



KAZAKHTELECOM

# Gigabit generation

2022 | INTEGRATED ANNUAL REPORT





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# Preface

**We bring to your attention the next integrated report of Kazakhtelecom JSC for the past 2022, which is the most detailed overview of the financial and economic activities of the Company, reflecting its real state.**

This document confirms that, despite the large amount of capital expenditures, the country's largest telecom operator maintained a comfortable liquidity level last year, and its revenue reached a fairly positive level. Recall that in the first quarter of 2022, during the tragic January events, the country's largest telecom operator took unprecedented measures to support subscribers. Also, from the beginning of September 2022 until the end of last year, Kazakhtelecom JSC exempted residents and entrepreneurs of the Auliekol district of the Kostanay region, who suffered from large-scale forest fires, from the subscription fee. In addition, debts and penalties due to individuals and businesses in the region were written off, which did not prevent the Group from finishing the year with a positive financial result.

As before, Kazakhtelecom JSC retained its status as the undisputed leader of the telecommunications market in Kazakhstan, providing a wide range of services in all segments of the domestic telecommunications market: in the field of fixed telephony, broadband Internet access, mobile communications, pay TV and IT products. At the same time, the developed and powerful infrastructure, which includes more than 85 thousand km of fiber-optic lines throughout the country, over 14 thousand base stations, 27 data processing centers and 40 thousand urban video surveillance cameras, remains an undoubted and competitive advantage of the Company. This infrastructure allows the Group of Companies to provide high-quality services to more than 1.9 million subscribers in the broadband access sector, over 14.5 million in the mobile communications segment and serve 930.7 thousand pay TV connection points.

At the end of 2022, these factors were the basis for the rating of the Company at the level "Stable" by the reputable international agencies S&P Global Ratings and Fitch Ratings. They also forecasted in their report further organic growth of the Group's revenues due to the existing infrastructure and strong market positions. The portfolio of projects that are strategically important not only for the Company itself, but for the whole country as a whole, was another confirmation of Kazakhtelecom JSC's sustainability and the possibility of successful evolutionary development of the whole Group.

First of all, it is deployment of the network of the fifth generation communication standard in the country: over 7 thousand base stations of 5G across Kazakhstan will be installed by the Group of companies of Kazakhtelecom JSC within the next five years, and some of them will be put into operation in three megalopolises as early as this year. Another achievement in 2022 was the signing of an agreement with a partner from Azerbaijan on joint implementation of the most complex international project on construction of a fiber-optic line on the bottom of the Caspian Sea along the route "Azerbaijan – Kazakhstan". Implementation of this project will give the country additional access to international data traffic and create a new channel to ensure the transit of global traffic from Asian countries through Kazakhstan to Europe.

The Company's large and significant projects also include network deduplication; modernization and construction of "last mile" lines both in the city and in rural areas;

development of FWA technology – fixed wireless communication; and installation of additional caching servers of global content providers Akamai, Facebook, Google, Cloudflare, Netflix and Meta. In addition, the country's largest telecom operator took measures to improve the performance of Instagram (including IGTV/Reels), WhatsApp, Facebook services: due to localization of traffic on its own cached servers, Kazakhtelecom JSC managed to significantly reduce response delays.

Today, the Group is directly involved in digitalization of the country: it actively develops digital services and helps industrial and commercial enterprises, local and central executive bodies to digitize. Several years ago, Kazakhtelecom JSC started to widely use big data in its work – and over this time it has created a number of its own tools in this segment that are already being used by its partners across Kazakhstan. The main result of the Company's activity is that today about 99% of the country's population is able to use all modern digital technologies and services.

This result was achieved by implementing the strategy that is focused on preserving leading positions in all market segments and on maximum use of synergy opportunities within the Group, including mobile operators – Mobile Telecom-Services LLP and Kcell JSC. This year Kazakhtelecom JSC intends to continue its work in all these directions using, among other things, the financial and technical basis laid down a year earlier.

**1.9**

**million subscribers**  
in the broadband access sector

**14.5**

**million subscribers**  
in the mobile communications segment

**930.7**

**thousand points**  
of the pay TV connection





# Message from the Chairman of the Board of Directors

Dear shareholders, colleagues, clients and partners!

**IN 2022 OUR COMPANY REMAINED FAITHFUL TO ITS COURSE AND MISSION — TO BE A RELIABLE AND TRUSTED PARTNER OF THE STATE IN THE DEVELOPMENT OF STRATEGICALLY IMPORTANT AREAS OF COMMUNICATION AND DIGITALIZATION. IN THE ERA OF RAPID DEVELOPMENT OF TECHNOLOGIES AND INNOVATIONS, THE TELECOMMUNICATIONS SECTOR IS OF PARTICULAR IMPORTANCE IN TERMS OF ENSURING THE FORWARD MOVEMENT OF THE ECONOMY AND SOCIETY OF THE REPUBLIC OF KAZAKHSTAN.**

Last year we actively built up our own infrastructure in urban and rural areas in all regions of the country and modernized the existing production facilities, investing not only in the future of our Company, but also in the future of the whole country. We intend to continue this work this year. Special attention will be paid both to the scaling of new technologies for the widest range of clients and to the improvement of the quality of services provided by the Company. Improving quality is one of the most important primary factors of our successful development, so we must make every effort to address this issue.

I am sure that the implementation of all the set goals will be ensured, since Kazakhtelecom JSC has a cohesive and highly professional team of like-minded people. All the successes of the Company in recent years are the result of hard work of many people at all production levels. The initiatives and projects implemented by us would have been impossible without the team that is ready to solve tasks of any

complexity. And I would like to take this opportunity to thank all employees of the Company for their fruitful work, professional approach to business and constant striving for self-improvement. It should be noted that the Company's employees, and they are almost 24 thousand of them, including its subsidiaries, are the main and the most valuable asset of Kazakhtelecom JSC.

A lot of ambitious plans and objectives are set for this year, and I am sure that with the support and efforts of professionals working for the Company, we will do our best to keep Kazakhtelecom JSC at the forefront of technological progress and develop our own innovative products and services.

Our global objective is to remain an industry leader and continue to create value for our customers, shareholders and society as a whole. I am confident that we can achieve this by working together.



**N. Baidauletov**

CHAIRMAN OF THE BOARD OF DIRECTORS OF KAZAKHTELECOM JSC







# Message from the Chairman of the Management Board

GRI 2-22

Dear shareholders, colleagues, clients and partners!

**THE LAST YEAR 2022 WAS NOT EASY FOR KAZAKHTELECOM JSC, BUT IN THE END IT BECAME QUITE PRODUCTIVE FOR US. THE COMPANY AND ITS SHAREHOLDERS ONCE AGAIN ACHIEVED ALL THE SET GOALS, SHOWING GROWTH IN ALMOST ALL MAJOR FINANCIAL AND ECONOMIC INDICATORS, DESPITE THE OBJECTIVE DIFFICULTIES THAT WE HAD IN CONNECTION WITH A NUMBER OF NEGATIVE EVENTS BOTH IN THE FIRST AND SECOND HALF OF THE YEAR.**

As you know, in the first quarter, during the tragic events of January, we took unprecedented measures to support our subscribers. We took similar steps in early September, freeing residents and entrepreneurs of the Auliekol district of Kostanay region, who suffered from large-scale forest fires, from subscription fees for services. At the same time, we proclaimed 2022 the Year of Social Support for Employees, and the Company allocated significant financial resources to support and improve the well-being of its employees. Social responsibility and sustainable development of the Company have been and remain an important value and strategic priority for us. In 2023, we plan to approve the Sustainable Development Strategy, which will contribute to the further development of responsible practices in Kazakhtelecom JSC.

All of this could not but affect our financial indicators at the beginning and in the middle of the year, but at the end of the year we managed to completely level out all negative deviations and significantly improve our net profit indicator, which was also noted by the international rating agencies S&P Global Ratings and Fitch Ratings. These respected players of the world market assessed our rating at the level «Stable» in 2022, forecasted further organic growth of proceeds and recognized the high financial stability of the Company as a guarantee of their assessments and forecasts.

As a result, today Kazakhtelecom remains the unconditional leader of the telecommunications market of Kazakhstan, providing a wide range of services and services in all segments: in fixed telephony, broadband Internet access, mobile communications, pay TV and IT-products.

All the strategic decisions made in 2022 are recorded in the Annual Report, which I am pleased to present to you. It reflects the main indicators by which the Company's performance is assessed – financial and technical. You will also find an analysis of our activities in various market segments, as well as a progress report on the implementation of projects and tasks. I will briefly highlight a few, in my opinion, of the most significant and important ones.

As you know, in December 2022, a consortium of operators MTS LLP and Kcell JSC won the frequency auction to deploy the fifth generation communication standard. And now, according to the terms of the competition, these companies must install more than 7,000.5G base stations throughout the country by 2027, of which 486 base stations in Astana, Almaty and Shymkent will be put into operation as early as 2023.



**K. Yessekeyev**

CHAIRMAN OF THE MANAGEMENT BOARD OF KAZAKHTELECOM JSC







# Message from the Chairman of the Management Board



**The undoubted and competitive advantage of our Company is a developed infrastructure, which includes more than 85 thousand km of fiber-optic lines throughout the country, over 14 thousand base stations, 27 data centers and 40 thousand urban video surveillance cameras.**

In addition, Kazakhtelecom JSC last year signed an agreement with AzerTelecom on work on the most complex international project for the construction of a fiber-optic line that will run along the bottom of the Caspian Sea along the route «Azerbaijan – Kazakhstan». To date, a high-level design of the HLD (high-level design) of the future submarine line has already been developed, a detailed roadmap for the implementation of the project has been approved, and after the completion of the research work, the direct construction of «optics» on the bottom of the Caspian Sea will follow. The main route will run from Aktau to Azerbaijani Siazan and will be more than 340 km, a reserve channel with a length of about 330 km will be laid from the Kazakh port of Kuryk to the Buzovna point, which is not far from Baku.

I believe that the Trans-Caspian project is strategically very important for Kazakhstan, since with its implementation we will get an additional outlet to international traffic and a new channel that will allow us to ensure the transit of global traffic from Asian countries through the territory of Kazakhstan and via a submarine cable to Azerbaijan with further access to Europe through Georgia, the Black Sea and Bulgaria. In addition, the project will serve as a driver to accelerate the creation of a new digital telecommunications corridor and help to reach a higher level of development of a high-speed and secure data transmission infrastructure, will serve to strengthen trade and other ties both for the Company and the country as a whole.

In 2022, we installed additional caching servers from global content providers Akamai, Facebook, Google, Cloudflare, Netflix, Meta and were actively involved in the transfer of subscribers from outdated ADSL data transmission technology to «optics»: the first settlement whose networks were completely modernized was monotown Kurchatov. In 2023, this project will affect more than 25 thousand users in 9 cities of the republic. Also last year, we built up the network infrastructure, providing residents of multi-storey buildings with high-speed Internet using GPON technology, and residents of the private sector of cities and nearby settlements – using FWA technology, fixed wireless communications. Our plans for the next two years include the construction of more than 300 base stations to connect about 160 thousand private houses throughout the country to modern telecom services and FWA services.

In general, this year we will direct all our efforts to remain the best provider for our subscribers in all segments – and for this we have everything we need. The undoubted and competitive advantage of our Company is a developed infrastructure, which includes more than 85 thousand km of fiber-optic lines throughout the country, over 14 thousand base stations, 27 data centers and 40 thousand urban video surveillance cameras. All this allows us to provide high-quality services to more than 1.9 million subscribers in the broadband access sector, over 14.5 million in the mobile communications segment and serve 930.7 thousand pay TV connection points.

In conclusion, I want to express my sincere gratitude to all members of the Board of Directors, the Management Board and all employees of the Company for their professionalism, fruitful and teamwork, conscientiousness and dedication.

**K. Yessekeyev**

CHAIRMAN OF THE MANAGEMENT BOARD OF KAZAKHTELECOM JSC

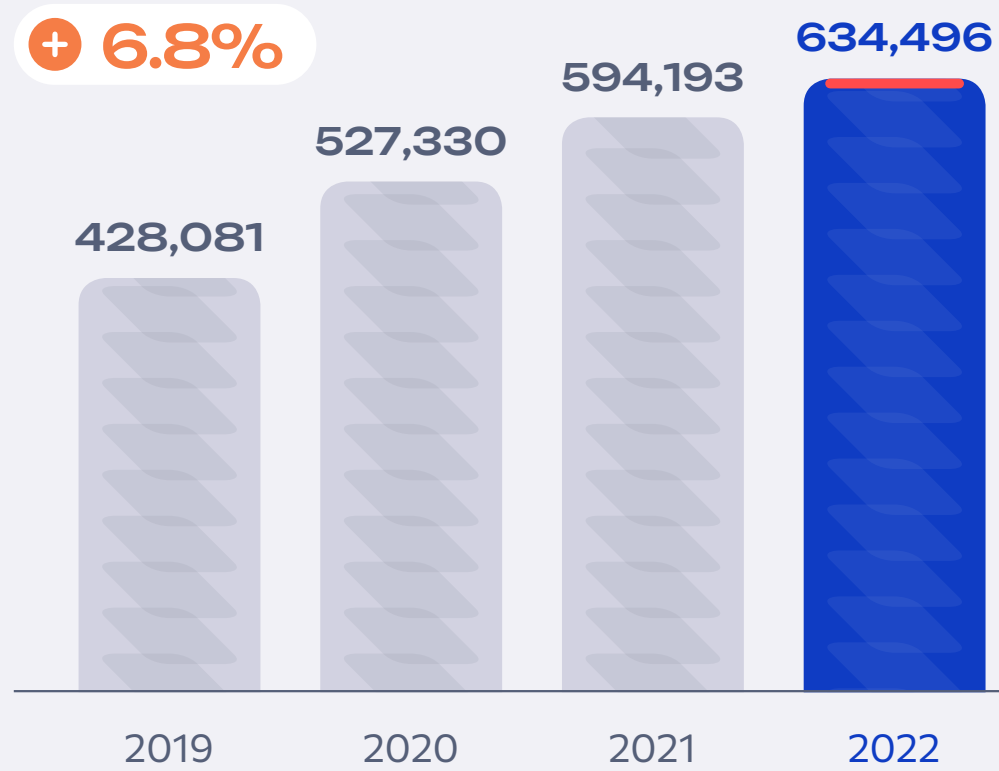




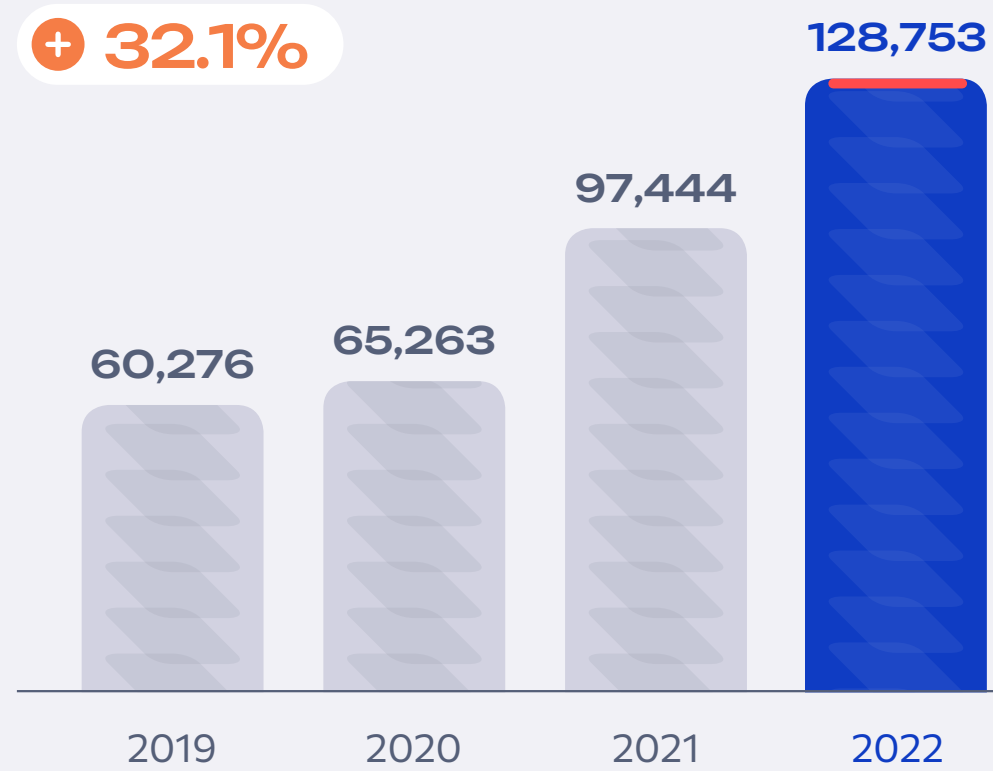
# Company in numbers

## Key indicators<sup>1</sup> for 2022

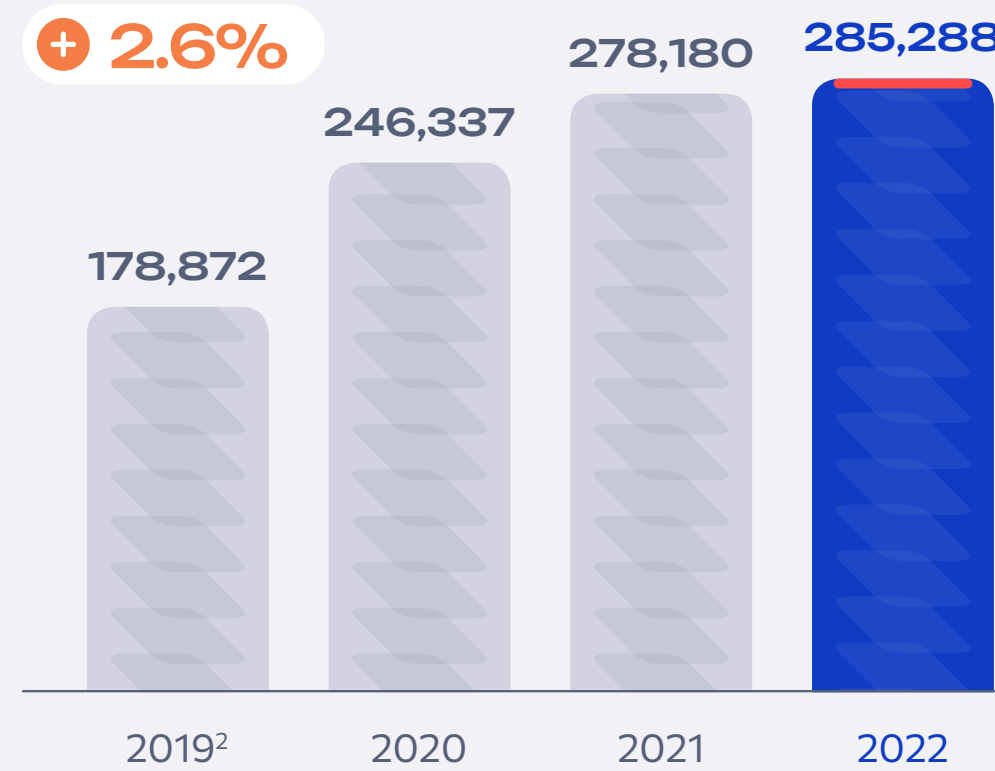
Income from sale of services, million KZT



