service LLP").

IP TV CGU is part of the fixed telecommunications segment, while Kcell JSC and Mobile Telecom-Service LLP are the part of the mobile telecommunication segment.

11. IMPAIRMENT TESTING (continued)

Goodwill (continued)

Goodwill relates to the assembled workforce and synergy from integration of the acquired subsidiaries into the Group. The carrying amount of goodwill allocated to each of CGUs was as follows:

In thousands of tenge	**2023**	2022
Mobile Telecom-Service LLP ("MTS CGU")	**96,205,967**	96,205,967
Kcell JSC ("Kcell CGU")	**53,489,943**	53,489,943
IP TV ("IP TV CGU")	**2,706,335**	2,706,335
	152,402,245	152,402,245

The Group performed its annual impairment test in December 2023 and 2022.

Impairment test

Pursuant to IAS 36, goodwill and other intangible assets with indefinite useful lives and intangible assets not yet brought into use must be tested for impairment annually or more often if indicators of impairment exist. Other assets are tested for impairment when circumstances indicate that there may be a potential impairment.

For the purpose of the impairment testing the Group assessed the recoverable amount of each cash-generating unit to which goodwill was allocated or where indicators of impairment were identified. The Group determined the fact that net assets of the Group was higher than market capitalisation as at 31 December 2023 as an indicator of impairment and performed impairment test.

In 2023, the recoverable amounts for all cash-generating units have been determined based on the calculation of value-in-use. This valuation technique uses cash flow projections based on the actual operating results and business plans approved by management and appropriate discount rates reflecting the time value of money and risks associated with respective cash-generating units. For the periods not covered by management business plans, terminal value is used. The terminal value is calculated based on the cash flow projections by extrapolating the results of the respective business plans using a zero real growth rate.

Estimation of future cash flows requires assumptions to be made in respect to uncertain factors, including management expectations in relation to Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) margin, timing and amount of capital expenditures, terminal growth rates and appropriate discount rates to reflect the risks involved. Therefore, EBITDA margin and capital expenditures used for value in use calculation are primarily derived from internal sources, based on past experience and extended to include management expectations. For the purposes of impairment testing EBITDA calculated as earnings before interest, taxation, depreciation and amortisation measured on the basis consistent with IFRS consolidated financial statements.

Key assumptions used for value in use calculation:

The table below presents EBITDA margin applied for value in use calculation of related CGUs:

In thousands of tenge	**2023**	2022
MTS CGU	**46.0% - 47.9%**	48.6% - 55.3%
Kcell CGU	**37.3% - 45.7%**	41.5% - 53.8%
IP TV CGU	**2% - 7%**	(2%) - 24%
Kazakhtelecom CGU	**23.5% - 24.3%**	21.3% - 22.08%

The table below presents capital expenditure as a percentage of revenue applied for value-in-use calculations of related CGUs:

In thousands of tenge	**2023**	2022
MTS CGU	**26.3%**	21.4%
Kcell CGU	**18.0%**	15.7%
IP TV CGU	**1.0%**	2.5%
Kazakhtelecom CGU	**10.9%**	11.93%

11. IMPAIRMENT TESTING (continued)

Impairment test (continued)

Key assumptions used for value in use calculation (continued):

The table below presents terminal growth rates applied for value-in-use calculations of related CGUs:

In thousands of tenge	**2023**	2022
MTS CGU	**4.31%**	1.50%
Kcell CGU	**3.20%**	1.50%
IP TV CGU	**5.00%**	1.50%
Kazakhtelecom CGU	**5.00%**	1.50%

The table below presents pre-tax rates for the discounting of cash flows in functional currencies of related CGUs:

In thousands of tenge	**2023**	2022
MTS CGU	**15.42%**	16.33%
Kcell CGU	**13.88%**	16.33%
IP TV CGU	**15.41%**	14.97%
Kazakhtelecom CGU	**15.41%**	14.97%

Sensitivity to changes in assumptions – IPTV, MTS and Kcell CGUs

Reasonably possible changes in EBITDA margin, growth rate beyond the forecast period and discount rates do not lead to an additional impairment at IPTV, MTS and Kcell.

Sensitivity to changes in assumptions – Kazakhtelecom CGU

The calculation of value-in-use for Kazakhtelecom CGU is most sensitive to the following assumptions:

- EBITDA margin included in the financial plan;
- Growth rate for cash flow extrapolation beyond the forecast period;
- Discount rate.

EBITDA margin

Decrease in EBITDA margin by 1.5% from 23.5% to 22% in 2024 and gradually further in forecast period would result in loss from impairment in Kazakhtelecom CGU of KZT 4,005,611 thousand.

Growth rates

Decrease in the growth rates by 2.5% from 5% to 2.5% in terminal period would result in loss from impairment in Kazakhtelecom CGU for KZT 2,598,089 thousand.

Discount rate

An increase in discount rate by 1% from 15.41% to 16.41% would not result in loss from impairment in Kazakhtelecom CGU.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. INVESTMENT PROPERTY

Movements in investment property for the years ended 31 December 2023 and 2022 were as follows:

In thousands of tenge	**Building and construstions**	**Total**
Cost		
At 1 January 2022	1,264,668	1,264,668
Transfer from property and equipment (*Note 8)*	3,536,100	3,536,100
At 31 December 2022	4,800,768	4,800,768
Transfer to property and equipment *(Note 8)*	**(3,173,000)**	**(3,173,000)**
At 31 December 2023	**1,627,768**	**1,627,768**
Accumulated depreciation and impairment		
At 1 January 2022	1,264,668	1,264,668
Transfer from property and equipment (*Note 8*)	1,559,448	1,559,448
At 31 December 2022	2,824,116	2,824,116
Transfer to property and equipment *(Note 8)*	**(1,363,000)**	**(1,363,000)**
Depreciation charge	**60,657**	**60,657**
At 31 December 2023	**1,521,773**	**1,521,773**
Carrying amount		
At 31 January 2022	1,976,652	1,976,652
At 31 December 2023	**105,995**	**105,995**

During 2022, the building with a carrying amount of KZT 1,976,652 thousand was transferred to investment real estate, since it was no longer used by the Group, and it was decided to lease the building to third and related parties.

During 2023, the building with a carrying amount of KZT 1,810,000 thousand was transferred to property, pland and equipment as this part was occupied by the Group. The other part in the amount of KZT 105,995 thousand was still leased to third and related parties.

As of 31 December 2023, the fair value of investment property amounted to KZT 427,268 thousand. The fair value of investment property is determined by reference to significant unobservable in-puts (Level 3).

13. OTHER NON-CURRENT FINANCIAL ASSETS

As at 31 December 2023 and 2022, other non-current financial assets comprised:

In thousands of tenge	**2023**	2022
Long-term trade receivable	**1,522,938**	4,344,884
Loans to employees	**2,717,964**	1,731,327
Long-term deposits	**1,283,649**	642,726
Other	**342,983**	364,547
	5,867,534	7,083,484
Less: allowance for expected credit losses	**(110,184)**	(110,184)
	5,757,350	6,973,300

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. OTHER NON-CURRENT FINANCIAL ASSETS (continued)

Movements in the allowance for expected credit losses were as follows for the years ended 31 December:

In thousands of tenge	**2023**	2022
Allowance for expected credit losses at the beginning of the year	**(110,184)**	(110,184)
Allowance for expected credit losses at the end of the year	**(110,184)**	(110,184)

As at 31 December 2023, the balance of long-term accounts receivable of KZT 1,522,938 thousand (2022: KZT 4,344,884 thousand) represented by sale agreements with customers for the purchase of contract phones with period of deferred payments from 18 to 24 months. These long-term accounts receivable were discounted as at market interest.

Loans to employees are interest free loans provided for the period from 1 to 15 years. The employees are entitled to the interest free loan only if they are employeed by the Company. In case of the dismissal of the employee, the Company has a right to request full repayment of the loan. The loans were discounted as at the date of provision using market interest rates and the difference of 3,832,141 thousand tenge between the fair value and nominal amount was recognized as deferred expenses (*Note 14 and 20*) in the consolidated statement of financial position.

Repayment of long-term loans to employees is made through withholding of amounts due from employees' salaries (*Note 42*). Loans are secured by employees' real estate properties.

During 2023, the Group placed several long-term deposits with Halyk Bank of Kazakhstan JSC for the total amount of KZT 694,932 thousand (2022: KZT 908,440 thousand) with the maturity date in 2027-2038 and an interest rate of 0.1% per annum (2022: 0.1%). The employees are entitled to the low interest free loan from the bank under the secure of the deposit only if they are employeed by the Company. In case of the dismissal of the employee, the Company has a right to request full repayment of the loan. The deposits were discounted as at the date of placement using market interest rates and the difference of 591,420 thousand tenge between the fair value and nominal amount was recognized as deferred expenses (*Note 20*) in the consolidated statement of financial position.

During 2023 the Group withdrew KZT 810,299 thousand from deposits. (2022: a withdrawal in the amount of KZT 921,972 thousand).

14. OTHER NON-CURRENT NON-FINANCIAL ASSETS

As at 31 December 2023 and 2022, other non-current non-financial assets comprised:

In thousands of tenge	**2023**	2022
Deferred connection cost of operators	**6,346,624**	6,104,403
Deferred expenses (*Note 13*)	**3,832,141**	–
Other	**624,442**	520,500
	10,803,207	6,624,903

15. INVENTORIES

As at 31 December 2023 and 2022, inventories comprised:

In thousands of tenge	**2023**	2022
Goods for resale at lower of cost and net realisable value	**12,347,563**	10,036,992
Cable materials at cost	**2,084,775**	1,797,938
Raw and other materials at cost	**982,480**	1,059,764
Fuel at cost	**521,168**	512,807
Spare parts at cost	**441,263**	449,813
	16,377,249	13,857,314

During 2023, an amount of KZT 867,068 thousand (2022: KZT 314,205 thousand) was recognized as expenses in respect of inventories recorded at net realizable value. In 2023, this amount was recorded within the item "General and administrative expenses" in the consolidated statement of comprehensive income.

16. TRADE RECEIVABLES

As at 31 December 2023 and 2022, trade receivables comprised:

In thousands of tenge	**2023**	2022
Trade receivables	**63,179,413**	58,301,294
	63,179,413	58,301,294
Less: allowance for expected credit losses	**(12,423,599)**	(12,996,108)
	50,755,814	45,305,186

Movements in the allowance for expected credit losses were as follows for the years ended 31 December:

In thousands of tenge	**2023**	2022
Allowance for expected credit losses at the beginning of the year	**(12,996,108)**	(6,252,535)
Charge for the year *(Note 44)*	**(10,516,790)**	(7,464,288)
Write-off for the year	**11,089,299**	720,715
Allowance for expected credit losses at the end of the year	**(12,423,599)**	(12,996,108)

Below is information as at 31 December 2023 about the credit risk exposure on the Group's trade receivables using a matrix of reserves:

		Days past due						
In thousands of tenge	**Current**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 to 120 days**	**121 to 360 days**	**Over 360 days**	**Total**
Estimated credit loss rate	**0.59%**	**3.70%**	**12.28%**	**21.69%**	**19.38%**	**44.50%**	**100%**	
Estimated total gross carrying amount at default	**37,592,094**	**4,964,687**	**2,932,936**	**1,875,032**	**1,287,736**	**6,350,750**	**8,176,178**	**63,179,413**
Allowance for expected credit losses	**(221,793)**	**(183,693)**	**(360,165)**	**(406,694)**	**(249,563)**	**(2,825,513)**	**(8,176,178)**	**(12,423,599)**

Below is information as at 31 December 2022 about the credit risk exposure on the Group's trade receivables using a matrix of reserves:

		Days past due						
In thousands of tenge	**Current**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 to 120 days**	**121 to 360 days**	**Over 360 days**	**Total**
Estimated credit loss rate	0.68%	7.60%	23.01%	18.23%	26.31%	74.14%	100%	
Estimated total gross carrying amount at default	35,640,680	6,712,577	1,773,035	1,557,994	791,946	1,856,360	9,968,702	58,301,294
Allowance for expected credit losses	(240,876)	(509,907)	(407,929)	(283,988)	(208,392)	(1,376,314)	(9,968,702)	(12,996,108)

As at 31 December 2023 and 2022, the Group's trade receivables were denominated in the following currencies:

In thousands of tenge	**2023**	2022
Tenge	**45,965,387**	43,123,448
US dollars	**4,462,789**	1,972,245
Euro	**304,893**	200,812
Russian rubles	**16,368**	–
Other currencies	**6,377**	8,681
	50,755,814	45,305,186

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. ADVANCES PAID

As at 31 December, advances paid comprised:

In thousands of tenge	**2023**	2022
Advances paid	**10,049,585**	6,211,957
Less: allowance for impairment	**(354,497)**	(5,719)
	9,695,088	6,206,238

Movements in the allowance for impairment were as follows for the years ended 31 December:

In thousands of tenge	**2023**	2022
Allowance for impairment at the beginnings of the year	**(5,719)**	(9,136)
Accrual for the year	**(385,726)**	(103,649)
Write-off for the year	**36,948**	107,066
Allowance for impairment at the end of the year	**(354,497)**	(5,719)

As at 31 December 2023 and 2022 advances paid for short term assets were given to contractors for services and delivery of inventories for operational activities of the Group.