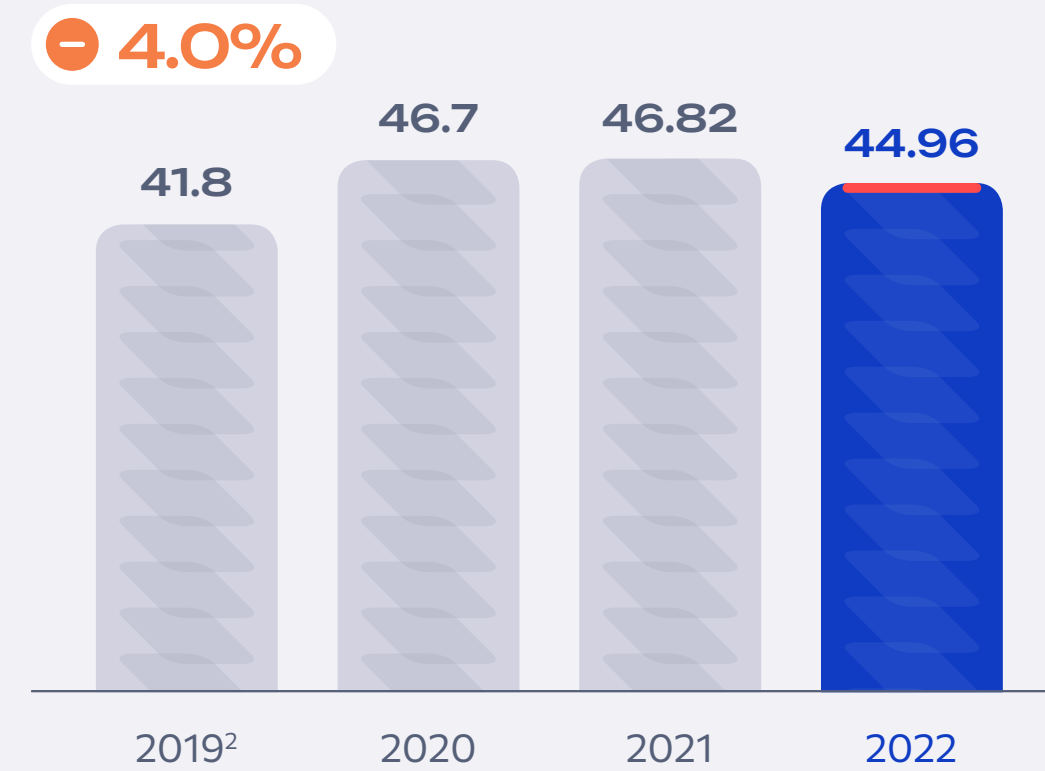
Net profit, million KZT



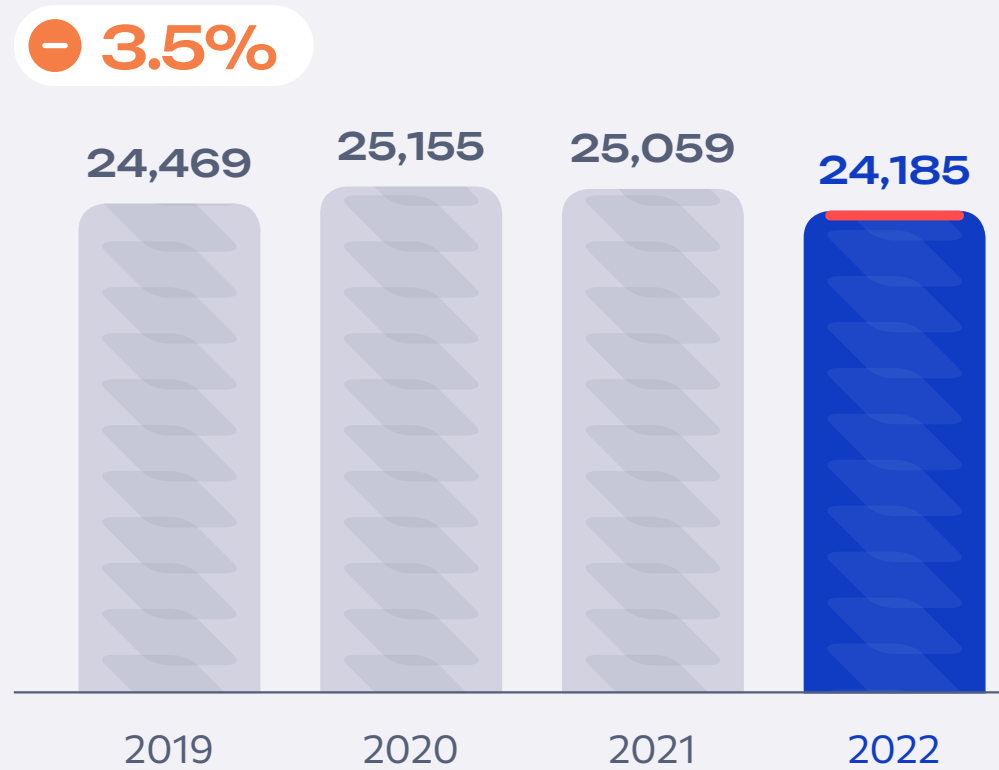
EBITDA, million KZT



EBITDA margin, %



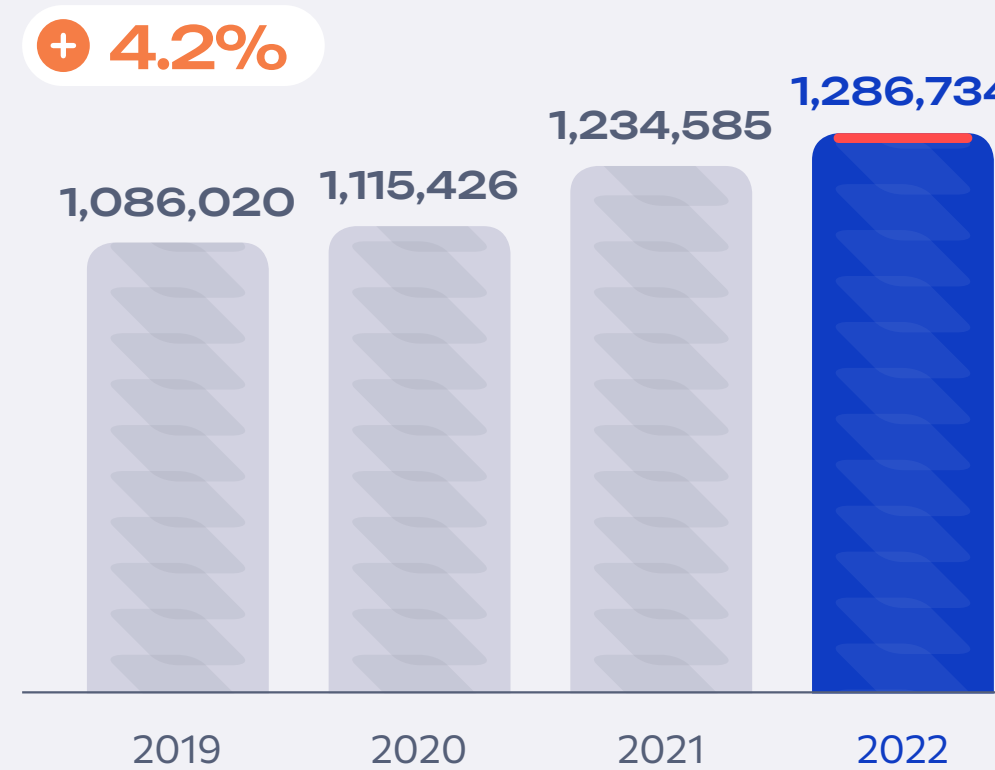
Number of employees<sup>3</sup>, people



Income per employee, thousand KZT



Assets, total, million KZT



<sup>1</sup> According to the audited financial statements of Kazakhtelecom JSC.

<sup>2</sup> EBITDA and EBITDA margin for 2019 recalculated.

<sup>3</sup> Data including subsidiaries.



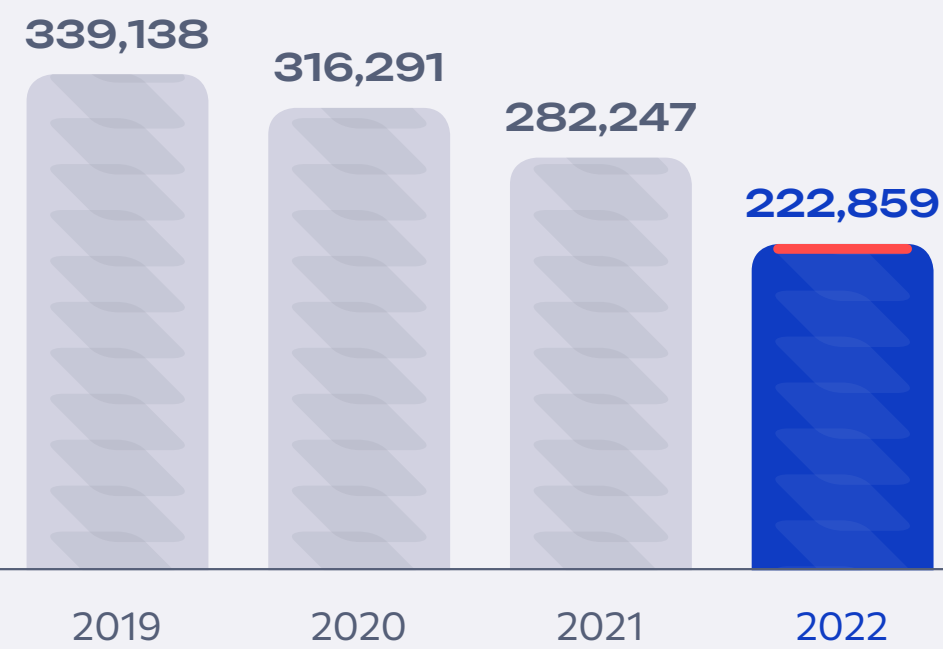


# Company in numbers

## Key indicators for 2022

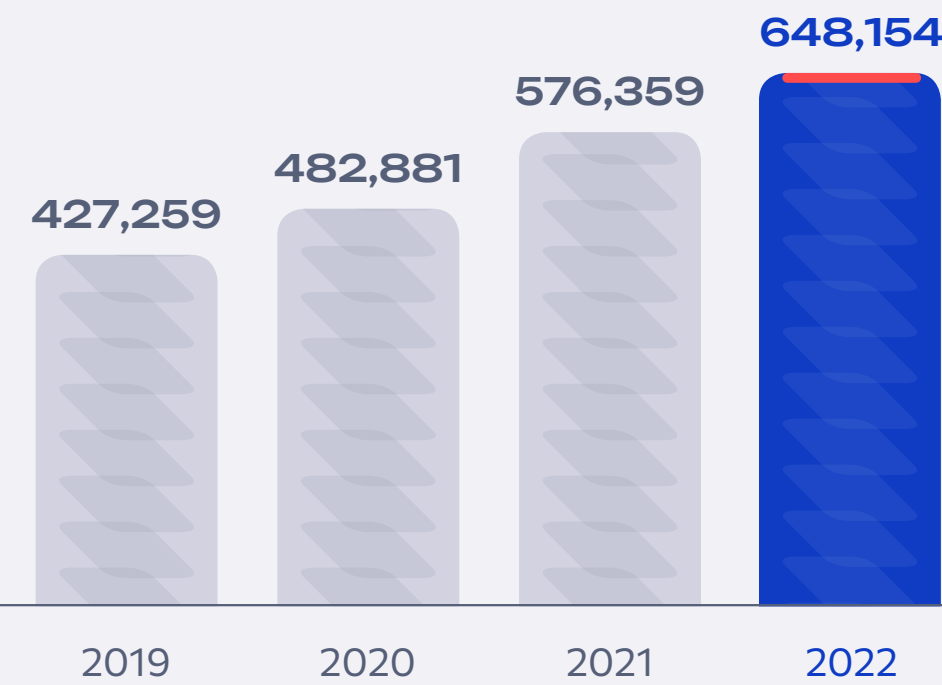
Long-term loans, million KZT

- 21.1%



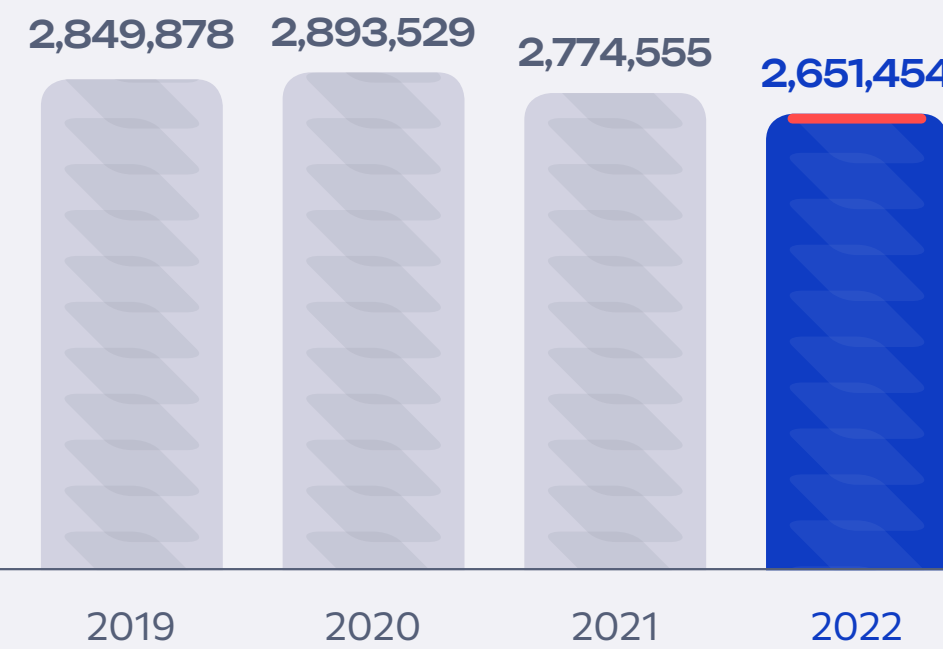
Attributable to owners of parent, million KZT