18. OTHER CURRENT FINANCIAL ASSETS

As at 31 December 2023 and 2022, other current financial assets comprised:

In thousands of tenge	**2023**	2022
Bank deposits	**3,503,379**	3,399,500
Loans to employees (*Note 13*)	**1,800,016**	1,235,750
Restricted cash	**912,769**	912,769
Due from employees	**494,924**	375,093
Other accounts receivable	**3,660,451**	3,643,862
	10,371,539	9,566,974
Less: allowance for expected credit losses	**(5,091,480)**	(5,192,904)
	5,280,059	4,374,070

As at 31 December 2023 and 2022, the allowance for expected credit losses includes a provision in the amount of KZT 3,399,500 thousand accrued on a deposit placed in Eximbank Kazakhstan JSC due to the liquidation of the bank.

Restricted cash is cash on accounts with Kazinvestbank JSC and Eximbank Kazakhstan JSC in the amount of KZT 413,315 thousand and KZT 499,454 thousand, respectively, which are assessed as unlikely to be recovered due to the revocation of banking licenses. The provision for expected credit losses was taken into account for the entire amount of these funds.

During 2023, the Group placed bank deposits with an initial maturity of more than 3 (three) months, but less than 12 (twelve) months in Russian rubles with Sberbank of Russia PJSC at an interest rate of 5.8% in the amount of KZT 101,200 thousand.

Changes in allowance for expected credit losses were as follows for the years ended 31 December:

In thousands of tenge	**2023**	2022
Allowance for expected credit losses at the beginning of the year	**(5,192,904)**	(5,056,469)
Reversed/(accrual) for the year *(Note 44)*	**65,659**	(155,468)
Write-off for the year	**35,765**	19,033
Allowance for expected credit losses at the end of the year	**(5,091,480)**	(5,192,904)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. OTHER CURRENT FINANCIAL ASSETS (continued)

As at 31 December 2023 and 2022, other current financial assets were denominated in the following currencies:

In thousands of tenge	**2023**	2022
Tenge	**4,738,056**	4,369,873
US dollars	**438,124**	4,197
Russian rubles	**103,879**	–
	5,280,059	4,374,070

19. FINANCIAL ASSETS AT AMORTIZED COST

During 2023, the Group acquired U.S. treasury bills of USD 338,710 thousand (equivalent to KZT 154,705,538 thousand) and redeemed USD 290,714 thousand (equivalent to KZT 111,210,398 thousand) at the date of maturity with interest income of KZT 1,798,559 thousand.

During 2023 and 2022 the Group acquired short-term discount notes of the National Bank of the Republic of Kazakhstan ("NBRK") with a nominal value of KZT 40,544,740 thousand and KZT 84,163,285 thousand, respectively.

In 2023, short-term notes of the NBRK with a nominal value of KZT 55,357,750 thousand were redeemed at the date of maturity with interest income in the amount of KZT 743,689 thousand (In 2022: KZT 69,350,275 thousand and KZT 649,725 thousand).

As at 31 December financial assets at amortised cost comprised of the following:

In thousands of tenge	**Maturity date**	**Yield to maturity**	**Nominal value**	**31 December 2023**	31 December 2022
US Treasury bills	25 January 2024	5.38%	11,769,468	**11,679,960**	–
US Treasury bills	25 January 2024	5.30%	18,274,221	**18,181,790**	–
US Treasury bills	25 January 2024	5.33%	15,974,147	**15,909,063**	–
NBRK notes	25 January 2023	16.46%	15,000,000	**–**	14,832,821
			61,017,836	**45,770,813**	14,832,821

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.

20. OTHER CURRENT NON-FINANCIAL ASSETS

As at 31 December other current non-financial assets comprised:

In thousands of tenge	**2023**	2022
VAT receivable	**3,789,491**	4,355,432
Taxes prepaid other than corporate income tax	**3,762,458**	3,143,939
Deferred connection cost of operators	**1,662,375**	1,293,116
Deferred expense (*Note 13*)	**591,420**	–
Other	**3,349,885**	3,277,931
	13,155,629	12,070,418

21. CASH AND CASH EQUIVALENTS

As at 31 December cash and cash equivalents comprised:

In thousands of tenge	**2023**	2022
Deposits with maturity less than 90 days' from the date of placement	**65,453,268**	95,672,493
Cash on current bank accounts	**5,519,726**	146,451,791
Cash on hand	**15,143**	8,516
	70,988,137	242,132,800
Less: allowance for expected credit losses	**(3,399)**	(10,646)
	70,984,738	242,122,154

Cash on current bank accounts earn interest at the rates ranging from 0.5% to 12% per annum (2022: from 0.1% to 7.25% per annum).

Short-term bank deposits earn interest at the rates ranging from 3% to 15.25% (as at 31 December 2022: up to 15.60%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. CASH AND CASH EQUIVALENTS (continued)

As at 31 December cash and cash equivalents were denominated in the following currencies:

In thousands of tenge	**2023**	2022
US dollars	**41,840,133**	149,734,206
Tenge	**28,866,082**	90,509,732
Euro	**202,685**	1,343,271
Russian roubles	**35,545**	422,368
Other	**40,293**	112,577
	70,984,738	242,122,154

Movements in the allowance for expected credit losses were as follows for the years ended 31 December:

In thousands of tenge	**2023**	2022
Allowance for expected credit losses at the beginning of the year	**(10,646)**	(8,242)
Restored/(accrued) for the year *(Note 44)*	**7,247**	(2,404)
Allowance for expected credit losses at the end of the year	**(3,399)**	(10,646)

22. EQUITY

Authorised and issued shares

	Number of shares		In thousands of tenge		
	Common shares	Preferred non-voting shares	Common shares	Preferred non-voting shares	Total issued shares
At 31 December 2022	10,922,876	1,213,653	10,922,876	1,213,653	12,136,529
At 31 December 2023	**10,922,876**	**1,213,653**	**10,922,876**	**1,213,653**	**12,136,529**

Treasury shares

	Number of shares		In thousands of tenge		
	Common shares	Preferred non-voting shares	Common shares	Preferred non-voting shares	Total
At 31 December 2022	216,852	914,868	3,052,617	4,012,997	7,065,614
At 31 December 2023	**216,852**	**914,868**	**3,052,617**	**4,012,997**	**7,065,614**

Dividends

The preferred shares earn a non-discretionary dividend of KZT 300 per share in accordance with the Company's charter documents. Preferred shares are considered to be compound financial instruments, and accordingly the liability and equity components are presented separately in the consolidated statement of financial position. Dividends in the amount of KZT 89,636 thousand were accrued as at 31 December 2023 (at 31 December 2022: KZT 89,636 thousand) and are recorded as interest expenses in the consolidated statement of comprehensive income *(Note 39)*.

On 27 October 2023 based on 2022 results the Company declared dividends on preferred shares in the amount of KZT 818,181 thousand and dividends on common shares in the amount of KZT 32,528,755 thousand (2022: KZT 983,119 thousand and KZT 38,438,802 thousand, respectively).

22. EQUITY (continued)

Dividends (continued)

Movements in dividends payable for the years ended 31 December were as follow:

In thousands of tenge	**2023**	2022
Dividends payable at the beginning of the year	**17,573**	17,573
Dividends declared on common shares to equity holders of the parent	**32,528,755**	38,438,802
Dividends declared on preferred shares in excess of the obligatory amount	**818,181**	983,119
Interest on debt component of preferred shares *(Note 39)*	**89,636**	89,636
Dividends paid to equity holders of the parent	**(33,411,753)**	(39,511,557)
Dividends payable at the end of the year *(Note 29)*	**42,392**	17,573

During 2023 the Group paid withholding tax on dividends in the amount of KZT 38,960 thousand (2022: KZT 909 thousand).

Other reserves

According to the Company's Charter, the Company created a reserve capital equal to 15% of the authorized share capital. This reserve capital was created through appropriation of the retained earnings. There were no movements in the reserve capital in 2023 and 2022.

Foreign currency translation reserve

The foreign currency translation reserve is used to recognize exchange differences arising from the translation of financial statements of the subsidiaries, whose functional currency is not tenge and whose financial statements are included in these consolidated financial statements in accordance with the accounting policy disclosed in *Note 3*.

Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to common equity holders of the Company (after adjusting for the after-tax amount of dividends on preferred shares) by the weighted average number of common and preferred shares outstanding during the year.

Diluted earnings per share are equal to basic earnings per share, as the Group does not have any dilutive potential common shares.

The following tables reflects profit and share data used in the basic and diluted earnings per share computations:

In thousands of tenge	**2023**	2022
Profit for the year attributable to equity holders of the Parent	**93,067,044**	114,117,977
Interest on preferred shares *(Note 39)*	**89,636**	89,636
Net profit for calculating of basic and diluted earnings per share	**93,156,680**	114,207,613
Weighted average number of common and preferred shares for calculation of basic and diluted earnings per share	**11,004,809**	11,004,809
Basic and diluted earnings per share, tenge	**8,465.09**	10,377.97

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of preparation of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. EQUITY (continued)

Additional information disclosed in accordance with Kazakhstan Stock Exchange (KASE) requirements

The cost of common shares, calculated in accordance with the requirements of the KASE

Below is the cost of one ordinary share, calculated in accordance with the requirements of the KASE:

In thousands of tenge	**2023**	2022
Total assets	**1,483,000,341**	1,286,733,815
Less: intangible assets, including goodwill	**494,391,460**	347,543,744
Less: total liabilities	**679,338,004**	556,125,992
Less: preferred shares issued net of reacquired shares	**298,785**	298,785
Net assets for calculation of cost of ordinary share in accordance with listing requirements of KASE	**308.972.092**	382,765,294
Number of ordinary shares	**10,706,024**	10,706,024
Cost of ordinary share, calculated in accordance with listing requirements of KASE (in tenge)	**28,860**	35,752

Another requirement for disclosure is the amount of the dividends payable to owners of preferred non-voting shares. The carrying book value of one preferred non-voting share is calculated as the sum of the preferred non-voting shares in the equity and debt component of preferred non-voting shares, divided by the number of preferred non-voting shares. At the same time, according to the methodology of KASE, the dividend payable on preferred shares, which are not paid due to the lack of up-to-date information about the shareholders, their payment details, are not taken into account. As at 31 December 2023, this indicator amounted to KZT 21,473 (as at 31 December 2022: KZT 3,727).

23. BORROWINGS

As at 31 December borrowings comprised:

In thousands of tenge	**Weighted average effective interest rate**	**2023**	Weighted average effective interest rate	2022
Borrowings with fixed interest rate	**15.90%**	**168,557,967**	10.99%	125,061,369
Bonds with a fixed interest rate	**11.85%**	**122,833,631**	11.86%	122,815,508
		291,391,598		247,876,877

Borrowings are repayable as follows:

In thousands of tenge	**2023**	2022
Current portion of borrowings	**80,589,678**	25,018,246
Maturity between 1 and 2 years	**46,839,056**	110,270,990
Maturity between 2 and 5 years	**155,473,741**	101,977,816
Maturity over 5 years	**8,489,123**	10,609,825
Total non-current portion of borrowings	**210,801,920**	222,858,631
Total borrowings	**291,391,598**	247,876,877

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. BORROWINGS (continued)

As of 31 December 2023 and December 2022, loans represented by the following:

Borrowings	Maturity date	Currency	Effective interest rate	2023	2022
Halyk Bank of Kazakhstan JSC					
- Credit line agreement KS 02-19-06					
- Borrowing agreement KD 02-19-06-01	21-May-27	Tenge	12.2%	**36,955,885**	47,508,167
- Credit line agreement KS 02-23-05					
- Borrowing agreement KD 02-23-05-01	15-Sep-26	Tenge	20.1%	**992,321**	–
- Borrowing agreement KD 02-23-05-02	21-Sep-26	Tenge	20.1%	**2,805,767**	–
- Borrowing agreement KD 02-23-05-02	16-Nov-26	Tenge	19.5%	**2,566,437**	–
- Credit line agreement KS 02-23-40					
- Borrowing agreement KD 02-23-40-01	20-Nov-24	Tenge	19.5%	**10,113,333**	–
- Credit line agreement KS 02-23-06					
- Borrowing agreement KD 02-23-06-8	8-Sep-26	Tenge	20.1%	**17,139,778**	–
- Borrowing agreement KD 02-23-06-9	29-Sep-26	Tenge	20.2%	**5,755,910**	–
- Borrowing agreement KD 02-23-06-10	13-Oct-26	Tenge	19.5%	**975,141**	–
- Borrowing agreement KD 02-23-06-11	26-Oct-26	Tenge	19.5%	**5,027,218**	–
- Borrowing agreement KD 02-23-06-12	2-Nov-26	Tenge	19.5%	**824,400**	–
- Borrowing agreement KD 02-23-06-13	3-Nov-26	Tenge	19.5%	**998,130**	–
- Borrowing agreement KD 02-23-06-14	16-Nov-26	Tenge	19.5%	**818,000**	–
- Borrowing agreement KD 02-23-06-15	23-Nov-26	Tenge	19.5%	**5,655,450**	–
- Borrowing agreement KD 02-23-06-16	23-Nov-26	Tenge	19.5%	**957,860**	–
- Borrowing agreement KD 02-23-06-17	30-Nov-26	Tenge	19.2%	**2,639,740**	–
- Borrowing agreement KD 02-23-06-18	30-Nov-26	Tenge	19.2%	**826,899**	–
- Borrowing agreement KD 02-23-06-19	7-Dec-26	Tenge	19.2%	**992,563**	–
- Borrowing agreement KD 02-23-06-20	14-Dec-26	Tenge	19.2%	**1,774,752**	–
- Borrowing agreement KD 02-23-06-21	22-Dec-26	Tenge	19.2%	**4,419,525**	–
- Borrowing agreement KD 02-23-06-22	22-Dec-26	Tenge	19.2%	**2,149,496**	–
- Borrowing agreement KD 02-23-06-23	28-Dec-26	Tenge	19.2%	**2,303,402**	–
- Borrowing agreement KD 02-23-06-24	28-Dec-26	Tenge	19.2%	**1,001,479**	–
Development Bank of Kazakhstan JSC					
- Credit line agreement 39-CM-A/05-02					
- Borrowing agreement ДБЗИ 164-A/05-02	19-Dec-24	Tenge	7.12%	**2,852,241**	5,704,483
- Credit line agreement 40-CM-A/05-02					
- Borrowing agreement ДБЗИ 215-A/05	19-Dec-24	Tenge	7.12%	**1,881,410**	3,134,926
- Credit line agreement CM-170-19					
- Borrowing agreement ДБЗИ 215-A/05	30-Jun-32	Tenge	8%	**4,916,402**	5,462,670
- Borrowing agreement ДБЗИ 215-A/05	30-Jun-32	Tenge	8%	**4,818,181**	5,353,534
- Borrowing agreement ДБЗИ 215-A/05	30-Jun-32	Tenge	8%	**4,035,513**	4,483,903
- Borrowing agreement ДБЗИ 215-A/05	30-Jun-32	Tenge	8%	**4,137,427**	4,597,141
- Borrowing agreement ДБЗИ 215-A/05	30-Jun-32	Tenge	8%	**1,416,150**	1,572,798
Bank of China Kazakhstan JSC					
- Credit line agreement #232001					
- Tranche #1	25-Dec-26	Tenge	17.5%	**6,200,000**	–
- Credit line agreement #192004					
- Tranche #1	1-Jun-24	Tenge	10.85%	**2,094,806**	2,033,153
- Tranche #2	23-Feb-2026	Tenge	17.8%	**3,000,000**	–
- Tranche #3	23-Feb-2026	Tenge	17.8%	**10,000,000**	–
Nurbank JSC					
- Credit line agreement #10/23-00					
- Borrowing agreement 1-10/23-00	8-Sep-2026	Tenge	18.7%	**15,000,000**	–
First Heartland Jusan Bank JSC	10-Nov-2024	Tenge	11.624%	**512,351**	40,209,056
VTB Bank JSC	15-Oct-2023	Tenge	11.9%	**–**	5,001,538

23. BORROWINGS (continued)

Halyk Bank of Kazakhstan JSC

Credit line agreement KS 02-19-06

During 2023 the Group repaid principal of KZT 10,428,192 thousand and repaid interest of KZT 5,118,432 thousand (2022: KZT 10,428,192 thousand and KZT 6,331,832 thousand, respectively).

Credit line agreement KS 02-23-05

In February 2023 the Group opened a non-revolving credit line with the limit of KZT 40,000,000 thousand in JSC Halyk Bank of Kazakhstan in order to finance capital expenditures. The interest rate on this credit line is fixed and equal to the base rate of the National Bank of the Republic of Kazakhstan, effective on the date of issue of the loan plus 2% per annum, the term of the credit line is 60 months, the term of tranches is up to 36 months, without collateral.

During 2023 the Group received KZT 6,623,292 thousand under this credit line, repaid the principal debt of KZT 342,982 thousand and repaid interest of KZT 192,470 thousand. The repayment period is 36 months from the date of financing.

Credit line agreement KS 02-23-40

On 17 November 2023 the Group opened a renewed credit line in the amount of KZT 20,000,000 thousand in JSC Halyk Bank of Kazakhstan in order to finance general corporate expenses and replenish working capital. The interest rate on this credit line is equal to the base rate of the National Bank of the Republic of Kazakhstan, effective on the date of issue of the loan plus 2% per annum, the term of the credit line is 36 months, the term of Tranches is up to 24 months, without collateral.

During 2023 the Group received KZT 10,000,000 thousand under this credit line. The repayment period is 12 months from the date of financing.

Credit line agreement KS 02-23-06

In February 2023 the Group signed an agreement on nonrevolving credit line with JSC "Halyk Bank of Kazakhstan" with the limit of KZT 50,000,000 thousand on investments in capital expenditures. The interest rate on this credit line is fixed and equal to the base rate of the National Bank of the Republic of Kazakhstan, effective on the date of issue of the loan plus 2% per annum, the term of the credit line is 24 months, the term of tranches is up to 36 months, without collateral.

In September 2023 the Group signed an addendum to the existing credit line agreement and extended the limit to KZT 90,500,000 thousand with revolving limit of KZT 40,500,000 thousand for working capital financing. During 2023 the Group received tranches within the credit line in the amount of KZT 82,761,000 thousand. During 2023 the Group repaid KZT 29,157,000 thousand of principal amount and repaid interest of KZT 2,847,684 thousand.

Development Bank of Kazakhstan JSC

Credit line agreement 39-CM-A/05-02

During 2023 the Group repaid principal of KZT 2,846,154 thousand and repaid accrued interest of KZT 348,654 thousand (2022: KZT 2,846,154 thousand and KZT 546,501 thousand, respectively).

Credit line agreement 40-CM-A/05-02

During 2023 the Group repaid principal of KZT 1,213,031 thousand and repaid accrued interest of KZT 244,881 thousand (2022: KZT 1,213,032 thousand and KZT 353,597 thousand, respectively).

Credit line agreement CM-170-19

During 2023 the Group repaid principal of KZT 2,133,333 thousand and repaid accrued interest of KZT 1,502,187 thousand (2022: KZT 2,133,333 thousand and KZT 1,651,723 thousand, respectively).

23. BORROWINGS (continued)

Bank of China Kazakhstan JSC

Credit line agreement #232001

During 2023 the Group received a loan in the amount of KZT 6,200,000 thousand, under a credit line agreement with Bank of China Kazakhstan JSC. The interest rate on this credit line is equal to the base rate of the National Bank of the Republic of Kazakhstan, effective on the date of issue of the loan plus 0.5% per annum, the term of the credit line is 36 months, the term of Tranches is up to 12 months, without collateral.

Credit line agreement #192004

In June 2023 the Group obtained additional tranche in the amount of 13,000 million tenge. The interest rate on this tranche is equal to the base rate of the National Bank of the Republic of Kazakhstan, effective on the date of issue of the loan plus 0.5% per annum.

During 2023 the Group repaid interest of KZT 1,348,799 thousand (2022: repaid principal of KZT 11,000,000 thousand and repaid interest of KZT 1,026,854 thousand).

Nurbank JSC

Credit line agreement #10/23-00

On 8 September 2023 the Group opened a revolving credit line with the limit of KZT 15,000,000 thousand in Nurbank JSC in order to refinance its borrowings in First Heartland Jusan Bank JSC. The interest rate on this credit line is fixed and equal to the base rate of the National Bank of the Republic of Kazakhstan, effective on the date of issue of the loan plus 0.77% per annum.

During 2023 the Group received a loan of KZT 15,000,000 thousand and repaid interest of KZT 647,625 thousand.

First Heartland Jusan Bank JSC

On August 2, 2023, the Group received a letter from First Heartland Jusan Bank JSC with a request to carry out full early release under the Loan Agreement until August 25, 2023, due to the fact that the Group became an affiliate of bank. On September 08, 2023, the Group repaid the debt in the amount of KZT 40,000,000 thousand. The remaining balance of the debt as of 31 December 2023 is KZT 500,000 thousand.

VTB Bank JSC

On 28 October 2020 the Group obtained loan in the amount of KZT 6,000,000 thousand within the credit line agreement with VTB Bank JSC with maturity till October 2023 at interest rate 10.7% per annum. On 31 December 2021 the Group signed an additional agreement with VTB Bank JSC to increase the amount of the credit line from KZT 6,000,000 thousand to KZT 7,000,000 thousand, and obtained KZT 1,000,000 thousand with a maturity until 15 October 2023 and an interest rate of 10.7% per annum. During 2023 the Group repaid principal of KZT 5,000,000 thousand and repaid accrued interest of KZT 233,055 thousand (2022: KZT 2,000,000 thousand and KZT 574,868 thousand, respectively).

Debt securities

As of 31 December 2023 and 31 December 2022, debt securities issued represented by the following:

Bonds	**Maturity date**	**Currency**	**Effective interest rate**	**2023**	2022
Local bonds of Kazakhtelecom JSC (KZTKb3)	19 June 2026	Tenge	11.86%	**80,261,964**	80,243,841
Local bonds of Kazakhtelecom JSC (KTCB.1024 and KTCB2.1024) *(Note 44)*	1 November 2024	Tenge	11.84%	**42,571,667**	42,571,667
				122,833,631	122,815,508

Local bonds of Kazakhtelecom JSC (KZTKb3)

On 19 June 2019 the Group issued bonds on the Kazakhstan Stock Exchange for amount of KZT 80,000,000 thousand at an effective interest rate of 11.86% and maturity in June 2026. The nominal value of one bond is one thousand tenge.

During 2023 the Group paid coupon of KZT 9,200,000 thousand (2022: KZT 9,200,001 thousand).

23. BORROWINGS (continued)

Debt securities (continued)

Local bonds of Kazakhtelecom JSC (KTCB.1024)

On 6 November and 12 December 2018 the Group issued bonds on the stock exchange of the International Financial Center Astana (AIX) for amount of KZT 100,000,000 thousand at an effective interest rate of 11.84% and maturity in November 2024. The nominal value of one bond is one thousand tenge. Bonds on these issues were purchased by the Parent company. 150 million shares or 75% of shares of Kcell JSC were pledged to the Parent as a collateral for the bonds.

On 10 December 2020 the Group early partially redeemed local bonds with the maturity till 1 November 2024 for KZT 25,000,000 thousand.

During 2022 the Group has bought out part of the bonds ahead of schedule amount for KZT 34,000,000 thousand. During 2023 the Group repaid accrued interest of KZT 4,715,000 thousand (2022: KZT 9,048,583 thousand).

Covenants

The Group is required to ensure execution of the financial and non-financial covenants under the terms of the loan agreements. Failure to comply with financial covenants gives the lenders the right to demand early repayment of loans. As at 31 December 2023 the Group complied with all financial and non-financial covenants.

24. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

In thousands of tenge	Buildings and constructions *	Site for networks and base station equipment *	Equipment *	Total
Cost				
At 1 January 2022	18,808,588	46,726,363	42,848,491	108,383,442
Additions	2,809,442	501,403	–	3,310,845
Modifications	412,704	2,409,303	–	2,822,007
Cancellation	(884,365)	–	–	(884,365)
At 31 December 2022	21,146,369	49,637,069	42,848,491	113,631,929
Additions	**3,677,328**	**7,806,101**	**–**	**11,483,429**
Modifications (*Note 4*)	**(2,033,389)**	**53,607,555**	**–**	**51,574,166**
Transfer to property and equipment *(Note 8)*	**416,869**	**–**	**(42,848,491)**	**(42,431,622)**
Cancellation	**(766,006)**	**–**	**–**	**(766,006)**
At 31 December 2023	**22,441,171**	**111,050,725**	**–**	**133,491,896**
Accumulated depreciation				
At 1 January 2022	8,400,230	18,908,042	10,226,104	37,534,376
Depreciation charge	2,986,510	7,242,387	2,759,563	12,988,460
Cancellation	(185,712)	–	–	(185,712)
At 31 December 2022	11,201,028	26,150,429	12,985,667	50,337,124
Depreciation charge	**2,994,986**	**7,789,456**	**–**	**10,784,442**
Transfer to property and equipment *(Note 8)*	**(403,279)**	**–**	**(12,985,667)**	**(13,388,946)**
Cancellation	**(538,031)**	**–**	**–**	**(538,031)**
At 31 December 2023	**13,254,704**	**33,939,885**	**–**	**47,194,589**
Net book value				
At 31 December 2022	9,945,341	23,486,640	29,862,824	63,294,805
At 31 December 2023	**9,186,467**	**77,110,840**	**–**	**86,297,307**

* *The Group changed comparative information to comply with current year presentation.*

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

During 2012 - 2019 the Group concluded finance lease agreements with Fit Leasing LLP for the rent of the equipment with further transfer of the rights of legal ownership after repayment of all lease payable under the agreements. The Group repaid all oblgations under agreements with Fit Leasing LLP in 2022 and received acts of acceptance in 2023. Accordingly, the Group reclassified the equipment with the net book value of KZT 29,862,824 thousand tenge in property, plan and equipment.