+ 12.5%



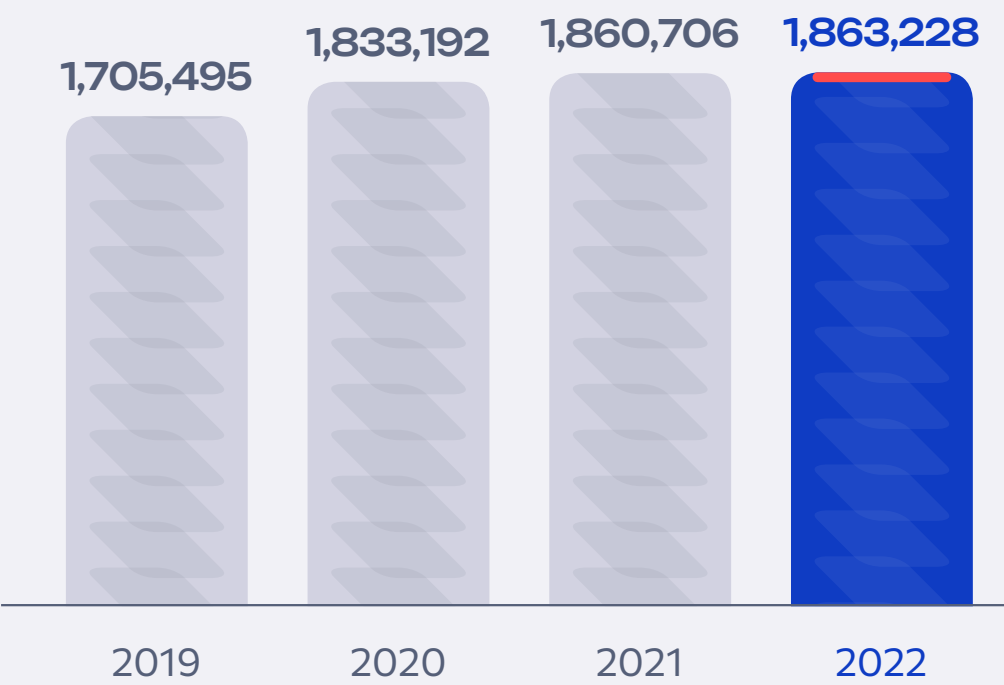
Number of fixed lines

- 4.4%



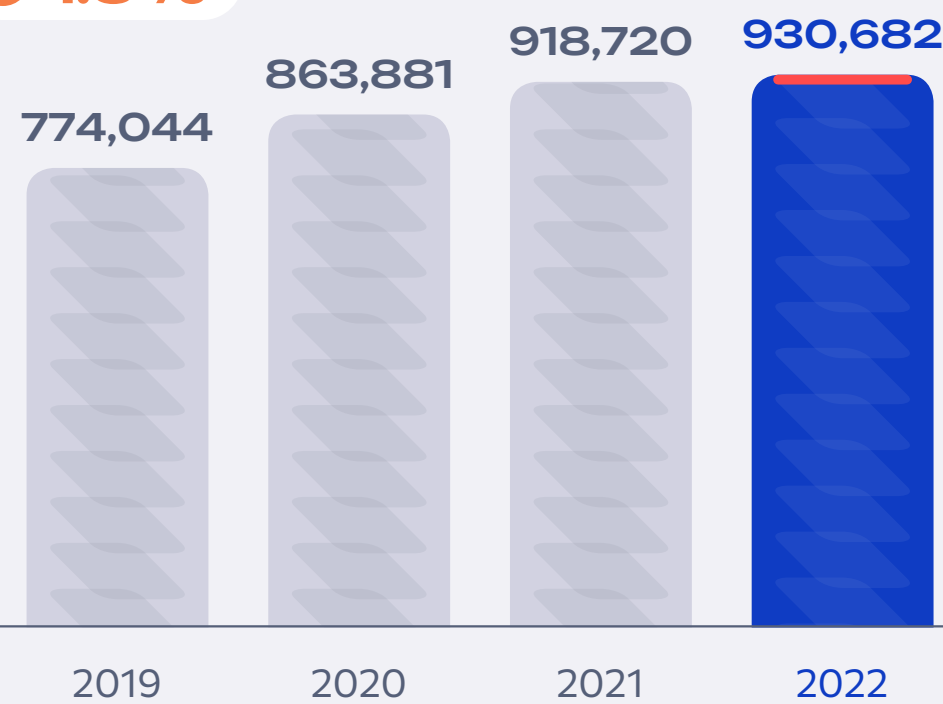
Number of fixed broadband subscribers

+ 0.1%



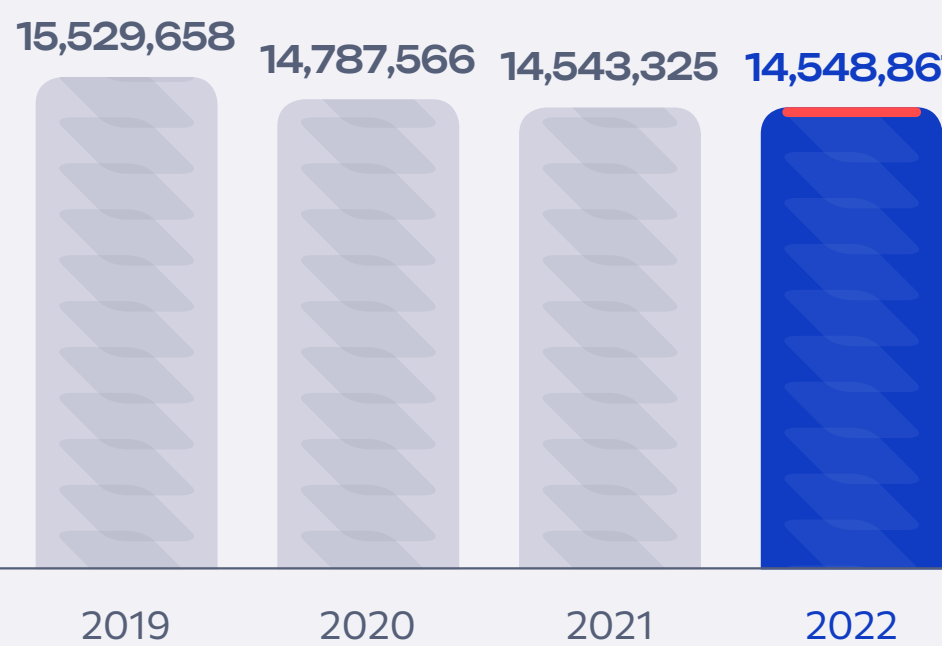
Number of Pay TV subscribers

+ 1.3%



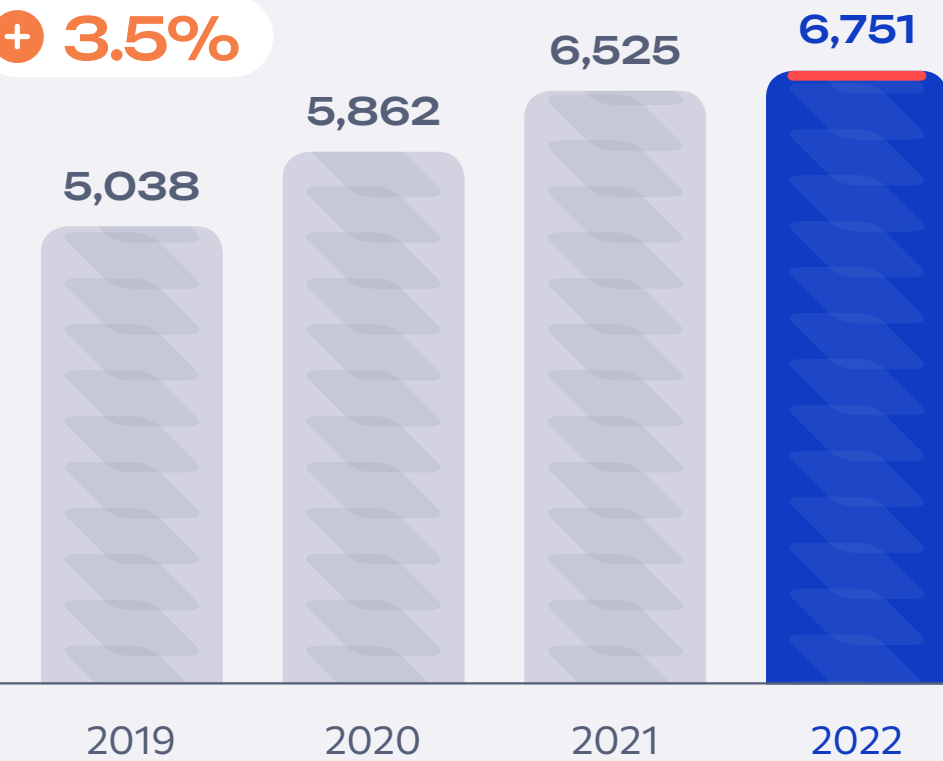
Number of mobile subscribers

+ 0.03%



ARPU (by JSC), KZT

+ 3.5%



<sup>1</sup> According to the audited financial statements of Kazakhtelecom JSC.





# Key events in 2022

17/01

January

Kazakhtelecom JSC announced support measures during the state of emergency for its customers of retail and corporate segments. The key measure was the provision to subscribers – individuals – of a **50%** discount to the monthly subscription fee for January 2022 for their services. Within the framework of supporting small and medium-sized businesses, Kazakhtelecom JSC provided its corporate customers with a **50%** discount on OFD (the Operator of Fiscal Data) and Internet services.

04/04

April

The multiplatform service of Kazakhtelecom JSC TV+ celebrated its first anniversary with **300 thousand users**. The service managed to gain such popularity due to high-quality functionality and a selection of content.

12/07

July

Kazakhtelecom JSC opened its own university for the development of digital talents on the basis of **Astana IT University**. Cooperation with one of the leading universities of the country is due to the need to systematically develop the competencies of employees of Kazakhtelecom JSC in order to implement important strategic projects in the national interest.

08/02

February

Kazakhtelecom JSC updated the collective agreement in favor of employees. The updated document provides for an increase in the minimum levels of official salaries of employees while retaining the entire package of social benefits from the company.

04/05

May

Kazakhtelecom JSC launched a new project – **“Digital Partner in the Village”**. The project will provide the rural population with high-speed and high-quality Internet and will give entrepreneurs the opportunity to develop their business.

10/08

August

Kazakhtelecom JSC continues to connect multi-apartment buildings in the republic to high-speed Internet using the most modern GPON technology. To date, such networks have already been built in more than **24 thousand multi-apartment residential buildings**.

16/03

March

The net profit of the Group of Companies of Kazakhtelecom JSC at the end of 2021 exceeded **KZT 97 billion**. The Group of Companies of the country's largest telecom operator again achieved growth in all major financial indicators of its activities. In particular, in 2021, the Group's revenue increased by 13% and amounted to KZT 594 billion against KZT 527 billion in 2020, and net profit exceeded KZT 97 billion, having increased by more than 49% over the year.

30/06

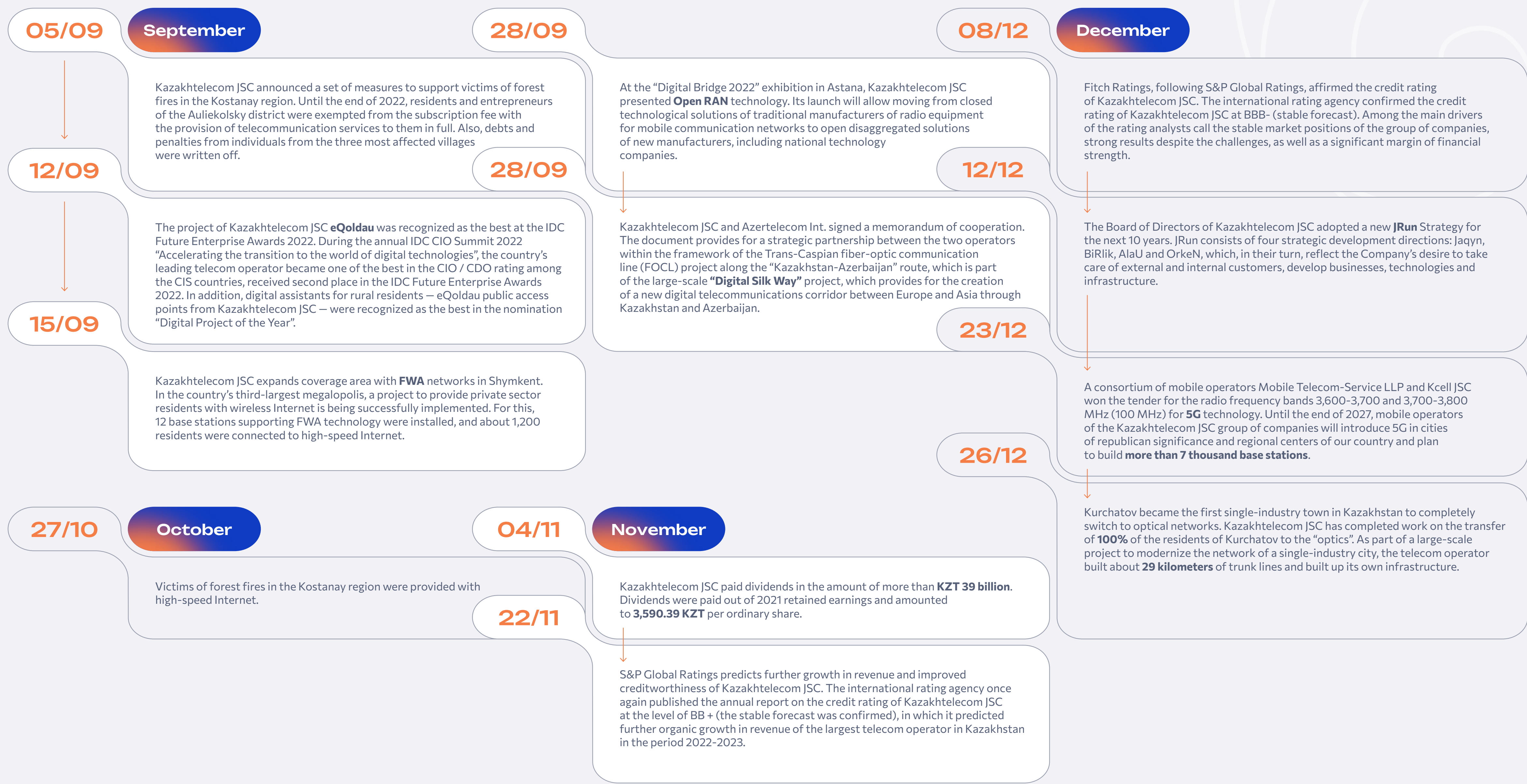
June

Kazakhtelecom JSC presented the concept of introducing **5G** technology in Kazakhstan, which will allow for the digital transformation of the country's economy and open up the opportunity to create new digital services in Kazakhstan in the near future.

17/08

Kazakhtelecom JSC continues to connect remote villages to the Internet and provides their residents with all modern telecommunications services using the “radio bridge” technology.









# Growth history of Kazakhtelecom JSC Group of Companies

1994

Foundation of Kazakhtelecom JSC.



1996

Launch of TLX.25 Turbo telex station in Almaty.

1998

Launch of a satellite communications system to provide telephone services in remote population centers.

2000

Introduction of Internet access services using DialUp technology – “Internet Zone”.

2002

- Launch of the National Intellectual Network.
- Commissioning of the Russia-Kazakhstan fiber-optic linear transition.

2004

Re-registration of the Company from an open joint stock company (OJSC) to a joint stock company (JSC).

2006

Separation of ICT into a separate line of business (Directorate of Information Systems).

2008

Implementation of the project to implement the Quality Management System and commissioning of the Balanced Indicators Information System.

2010

- Opening of the Directorate of the Academy of Information and Communication Technologies.
- Completion of the project “Transition of telecommunications networks of Kazakhtelecom JSC to Next Generation Network (NGN) technologies”.

2012

- Sale of 49% of Kcell JSC shares to TeliaSonera.
- Presentation of the largest Data Processing Center (DPC) in the CIS developed in cooperation with Hewlett-Packard.

1997

Listing of the Company on the Kazakhstan Stock Exchange.

2001

Opening of the first Internet Data Center (IDC) for 10 thousand users in Central Asia.

2005

Launch of Megaline broadband Internet access services based on ADSL technology.

2009

Launch of IPTV services under the iD TV brand.

2013

The Company was recognized as a leader in the corporate governance rating among the Fund’s subsidiaries based on the results of an independent diagnostics of corporate governance conducted at five subsidiaries of Samruk-Kazyna JSC.

1995

Construction of the National Sector of the International Trans-Asian-European Fiber Optic Line (TAE FOCL), 52 km from Almaty.

1999

- Creation of a unified National Data Transmission Network with the Kazakhstan Online trademark.
- Operation of the first International Switching Center (ISC) in Almaty.

2003

- Kazakhtelecom JSC holds the International Gold Medal Award for Management Quality and Effectiveness;
- Completion of digitalization of Kazakhstan’s capital.

2007

Kazakhtelecom JSC ensured 100% distribution of fixed-line services in Kazakhstan.

2011

Launch of a strategic project on the construction of a universal fiber-optic access network FTTH.





# Growth history of Kazakhtelecom JSC Group of Companies

## 2014

- Launch of LTE network (based on ALTEL subsidiary).
- Launch of the next generation of DWDM backbone network.

## 2016

- Creation of ALTEL/Tele2 joint venture in the mobile communications market.
- Implementation of the Dream project to organize the Europe-Southeast Asia transit route in cooperation with China Mobile.

## 2020

- The construction of the FOCL RS (rural settlement) has been completed. Over the 2 years of the project, 14,380 kilometers of fiber-optic networks have been built across the country.
- The project "250+" has been implemented to provide rural settlements with a population of 250 people with broadband mobile Internet.
- Kazakhtelecom JSC has been designated as the single operator of the system of mandatory labeling of tobacco products, responsible for the technical component, storage of data and timing of information systems of market participants.
- In 2020, the new SERPIN Strategy and Transformation Program was launched, which includes digitalization of the core business, development of new digital businesses and digital network transformation.
- Kazakhtelecom JSC completed construction of another 104 base stations using LoRa technology. M2M (machine to machine) and IoT-device can be connected in city municipal systems in the Jambyl and West Kazakhstan regions and also in Turkistan and Almaty. In general, the network has been expanded to 14 cities in the country.
- The international rating agency Fitch Ratings has raised Kazakhtelecom JSC's credit rating to BBB- (Stable) from BB+ (Positive).

## 2022

- Kazakhtelecom JSC launched a new project "Digital partner in the village". The project will enable to provide rural population with high speed and high quality Internet and will enable entrepreneurs to develop their business.
- Kazakhtelecom JSC presented the concept of introduction of 5G technology in Kazakhstan, which will enable to carry out digital transformation of the country's economy and open up the possibility of creating new digital services in Kazakhstan in the near future.
- Kazakhtelecom JSC and AzerTelecom signed a memorandum of cooperation. The document provides for strategic partnership of the two operators within the framework of the project of Transcaspien fiber-optic communication line (FOCL) on the route "Kazakhstan – Azerbaijan", which is part of the large-scale project "Digital Silk Way", providing for the creation of a new digital telecommunications corridor between Europe and Asia through Kazakhstan and Azerbaijan.

## 2018

- Acquisition of 75% of shares in Kcell JSC.
- Construction of FOCL RS.

## 2017

Creation of an Integrated Network Management Center.

## 2019

- Implementation of the Smart Aqkol project.
- 5G testing in Nur-Sultan and Almaty.
- Acquisition of 49% share of Tele2 AB in the joint venture.
- Kazakhtelecom JSC was the winner in the Transaction of the Year category at the TMT M&A Awards 2019.

## 2021

- In Kazakhstan, Kcell JSC's networks are based on the Mobile Office service, which allows the business or its branch to work anywhere in the country and have access to its own information network without changing access parameters, and employees to be mobile.
- Kazakhtelecom JSC has launched a new generation of services – eSIM. A new eSIM service is now available to Kazakhtelecom subscribers – a digital alternative to a plastic SIM card.
- In April 2021, Kazakhstan became the leader in the EEU and Central Asian countries in the global ranking of mobile Internet speed according to Ookla Speedtest Global Index.
- Kazakhtelecom JSC brought domestic cyber to TV+. At the end of May, Kazakhtelecom JSC's TV+ platform hosted the first online webcasts of Russian cyber sporting competitions.
- Kazakhtelecom JSC has entered the active phase of the Smart Turkistan project, starting to equip the city's utilities and municipal facilities with remote transmission of water consumption data with connection to a IoT network built by a major telecom operator.
- Kazakhtelecom JSC is creating a network of open access points for eQoldau in rural settlements of the Republic of Kazakhstan, thanks to which residents will have another tool for accessing the world of digital services and e-services.
- Kazakhtelecom JSC has launched a network of FWAs in Nur-Sultan.

## 2015

Kazakhtelecom JSC made 100% digitalization of fixed voice networks.





1



# About the company

GRI 2-1





# Short profile

## Facts about the Company

**KAZAKHTELECOM JSC IS THE LARGEST TELECOMMUNICATIONS COMPANY IN KAZAKHSTAN.**

1

Since the middle of 2000, Kazakhtelecom JSC has consistently held high positions in the rating of the most profitable enterprises in the country with annual turnover of dozens of billion KZT.

2

Kazakhtelecom NJSC was founded on the basis of Resolution No. 666 of the Cabinet of Ministers of the Republic of Kazakhstan of 17 June 1994.

3

Kazakhtelecom JSC owns the National Information Superhighway, which is an optical-fiber ring connecting large cities in Kazakhstan with high data rate digital flows.

4

The main offices are located in Astana and Almaty, and regional offices are located in all parts of Kazakhstan.

**248**

point

network throughout the country

**17**

data centers



## Line of business

GRI 2-6

**Kazakhtelecom JSC is the largest fixed-line telephone operator in Kazakhstan, recognized as a leader in providing communications services, including rural communications services, and one of the largest operators of the National Data Transmission Network.**

Kazakhtelecom JSC, the national Company, was founded in accordance with Resolution No. 666 of the Cabinet of Ministers of the Republic of Kazakhstan of 17 June 1994 "On the Creation of the National Joint-Stock Company Kazakhtelecom" by transferring the assets of state enterprises, joint-stock companies and telecommunications organizations to the charter fund of the national joint-stock company being created, which provides a wide range of communications services throughout the Republic.

The Company is the legal successor of the National Joint Stock Company Kazakhtelecom (the initial state registration by the judicial authorities of the Republic of Kazakhstan took place on 1 December 1994).

Kazakhtelecom JSC is a commercial entity that issues shares for the purpose of raising funds to carry out its activities with the primary purpose of generating income for the benefit of shareholders.

The activity of a joint-stock company is carried out within the framework of the approved Charter, which determines the legal framework for its organization and operation.

The main goals of Kazakhtelecom JSC are:

- generating profits from commercial activities and using them for the benefit of shareholders;
- creation of modern telecommunications networks in the Republic of Kazakhstan and their integration into the global telecommunications network;
- provision of all types of telecommunications services to users in the Republic of Kazakhstan and abroad.

Kazakhtelecom JSC operates as a communications operator of the Republic of Kazakhstan to set up, installation, operation and maintenance of the public telecommunications network and private telecommunications systems; performs the functions of a public telecommunications network operator, including: long-distance and international communications operator with the right to make settlements with the communications administrations of other countries; companies, users, international organizations in accordance with the Regulations of the International Telecommunications Union and the legislation of the Republic of Kazakhstan.

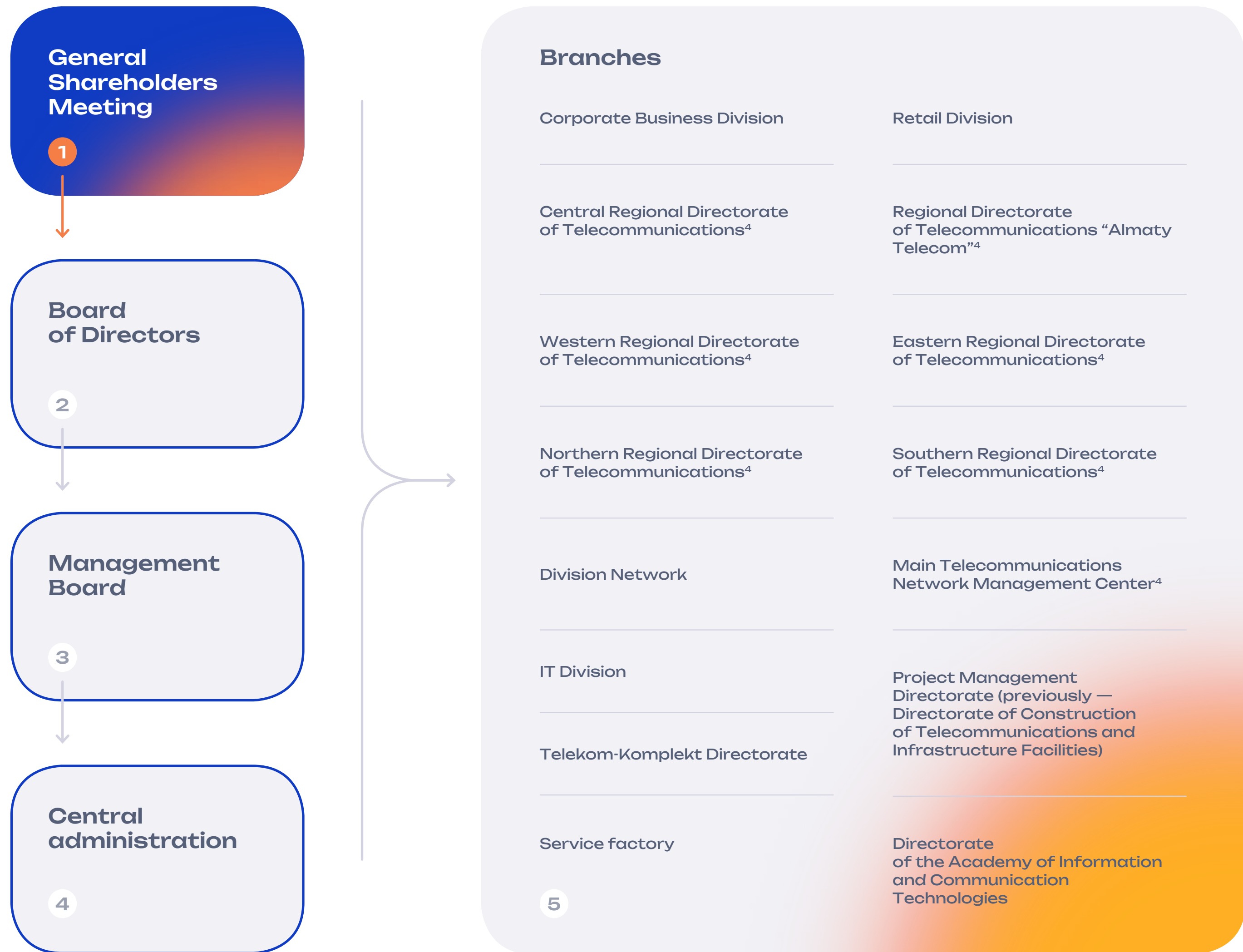
The Company shows great attention to the development of transit potential and an increase in transit telecommunications flows through Kazakhstan, since it has a network of backbone fiber-optic communications lines connecting all border areas, providing communications with China, Russia, Europe and Central Asian countries.

Kazakhtelecom JSC has a 248-point network throughout the country, its own network of 17 data centers.



# Organizational structure of Kazakhtelecom JSC

GRI 2-9



<sup>4</sup> by the decisions of the Board of Directors of Kazakhtelecom JSC dated 31.05.2022 and 20.09.2022 the branches were closed, liquidation measures are being taken at the moment.

## Subsidiaries and other affiliated companies







# Structure of the Kazakhtelecom JSC Group of Companies

GRI 2-6

**Subsidiaries play an important role in the establishment of Kazakhtelecom JSC as an integrated service provider on the information communications market through:**

- strengthening the position of the Kazakhtelecom JSC Group in the mobile segment of the telecommunications market and contributing to the development of traditional telecommunications services;
- launch of new products that supplement the main line of services of Kazakhtelecom JSC;
- development of new areas such as e-commerce (“Kazakhtelecom Store”);
- ensuring digitalization and work with big data.

Khan Tengri Holding B.V., which owned 100% stake in mobile operator Mobile Telecom-Service LLP, was liquidated on 28.12.2022 in accordance with the decision of the Sole Shareholder – Kazakhtelecom JSC in accordance with the procedure established by law. In connection with the liquidation of Khan Tengri Holding B.V. 100% participation interest in Mobile Telecom-Service LLP was transferred to Kazakhtelecom JSC, and, accordingly, Kazakhtelecom JSC is the sole participant of Mobile Telecom-Service LLP.

## Mobile business

- Leading mobile operators in the telecommunications market of Kazakhstan Kcell JSC and Mobile Telecom-Service LLP operating under the brands Kcell and Activ and Tele2 and Altel.
- In December 2022 a consortium of Kcell JSC and Mobile Telecom-Service LLP was declared the winner in an auction for the allocation of frequency bands for the introduction and development of 5G/IMT fifth generation cellular communications in the Republic of Kazakhstan. The Consortium, according to the terms of the tender documentation, during the first year is obliged to install 391 base stations of 5G in Astana, Almaty and Shymkent, and during the next four years – 784 base stations per year in the regional centers and cities of national importance. By 2027, 75% of cities of republican significance and 60% of regional centers will be provided with 5G technology.
- The deployment of the fifth-generation network and the development of the 5G industry ecosystem in Kazakhstan will inevitably and tangibly affect the economy. This will happen through the implementation of digital transformation, where 5G platforms will be key factors in transforming the economy.
- 5G will make digitalization more accessible, allowing small businesses, government services and even individual households to take advantage of smart products and services.
- The speed, reliability and scale of 5G already offer enormous social and economic benefits as a platform for digital transformation.

## Digital Kazakhstan

- Kcell JSC, together with Mobile Telecom-Service LLP and Kart-Tel LLP, have made significant progress in expanding mobile coverage across the country through their involvement in the 250+ project, which is part of the Digital Kazakhstan program. The goal of 250+ project is to achieve a high level of digitalization of the entire population of Kazakhstan by providing access to broadband mobile Internet in rural areas where 250 or more people live. Within the framework of the “250+” project, Kcell JSC and Mobile Telecom-Service LLP fulfilled their obligations for 2021-2022 and provided Mobile broadband Internet access in 240 RS: Kcell JSC in 139 RS and Mobile Telecom-Service LLP in 101 RS respectively. In addition, mobile operators upgraded their networks in RS to LTE technology: Mobile Telecom-Service LLP in 276 RS and Kcell JSC in 108 RS.

## New business opportunities

- Development of e-commerce through the platform of goods “Kazakhtelecom Shop”.
- Joint sale of a new line of business with Kazakhtelecom JSC – labeling and traceability of goods in the Republic of Kazakhstan.
- Creation of a single information security center for the Fund’s portfolio companies.

## Strengthening of positions

- Fixed connection in rural areas.
- Communications hub with the Russian Federation.
- Outsourcing Contact Center services.
- A new data processing center (DPC) in Astana.







## Mobile communication

### Kcell JSC (51%)



Over the last 20 years, Kcell JSC has built one of the most modern, technologically advanced and extensive mobile networks in Kazakhstan. Integration with Kazakhtelecom JSC is currently underway, which will make it possible to significantly expand the range of services in the B2B and B2C segments, while reducing costs and increasing the quality of service.

Kcell provides mobile voice, short message transmission, additional services (VAS) such as media messaging, mobile content access, and data transmission services, including Internet access.

Kcell and Activ brands have proven themselves in the highly competitive telecommunications markets of the B2B and B2C segments and are known for their quality of service and value. Kcell has an indefinite license to work on 2G, 3G and 4G/LTE networks.

#### Key results for 2022

**+40%**

increase of the the data transmission speed as a result of the work performed

**>1,000**

**base stations**

activated in villages under obligatory and own programs of development of networks in rural areas since 2020

Kcell JSC continues to strengthen its position in the market as Kazakhstan's main digital player. An important event in 2022 was the completion of the project to introduce the operator's unified billing on the digital platform Nexign Converged BSS. During the implementation, all segments of the more than 8 million subscriber bases of two brands, Kcell and Activ, were migrated to the new environment. This project, which was implemented in the shortest possible time, will enable the Company to bring the latest products and services, including those based on 5G technology, to the market.

In order to achieve technological leadership, Kcell JSC carries out large-scale works on construction and upgrade of the network, as well as its integration. Thus, for 2022, equipment was installed and upgraded at 1,272 base stations, all of which are 5G-ready. As a result of the work performed, the data transmission speed increased by up to 40% at the locations where installation works were carried out. In addition, frequencies were refarmed in the cities of Turkestan and Zhanaozen, as well as in the settlement of Aiteke Bi in Kyzylorda region. Thanks to these works the 4G speed has increased.

Aware of its responsibility to society, Kcell JSC continues to develop communications in rural areas. The number of activated base stations in villages since 2020 is 468 under obligatory programs and about 550 under own programs of development of networks in rural areas. Also, the Company plans to develop the Mobile broadband Internet access network in rural areas under its own program for 2023-2024. As of 06.03.2023, base stations have already been activated in 7 RS, currently the work is underway in more than 10 RS.

### Mobile Telecom-Service LLP (100%)



Mobile Telecom-Service LLP is a mobile operator in Kazakhstan, providing a full range of 2G/3G/4G (LTE/LTE Advanced) mobile communication services, and providing services under the Tele2 and Altel brands.

Mobile Telecom-Service LLP provides mobile voice, short message, value-added services (VAS), such as multimedia messaging, access to mobile content, and data transmission services, including Internet access.

#### Key results for 2022

**+10%**

increase of the revenues and EBITDA for 2022 compared to 2021

**54%**

efficiency in 2022

Mobile Telecom-Service LLP (MT-S) performs successfully: according to the results of 2022, the main planned financial indicators were exceeded. Revenues for 2022 increased by 10% compared to 2021, EBITDA increased by 10% to 2021, and efficiency was 54%.

MT-C retains its technological leadership in the telecommunications industry of the republic and continues to introduce advanced technologies for end users. According to the authoritative international rating Speedtest for the third year in a row the mobile Internet from MT-C is recognized as the fastest.

In order to achieve the planned indicators, MT-C conducted various commercial activities and launched new tariff lines during the year.

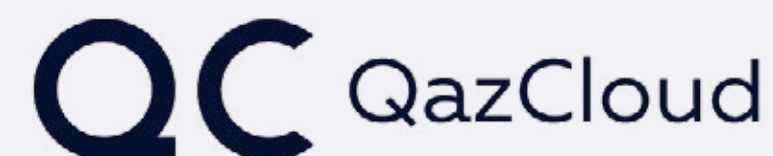
Also in 2022, MT-C and Kcell JSC continued to integrate their networks to maximize all potential synergies, while continuing to share best practices to help further improve technology and services.





## Information and communication services

### QazCloud LLP (49%)



The Company operates as a single service provider to provide services in the Fund Group. At the end of 2022, revenues amounted to KZT 10 billion.

Range of services:

- IaaS – Infrastructure as a service;
- Services of the information security operations center;
- IT outsourcing/outstaffing;
- Lease of computer equipment and office equipment;
- Technical support and development of SAP systems;
- Digital transformation;
- Other IT services.

#### Key results for 2022

In 2022, the second stage of the Kosshi DPC was accepted. An additional 100 racks were put into operation.

ISO 27017 certification for compliance with best practices in providing secure cloud services was passed.

The QC data center is PCI DSS certified. Certification is required to accommodate the equipment of banking companies.

Since September 2022, by decision of the Board of Directors of Kazakhtelecom JSC, measures have been taken to sell the share of participation owned by Kazakhtelecom JSC through an open two-stage tender. Completion of all procedures is planned for 2023.

## Technical resources

### Vostoktelecom LLP (100%)



Vostoktelecom LLP is a frequency and technical resource of Kazakhtelecom JSC for the provision of telephony and Internet services in rural settlements (RS).

In 2022, the project to provide broadband access in the RS with populations of 50 to 250, as determined by the industry regulator, will continue.

### KT IX LLC (100%)

The Company operates as a technical hub of Kazakhtelecom JSC in the Russian Federation, connecting and servicing IPLC and IP VPN clients:

- connect to its terminal on LDITC No. 9 and service operators and corporate clients under the lease of IPLC and IP VPN channels;
- is an Internet peer-to-peer platform, sending traffic to Google, Vkontakte, MailRu, and the content of high-clarity television in the form of HD, UHD, 4K to the networks of Kazakhtelecom JSC;
- provides high-quality Telepresence video conferencing services.

## New businesses

### NURSAT+ LLP (100%)

NURSAT+ LLP is a subsidiary of Kazakhtelecom JSC developing new lines of business in the area of e-commerce.

In 2022, the company continued to develop e-commerce services. Kazakhtelecom Shop (shop.telecom.kz) was launched. The main events on the project:

- Development of product categories, including categories for Kazakhtelecom JSC's services, such as "Wi-Fi routers and accessories", "Smart home products" and "4G-based Internet".
- Development of presence as a seller on the main marketplaces with telecommunications goods.
- Development of RPA-based automation to increase business efficiency by robotizing processes and operations.
- Development and launch of a number of website features and CRM system to develop front and back sales funnel.

### KT-Telecom LLP (100%)

In October 2021, Kazakhtelecom JSC acquired 100% of KT-Telecom LLP from Kcell JSC in order to further transform the Company into Real Estate Fund JSC as part of the Real Estate Fund project. In 2022 organizational measures were taken.

### Digital Economy Development Center LLP (100%)

In 2022, the Digital Economy Development Center LLP, together with Kazakhtelecom JSC, took measures to develop the labeling and traceability of goods in the Republic of Kazakhstan.