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

In thousands of tenge	**2023**	2022
At the beginning of the year	**40,825,884**	49,151,576
Additions *(Note 44)*	**11,483,429**	3,310,845
Modifications *(Note 4)*	**51,574,166**	2,822,007
Cancellation *(Note 44)*	**(254,802)**	(698,653)
Interest expenses *(Note 39)*	**5,255,697**	5,716,000
Payment of interest part *(Note 44)*	**(5,255,697)**	(5,716,000)
Payment of principal part *(Note 44)*	**(12,109,799)**	(13,759,891)
At the end of the year	**91,518,878**	40,825,884

Set out below are the carrying amounts of non-current and current lease liabilities:

In thousands of tenge	**31 December 2023**	31 December 2022
Non-current portion of liabilities	**79,673,946**	28,360,505
Current portion of lease liabilities	**11,844,932**	12,465,379

The following are the amounts recognised in profit or loss:

In thousands of tenge	**31 December 2023**	31 December 2022
Depreciation of right-of-use assets	**10,757,614**	12,988,460
Interest expense on lease liabilities *(Note 39)*	**5,255,697**	5,716,000
Expense relating to short-term leases and leases of low-value assets (included in cost of sales) *(Note 35)*	**1,342,547**	1,133,982
Expense relating to short-term leases (included in general and administrative expenses) *(Note 36)*	**294,290**	221,786
	17,650,148	20,060,228

The Group had total cash outflows for leases of KZT 19,002,333 thousand in 2023, including cash outflow of KZT 1,636,837 thousand related to leases of low-value assets and short-term leases (2022: KZT 20,831,659 thousand and KZT 1,355,768 thousand, respectively).

25. EMPLOYEE BENEFITS OBLIGATIONS

State contribution plan

The Group pays social tax according to the current statutory requirements of the Republic of Kazakhstan. The social tax and salary accruals are recorded in expenses as incurred.

In addition, the Group withholds 10% of the salary of employees paid as contributions of employees to the accumulating pension funds and 2% in mandatory social health insurance. These expenses are recorded in the period when they were incurred.

25. EMPLOYEE BENEFITS OBLIGATIONS (continued)

Employee benefit obligations

As at 31 December the total employee benefit obligations of the Group comprised the following:

In thousands of tenge	2023	2022
Present value of defined benefit pension plan obligation	**14,959,697**	17,508,382
Present value of obligations for other long-term payments	**147,399**	742,004
	15,107,096	18,250,386

A defined benefit pension plan provides for the fulfilment of obligations under the pension provision in accordance with the Collective Agreement concluded between the Company and employees. Other long-term payments include anniversaries, funeral payments, and others.

The Group did not create a fund for such obligations.

A reconciliation of the present value of the defined benefit plan obligation with specified payments was as follows for the years ended 31 December:

In thousands of tenge	2023	2022
Total liability at the beginning of the year	**17,508,382**	22,685,554
Current service cost	**735,483**	833,583
Past service cost	**–**	(9,646,346)
Interest expenses	**1,736,831**	1,745,547
Benefits paid during the year	**(2,740,028)**	(1,457,974)
Actuarial (gains)/losses recognized during the year within other comprehensive income	**(2,280,971)**	3,348,018
Total liability at the end of the year	**14,959,697**	17,508,382
Liability payable within one year	**(1,181,307)**	(1,471,855)
Liability payable after one year	**13,778,390**	16,036,527

A reconciliation of the present value of obligations for other long-term payments with specified payments was as follows for the years ended 31 December:

In thousands of tenge	2023	2022
Total liability at the beginning of the year	**742,004**	689,610
Current service cost	**57,056**	43,184
Previous years service cost	**84,244**	53,576
Interest expenses	**73,607**	51,972
Benefits paid during the year	**(72,981)**	(71,745)
Actuarial income recognized during the year in profit and loss	**(736,531)**	(24,593)
Total liability at the end of the year	**147,399**	742,004
Liability payable within one year	**(90,627)**	(91,002)
Liability payable after one year	**56,772**	651,002

Actuarial gains recognised in 2023 resulted primarily from changes in the assumptions relating to the discount rate and from historical adjustments (2022: resulted primarily from changes in collective agreement).

Cost of current service, interest expenses and actuarial losses in the total amount of KZT 1,950,689 thousand were recognized in cost of sales and general and administrative expenses within personnel costs (2022: KZT 6,943,077 thousand) *(Notes 38 and 39)*.

There were no unrecognised actuarial losses or past service costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. EMPLOYEE BENEFITS OBLIGATIONS (continued)

Employee benefit obligations (continued)

The estimates of the liability were made on the basis of the published statistical data regarding mortality of employees and actual Company's data concerning the number, age, gender and years of employee service. Other principal assumptions used in determining benefit obligations for the Company's plan were shown below:

	2023	2022
Discount rate	**10.88%**	9.92%
The expected rate of future annual minimum salary increases	**12.00%**	9.00%

A quantitative sensitivity analysis for significant assumptions as at 31 December 2023, was as follows:

	Discount rate		**The expected rate of future annual minimum salary increases**	
Sensitivity level	**Growth by 0.5%**	**Reduction by 0.5%**	**Growth by 1%**	**Reduction by 1%**
Impact on defined benefit plan obligations, in thousands tenge	**(701,305)**	**770,278**	**984,475**	**(927,323)**

A quantitative sensitivity analysis for significant assumptions as at 31 December 2022, was as follows:

	Discount rate		**The expected rate of future annual minimum salary increases**	
Sensitivity level	Growth by 0.5%	Reduction by 0.5%	Growth by 1%	Reduction by 1%
Impact on defined benefit plan obligations, in thousands tenge	(710,018)	798,215	1,033,723	(912,421)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

26. NON-CURRENT CONTRACT LIABILITIES

As at 31 December non-current contract liabilities comprised:

In thousands of tenge	**2023**	2022
Contract liabilities from operators	**3,241,662**	4,047,586
Contract liabilities for connection of subscribers	**351,833**	426,653
Other contract liabilities	**3,495,147**	3,079,966
	7,088,642	7,554,205

Movements in liabilities for the years ended 31 December were as follows:

In thousands of tenge	**2023**	2022
Contract liabilities as at 1 January	**34,296,312**	30,068,781
Deferred during the year	**355,785,268**	287,690,513
Recognised as revenue during the year	**(350,378,448)**	(283,462,982)
Total contract liabilities as at 31 December	**39,703,132**	34,296,312
Current portion *(Note 30)*	**32,614,490**	26,742,107
Non-current portion	**7,088,642**	7,554,205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. ASSET RETIREMENT OBLIGATION

Provision for asset retirement obligation is recorded at the discounted value of expected costs to bring the sites and facilities to their original condition using estimated cash flows and is recognised as part of the cost of the specific asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the asset retirement obligation.

Movements in provision for asset retirement obligation for the years ended 31 December were as follows:

In thousands of tenge	**2023**	2022
Provision for asset retirement obligation as at 1 January	**9,542,760**	10,284,324
Reversal /(accrual) in estimate *(Note 8)*	**3,227,077**	(1,352,105)
Amortization of discount *(Note 39)*	**1,847,576**	610,541
Use of the reserve	**(81,522)**	–
Provision for asset retirement obligation as at 31 December	**14,535,891**	9,542,760
Current portion *(Note 31)*	**955,785**	2,947,595
Non-current portion	**13,580,106**	6,595,165

28. TRADE PAYABLES

As at 31 December trade payables comprised:

In thousands of tenge	**2023**	2022
Trade payables for supply of property and equipment	**78,262,370**	56,524,594
Trade payables for services rendered	**26,239,149**	46,382,181
Trade payables for inventory received	**2,311,508**	1,925,479
	106,813,027	104,832,254

As at 31 December 2023 and 2022, trade payables were interest-free.

As at 31 December trade payables were mainly denominated in the following currencies:

In thousands of tenge	**2023**	2022
Tenge	**85,797,617**	98,267,568
Euro	**14,545,753**	3,035,534
US dollars	**6,257,046**	3,137,656
Russian rubles	**205,951**	384,720
Other	**6,660**	6,776
	106,813,027	104,832,254

29. OTHER CURRENT FINANCIAL LIABILITIES

As at 31 December other current financial liabilities comprised:

In thousands of tenge	**2023**	2022
Payable to employees	**29,093,300**	24,352,049
Dividends payable *(Note 22)*	**42,392**	17,573
Other	**3,730,176**	3,247,259
	32,865,868	27,616,881

As at 31 December 2023 and 2022, other current financial liabilities were not interest bearing and the balances were mainly denominated in tenge.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. CURRENT CONTRACT LIABILITIES

As at 31 December current contract liabilities comprised:

In thousands of tenge	**2023**	2022
Advances received	**30,584,127**	24,597,725
Contract liabilities from operators	**1,567,271**	1,678,156
Contract liabilities for connection of subscribers	**227,587**	261,527
Other contract liabilities	**112,568**	85,025
Other	**122,937**	119,674
	32,614,490	26,742,107

Advances received represents the prepayment for the services of the Group like telecommunications services, internet services, IP-TV by customers.

31. OTHER CURRENT NON-FINANCIAL LIABILITIES

As at 31 December 2023 and 2022, other current non-financial liabilities comprised:

In thousands of tenge	**2023**	2022
Provisions		
Legal claims on contractual obligations	**2,061,971**	3,684,675
Accrual of provisions for tax risks	**2,025,935**	1,910,312
Asset retirement obligation *(Note 27)*	**955,785**	2,947,595
	5,043,691	8,542,582
Other non-financial liabilities		
Taxes payable other than income tax	**7,250,355**	4,249,869
Payable to pension funds	**1,187,388**	1,009,829
Other	**811,894**	703,727
	9,249,637	5,963,425
	14,293,328	14,506,007

Movements in tax provisions for the years ended 31 December were as follows:

In thousands of tenge	**2023**	2022
Provision as at 1 January	**1,910,312**	3,842,611
Accrual of provisions for tax risks	**115,623**	1,019,959
Use of provision	**–**	(822,012)
Reversal of fines and penalties provision	**–**	(2,130,246)
Provision as at 31 December	**2,025,935**	1,910,312

As at 31 December 2023 and 2022, provisions represent accrued provision for the Group's tax risks. During 2023 the Group accrued a provision for corporate income tax and withholding tax in the amount of KZT 115,623 thousand. The Company has analyzed and accrued for those risks that the Company cannot eliminate or reduce to a significant extent.

Movements in provisions for legal claims on contractual obligation and penalties for the years ended 31 December were as follows:

In thousands of tenge	**2023**	2022
Provision as at 1 January	**3,684,675**	3,684,675
Payment in accordance with court decision*(Note 45)*	**(2,762,348)**	
Reversal of fines and penalties provision*(Note 45)*	**(721,000)**	–
Accrual of provisions*(Note 40)*	**1,860,644**	–
Provision as at 31 December	**2,061,971**	3,684,675

In 2023 the Group accrued provision related to fines and penalties on contractual obligations and contractual liabilities that Management considers as probable in the amount of KZT 1,860,644 thousand (*Note 40*). Part of the reserve for fines and penalties in the amount of KZT 720,348 thousand was restored in 2023 (*Note 44*).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. GOVERNMENT GRANTS

As at 31 December government grants comprised:

In thousands of tenge	**2023**	2022
Government grants as at 1 January	**26,857,966**	18,798,488
Received during the period	**22,778,254**	14,391,376
Released to the statement of profit or loss	**(9,459,782)**	(6,331,898)
Government grants as at 31 December	**40,176,438**	26,857,966
Current portion	**8,414,199**	6,167,493
Non-current portion	**31,762,239**	20,690,473

In 2021 the Government approved the changes to the Rules for the assignment of frequency bands, radio frequencies, operation of radio-electronic means and high-frequency devices ("the Rules"), based on which the Group is eligible for government grants in form of 90% reduction in the annual fee for use of radio frequencies from 1 January 2020 till 1 January 2025. The government grants are subject to conditions, namely financing of the projects related to broadband internet in rural and urban areas. If the financing of the projects related to broadband internet is lower than the amount of the tax incentive received, the Group should pay the annual fee equal for use of radio frequencies to the amount of unfulfilled obligations to the authorities.