In 2022, work continued on mandatory labeling of tobacco products and footwear. In the second half of 2022, mandatory labeling of some pharmaceutical products was launched, and pilots were conducted on the product groups "Furs," "Clothing," and "Jewelry".

In order to develop new lines of business, Digital Economy Development Center LLP began to develop and implement new ICT services in the B2B segment in 2022: Commercial marking in the corporate segment, National Goods Catalogue.



# Business portfolio

GRI 2-6

**Kazakhtelecom JSC's business portfolio includes a full range of telecommunications services and is represented in almost all regions of the Republic of Kazakhstan and abroad.**

The Company's services are provided both on the retail market and on the wholesale market of communications services.

In the wholesale market of communications services, the Company provides services in the operating segment, strictly following the norms of effective legislation and the principles of mutually beneficial partnership.

The Company strives to maintain and develop competitive advantage factors – the availability of the necessary number of network resources to connect operator networks and to pass all types of traffic, an extensive telecommunications network built on state-of-the-art digital equipment with high throughput capacity, providing a high-quality and reliable service to operators and their subscribers.

In the retail market of communications services, Kazakhtelecom JSC provides telecommunications services to end users – individuals (B2C) and legal entities (B2B, B2G).



## Main categories of services in the wholesale market



### Operator services

- Connection of telecommunications networks and access to inter-network, local, long-distance and international traffic;
- Internet access;
- provision of line lines for lease;
- additional services for laying networks along the cable sewage system;
- billing services – provision of services to operators on accounting and processing of traffic data;
- connection to the CNS network – services of connection to the system of clockwork network synchronization (CNS) of Kazakhtelecom JSC.



### Partner programs

- Possibility of receiving broadband Internet access services under the Megaline brand to subscribers of local telephone network operators;
- connection to the equipment of the Internet Traffic Exchange Center of primary Kazakh Internet service providers.



## Services provided to individuals (households)



### Shop

- Online hypermarket "Kazakhtelecom Shop".



### Telegraph services

- Sending text messages by telegraph.



### Traditional telephony

- Local, MGM/MN communications services;
- Tarlan telephone cards;
- virtual number;
- a call at the expense of the subscriber being called;
- a call from the website (ClickToCall);
- virtual Call-Centre.



### Internet access

- Broadband access using ADSL, FTTH, WiMAX, WLL, WI-FI technologies;
- dial-up access;
- wireless high-speed access using LTE technology;
- Smart Internet – a service to provide Internet access to IP addresses belonging to the client using a Cisco VPN IPsec;
- parent control – restricting access to the use of content on any devices connected to the home network.



### Integrated offerings

- iD Net. High-speed Internet access;
- iD Phone. The service is based on SIP-telephony;
- iD-TV. Interactive TV service (IPTV);
- iD Host. Hosting services on the servers of Kazakhtelecom JSC;
- Ultra, Black, Silver. Package offers, including all types of services: telephony, cellular communications, television, Internet.



### Additional services

- Information and reference service 169;
- intellectual network services (information and entertainment services by numbers 8-800-xx);
- video surveillance at the entrance;
- video surveillance portal;
- Smart house;
- software subscription;
- subscription of NUR music.



## Services provided to legal entities (B2B and B2G)



### Data Transfer

- Internet for business – creation of the personal data environment with all available technologies;
- Wi-Fi target – access to networks using wired technology;
- Mobile Office – access to corporate networks from any location using secure protocols;
- IPVpn – access via secure channels;
- cash registers – the fiscal data service of the OFD.



### Cloud services

- Cloud video conference – organization of video conferencing with an unlimited number of participants without the use of special equipment;
- video surveillance – video surveillance service;
- virtual automated telephone system;

- digital medical card – search service for doctors and organizations;
- ISMET.KZ – an open digital platform for entrepreneurs;
- blockchain – infrastructure for blockchain products.



### Additional services

- Smart city – LoRa technology services;
- Smart utilities – services of collecting data from water, electricity and gas meters and sending data to service providers;
- Smart lighting – control over the city's lighting systems;
- Smart manhole – system of control over open manholes;
- protection from DDoS attacks;
- virtual Firewall.





# 2

## Strategic report







# Strategy

## Brand Strategy



The strategy is called JRun, which means “youth ahead” (Jastar Run), carries the meaning of renewed rapid movement forward and simultaneously symbolizes the renewal of the Company.

The phrase JRun is an abbreviation and is taken from the letters of the names of the four strategic directions of development.

The new name of the Strategy JRun is associated with a breakthrough, rapid growth and speed that embodies the development vector of Kazakhtelecom JSC.

Strategic directions of development are named in simple and understandable words in Kazakh language that evoke warmth and trust among customers, employees and stakeholders of the Company.







# Mission and vision

## Mission

Become an irreplaceable and usual part of everyone's life, changing, surprising and exceeding expectations.



## Vision

**Company's vision:**  
A leading Kazakhstan integrated service provider in the information communication market.

Coordinated actions of all Group members to maintain, strengthen and form leading positions in key segments of the information communications market of the Republic of Kazakhstan through the implementation of strategic initiatives and development areas.







### Strategy goals

The main goal of the new Strategy is to create the value of Kazakhtelecom JSC by improving the customer experience in the core business, organically optimizing the cost base, as well as transforming the Company into a flexible and sustainable organization. Agility implies an obsession with the customer and a balance between search and growth initiatives.

The new Strategy defines the strategic goals of Kazakhtelecom JSC for the next five years, which are described below.



### Strategic goals of the Kazakhtelecom Group of Companies on the horizon of five years

<p><b>J AQYN</b></p> <p>Leading the telecom market by improving the customer experience</p>	<p>Leadership in quality of the last mile in the B2C market</p> <p>cities from <b>200 Mbps</b></p> <p>Rural communities from <b>20 Mbps</b></p>	<p>Become the No.1 operator by customer experience in the B2C segment</p> <p><b>Best NPS among fixed operators</b></p>	<p>Protecting the leading position on the B2C broadband and TV market</p> <p><b>72-74% broadband access</b> TV 45-50%</p>	<p>Strengthening the leading position in terms of revenues on the B2X market</p> <p><b>50-52% B2X market</b></p>	<p>To become No.1 operator in terms of customer experience in the B2B segment</p> <p><b>Best NPS among fixed-line operators</b></p>	<p>Solid growth in the ICT segment and selected new business lines up to <b>+14% in revenues</b></p>
<p><b>BI R LIK</b></p> <p>Success through improved employee experience</p>	<p>Social stability index in the favorable zone</p> <p><b>75% SRS (Happy Index)</b></p>	<p>Employee Net Promoter Score</p> <p><b>70% eNPS</b> (current state – 60%)</p>	<p><b>65% loyalty</b></p> <p><b>85% engagement</b> (fact 2021 – 84%)</p>	<p>Employee satisfaction at each stage of life cycle</p> <p>Measurement required <b>EJM</b></p>	<p>high standards in industrial relations</p> <p><b>IR</b></p>	<p>Integral indicator of digital maturity:</p> <p>(1) Of employee (2) Of teams (3) EX – of business processes</p>
<p><b>ALA U</b></p> <p>The engine of economic growth and competitive innovation</p>	<p>Managing data as an asset</p> <ul style="list-style-type: none"> <li>Sales and churn management</li> <li>External monetization of data</li> <li>Optimizing internal processes</li> <li>FCF from BigData as of 2027:</li> </ul> <p><b>6.5 billion KZT</b> (as of 2032 16 billion KZT)</p>	<p>Migration of network and IT infrastructure to the cloud</p> <ul style="list-style-type: none"> <li>Transition to microservice architecture</li> <li>Reduction of share of equipment operated for more than 10 years in 2024 to:</li> </ul> <p><b>15%</b> (2022 – 34%)</p>	<p>Availability of IT platforms and digital sales channels:</p> <p><b>99%</b> (2022 – 99.5%)</p>	<p>Digital transformation of business</p> <ul style="list-style-type: none"> <li>Reduction of time-to-market by half</li> <li>Reducing the cost of scaling</li> <li>Provision of digital and cloud-based IaaS/PaaS services</li> <li>Entering new markets</li> </ul>		
<p><b>ORKE N</b></p> <p>First-class business management and better infrastructure (goals by 2032)</p>	<p>Creating conditions for the transition to a Gigabit Society</p> <p>Reaching <b>18 regional centers on 100G interfaces</b></p>	<p>Meeting customer expectations for access speeds</p> <p>EBITDA impact for 2023-2027: <b>8.3 billion KZT</b></p> <p>for 2023-2032: <b>~12 billion KZT</b></p>	<p>Operational efficiency at the level of industry leaders</p> <p>EBITDA for 2023-2032: <b>~8 billion KZT</b></p>	<p>Creation of Tower Operator</p> <p><b>Indicators at the stage of elaboration</b></p>	<p>Supply chain automation and digitalization of CSC processes</p> <p>Minimization of routine operations</p> <ul style="list-style-type: none"> <li>Reduce net carbon footprint by 13% to 2032.</li> <li>Rating: BBB (2024), A (2027).</li> <li>As well as social initiatives.</li> </ul>	



## Current global trends in the telecommunications industry

The pandemic has put a lot of pressure on the telecommunications infrastructure. Businesses and households around the world switched to working remotely. This shift increased Internet usage by 70% almost overnight and posed a new challenge to existing networks that had been coping effectively up to that point.

Data flow patterns have changed, with increased pressure on public and cloud infrastructures, as well as on edge and access points around the world. International experience shows that these changes in the telecommunications infrastructure are irreversible and force the Company to develop its network in line with the growing flow of data traffic.

Key trends and technologies that will be key to meeting these changing and growing data traffic needs in the world, including Kazakhstan:

- Network and Service Integration. The boundaries between traditional segments of communications services are becoming increasingly blurred from year to year. This is due to the fact that traditional infrastructure services are being transformed into services and solutions, ready information and technological systems. In the business segment, these are Internet of Things (IoT) solutions and cloud services sold by operators as an add-on to basic services. The change in the product paradigm leads to the fact that the infrastructure becomes an additional service;
- Development in related digital directions. In addition to bundling communications services themselves, mobile operators, first and foremost, are actively pursuing the development of FinTech, diversifying by entering the related banking sector;
- Convergence of telecommunications and media. Leveraging existing data assets and acquiring advertising platforms to create ad-supported media models;
- Deployment of 5G mobile networks;
- The rise of the Internet of Things (IoT) and the evolution of the broader digital ecosystem.

## Main priorities and strategic directions of development

### SDD 1



#### Priority:

The basis of business transformation is a superior customer experience.

#### Goal:

The goal is to lead the telecom market by improving the customer experience:

- leading the quality of the last mile in the B2C market;
- growth to the status of the leading Operator by the customer experience in B2C and B2X segments;
- protection of leading positions on the broadband Internet access and TV market;

- strengthening leading positions on B2X market;
- confident growth in the ICT segment and selected new lines of business.

First of all, SDD Jaqyn (“we are near”) reveals the main value of Kazakhtelecom JSC – trusting relationships with customers. Since 1994, the Company has been connecting the hearts

of relatives and friends across thousands of kilometers, delivering communications and telecommunications equipment to the most remote regions of our country. Clients are the priority of the Company. SDD’s goal is to lead the telecommunications market by improving the customer experience.

### SDD 2



#### Priority:

Focusing on the internal customer and improving their experience is the basis for the success of the Company.

#### Goal:

The goal is success by improving the employee experience:

- leading employer brand;
- increasing the level of digital maturity of employees and teams.

Unity in a changing environment and understanding of the goals determined the priorities of the strategic direction of Birlik. Orientation to the internal customer, improvement of his experience and satisfaction is the basis for the success of the Company, which proves the increased importance of the development of Birlik SDD. The aim of this direction is success by improving the experience of the employee.

Five main assumptions, consequences and challenges were identified:

- it is the need for new approaches in HR processes from an “employee-centered” position that defines the challenge of refocusing HR work through the lens of Employee Experience, i.e., creating a better employee experience;
- global demands suggest that the HR function will continue to transform itself into a digital function. Services must become more automated, open, transparent and understandable. Every employee must have access to digital services EX;
- creating a customer-centric structure in which each internal customer takes care of an external customer while doing their job;

- every employee must be proficient working with data products. There is a prerequisite for such a challenge in the growing requirements for DDDM skills on a mandatory basis, i.e., data-driven decisions;
- along with this, the growing need for new competencies has defined the challenge for EX as attracting, engaging and supporting the best specialists, and their continuous development.

In response to the challenges before HR, JRun Strategy has the following goals:

- become a leading brand among employers;
- increase the level of digital maturity of employees and the entire team.





## Main priorities and strategic directions of development

SDD 3

### ALA U

#### Priority:

Use the full potential of data, modernization of IT infrastructure, information security, the transition to a microservice IT architecture and the creation of Multicloud environment to realize business goals and gain competitive advantage.

#### Goal:

The goal is the engine of economic growth and competitive innovation:

- managing data as an asset;
- transition of network and IT infrastructure to the cloud;
- digital business transformation.

Kazakhtelecom JSC is always the first, always one step ahead. The Company is stepping confidently into the future by changing, transforming and applying modern approach to business and technology management.

This strategic direction consists in digital transformation of the core business and network, as well as in monetization of the unique market position by applying new digital business models and partnerships.

The main activities included in the SDD:

- managing data as an asset;
- transition of network and IT infrastructure to the cloud;
- digital transformation of business.

The main indicators that are expected to be achieved as a result of the implementation of this direction:

- data monetization;
- 99.9% – availability of IT platforms and digital sales channels;
- ISO/IEC 20000 certification;
- ISO/IEC 27001 certification;
- fault tolerance of IT systems;
- flexible scalability of digital services;

- leaving Vendor lock-in;
- infrastructure unification;
- reduction of time-to-market of digital services;
- reducing the cost of scaling;
- the possibility of providing digital and cloud services IaaS / PaaS;
- entry into new markets.

SDD 4

### ORKE N

#### Priority:

Network modernization and operational efficiency improvement.

#### Goal:

The goal is first-class business management, technical modernization of infrastructure and the transition to low-carbon development as a priority direction of the Strategy of Kazakhtelecom JSC through resource saving and energy efficiency tools:

- creating conditions for the transition to a gigabit Society (synergy with business divisions);
- meeting customer expectations in terms of access speed (reasonable resource allocation);

- operational efficiency at the level of industry leaders (optimal performance management);
- creation of a Tower Operator (leveraging unique skills);
- Supply chain automation and digitalization of SSC processes (improving the efficiency of supporting functions);
- achievement of ESG goals;
- the possibility of obtaining technical specifications in an online format and tracking the status of the application in your personal account in real time 24/7. Terms of issue of technical specifications (from 10 to 15 days). Reducing litigation by half over the use of cable duct infrastructure;

- gender equality: maintaining the share of women in leadership at the level of 35% by 2027;
- annual support for no more than 2 thousand children of different ages in IT education.





# SERPIN Transformation Program

**The digital transformation of Kazakhtelecom JSC is aimed at improving client routes and is implemented in accordance with the set strategic goals and objectives.**

The process of client centricity change is one of the Company's key areas of activity. To determine the client's needs, you need to look at the service provided through the eyes of clients — this is very important for understanding the development and optimization of client routes. Over the past year we have done a lot to improve our services.

Firstly, we defined the overall goals of digital transformation of the Company as a whole, and focused on specific problems related to customer service, network quality and internal development.

A focus map was approved, which contains measurable goals structured into a single pool, and we began to work on them in a systematic manner. The progress is monitored on a weekly basis at Scrum sessions, Agile approaches are being introduced.

Secondly, building a culture of change is important. Communications have become faster and easier, cross-functional teams from different divisions are being formed. Company began to speak openly about problems that impede the Company's development, raise issues that they had not previously considered relevant, and set up teamwork between divisions, which is extremely important for a large Company.

Thirdly, Kazakhtelecom JSC achieved results in developing client routes and improving service levels. After optimization and digitalization of a number of processes, the Company accelerated the connection of services.

The number of challenges remains significant. The application of Big Data technology contributes to a more accurate identification of "weaknesses" and promising areas that should be prioritized for work in the first place, as it is confirmed by quantitative data. The Qlik Sense tool is used to generate reports, dashboards and track statistics.

In 2022, the process of transition to microservice architecture was initiated, the Big Data Factory was formed, and a lot of attention is paid to information security issues within the Zero Trust project.

The transition to the divisional structure that has been formed greatly simplifies the management of business processes and increases the speed of decision-making.

Transformation is not a separate direction or activity in the Company, but a change of consciousness of each employee. Kazakhtelecom JSC plans to continue working on solving tasks aimed at increasing customer loyalty of the Company and following the principles of customer centricity.







## Results of the SERPIN Roadmap in 2022

**The SERPIN roadmap for implementation of strategic initiatives (hereinafter “SERPIN”) is the third stage of the transformation of Kazakhtelecom JSC, primarily aimed at digitalizing client routes, marketing and internal business processes.**

Goals of transformation:

- meet market requirements and expectations;
- to make the Company ready for changes and challenges;
- to improve and raise competitiveness.

The transformation program is being implemented in three strategic areas: the First-Choice Brand, the Digital Platform and the Effective Organization. Each area deals with a number of tasks, consisting of 48 projects.

### First-choice brand

The goal of SDD 1 is to maintain long-term leadership in mobile communications markets for B2C and B2X (including B2B, B2G and B2O markets), fixed-line B2C communications (including product segments of broadband access, telephony and Pay TV), fixed-line B2X communications with an increase in revenue and optimization of marketing and sales costs.

### Digital platform

Digitalization is a key driver of the transformation program.

Kazakhtelecom JSC, within the framework of the Digital Platform SDD, aims to digitally transform its core business and network and monetize its unique market position using new digital business models and partnerships.