The funds released as a result of reduction in the annual fee for use of radio frequencies for 2023 in the amount of KZT KZT 22,778,254 thousand, were used by the Group for the purchase and construction of certain items of property and equipment (mainly base stations). Government grants related to assets are recognized as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset. As of 31 December 2023, the balance of deferred income recognized was equal to KZT 40,176,438 thousand(As of 31 December 2022 KZT 26,857,966 thousand), and part of the government grants released to the profit and loss over the period necessary to match the related depreciation charges equal to KZT 9,459,782 thousand.

As of 31 December 2023 there are no unfulfilled conditions or contingencies attached to these grants.

33. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customer for the years ended 31 December comprised:

	For the year ended 31 December 2023			
In thousands of tenge	**Fixed line**	**Mobile connection**	**Other**	**Total**
Data transfer services	**152,060,224**	**215,234,347**	**7,677**	**367,302,248**
Rendering of fixed line and wireless phone services	**35,124,740**	**141,065,359**	**–**	**176,190,099**
Sale of equipment and mobile devices	**1,601**	**34,979,021**	**–**	**34,980,622**
Interconnect	**10,591,910**	**7,017,933**	**–**	**17,609,843**
Rent of channels	**2,731,109**	**–**	**–**	**2,731,109**
Other	**50,527,893**	**14,052,821**	**6,073,326**	**70,654,040**
	251,037,477	**412,349,481**	**6,081,003**	**669,467,961**
Services transferred over time	**251,035,876**	**377,370,460**	**6,081,003**	**634,487,339**
Goods transferred at a point of time	**1,601**	**34,979,021**	**–**	**34,980,622**
	251,037,477	**412,349,481**	**6,081,003**	**669,467,961**
B2C*	**143,316,682**	**334,560,606**	**1,306,547**	**479,183,835**
B2B**	**23,301,779**	**30,420,769**	**4,496,967**	**76,833,923**
B2O***	**21,451,039**	**28,714,343**	**–**	**50,165,382**
B2G****	**62,967,977**	**316,844**	**–**	**63,284,821**
	251,037,477	**412,349,481**	**6,081,003**	**669,467,961**

33. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

	For the year ended 31 December 2022			
In thousands of tenge	**Fixed line**	**Mobile connection**	**Other**	**Total**
Data transfer services	138,767,808	176,141,850	15,838	314,925,496
Rendering of fixed line and wireless phone services	37,096,001	127,814,640	–	164,910,641
Sale of equipment and mobile devices	8,380	44,123,457	–	44,131,837
Interconnect	17,930,063	14,633,308	–	32,563,371
Rent of channels	2,854,076	–	–	2,854,076
Other	52,848,428	8,218,746	1,384,987	62,452,161
	249,504,756	**370,932,001**	**1,400,825**	**621,837,582**
Services transferred over time	249,496,376	326,808,544	1,400,825	577,705,745
Goods transferred at a point of time	8,380	44,123,457	–	44,131,837
	249,504,756	**370,932,001**	**1,400,825**	**621,837,582**
B2C*	128,917,266	315,510,583	1,167,135	445,594,984
B2B**	43,032,890	28,358,396	233,690	71,624,976
B2O***	19,996,768	26,767,658	–	46,764,426
B2G****	57,557,832	295,364	–	57,853,196
	249,504,756	**370,932,001**	**1,400,825**	**621,837,582**

* *B2C (Business-to-Consumer) − services rendered to private end consumers (individuals).*

** *B2B (Business to Business) − services rendered to the corporate sector, including large enterprises and SMEs.*

*** *B2O (Business-to-Operator) − services rendered to communication operators.*

**** *B2G (Business-to-Government) − services rendered to the state sector.*

34. COMPENSATION FOR PROVISION OF UNIVERSAL SERVICES IN RURAL AREAS

According to the approved regulatory documents on subsidization, losses for the provision of universal telecommunications services in rural areas are subject to subsidies. The amount of compensation is calculated under the terms of the tender or the assignment of obligations to provide subsidy to universal telecommunications services to a telecommunications operator on the difference between the costs and actual revenues from the unprofitable universal telecommunications services.

Kazakhtelecom JSC was selected as an operator of universal services based on the results of the tenders. The total amount of compensations received for 2023 amounted to KZT 8,853,903 thousand (2022: KZT 6,326,916 thousand).

As of 31 December 2023 there are no unfulfilled conditions or contingencies attached to these grants.

35. COST OF SALES

Cost of sales for the years ended 31 December comprised:

In thousands of tenge	**2023**	2022
Depreciation and amortization	**133,677,674**	112,252,977
Personnel costs *(Note 38)*	**124,022,295**	102,695,145
Cost of SIM-card, scratch card and handsets	**30,833,140**	40,760,854
Interconnect	**28,981,146**	29,941,817
Fees for radiofrequencies use	**27,803,062**	18,684,797
Repair and maintenance	**25,164,165**	21,368,503
Electricity	**13,364,849**	12,201,887
Rent of channels	**10,882,507**	9,454,585
Fee to provide telecom services	**8,996,648**	8,932,534
Inventories	**7,266,068**	6,511,029
Content	**5,864,179**	5,486,641
Security and safety	**3,527,275**	3,122,944
Fees for the usage of license software	**3,390,083**	3,303,201
Utilities	**2,838,698**	2,156,791
Business trip expenses	**2,499,973**	1,715,207
Costs of hiring consultants	**2,183,046**	974,860
Labelling costs	**1,585,896**	1,859,154
Short-term leases and leases of low-value assets *(Note 24)*	**1,342,547**	1,133,982
Insurance	**965,487**	995,354
Satellite communication servies	**768,482**	795,778
Network sharing agreement	**685,547**	582,961
Emergency expenses	**–**	103,442
Other	**13,410,638**	14,135,591
	450,053,405	399,170,034

36. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended 31 December comprised:

In thousands of tenge	**2023**	2022
Personnel costs *(Note 38)*	**21,733,115**	22,064,056
Taxes other than corporate income tax	**5,567,098**	7,944,097
Depreciation and amortization	**3,175,463**	6,396,266
Consulting services	**2,602,073**	1,589,259
Social activities	**1,371,636**	1,396,638
Business trips	**1,039,860**	777,428
Write-down of inventories to net realizable value *(Note 15)*	**867,068**	314,205
Trainings	**421,458**	642,475
Repair and maintenance expenses	**370,115**	319,344
Inventories	**354,685**	506,214
Bank fees	**325,211**	458,947
Short-term lease expenses *(Note 24)*	**294,290**	221,786
Security and safety	**238,701**	116,529
Insurance	**236,539**	187,431
Personnel outsources expenses	**87,835**	262,592
Other	**5,309,459**	961,517
	43,994,606	44,158,784

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

37. SELLING EXPENSES

Selling expenses for the years ended 31 December comprised:

In thousands of tenge	**2023**	2022
Marketing and advertising	**16,388,934**	9,953,872
Amortization of cost to obtain a contract	**4,528,125**	4,245,766
Other	**2,279,795**	2,709,089
	23,196,854	16,908,727

38. PERSONNEL EXPENSES

Personnel expenses for the years ended 31 December comprised:

In thousands of tenge	**2023**	2022
Payroll	**129,625,190**	119,067,416
Payroll related taxes	**14,179,531**	12,634,862
Employee benefits *(Note 25)*	**1,950,689**	(6,943,077)
	145,755,410	124,759,201

Personnel expenses for the years ended 31 December were allocated as follows:

In thousands of tenge	**2023**	2022
Cost of sales *(Note 35)*	**124,022,295**	102,695,145
General and administrative expenses *(Note 36)*	**21,733,115**	22,064,056
	145,755,410	124,759,201

39. (FINANCE COSTS) / FINANCE INCOME

Finance costs and finance income for the years ended 31 December comprised:

In thousands of tenge	**2023**	2022
Finance costs		
Interest expense on loans *(Note 44)*	**(30,388,789)**	(31,724,945)
Interest expense on lease liabilities *(Note 24)*	**(5,255,697)**	(5,716,000)
Unwinding of discount (provision for asset retirement obligation) *(Note 27)*	**(1,847,576)**	(610,541)
Unwinding of discount on long-term borrowings *(Note 44)*	**(722,343)**	(421,562)
Discounting of other non-current financial assets	**(152,776)**	(633,068)
Interest on debt component of preferred shares *(Note 22)*	**(89,636)**	(89,636)
Discounting of long-term loans to employees	**–**	(1,170,102)
Other costs	**(464,080)**	(103,693)
	(38,920,897)	(40,469,547)
Finance income		
Interest income on deposits	**6,563,404**	8,322,955
Interest income on cash balances	**2,918,520**	4,167,327
Unwinding of discount on long-term loans to employees	**1,927,212**	720,411
Unwinding of discount on long-term accounts receivable	**1,774,751**	60,953
Unwinding of discount on long-term deposits	**1,497,009**	384,448
Interest income on financial assets at amortised cost	**358,981**	1,841,974
Other income	**762,265**	479,886
	15,802,142	15,977,954

40. OTHER OPERATING INCOME / (EXPENSES)

Other operating income and expenses for the years ended 31 December comprised:

In thousands of tenge	**2023**	2022
Other operating income		
Income from damages *(Note 46)*	**–**	11,368,772
Rental income	**2,202,508**	1,786,562
Income from write-off accounts payable	**1,597,404**	764,932
Income from disposal of an associate (*Note 10*)	**876,945**	–
Fines and penalties	**–**	1,105,628
Reimbursement of utilities expenses	**132,640**	139,508
Other	**1,223,239**	1,887,321
	6,032,736	17,052,723
Other operating expenses		
Accrual of the provision (*Note 31*)	**(1,860,644)**	–
Utilities expenses	**(748,678)**	(520,164)
Rental expenses	**(192)**	(434)
Write-off of inventories (*Note 45*)	**–**	(553,000)
Other	**(545,321)**	(248,420)
	(3,154,835)	(1,322,018)

On 13 March 2022, Kayrat Satybaldyuli, the ultimate beneficiary of Skyline Investment Company S.A. and Alatau Capital Invest LLP, was detained by the Anti-corruption Service of Kazakhstan on suspicion of abuse of office and embezzlement of funds of Kazakhtelecom JSC on a particularly large scale. Kazakhtelecom JSC was recognized as a victim in criminal cases initiated against Satybaldyly K. and other persons involved.

The Mediation Agreement of 8 September 2022 on the settlement of the dispute and reconciliation of the parties by way of judicial mediation in a dispute that arose in the framework of a criminal case on the episodes "Discounts" and "Last Mile".

The court No. 2 of the "Baykonyr" district of Astana handed down a verdict dated 26.09.2022 on one of the criminal cases against Satybaldyly K. and other involved persons accused of committing criminal offenses provided for in Articles 28, Part 3, 189, part 4, paragraph 2, 195, part 4, paragraph 2 of the Criminal Code of the Republic of Kazakhstan. According to the court verdict, the civil claim of Kazakhtelecom JSC was left without consideration, meaning that the effect of the previously concluded Mediation Agreement is not canceled. The judicial act entered into legal force within the prescribed period. The Company recognized compensation for damages in the amount of KZT 11,368,772, net of VAT of KZT 1,364,253 thousand.

According to the dispute that arose in the framework of the criminal case on the episode "Rent of premises", allocated to a separate judicial proceeding, the investigation has not been completed.

The entire amount of damage specified in the claims filed by Kazakhtelecom JSC in the amount of KZT 14,353,966 thousand was repaid in full. The difference between received amount of claim and the amount of recognized as an income was reflected as a part of the other current financial liabilities (*Note 45*).

Rental income mainly represents rent of spaces used for the installation of technological equipment by third parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

41. INCOME TAX EXPENSES

Income tax expenses for the years ended 31 December comprised:

In thousands of tenge	**2023**	2022
Corporate income tax expenses	**34,017,688**	39,878,423
Adjustments in respect of income tax of previous year	**782,037**	(709,158)
Deferred income tax benefit	**(4,965,143)**	(3,473,538)
	29,834,582	35,695,727

Tax rate for the Group and subsidiaries was 20% in 2023 and 2022.