As part of the strategy, Digital Transformation is considered in terms of three areas (digital transformation of the core business, development of new digital lines of business, digital transformation of the network) and two time horizons with different objectives:

- The first horizon: achieving digital maturity through optimization and digitalization of client routes and implementation of digital marketing tools;
- Second horizon: large-scale implementation of analytics to optimize processes in all areas of activity, robotic automation of back office and support functions, large-scale network automation and 5G launch, development of new digital lines of business.

### Effective organization

The key objectives of SDD 3 are to launch a large-scale performance improvement program and transition to the optimal organizational structure of the Group, including:

- elimination of duplication in the network infrastructure, transition to wireless technologies in rural areas and increasing the volume of services;
- automation of routine tasks and advanced personnel performance management;
- optimization of administrative functions, including further optimization of SSC and outsourcing of certain functions;
- optimization of the Group’s organizational structure with a separation of the Holding Company and key business units.

In addition, work on improving the efficiency of the organization provides for the automation of budgeting and post-monitoring of investment activities, which will allow for the effective management of the Company’s operating and investment portfolios.

Here, work is also underway to change the corporate culture, create a favorable microclimate in the Company for the successful implementation of all initiatives under the SERPIN transformation program.

## SERPIN 2022 results



Last year’s SERPIN transformation program in financial terms ensured free cash for the Company in the amount of about KZT 9.6 billion. This indicator is ten times more than the announced targets. The SERPIN roadmap is a set of strategic and business initiatives that support the project implementation of the Company’s corporate strategy designated up to 2029.

Based on the results of the previous year, all planned milestones at the end of December were implemented in 95% terms, which ensured that the plan was significantly exceeded.

# 9.6

billion KZT

free cash flow secured for the Company by the SERPIN Program in 2022

# 95%

implementation of all planned milestones by the results of 2022







## Key effects of the 2022 digital transformation

### In commercial divisions

**14%**

decrease of appeals to SAPs (Service access points), digital channels become more in demand

**58%**

increase of the number of independently resolved issues by customers in digital channels (2021 – 1.2 million, 2022 – 1.9 million)

**36%**

the share of B2B customers served in digital channels

**100%**

of individual entrepreneurs transactions online

**45.2%**

Self-service in DRB in digital channels

**62%**

of the types of service requests for individual entrepreneurs are implemented in full-digital

**24.6%**

the share of online sales in the B2C segment

**401**

**thousand** the number of clients in the telecom.kz digital channel

**>40**

**microservices** moving to a microservice architecture

**18**

**partners** have joined the “Partner in RS” program through ismet.kz

**6**

**villages**

**65**

**villages** are in operation

### In support divisions

Digitalization of corporate processes is being implemented;

The process of business trips and training was simplified by developing a special service;

The average time to repair single faults on the urban telephony/rural telephony was 12 and 10 hours, respectively. According to the results of the year the number of cities with the average time to eliminate single faults over 12 hours was reduced by 5 times, the number of villages (over 24 hours) was reduced by 3 times;

Planned development of the Company’s network architecture was initiated to improve the quality of services, anticipating the geometrically growing needs of corporate and retail clients;

As part of improving the approach to customer service, the “Customer Service Shop” (CSS) unit was created, which includes universal specialists working exclusively with consumers of services;

The project on 100% conversion from copper network to optical network of Kurchatov town in Abai region was implemented. Within the framework of the project, 13 km of FOCL and 1.1 km of telephone conduit were built, 20 km of copper cable were dismantled and 3 buildings were released. 862 subscribers were switched from copper to optics.

### In the entire company

The Corporate University was created. The Digital MBA, Start MBA program was launched, L&D was created in all areas.

Implemented Agile in InDiGiCo, B2C, B2B, DIT teams with the support of ScrumTrek. Setting measurable goals for the quarter and year. Each sprint began to have a business goal. Interdependencies have been found.

## Kazakhtelecom Development Focus 2023

**90%**

of customer connections to the Internet service via optical technology are made in 24 calendar hours

**95%**

of the LSPP at the end of the year is eliminated in 12 calendar hours

**90%**

FRR in the company across all channels and divisions







# Values

## CREDO

# C

### CLIENT CENTRICITY



It is taking into account the requests of our colleagues and clients, their active solution. By following this value, we provide:



- Effective development of the Company's products and services through an in-depth understanding of market trends and current and future customer needs.
- Development of the client base by increasing the level of satisfaction of external and internal clients with the quality of services, services and solutions provided to them.
- Increasing the revenue by finding and implementing mutually beneficial terms of cooperation with both our clients and within our company.
- Forming long-term relationships with clients and counterparties, based on the principles of partnership and cooperation.

# R

### RESPONSIBILITY FOR THE RESULT



It is a persistent and responsible achievement of the goal. By following this value, we provide:



- Increasing the company's financial results by setting and cascading clear and ambitious goals at all levels of management.
- Increasing the level of involvement and the proportion of employees who are proactively involved in solving urgent business problems.
- Increasing the speed of making and implementing decisions necessary to achieve goals.

# E

### EXPERIMENTATION



It is about finding the best ways to solve your problem and the elimination of imperfections in current processes. By following this value, we provide:



- Increasing the attractiveness and competitiveness of the company's products and services through the search for and implementation of new promising ideas.
- Improving the efficiency of business processes in the course of continuous improvement of existing practices, processes and parameters of their results.
- Reduced time to develop innovations as a result of built practices of experimentation, learning from lessons and improving results.
- Increasing the speed of implementation of changes through the active involvement of all employees involved in changing processes and working practices.

# D

### DIGITALITY



It is the ability to look at the task through the prism of analytics and find digital paths to success. By following this value, we provide:



- A radical increase in the quality of decisions made as a result of the use of interfaces, models and algorithms for data analysis.
- A multiple increase in the speed of work processes and solving business problems through the use of digital interfaces, services and devices.
- Increasing the transparency of business processes and the speed of response to deviations through access to analytics and reports from BI systems.
- Reducing the cost of processes as a result of the introduction of digital tools and platforms for solving everyday work tasks.

# O

### OPENNESS



It is respect for colleagues and involvement in joint work, taking into account the potential of each. By following this value, we provide:



- Increasing the involvement of personnel, their desire to show their talents as a result of the formation of a constructive and friendly atmosphere of interaction.
- Increasing the attractiveness of the employer brand and the ability to attract the best professionals from the labor market by creating a barrier-free development environment.
- Reducing the transaction costs of the company due to the well-coordinated work of professionals from different departments.
- Increasing company performance by openly discussing complex issues and adjusting behavior as a result of receiving feedback.

IN 2021, A DECISION WAS MADE ON THE NEED TO DETAIL THE CONTENT OF VALUES WHILE MAINTAINING THEIR NUMBER AND THE BASIC NAME CREDO. THEY WERE UPDATED WITH THE INVOLVEMENT OF THE COMPANY'S TOP MANAGEMENT, AND AS A RESULT OF THE STRATEGIC SESSION HELD, THE MEANINGS AND CONTENT OF EACH OF THE FIVE VALUES WERE UPDATED.

To continue the work and move to the next stage of the transformation of the corporate culture "BEHAVIOUR" in 2022, a master class was held on the following topics:

- conducting a study of the "depth of penetration" of values in the working behavior of employees;
- changing managerial practices in accordance with the renewed values;
- changing the behavior of employees in accordance with the renewed values.

After the implementation of this master class the Company held five in-person master classes on the topic: "Elaboration of the content of values, methods and plans for their implementation".

The following tasks were considered at the master-classes:

- Description of the target model of behavior of employees of different categories according to updated corporate values of Kazakhtelecom JSC.
- Analysis of compliance of actual behavior of employees with the target behavior model and discussion of key barriers for its implementation.
- Development of initiatives and principles of work necessary to overcome barriers and form target behavior of employees of different categories.

Based on the results of the master classes, a meeting was held on the topic: "Elaboration of the content of values, methods and plans for their implementation" and behavioral indicators for updated values in the form of a code were approved.





# Review of regulatory environment

## Description of the main activities of Kazakhtelecom JSC (services):

In accordance with point 1 of Article 7 of the Charter of Kazakhtelecom JSC, the Company operates as a tele-communications operator of the Republic of Kazakhstan for the creation, installation, operation and maintenance of a public telecommunications network and private telecommunications systems, performs the functions of a public telecommunications network operator and,

among other things, an operator of long-distance and international communications with the right to make settlements with the Communications Administrations of other states, companies, users, international organizations in accordance with the Regulations of the International Telecommunication Union and the legislation of the Republic of Kazakhstan.

## State regulatory provisions of the legislation of the Republic of Kazakhstan for the year 2022:

The main legislative acts of the Republic of Kazakhstan governing the activity of Kazakhtelecom JSC are the Business Code of the Republic of Kazakhstan, the Laws of the Republic of Kazakhstan “On Communications”, “On Natural Monopolies”, and “On Joint Stock Companies”.

The Business Code of the Republic of Kazakhstan determines the legal, economic and social conditions and guarantees ensuring freedom of entrepreneurship in the Republic of Kazakhstan and regulates public relations arising in connection with the interaction of business entities and the state, including state regulation and support for entrepreneurship.

Changes were made to the Business Code in different ways during 2022. In accordance with the Law of the Republic of Kazakhstan of 03.01.2022 “On the Introduction of Amendments and Addenda to Certain Legislative Acts of the Republic of Kazakhstan on the Development of Competition”, a new version of Article 193 BC “State Monopoly and Special Law” comes into effect from 01.07.2022.

The exclusive or pre-emptive right of a market subject stipulated by law to produce, sell and/or purchase any goods on a competitive market is a special right. The subject of special law may be a state-owned enterprise, joint-stock company, limited-liability partnership, determined pursuant to the procedure established by the Government of the Republic of Kazakhstan. The determination by a subject of a special right of a legal entity, less than one hundred percent of shares (equity interests in charter capital) of which are directly or indirectly owned by the state, is permitted only if it is impossible for the subject of a special right of a legal entity, 100% of shares (equity interests in charter capital) of which are directly or indirectly owned by the state. Restrictions are also established on the subjects of the state monopoly and special law.

The antimonopoly authority conducts an examination of prices for goods produced and (or) sold by a subject of special law. The pricing rules for goods produced and sold by a subject of special rights are approved by the antimonopoly authority.







The most significant provision is Article 176-1 of the BC, which is effective from 07.03.2022. This norm stipulates the introduction of a mechanism for accessing the Key Capacity. For example, point 1 of article 176-1 of the BC Law establishes that the key capacity is a product, an infrastructure object of a market subject holding a dominant or monopolistic position, without access to which other market participants cannot manufacture and/or sell goods (work, services) on the corresponding or adjacent commodity market. Under this regulation, the Company and its subsidiaries will be forced to provide other market entities with their telecommunications network, mobile network, RFS (radio frequency spectrum) and other infrastructure for use, which will be recognized as key capacity on the terms determined by the antimonopoly body.

In addition, by the Law of the Republic of Kazakhstan dated 03.01.2022, from 07.03.2022, article 210-1 of the BC “Authorized person” was put into effect. According to the provisions of this article, in order to conduct an expert assessment of the fulfillment of the requirements and obligations stipulated by the decision of the antimonopoly body on consent to economic concentration, a market entity has the right to engage a trustee, determined in accordance with the requirements of this article. An authorized person is a person who has special scientific or practical knowledge on issues that are the subject of economic concentration. An agreement is concluded between an authorized person and a market entity in a standard form approved by the antimonopoly authority. The authorized person shall notify the antimonopoly body of the conclusion of the contract no later than ten calendar days after the date of its entry into force. The authorized person must be independent in relation to the participants in the economic concentration.

The antimonopoly body maintains a register of authorized persons in the manner determined by the antimonopoly body. The register of authorized persons includes candidates proposed by associations of business entities

The Law of the Republic of Kazakhstan “On Communications” establishes the legal framework for communications activity in the Republic of Kazakhstan, determines the authorities of the state authorities to regulate this activity, and the rights and obligations of individuals and legal entities providing or using communications services.

In accordance with the Law of the Republic of Kazakhstan of 14.07.2022 No. 141-VII “On the Introduction of the Amendments and Addenda to certain legislative acts of the Republic of Kazakhstan on the promotion of innovation, the development of digitalization, information security and education”:

**1) the notion of “dominant telecommunications operator” and everything related to it was excluded from the Law on Communications;**

**2) from 14.09.2022 new obligations for telecommunications operators were introduced by amending point 3 and supplementing Article 25 of the Law on Communications with the point 3-1:**

- “3. Passage of International traffic shall be routed only through the networks of international telecommunications operators, subject to the procedure for functioning of the centralized telecommunications network management system of the Republic of Kazakhstan”;
- “3-1. Passage of Internet traffic by telecommunications operators in the territory of the Republic of Kazakhstan shall be subject to compliance with the procedure of functioning of the centralized control system of telecommunications networks of the Republic of Kazakhstan”.

**3) point 6 of Article 29 of the Law on Communications is supplemented by the second part of the following content:**

“Fiber-optic communication lines (FOCL) can be carried out through overhead power lines in accordance with the rules for the installation of electrical installations approved by the state body that manages the electric power industry”. This will further accelerate the process of increasing FOCL in the country with a decrease in the cost of their laying.

The Law of the Republic of Kazakhstan “On Natural Monopolies” applies to relations arising in the market of services of the Republic of Kazakhstan provided by subjects of natural monopolies.

In accordance with the Law of the Republic of Kazakhstan of 30.06.2022 No. 130-VII “On the Introduction of Amendments and Addenda to certain legislative acts of the Republic of Kazakhstan on the issues of electric power industry, energy saving and energy efficiency, subsoil use, local government, state border, housing and communal services and science”, point 3 of Article 22 of the Law of the Republic of Kazakhstan “On Natural Monopolies” was amended and reworded as follows:

- “3. The tariff change is carried out at the initiative of the authorized body no more than twice a year, at the initiative of the subject of natural monopoly – no more than once a year”.

In addition, in 2022, various general changes were made to some legislative acts of the Republic of Kazakhstan used in the activities of Kazakhtelecom JSC, such as the Civil Code of the Republic of Kazakhstan, the Tax Code of the Republic of Kazakhstan, the Code of the Republic of Kazakhstan on Administrative Offenses, the Law of the Republic of Kazakhstan “On the Securities Market”, Law of the Republic of Kazakhstan “On Permits and Notifications”, Law of the Republic of Kazakhstan “On Joint Stock Companies”.



# Overview of the telecommunications market in 2022

The review is provided in accordance with the data of the Committee on Statistics, marketing data on the communications market in Internet sources, as well as expert assessments.

1,106

billion KZT

the total volume of the communications services market in 2022

---

4%

the compound annual growth rate (CAGR) of the communication services market

## Main trends in the telecommunications market in 2022

The telecommunications sector has retained its critical role in modern society, allowing people to continue to communicate and work together. At the end of 2022, the total volume of the communications services market equaled KZT 1,106.038 billion, which exceeds the figure for the previous year by 4%.

Mobile communications dominate by type of services. Mobile revenue still generates more than half of the total market volume – 55.7%.

Income from fixed telephony fell to KZT 47.9 billion.

The share of data transmission and Internet access services in fixed networks has shown a decreasing trend in recent years, despite an increase in income in absolute terms. In 2022, the market share was about 15.5%.

In 2022, the Pay TV services segment accounted for 4% of total income from communications services.

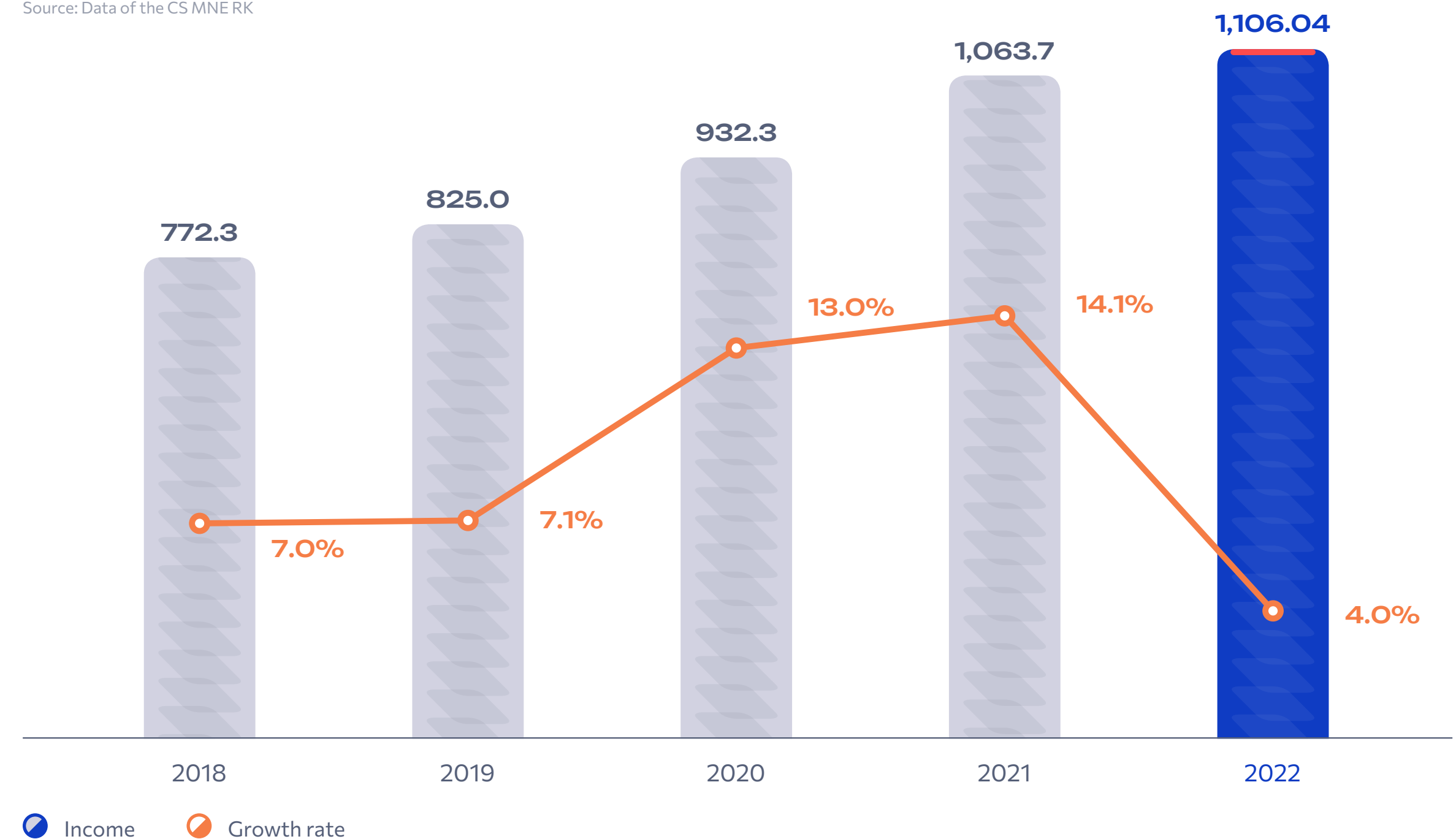
Revenues from services to telecom operators are growing due to structural shifts – with the growth of the retail market, the volume of services to telecom operators is also increasing, which is reflected in the growing share of the segment in total revenues from telecom services.