A reconciliation of income tax expenses applicable to profit before taxation at the statutory rate of 20% (2022: 20%), with the current corporate income tax expenses for the years ended 31 December is out below:

In thousands of tenge	**2023**	2022
Profit before taxation	**134,237,791**	164,448,872
Income tax at statutory income tax rate of 20%	**26,847,558**	32,889,774
Recognition of tax loss carry forward	**21,547**	1,804,000
Changes in unrecognized tax loss carry forward	**–**	(1,530,000)
Impairment of non-financial assets	**277,705**	180,448
Tax provision expenses	**–**	(178,453)
Share in profit of associates	**–**	(76,004)
Adjustments in respect of income tax of previous year	**1,903,915**	1,394,813
Non-deductible expenses	**783,857**	1,211,149
Total income tax expenses	**29,834,582**	35,695,727

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

41. INCOME TAX EXPENSES (continued)

As at 31 December 2023, deferred taxes calculated by applying the official tax rates effective at the reporting date to the temporary differences between the tax bases of assets and liabilities and the amounts recognized in the consolidated financial statements included the following items:

	Consolidated statement of financial position		**Consolidated statement of comprehensive income**		**As part of other comprehensive loss**	
In thousands of tenge	**31 December 2023**	31 December 2022	**2023**	2022	**2023**	2022
Deferred tax assets						
Property and equipment	**67,260**	3,220,475	**(3,153,215)**	(3,756,102)	–	–
Deferred services	**4,693,770**	5,248,087	**(554,317)**	159,661	–	–
Government grants	**8,246,596**	5,371,953	**2,874,643**	1,612,255	–	–
Reserves on employee bonuses	**4,051,525**	3,352,474	**699,051**	863,717	–	–
Asset retirement obligation reserves	**2,464,751**	1,908,874	**555,877**	(147,991)	–	–
Tax loss carry forward	**21,547**	8,486	**13,061**	(1,878,666)	–	–
Employee benefit obligations	**2,085,446**	2,588,383	**(222,950)**	649,572	**(279,987)**	387,506
Lease liabilities	**787,978**	1,132,732	**(344,754)**	(52,658)	–	–
Accrued provisions for unused vacations	**1,071,816**	843,101	**228,715**	9,094	–	–
Allowance for expected credit losses	**1,546,288**	1,253,765	**292,523**	725,127	–	–
Intangible assets	**540**	96,306	**(95,766)**	(162,606)	–	–
Other	**2,632,433**	1,274,023	**1,358,410**	153,557	–	–
Less: unrecognized tax assets	**(21,547)**	–	**(21,547)**	1,530,000	–	–
Less: deferred tax assets less deferred tax liabilities	**(27,278,952)**	(24,827,896)	**(2,451,056)**	718,127	–	–
Deferred tax assets	**369,451**	1,470,763	**(821,325)**	423,087	**(279,987)**	387,506
Deferred tax liabilities						
Property and equipment	**27,616,099**	28,471,199	**(855,099)**	(1,458,344)	–	–
Intangible assets	**24,601,978**	27,154,373	**(2,552,395)**	(2,552,396)	–	–
Other	**795,203**	723,455	**71,748**	242,162	–	–
Less: deferred tax assets less deferred tax liabilities	**(27,278,617)**	(24,827,896)	**(2,450.721)**	718,127	–	–
Deferred tax liabilities	**25,734,663**	31,521,131	**(5,786,468)**	(3,050,451)		–
Deferred income tax benefit	–	–	**4,965,143**	3,473,538	**(279,987)**	387,506

41. INCOME TAX EXPENSES (continued)

Deferred tax assets and liabilities are presented in the consolidated statement of financial position as follows:

In thousands of tenge	**2023**	2022
Deferred tax assets	**369,451**	1,470,763
Deferred tax liabilities	**(25,734,663)**	(31,521,131)
Net deferred tax liabilities	**(25,365,212)**	(30,050,368)

In thousands of tenge	**2023**	2022
Reconciliation of deferred tax liabilities, net		
Balance at 1 January	**(30,050,368)**	(33,911,412)
Income tax benefit for the reporting period − origination and recovery of temporary differences	**4,965,143**	3,473,538
Less: deferred tax recognised within other comprehensive (income)/loss	**(279,987)**	387,506
Balance at 31 December	**(25,365,212)**	(30,050,368)

The Group performs offsetting of tax assets and liabilities only if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred tax assets and deferred tax liabilities relating to income tax collected by the same taxation authority.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. In accordance with legislation of the Republic of Kazakhstan, tax losses may be deferred for 10 (ten) years from the date of their origination and will expire in 2029. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

As at 31 December 2023, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised was equal to KZT 293,131,434 thousand (as at 31 December 2022: KZT 197,981,034 thousand). The Group is able to control the timing of the reversal of those temporary differences and does not expect to reverse them in the foreseeable future.

42. NON-CASH TRANSACTIONS

The following significant non-cash transactions have been excluded from the consolidated statement of cash flows:

In 2023 the Group received government grants in the total amount of KZT 22,778,254 thousand represented by 90% reduction in the annual fee for use of radio frequencies (2022: KZT 14,391,376 thousand).

In 2023, the Group paid an amount of KZT 56,524,954 thousand for property and equipment purchased in prior year (2022: KZT 46,945,570 thousand). Property and equipment in the amount of KZT 75,206,659 thousand was purchased in 2023 but not paid as at 31 December 2023 (2022: KZT 56,524,594 thousand).

In 2023, the Group withhold from the salary of employees the amount of previously issued loans for KZT 2,732,278 thousand (2022: KZT 1,206,379 thousand).

43. RELATED PARTY TRANSACTIONS

The category 'entities under control of the Parent' include entities controlled by the Parent Company. Transactions with such entities are mainly represented by transactions of the Group with NC Kazakhstan Temir Zholy JSC, NC KazMunayGaz JSC, KEGOC JSC, Kazpost JSC. The Group provides telecommunication services to the Parent and entities controlled by the Parent. The category of government-related entities includes different government agencies and ministries.

Related party transactions were made on terms, agreed to between the parties, which do not necessarily represent market terms and maybe not accessible to third parties. Outstanding balances at the end of the year are not secured, are short-term, and settlements are made in cash, except as described below.

At 31 December 2023, the Group recognized a provision for expected credit loss in the amount of KZT 330,831 thousand in respect of receivables from related parties.

Sales and purchases with related parties during the years ended 31 December 2023 and 2022 and the balances with related parties at 31 December 2023 and 2022 were as follows:

In thousands of tenge	**2023**	2022
Sales of goods and services		
Parent	**13,049**	13,275
Parent-controlled entities	**3,910,065**	2,963,506
Associate (Qaz Cloud LLP)	**–**	1,161,487
Government-related entities	**54,452,917**	53,041,835
Purchases of goods and services		
Parent-controlled entities	**5,531,062**	2,631,988
Associate (Qaz Cloud LLP)	**–**	1,773,632
Government-related entities	**251,543**	277,973
Interest accrued on borrowings and bonds		
Entities under state control		
(Development Bank of Kazakhstan JSC)	**2,036,109**	2,603,095
Average interest rate on borrowings	**8,06%**	8,02%
Parent*	**4,715,000**	7,745,250
Average interest rate on bonds	**11.84%**	11.85%

* *Local bonds of Kazakhtelecom JSC (KTCB.1024 and KTCB2.1024) were purchased by the parent company, Samruk-Kazyna.*

In thousands of tenge	**2023**	2022
Cash and cash equivalents		
Entities under state control		
(Development Bank of Kazakhstan JSC)	**78**	31
Borrowings and bonds ***(Note 23)***		
Entities under state control		
- (Development Bank of Kazakhstan JSC)	**24,057,324**	30,309,455
Parent*	**42,571,667**	42,571,667
Trade receivables		
Parent	**1,216**	1,229
Parent-controlled entities	**571,856**	566,382
Associate (Qaz Cloud LLP) *(Note 10)*	**–**	222,479
Government-related entities	**5,347,641**	7,833,829
Trade payables		
Parent	**59**	59
Parent-controlled entities	**1,064,069**	234,945
Associate (Qaz Cloud LLP) *(Note 10)*	**–**	863,154
Government-related entities	**1,647,143**	1,643,367

* *Local bonds of Kazakhtelecom JSC (KTCB,1024 and KTCB2,1024) were purchased by the parent company, Samruk-Kazyna.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

43. RELATED PARTY TRANSACTIONS (continued)

Compensation to key management personnel

For the years ended 31 December 2023 and 2022, the total compensation to key management personnel represented by the personnel that has the authority or responsibility for planning, directing and controlling the activities of the group included in the accompanying consolidated statement of comprehensive income under general and administrative expenses was KZT 567,145 thousand and KZT 665,470 thousand, 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.

44. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES

Impairment losses on financial assets

Impairment losses on financial assets for the year ended 31 December 20223 comprise accrued/(reversed) allowance for expected credit loss for trade receivables in amount of KZT 10,516,790 thousand *(Note 16)*, other current financial assets in amount of KZT (65,659) thousand *(Note 18)*, cash and cash equivalents in amount of KZT (7,247) thousand *(Note 21)* (2022: trade receivables in amount of KZT 7,464,288 thousand, other current financial assets in amount of KZT 155,468 thousand, cash and cash equivalents in amount of KZT 2,404).

Impairment losses on non-financial assets

Impairment losses on non-financial assets for the year ended 31 December 2023, comprise accrued/(reversed) allowance for impairment for advances paid for non-current assets for KZT (554,636) thousand *(Note 8)*, advances paid for current assets for KZT 385,726 thousand *(Note 17)*, impairment of property and equipment for KZT 965,123 thousand *(Note 8)* and reversal of impairment of intangible assets for KZT (35,314) thousand *(Note 9)* (2022: advances paid for non-current assets for KZT 510,195 thousand, advances paid for current assets for KZT 103,649 thousand, impairment of property and equipment for KZT 1,176,363 thousand and impairment of intangible assets for KZT (311,331) thousand).

The Group's principal financial instruments include loans, lease obligations, cash and cash equivalents, bank deposits and accounts receivable and accounts payable, assets under reverse repurchase agreements and financial assets at amortized cost. The main risks associated with the Group's financial instruments include interest rate risk, currency and credit risk, In addition, the Group monitors market risk and liquidity risk associated with all financial instruments.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As at 31 December 2023 and 2022, the Group had no loans or borrowings with floating interest rates and was not subjected to the risk of changes in market interest rates.

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

As a result of available significant loans and borrowings, accounts payable, cash and cash equivalents and accounts receivable denominated in the US dollars, the Group's consolidated statement of financial position can be affected significantly by movement in the US dollar / tenge exchange rates.

The following table demonstrates the sensitivity to a reasonably possible changes in the exchange rates of US dollar to tenge, with all the variables held constant, of the Group's profit before income tax (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Group's equity.

	2023		2022	
In thousands of tenge	**Increase/ (decrease) in exchange rate**	**Effect on profit before tax**	Increase/ (decrease) in exchange rate	Effect on profit before tax
US dollars	**14,15%**	**13,308,644**	21%	32,688,318
	-14,15%	**(13,308,644)**	-21%	(32,688,318)
Euro	**12.95%**	**(2,714,707)**	-18%	(166.748)
	-12.95%	**2,714,707**	18%	166.748

44. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (continued)

Credit risk

Credit risk is the risk that the Group will incur finance costs because its customers, clients or counterparties failed to discharge their contractual obligations, The Group is exposed to credit risk associated with its operating activities (primarily with respect to trade receivables) and financial activities, including bank deposits and financial organizations, foreign exchange transactions and other financial instruments.

Trade receivables and contract assets

Financial instruments in which the Group's credit risk is concentrated are primarily trade and other receivables, The credit risk associated with these assets is limited due to the large number of the Group's customers and the continuous monitoring procedures for customers and other debtors.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses, The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i,e,, by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance), The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions, Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity, The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in *Notes 13, 16, 18 and 19*.

Financial instruments and cash deposits

In accordance with the financial policy, the Group places free cash in several of the largest Kazakhstani banks (with the highest credit ratings), To manage the credit risk associated with the placement of free cash in banks, the Group's management periodically conducts procedures for assessing the solvency of banks, To facilitate such an assessment, deposits are primarily placed in banks, where the Group already has comparable credit obligations, a current checking account and can easily monitor the activities of such banks.