## Assessment of the size and structure of the Kazakhstan telecommunications market for 2022

At the end of last year, the total market volume of communication services amounted to KZT 1,106.038 billion, the compound annual growth rate (CAGR) amounted to 4%.

Income from communication services of the Republic of Kazakhstan in 2018-2022, billion KZT

Source: Data of the CS MNERK







In the revenue structure, the key income-generating segments are mobile communications services and data transmission and Internet access services. Their market share in 2022 was 55.7% and 15.5%, respectively.

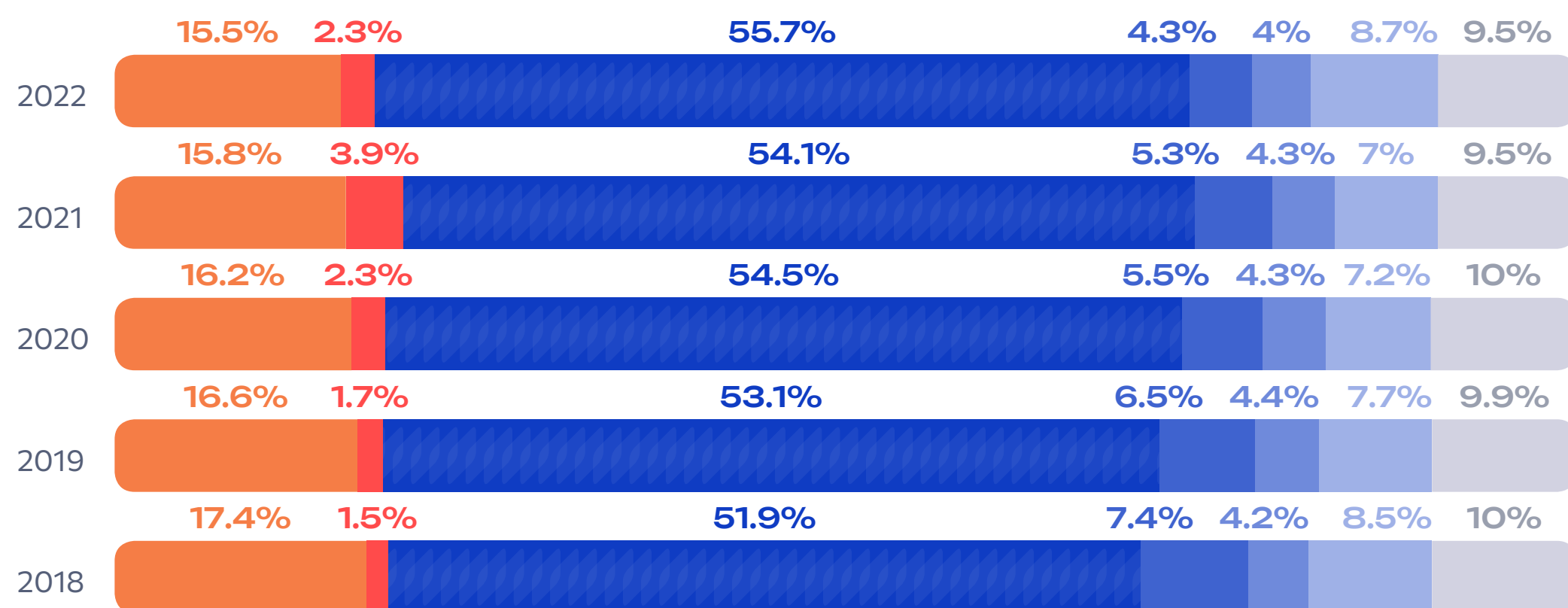
The key factor in the growth of the cellular networks is the growth of mobile data transmission and services based on them.

The stable share of income from B2O services – 9.5% – is associated with the active development of infrastructure by telecom operators in remote areas in order to reduce the digital divide between citizens.

Indicative is the increasing share of income from IT and additional services – 8.7%, which indicates the growth of both operators' own service competencies and the development of partnerships with service providers.

### Revenue structure of the communications industry of the Republic of Kazakhstan by type of services, %

Source: Data of the Constitutional Court of the MNE RK



- Mobile network
- Fixed telephony
- Pay TV
- IT services
- Telecom operator services
- Internet access and data transfer in fixed networks
- Fixed mobile services

### Fixed telephony

The fixed telephony market continues to be in a stage of natural stagnation. Mobile substitution and mass use of mobile messengers as a priority means not only for messaging, but also for making calls, leads to a significant decrease in the profitability of fixed telephony services. Thus, the volume of the fixed telephony market in 2022 was KZT 47.5 billion.

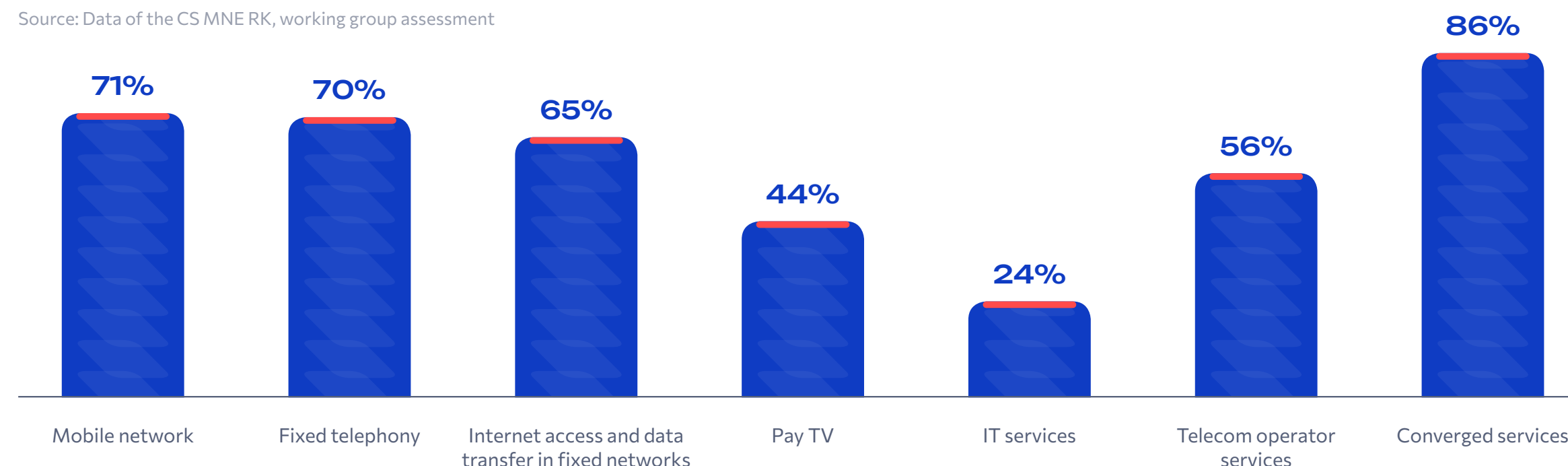
**47.5**  
billion KZT  
the volume of the fixed telephony market in 2022

### Kazakhtelecom Group's market position

The market share of the Kazakhtelecom Group in 2022 was 65.1%. The increase in the Group's share in 2019 – from 28.9% to 63% and in 2020 – by 4.1 sub-points compared to the actual value of 2019 is related to the acquisitions: in June 2019 the transaction was completed, as a result of which Kazakhtelecom JSC became the sole shareholder of Khan Tengri Holding B.V.

### Positions of the Kazakhtelecom Group by market segment for 2022, %

Source: Data of the CS MNE RK, working group assessment



### Mobile communication

Mobile communications remain the dominant segment of the telecommunications market in terms of revenues and continue to show strong growth year by year. Having surpassed the milestone of KZT 592.98 billion in 2021, the market retained its confident dynamics, showing a volume of KZT 616.063 billion in 2022.

### Income from mobile communications services in 2018-2022, billion KZT

Source: Data of the CS MNE RK, working group assessment







**127**  
billion KZT

the volume of the fixed broadband market in 2022

+ 5.2%

**36.2**  
billion KZT

revenues from the organization of corporate VPN networks in 2022

+ 3.5%



## High-speed Internet access

### Income from broadband access services

The development of the fixed broadband market is extensive due to the implementation of the “Digital Kazakhstan” program. Subscriber base growth is ensured both by natural growth of the number of enterprises and households, and by active promotion of the service in rural areas. It should be taken into account that rural subscribers have lower profitability compared to urban households.

According to estimates, in 2022 the volume of the fixed broadband market was KZT 127 billion, which is 5.2% higher than the previous year.

Income from broadband access services in fixed networks in 2018-2022, billion KZT

Source: Data of the CS MNE RK, working group assessment



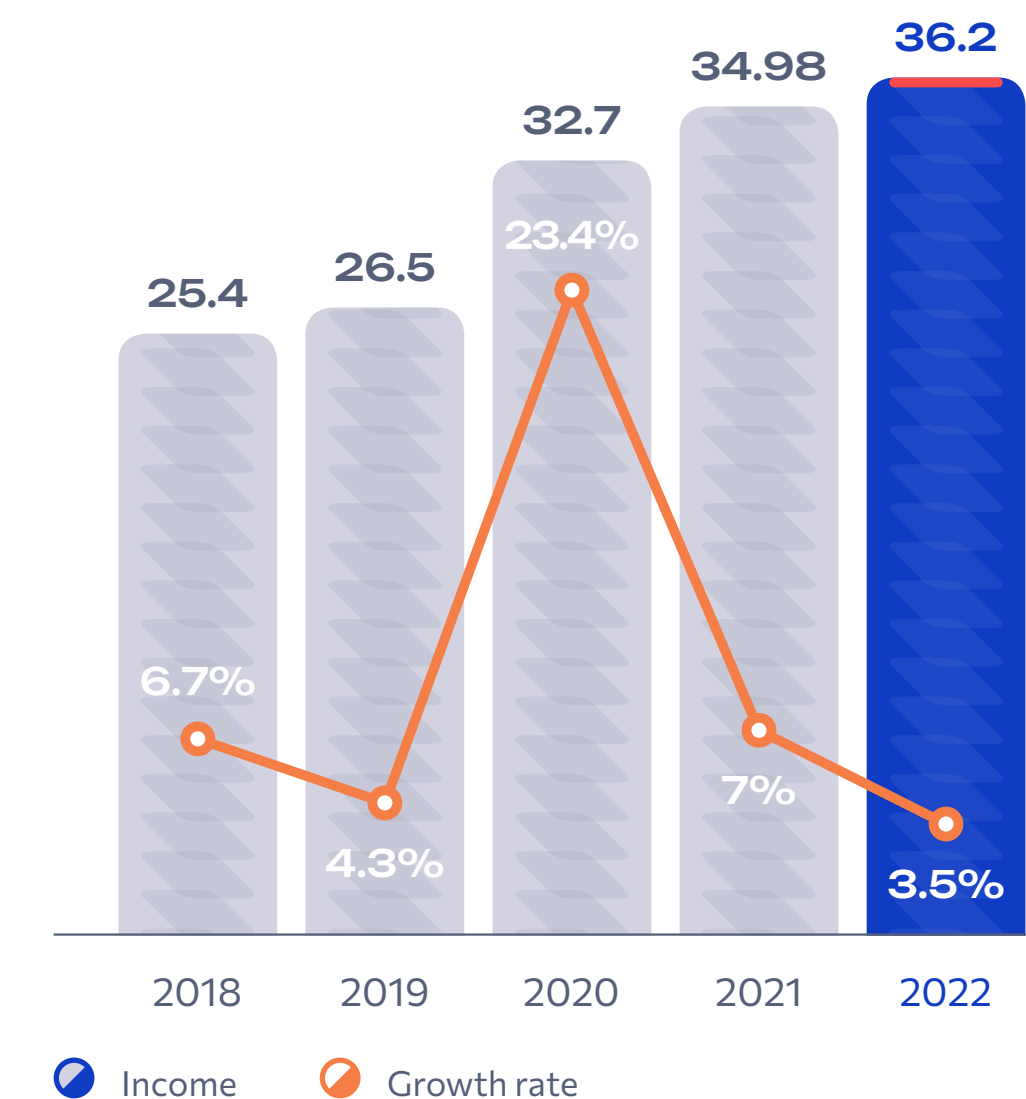
### Lease of data transmission channels

Along with growth in revenues from broadband services, the data services segment demonstrated significant growth. In 2022, revenues from the organization of corporate VPN networks increased to KZT 36.2 billion, which corresponds to an increase of 3.5% compared to the previous year.

Channel lease and corporate network services relate exclusively to the legal entity segment. Active consumers of these services are state organizations.

Revenue from channel lease services in 2018-2022, billion KZT

Source: Data of the CS MNE RK, working group assessment







## Pay TV

Currently, the pay TV market is a symbiosis of two technological approaches. The first is a fixed connection, providing access to paid content at one (or several, depending on contract terms) point. These are classic cable television, delivered via coaxial cable or satellite dish, and IP-TV, for which the medium is an Internet channel, but the delivery point has an exact geographic address.

The second approach – OTT-TV – has become rapidly spreading and popular among users with the development of data networks, both in terms of territorial coverage and speed and stability of data transmission. Due to access to content through the Internet application OTT-services became geographically neutral, i.e., they can be used anywhere in the world, where there is a connection to the Internet (if the relevant restrictions are not set by the owner of the service itself).

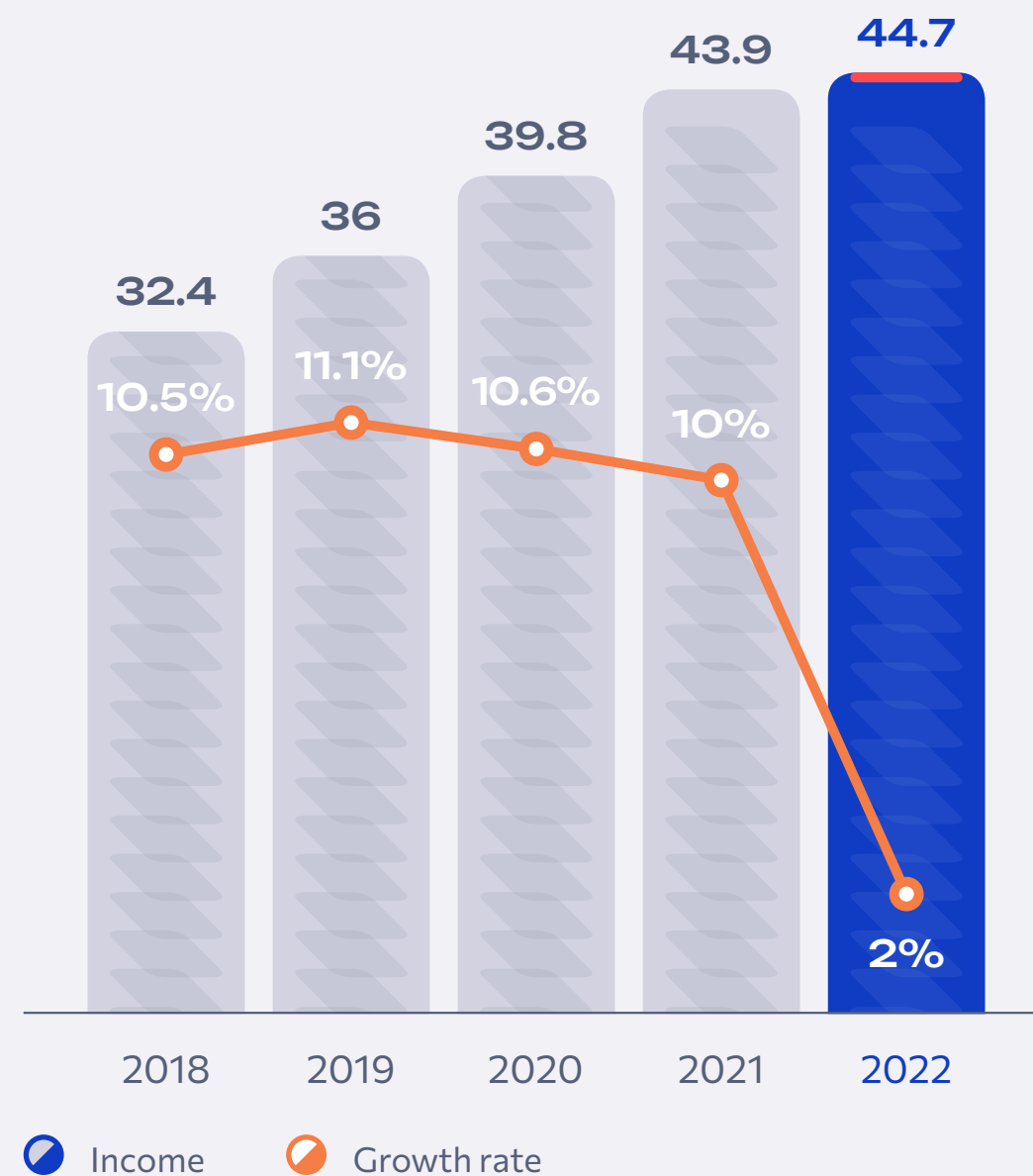
### Revenue dynamics from Pay TV services

In 2022, the volume of the Pay TV market amounted to KZT 44.7 billion, an increase of 2% compared to the previous year.