In thousands of tenge	**Rating 2023**	Rating 2022	**Cash balance 2023**	Cash balance 2022	**Balance on deposit accounts 2023**	Balance on deposit accounts 2022
JSC "Halyk Bank of Kazakhstan"	**BB+/stable/ BBB-, kzAAA**	BB+/stable/ BBB-, kzAA	**4,246,348**	134,827,224	**60,453,268**	81,489,820
JSC «Halyk Finance»	**BB+/стабильный/ BBB-, kzAAA**	**–**	**–**	–	**5,000,000**	–
JSC "Citibank Kazakhstan"	**A+/ stable /A+**	A+/ stable /A+	**579,058**	7,498,826	**–**	37,530
Electronic money	**–**	–	**504,275**	994,814	**–**	–
PJSC "Sberbank of Russia"/	**–**	–	**69,323**	125,509	**–**	–
JSC "Kaspi Bank"	**BB/stable, Ba1,kzA**	BB-/positive, Ba1,kzA	**81,287**	225,382	**–**	–
JSC "Nurbank"	**B-/stable/kzBB-**	**B-/stable/kzBB-**	**15,000**		**–**	
JSC "First Heartland Jýsan Bank"	**Ba3/positive, kzAAA**	B+/positive, kzBB+	**10,888**	2,611	**–**	19,253
Credit Suisse (Schweiz) AG	**A-**	A-	**8,607**	12,266	**–**	
DB Sberbank JSC/ Bereke bank JSC	**BB/stable**		**1,276**	4,978	**–**	–
JSC "Bank CenterCredit"	**BB-/ stable, kzA-**	B+/ stable, kzBBB-	**656**	311,568	**–**	–
JSC "Altyn Bank" (DB JSC "Halyk Bank of Kazakhstan")	**BBB/ stable, kzAA+**	BBB-/ stable, kzAA+	**144**	72,383	**–**	7,025,890
JSC "Bank "Bank RBK"	**Ba3+/positive/**	B2+/positive/	**118**	2,336,823	**–**	–
TO JSC VTB Bank (Kazakhstan)	**–**	–	**82**	1,177	**–**	–
JSC "Development Bank of Kazakhstan"	**BBB/ stable / BBB, kzAAA**	BBB/ stable / BBB, kzAAA	**78**	31	**–**	–
JSC Kazpost	**BBB- / stable**	Baa3/ stable	**18**	83	**–**	7,100,000
JSC "ForteBank"	**BB-/ stable/ BB, kzA-**	BB-/ stable/ BB-, kzA-	**18**	11	**–**	–
JSC DB "Bank of China in Kazakhstan"	**BBB+/ stable , kzAAA**	BBB+/ stable , kzAAA	**11**	23	**–**	–
PJSC "Bank Uralsib"	**–**	–	**–**	26,697	**–**	–
JSC "Bank Freedom Finance Kazakhstan"	**B/negative**	B-/positive	**–**	739	**–**	–
Total			**5,517,207**	146,441,145	**65,453,268**	95,672,493

44. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (continued)

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances.

The Group monitors its risk of a shortage of funds using a liquidity planning tool, This tool considers the maturity of both its financial investments and financial assets (e,g, accounts receivables, other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings and leases, The Group's policy is that not more than 35% of borrowings and leases should mature in the next 12 month period, Approximately 23% of the Group's debt will mature in less than one year at 31 December 2023 (31 December 2022: 17%) based on the carrying amount of borrowings and leases reflected in the consolidated financial statements.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

In thousands of tenge	On demand	1 to 3 months	3 months to 1 year	From 1 to 5 years	More than 5 years	Total
At 31 December 2023						
Borrowings	**–**	**10,621,594**	**87,647,217**	**239,635,542**	**10,741,902**	**348,646,255**
Lease liabilities	**–**	**5,541,828**	**13,861,320**	**77,013,334**	**69,659,770**	**166,076,252**
Trade payables	**81,429,756**	**10,577,767**	**14,805,504**	**7,339,002**	**–**	**114,152,029**
Other financial liabilities	**–**	**3,730,176**	**–**		**–**	**3,730,176**
	81,429,756	**30,471,365**	**116,314,041**	**323,987,878**	**80,401,672**	**632,604,712**
At 31 December 2022						
Borrowings	–	8,418,364	88,985,293	259,610,911	23,096,186	380,110,754
Lease liabilities	–	4,423,948	13,330,621	50,459,590	18,424,535	86,638,694
Trade payables	79,919,698	10,381,610	14,530,946	–	–	104,832,254
Other financial liabilities	–	3,247,259	–	414	–	3,247,673
	79,919,698	**26,471,181**	**116,846,860**	**310,070,915**	**41,520,721**	**574,829,375**

Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount.

Cash flows requirements are monitored on a regular basis and management provides for availability of sufficient funds required to fulfil any liabilities when they arise, The management of the Group believes that any possible fluctuations of future cash flows associated with a monetary financial instrument will not have material impact on the Group's operations.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions, To maintain or adjust the capital structure, the Group may adjust the dividend payment to the holders of common shares, return equity to shareholders or issue new shares, No changes were made by the Group in the capital management objectives, policies or processes in 2023 and 2022.

The Group monitors capital using a debt-to-equity ratio, which is net debt divided by total equity, The Group's policy is to keep the ratio not greater than 1.0. The Group includes within net debt interest bearing borrowings and lease liabilities, Equity includes equity attributable to the equity holders of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

44. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (continued)

Capital management (continued)

The Group's debt-to-equity ratio at the period end was as follows:

In thousands of tenge	**31 December 2023**	31 December 2022
Interest-bearing loans and borrowings	**291,391,598**	247,876,877
Lease liabilities	**91,518,878**	40,825,884
Debt	**382,910,476**	288,702,761
Total equity, including non-controlling interests	**803,662,337**	730,607,823
Debt-equity ratio	**0.48**	0.40

Fair value

For the purpose of disclosing the fair value, the Group determined classes of assets and liabilities based on characteristics and risks of assets or liabilities and fair value hierarchy level as described above.

The table below presents fair value hierarchy of assets and liabilities of the Group, Disclosure of quantitative information of fair value hierarchy of financial instruments as at 31 December 2023 was as follows:

		Fair value measurement using			
In thousands of tenge	**Date of valuation**	**Price quotations on active markets (Level 1)**	**Significant observable in-puts (Level 2)**	**Significant unobservable in-puts (Level 3)**	**Total**
Assets for which fair values are disclosed					
Financial assets carried at amortised cost	31 December 2023	**45,770,813**	**–**	**–**	**45,770,813**
Investment property	31 December 2023	**–**	**–**	**427,268**	**427,268**
Other non-current financial assets	31 December 2023	**–**	**–**	**5,757,350**	**5,757,350**
Other current financial assets	31 December 2023	**–**	**–**	**5,280,059**	**5,280,059**
Trade receivables	31 December 2023	**–**	**–**	**50,755,814**	**50,755,814**
Liabilities for which fair values are disclosed	31 December 2023				
Borrowings	31 December 2023	**–**	**–**	**292,300,472**	**292,300,472**
Other non-current financial liabilities	31 December 2023	**–**	**–**	**7,339,002**	**7,339,002**
Other current financial liabilities	31 December 2023	**–**	**–**	**32,865,868**	**32,865,868**
Trade payables	31 December 2023	**–**	**–**	**106,813,027**	**106,813,027**

44. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (continued)

Fair value (continued)

The table below presents fair value hierarchy of assets and liabilities of the Group, Disclosure of quantitative information of fair value hierarchy of financial instruments as at 31 December 2022 was as follows:

		Fair value measurement using			
In thousands of tenge	**Date of valuation**	**Price quotations on active markets (Level 1)**	**Significant observable in-puts (Level 2)**	**Significant unobservable in-puts (Level 3)**	**Total**
Assets for which fair values are disclosed					
Financial assets carried at amortised cost	31 December 2022	14,896,830	–	–	14,896,830
Investment property	31 December 2022	–	–	2,700,000	2,700,000
Other non-current financial assets	31 December 2022	–	–	6,629,229	6,629,229
Other current financial assets	31 December 2022	–	–	4,374,070	4,374,070
Trade receivables	31 December 2022	–	–	45,305,186	45,305,186
Liabilities for which fair values are disclosed	31 December 2022	–	–		
Borrowings	31 December 2022	–	–	243,775,351	243,775,351
Other non-current financial liabilities	31 December 2022	–	–	414	414
Other current financial liabilities	31 December 2022	–	–	27,616,881	27,616,881
Trade payables	31 December 2022	–	–	104,832,254	104,832,254

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial assets and liabilities that are not carried at fair value in the consolidated statement of financial position, The table does not include the fair values of non-financial assets and non-financial liabilities,

In thousands of tenge	**Carrying amount 2023**	**Fair value 2023**	**Unrecog-nised gain/(loss) 2023**	Carrying amount 2022	Fair value 2022	Unrecog-nised gain/(loss) 2022
Financial assets						
Cash and cash equivalents	**70,984,738**	**70,984,738**	**–**	242,122,154	242,122,154	–
Other non-current financial assets	**5,757,350**	**4,911,010**	**(846,341)**	6,973,300	6,629,229	(344,071)
Financial assets carried at amortised cost	**45,770,813**	**45,770,813**	**–**	14,832,821	14,896,830	64,009
Other current financial assets	**5,280,059**	**5,280,059**	**–**	4,374,070	4,374,070	–
Trade receivables	**50,755,814**	**50,755,814**	**–**	45,305,186	45,305,186	
Financial liabilities						
Borrowings	**291,391,598**	**284,442,023**	**6,949,575**	247,876,877	243,775,351	4,101,526
Other non-current financial liabilities	**7,339,002**	**7,339,002**	**–**	414	414	–
Other current financial liabilities	**32,865,868**	**32,865,868**	**–**	27,616,881	27,616,881	–
Trade payables	**106,813,027**	**106,813,027**	**–**	104,832,254	104,832,254	–
Total unrecognised change in unrealised fair value			**6,103,234**			3,821,464

44. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (continued)

Valuation techniques and assumptions

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements,

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that their fair value approximates to the carrying amount, This assumption is also applied to demand deposits and savings accounts without a specific maturity,

Financial liabilities carried at amortised cost

The fair value of loans obtained is measured by discounting future cash flows using rates currently existing for outstanding amounts with similar terms, credit risk and maturity.

44. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (continued)

Changes in liabilities arising from financial activities

Changes in liabilities arising from financial activities for 2023 were as follows:

In thousand tenge	1 January 2023	Principal obtained	Additions	Modifications	Cancellation of leases	Repayment of principal	Interest expense *(Note 39)*	Interest paid	Discount *(Note 39)*	31 December 2023
Borrowings	**247,876,877**	**133,584,742**	**–**	**–**	**–**	**(91,120,692)**	**30,388,789**	**(30,060,461)**	**722,343**	**291,391,598**
Lease liabilities	**40,825,884**		**11,483,429**	**51,574,166**	**(254,802)**	**(12,109,799)**	**5,255,697**	**(5,255,697)**	**–**	**91,518,878**
Total	**288,702,761**	**133,584,742**	**11,483,429**	**51,574,166**	**(254,802)**	**(103,230,491)**	**35,644,486**	**(35,316,158)**	**722,343**	**382,910,476**

Changes in liabilities due to financial activities for 2022 were as follows:

In thousand tenge	1 January 2022	Additions	Modifications	Cancellation of leases	Repayment of principal	Interest expense (Note 39)	Interest paid	Discount (Note 39)	31 December 2022
Borrowings	315,791,308	–	–	–	(66,673,091)	31,724,945	(33,387,847)	421,562	247,876,877
Lease liabilities	49,151,576	3,310,845	2,822,007	(698,653)	(13,759,891)	5,716,000	(5,716,000)	–	40,825,884
Total	**364,942,884**	**3,310,845**	**2,822,007**	**(698,653)**	**(80,432,982)**	**37,440,945**	**(39,103,847)**	**421,562**	**288,702,761**

45. COMMITMENTS AND CONTINGENCIES

Operating environment

In Kazakhstan, economic reforms and the development of the legal, tax and administrative infrastructure that meets the developed markets are still in process. The future stability 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.

Protests in Kazakhstan

On 2 January 2022 protests started in Mangystau region of Kazakhstan related to significant increase in the liquified natural gas retail price, These protests spread to other cities and resulted in riots, damage to property and loss of life, On 5 January 2022 the government declared a state of emergency,

During the protests, six Kcell stores located in Almaty and Almaty region were looted, as well as two large offices of the group were attacked. Also in the city of Almaty, several base stations belonging to the Group burned down.

The Management of the Group formed operational headquarters due to state emergency announcement for timely decision making on operational issues for uninterrupted communication of subscribers and facilitate the Government with urgent actions.

Providing subscribers with continuous cellular communications was a priority of the Group and the Management decided to support its subscribers including small and medium sized businesses during the state of emergency. During the state of emergency declared throughout Kazakhstan, and until the end of January 2022, corporate clients of Kcell LLP and MTS LLP, with a lack of account balance, were not restricted in communication and Internet access.

As a result of the above-mentioned protests and the state of emergency, the President of Kazakhstan made certain public statements about possible measures, including amendments to tax legislation, the introduction of measures for financial stability, control and stabilization of inflation and the exchange rate of tenge.

On 10 January 2022 the National Security Committee of Kazakhstan reported that the situation in the country has stabilized and was under control, On 19 January 2022 the state emergency was lifted.

The Group suffered losses from these events in the amount of KZT 553,000 thousand *(Note 40)*, which represent the theft of inventory (goods for resale) and damage to stores, which was recognized as part of other operating expenses in the consolidated statement of comprehensive income for 2022.

Events in Ukraine

The war in Ukraine has had a significant negative impact on the global economic outlook. In response to the offensive, extensive sanctions were imposed against Russia, which largely exclude the country from international financial markets and significantly restrict trade in goods. These sanctions are designed to have a negative economic impact on the Russian Federation. The commercial activities of the Group and, consequently, its results of operations and financial position are not significantly affected by the consequences of the war in Ukraine, since the Group does not operate networks in Russia or Ukraine.

Due to the geopolitical events around Ukraine and Russia, oil prices exceeded $100 per barrel on 24 February 2022. On February 23, 2022, the exchange rate of tenge against the US dollar began to weaken sharply. On 6 December 2022, the National Bank of the Republic of Kazakhstan decided to raise the base rate to 16.75% while maintaining the +/-1 corridor %.

The possible future consequences of the war in Ukraine for the assessment of individual assets and liabilities are being analyzed on an ongoing basis. It is not yet possible to assess with certainty how the Group will be indirectly affected, in particular, the impact on the global economy. The overall economic outlook has deteriorated significantly as a result of extensive sanctions and restrictions on trade in goods. Based on the accumulated experience, the Group expects that the war in Ukraine will have only a limited impact on business in the future.

45. COMMITMENTS AND CONTINGENCIES (continued)

Capital commitments

The Group generally enters into contracts for the completion of construction projects and purchase of telecommunication equipment. As at 31 December 2023, the Group had contractual obligations in the total amount of KZT 97,649,118 thousand, including VAT (31 December 2022: KZT 49,774,593 thousand, including VAT) mainly related to purchase of telecommunication equipment and construction of telecommunication network.

License commitments

Under the terms of certain licenses on the provision of wireless telecom services, the Group has certain obligations in terms of coverage area of its network. The Group is obliged to expand the cellular telecommunication coverage to the regions along the major highways and small-sized towns and urban-type communities of the Republic of Kazakhstan. The Group's management believes that the Group is in compliance with the terms of the licenses.

Taxation

Tax legislation and regulatory framework of the Republic of Kazakhstan are subject to constant changes and allow for different interpretations. 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. Management believes that as at 31 December 2023 its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these consolidated financial statements.

State grant related to the frequency fee

The Group presented a summary report on expenditures aimed at financing broadband Internet access projects in urban and rural areas, including capital and operating costs required to provide broadband Internet access services in urban and rural settlements throughout the Republic of Kazakhstan. Management believes that there are no outstanding conditions or unforeseen circumstances related to these grants.

If, based on the results of the audited information, the fact of non-fulfillment by the telecom operator of obligations to send at least the released funds from the reduction of the corresponding remuneration rate for financing broadband Internet access projects in urban and rural areas is confirmed, the authorized body in the field of communications not earlier than one year after the year following the reporting year recalculates the amount of the annual fee for the use of the frequency for the reporting year, which should be proportional to the outstanding amount of financial obligations for the reporting year.

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 (new Technical Regulation of 27 July 2021 No. 85). 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"). As of 31 December 2023, the Group integrated new SHC for the total amount of KZT 4,964,100 thousand since 2018. The Group gradually plans the modernization and expansion of licensed and port capacity of SHC in accordance with the cellular development plan including 5G and expects that the expected amount of capital expenditures related to modernization and expansion will be KZT 17,673,182 thousand by 2032.

45. COMMITMENTS AND CONTINGENCIES (continued)

Arbitration against Amdocs companies

Amdocs Kazakhstan LLP and Amdocs Software Solutions LLC (jointly referred to as "Amdocs") was to develop, implement and deliver the Convergent Billing System to Kcell under Master Agreement dated April 2014 between TeliaSonera AB and Amdocs Software System Ltd ("Master Agreement"), and Supply Agreement, including Addendums (further as "Supply Agreement").

In November 2018, the Group notified the Supplier of termination of the Supply Agreement, except for the technical support services due to the quality of the Converged Billing System and Amdoc's performance of contractual obligations were not consistent with the terms of the Supply Agreement and the Group's requirements. Moreover, there was delay in delivery and implementation of the OLC (On-line charging) system. In May 2020, Kcell JSC also notified the Supplier of its withdrawal from the technical support agreement. Amdox did not agree with the arguments of Kcell JSC regarding the termination of the Supply Agreement and withdrawal from the technical support agreement.

As of the year ended 31 December 2022 the Group had a provision for arbitration against Amdocs in the amount of KZT 3,684,675 thousand.

On March 15, 2023, the arbitration decision was received. The amount of claims of Amdocs satisfied in arbitration in the amount of KZT 3,721,874 thousand.

On September 13, 2023 a Settlement Agreement in the amount 6 million US dollars (equivalent of KZT 2,762,348 thousand) was signed between the Group and Amdocs on voluntary enforcement of the arbitration decision in order to reduce payments, as well as risks associated with the execution of the award. Upon payment of the full amount of the settlement, pursuant to the Settlement Agreement, all claims and all outstanding obligations in respect of the dispute between the Group and Amdocs was deemed to be fully settled/discharged.

On September 15, 2023, the Group paid the full amount of compensation in accordance with the Settlement Agreement and restored the remaining reserve in the amount of KZT 721,000 thousand.

Antitrust investigation

Order of the Agency for the Protection and Development of Competition of the Republic of Kazakhstan dated June 15, 2022

In accordance with the Order of the Agency for the Protection and Development of Competition of the Republic of Kazakhstan for the city of Almaty (hereinafter referred to as the APDC) No. 42-OD dated June 15, 2022 (hereinafter referred to as the Order), an investigation was initiated against Kcell JSC on the grounds of a violation provided for in Article 174 (1) of the Entrepreneurial Code of the Republic of Kazakhstan. Initial audited period per was from January 1, 2020 to September 12, 2022. The subject of investigation is the establishment of factual data confirming or refuting the commission of a violation by Kcell JSC, expressed in maintaining a monopoly high price. The Group did not agree with the investigation and on July 26, 2022 started the appealing process. As a result of the judicial proceedings held during 2022 and 2023, the year 2022 was excluded from the initial audited period by the resolution of the Supreme Court of the Republic of Kazakhstan dated November 09, 2023. In accordance with the definition on the resumption of the investigation of violations of the legislation of the Republic of Kazakhstan in the field of competition protection, the investigation was resumed on November 27, 2023. On December 13, 2023 the Group filed an appeal against resumption of investigation. On December 22, 2023 the investigation was suspended due to filed appeal. During February 2024 the Group participated in preliminary Court hearings related to its appeal to the Specialized Inter-District Administrative Court of Almaty.

If these violations are revealed as a result of the investigation, Kcell JSC may be held administratively liable under Part 3 of Art. 159 of the Code of the Republic of Kazakhstan on Administrative Violations entailing liability in the form of a fine in the amount of 5% of the income (revenue) received as a result of monopolistic activities with confiscation of monopoly income received as a result of monopolistic activities for no more than one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

45. COMMITMENTS AND CONTINGENCIES (continued)

Antitrust investigation (continued)

Order of the Agency for the Protection and Development of Competition of the Republic of Kazakhstan dated December 21, 2023.

In accordance with the Order of the Agency for the Protection and Development of Competition of the Republic of Kazakhstan for the city of Almaty No. 38-OD dated December 21, 2023 an investigation was initiated against Kcell JSC. The subject of investigation is the susception of coordinated actions with competitors to set and maintain prices for communication services during May-July 2023. The Group started the appealing process. The investigation was suspended from January 10, 2024. Final response of The Republican antimonopoly office has not been received yet. Should the Group be found to have committed a violation, the Group may be obligated to pay a fine of 5% of monopolistic profits, with confiscation of monopolistic profits earned during the period of up to one year.

Notices of the Department for Protection and Development of Competition

During 2023 the Group received the following notices of the Department for Protection and Development of Competition:

1. Notice No.05-07/1805 to Kcell JSC of violation of the competition legislation of the Republic of Kazakhstan on August 25, 2023 of unreasonably reduced and changed volumes of cellular service for the period from 2022 through to the first quarter of 2023. Should the Group fail to comply with the Notice, the Department will initiate an investigation. On 24 November 2023, the Group, disagreeing with the determination of the Almaty Specialized Inter-District Administrative Court to return the administrative claim, filed a private complaint against the determination of the Almaty Specialized Inter-District Administrative Court to return the administrative claim. The Judicial Board for administrative cases of Almaty City Court ruled on 26 December 2023 to uphold the decision of the court of first instance and to dismiss the complaint. A cassation appeal was filed on 26 January. The date for the cassation hearing has not yet been set. If violations are confirmed by the investigation results, the Group may be brought to administrative liability and ordered to pay a turnover fine in the amount of 5% of the income received as a result of monopolistic activities during the period in question.

2. Notice No.05-07/2439 dated 21.11.2023 of the violation expressed in the fact that the price of some tariff plans is unreasonably high. The Group fulfilled the requirement to decrease the price starting from December 25, 2023.

The Management of the Group assessed all risks of the violation of the antimonopoly law as possible and accordingly has not accrued provision for losses in relation to any of the abovementioned investigations and notices as of December 31, 2023.

Judicial proceedings

On 13 March 2022, Kayrat Satybaldyuli, the ultimate beneficiary of Skyline Investment Company S.A. and Alatau Capital Invest LLP (Note 1), was detained by the Anti-Corruption Service of Kazakhstan on suspicion of abuse of office and embezzlement of funds of Kazakhtelecom JSC on a particularly large scale. Kazakhtelecom JSC was recognized as a victim in criminal cases initiated against Satybaldyly K. and other persons involved.

The Mediation Agreement of 8 September 2022 on the settlement of the dispute and reconciliation of the parties by way of judicial mediation in a dispute that arose in the framework of a criminal case on the episodes "Discounts" and "Last Mile", the Company recognized compensation for damages in the amount of KZT 12,733,025 thousand(*Note 40*), including VAT.

The court No. 2 of the "Baykonyr" district of Astana handed down a verdict dated 26.09.2022 on one of the criminal cases against Satybaldyly K. and other involved persons accused of committing criminal offenses provided for in Articles 28, Part 3, 189, part 4, paragraph 2, 195, part 4, paragraph 2 of the Criminal Code of the

Republic of Kazakhstan. According to the court verdict, the civil claim of Kazakhtelecom JSC was left without consideration, meaning that the effect of the previously concluded Mediation Agreement is not canceled. The judicial act entered into legal force within the prescribed period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

45. COMMITMENTS AND CONTINGENCIES (continued)

Judicial proceedings (continued)

According to the dispute that arose in the framework of the criminal case on the episode "Rent of premises", allocated to a separate judicial proceeding, the investigation has not been completed. Since the Company was also recognized as a victim in this episode of the criminal case, a civil claim was filed on 31.05.2022 for compensation for property damage caused by the crime.

The full amount of damage specified in the claims filed by Kazakhtelecom JSC in the amount of KZT 14,353,966 thousand was repaid in full.

46. EVENTS AFTER THE REPORTING DATE

During period from 1 January to 24 February 2024, the Group attracted financing from Halyk Bank of Kazakhstan in the amount of KZT 24,839,000 thousand for 36 months at 17.25% per annum and repaid the loan for a total amount of KZT 18,770,000 thousand.

On 19 January 2024, the Group paid its part of the authorized capital of Caspinet B.V. of 940,500 US dollars (KZT 424,918 thousand) (*Note 10*).

On 20 January 2024, at a meeting of the State Commission on Economic Modernization, a decision was conluded to sell a 100% share of ownership in Mobile Telecom-Service LLP. To implement the decision, a tripartite agreement on principles was signed on 14 February 2024 in Qatar between Samruk-Kazyna JSC, Kazakhtelecom JSC and Power International Holding (a leading conglomerate in the Middle East) as part of the official visit of the President of Kazakhstan to Qatar.

On 24 January 2024, as part of the signed Agreement on the Provision (opening) of a credit line with Bank of China in Kazakhstan JSC dated 30 June 2023, the Company repaid a loan in the amount of KZT 6,200,000 thousand and interest of KZT 78,361 thousand ahead of schedule.

On 25 January 2024, as part of the signed Agreement on the provision (opening) of a credit line with the Bank of China in Kazakhstan JSC dated June 30, 2023, a new tranche was selected on the following conditions: the amount of the credit line is KZT 6,200,000 thousand, for a period of 3 years, until 25 December 2026; the interest rate is 15.75%.

On 28 February 2024, as part of the signed Agreement on the Provision (opening) of a credit line with JSC Bank of China in Kazakhstan dated June 30, 2023, the Company repaid the loan in the amount of KZT 6,200,000 thousand ahead of schedule and interest of KZT 95,225 thousand.

On 1 March 2024, the Group received a loan in the amount of KZT 6,200,000 thousand under the same credit line agreement with JSC "Bank of China in Kazakhstan" with a repayment period of 3 years and an interest rate of 15.25% per annum.