As before, the main income from Pay TV services is generated by households – more than 93% of the total amount or KZT 41.7 billion in monetary terms. In recent years, pay TV operators have become more focused on the corporate segment, trying to use it as a resource for additional connections.

#### Income from Pay TV services in 2018–2022, billion KZT

Source: Data of the CS MNE RK, working group assessment



## Services to communications operators

The volume of services provided by operators in the B2O segment by the end of 2022 was KZT 105.1 billion.

#### Income from services to communications operators in 2018 – 2022, billion KZT

Source: Data of the CS MNE RK, working group assessment



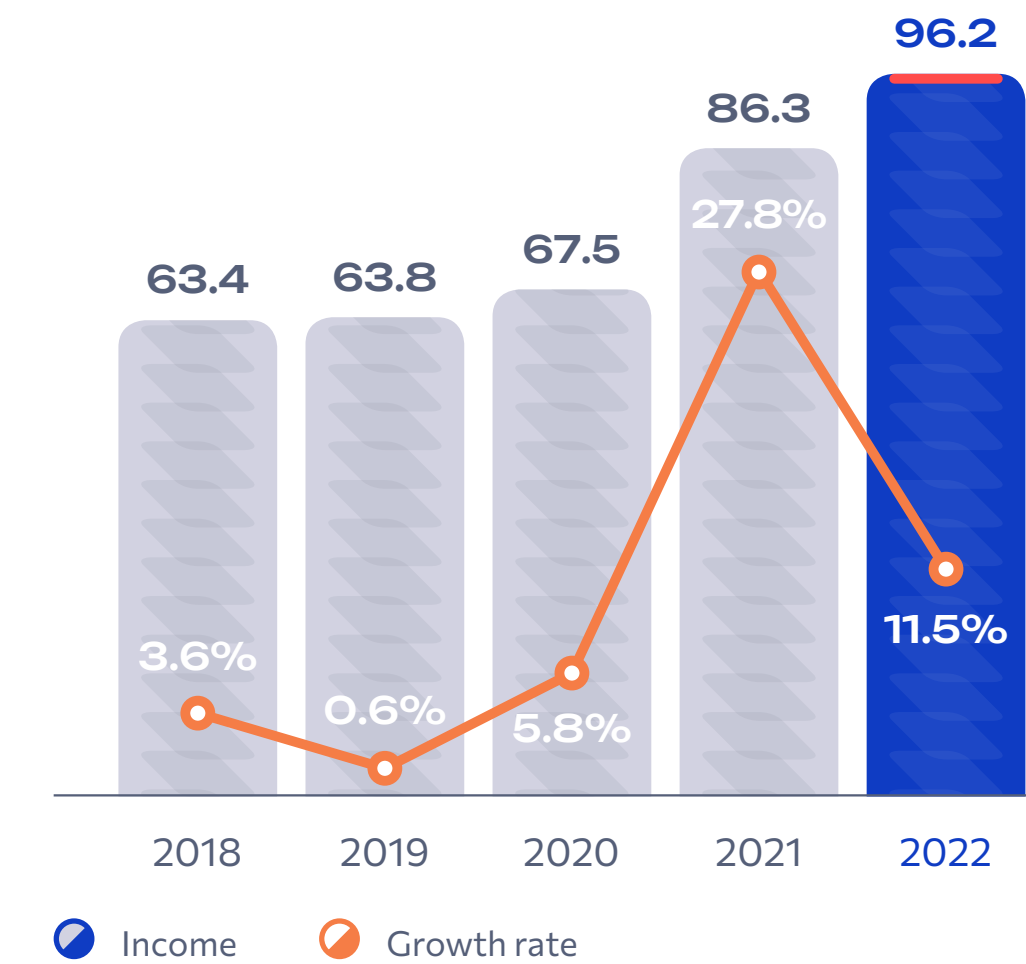
The main revenue-generating services are channel lease and Internet access services – they account for 42% and 18% of all revenues from B2O services, respectively. The main consumers of channel lease services are cellular operators who are constantly working to improve their network coverage and install additional base stations. Coverage expansion is currently taking place mainly in rural areas. The volume of Internet access services in the operator segment is growing from year to year, which is directly related to the growth in consumption of data transmission services by end users in operator networks. The third most important in the structure of income from B2O services is the segment of transit of data traffic of foreign operators through the networks of Kazakhstani telecom operators. In 2022, IP transit revenue accounted for 18% of total service revenue in the backbone market.

## IT services

In 2022, the volume of the IT market was KZT 96.2 billion, an increase of 11.5% compared to 2021.

#### Changes in income from IT services in 2018–2022, billion KZT

Source: Data of the CS MNE RK, working group assessment



The main volume of IT-services provided by operators to commercial clients in the open market (outside the state order or parent company service) is related to the provision of data center-based services. As additional areas, operators are developing cloud video surveillance services, implementing IoT-based solutions, and acting as fiscal data operators (FDA).





# 3

## Business and Finance Overview







# Retail business

## Key results

**In 2022, the Company once again updated its revenue record in the retail segment, which amounted to KZT 127.1 billion, including a 50% discount on all accrued revenue for the duration of the state of emergency across the country (KZT 5 billion). An increase of 8.1%, or KZT 9.6 billion, was also recorded in 2020. The revenue plan was exceeded by KZT 5.9 billion and 4.9%. The average profitability (ARPU) of a subscriber increased by 6.5%.**

In the reporting period, the broadband Internet access subscriber base continued to grow by 0.3%, Pay TV by 1.4% and converged services by 5.6%.

At the end of 2022 there was a record low total level of overdue and doubtful accounts receivable in the amount of KZT 2.4 billion. Compared to September 2018, when there was the highest peak of overdue and doubtful accounts receivable, the figure was reduced by KZT 4 billion, or 63%.

## Development of product offerings

Developed on the basis of a new modern IPTV/OTT hybrid complex and launched commercially in 2021, the new TV+ platform received significant improvements in functionality and content in 2022. Thus, in terms of UX / UI, the following functions were implemented: the main menu buttons are located at the bottom of the screen; the records of the archive are collected in the "Best on TV" tab, sorted by categories and genres, and also decorated with content covers; movie theaters are collected in one tab, on which, for the convenience of the user, recommendation selections are presented. Additionally, the next update of the mobile application introduces a vertical mode.

Another significant update for the service in 2022 is the launch of ECOM. Starting February 2022, anyone can become a TV+ user regardless of the availability of Kazakhtelecom JSC's services. All one needs to do is to choose a subscription option and link a card to pay for the service. To increase attractiveness of the service, stimulating marketing actions were held throughout the year.





## Development of Kazakh TV content

In the first half of 2022, work was carried out to improve the content of the package of TV channels. Thus, the offer of children's TV channels in the Kazakh language was expanded — a Kazakh track was added to the channel Tiji and the channel Nickelodeon HD in the Kazakh language was included. OTT rights for Nickelodeon, Nickelodeon HD, Nickelodeon Junior and ASTANA TV channels were also added. Now every subscriber can watch these channels without being connected to the Internet from Kazakhtelecom JSC.

In addition, despite external influence (sanctions against the Russian Federation), alternative ways of delivering and purchasing TV and video content were implemented. Regardless of the foreign policy situation, it was possible to prevent a qualitative deterioration in the content of the service package.

In terms of video content, there have also been positive changes. Content from two foreign studio majors Universal and Paramount was added to the Megogo catalog. START

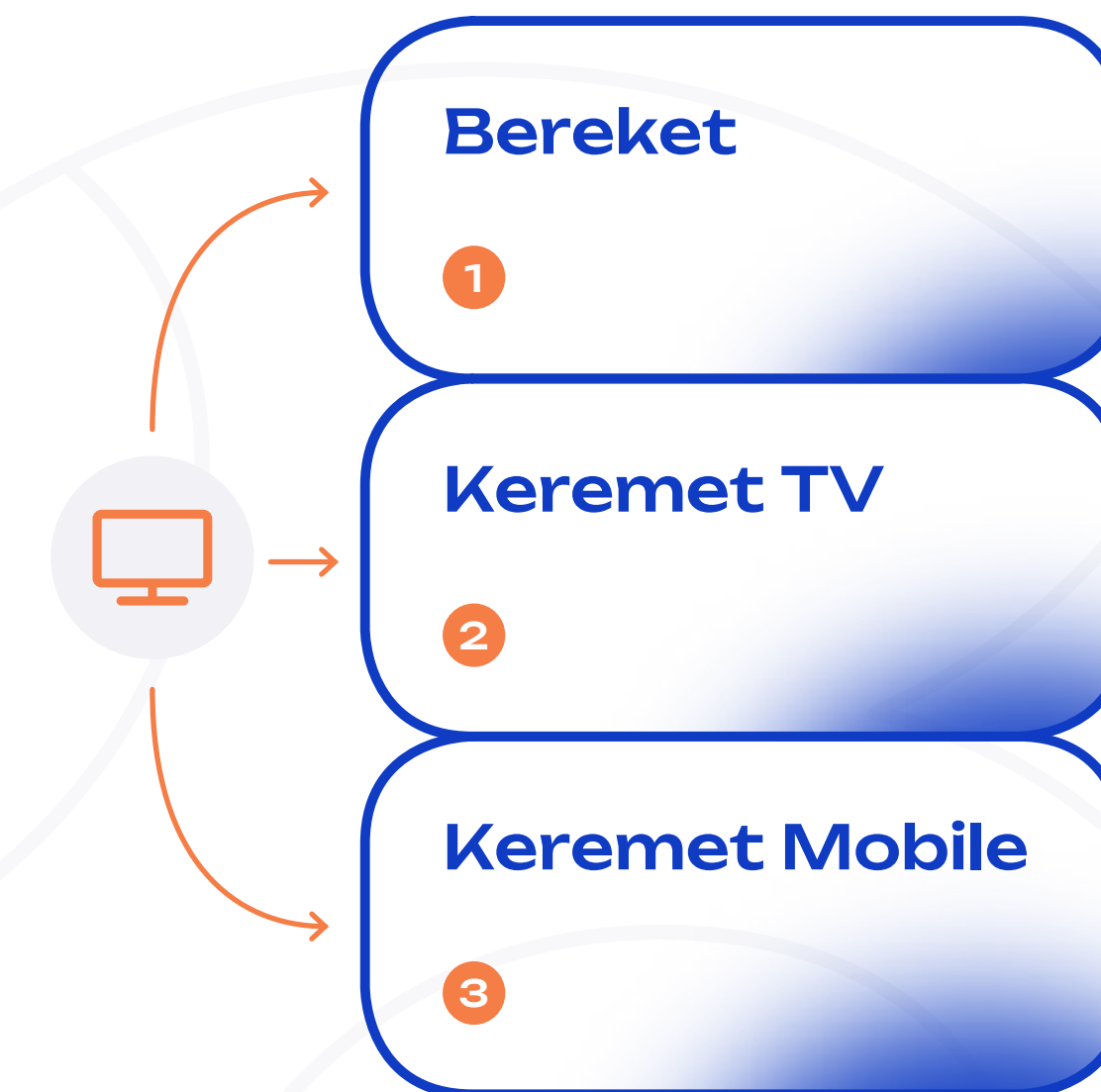
cinema significantly increased the share of content — now, in addition to the cinema's own production projects, users have access to a large catalog of foreign content. The line of children's content was significantly expanded. Amediateka cinema has been releasing world premieres and new series since June. The "Made in KZ" cinema has added hits of the Khabar TV channel, such as the TV series "Kelinzhan", "Rauza", and many others. The catalog has also been expanded by exclusive online premieres of domestic film projects. Among them are the sports drama "Paralimpian" and the films of the participants of the international festivals "OT" and "Zere".

At the same time, in the reporting year, the Company presented Qazaqsha, the first Kazakh-language online movie theater in Kazakhstan, to TV+ subscribers. Its catalog consists of more than 500 movies, TV series and cartoons from world movie studios with high-quality dubbing into Kazakh language, produced with the participation of professional actors.

## New lines of tariff plans

On December 1, 2022 Kazakhtelecom JSC launched new lines of Bereket, Keremet TV and Keremet Mobile tariff plans. The company retained the concept of long-term contracts, including unlimited home Internet, hundreds of TV channels, cellular communications, where subscribers can get a discount on the subscription fee with a guarantee of unchanged price throughout the contract term: 1, 2 or 3 years.

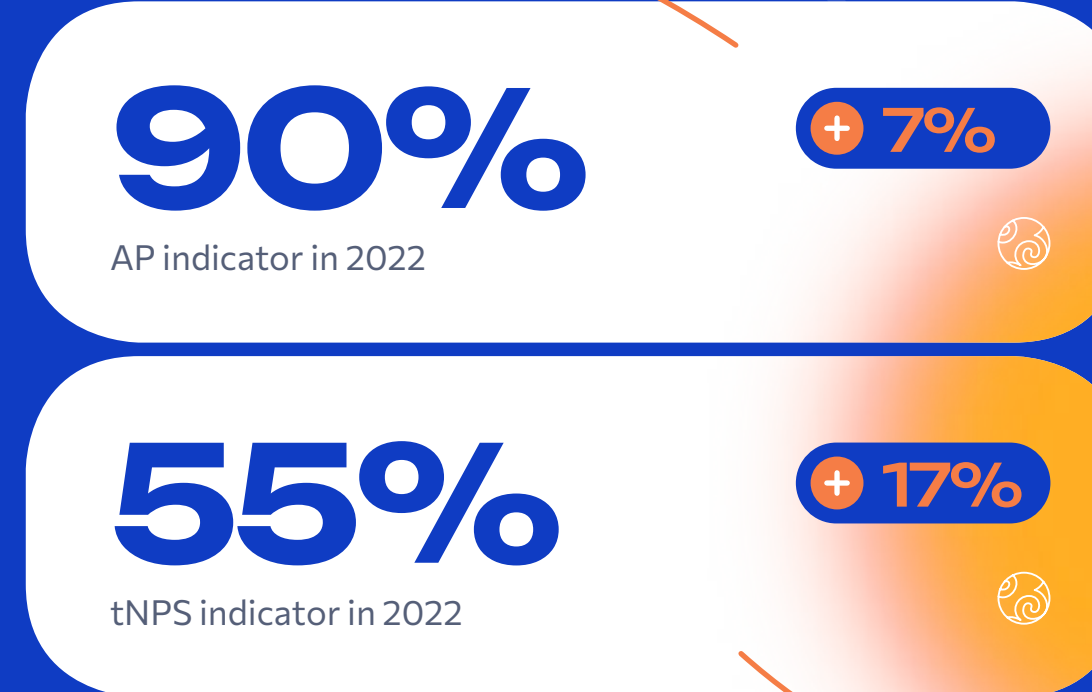
One of the important innovations is unlimited access from mobile numbers included in the package to all content in the Kazakhtelecom TV+ video service. Now, subscribers of the national telecom operator can watch more than 150 TV channels and over 6,000 movies and TV series from Qazaqsha, Amediateka, Megogo and "Made in KZ" from mobile numbers of Kazakhtelecom JSC without consuming Internet traffic by activating new tariff plans.



## Client experience

The year 2022 was declared the year of quality in the Company. In order to motivate employees and improve the quality of service in the retail segment, a motivational contest, The Best Customer Service, was held for the first time to motivate personnel in providing quality customer service. Employees are evaluated according to such indicators as service quality index, level of knowledge, Agent Performance (AP) client score and First Request Resolution (FRR — solution of the subscriber's issue from the first communication). Employees are awarded quarterly in the nominations "Best Quality Specialist", "Best Team Captain by Quality", "Best Quality Manager".

To assess the quality of front office operator service, an AP (Agent Performance) system was introduced — after each service, when connecting, replacing or disconnecting services, subscribers are sent a questionnaire, using which they can rate on a scale from 1 to 5 the quality of service by the operator. Every month more than 90% of the front office operators are evaluated by subscribers, which allows to take prompt action to improve service in the B2C segment. The AP index in 2022 grew by 7% to 90% (84% in 2021).



The key direction for the Company is the research of the level of customer loyalty — transactional Net Promoter Score (tNPS). After each service of a subscriber in service channels a questionnaire is sent to the verified subscriber's number to assess his loyalty level — the indicator is called transactional Net Promoter Score (tNPS). The purpose of the questionnaire is to find out how much the subscriber is ready to recommend the Company to friends, colleagues, relatives. The index is estimated on a 10-point scale: when the score is low, the subscriber indicates the reasons for dissatisfaction and leaves his/her suggestions for improving the service. The tNPS score increased from 38% to 55% in 2022.



In addition, in order to improve customer service, customers were asked whether their issue was resolved in a single request (First Request Resolution). As a result of building such feedback and continuous monitoring of operators, the share of subscribers served on the first try increased from 73% to 85% by the end of the year.

Digital transactions in 2022 increased from 32% in January to 38% in November.

Compared to last year, the share of service in online channels increased by 8% and amounted to 66%. Nearly 934 thousand subscribers were served online, with 514 thousand subscribers choosing to visit the service network locations.

The Company is constantly working to improve service and to solve each client's request, introducing new approaches to service in both traditional and digital channels. The Company has developed effective tools for customer retention: a wide range of tariff plans tailored to fill and cost requirements, prompt resolution of requests to improve service quality and other issues related to the provision of telecommunications services. In 2022, requests from over 75 thousand subscribers dissatisfied with the quality of services and tariffs were resolved.

Given the flow of customers into digital channels and the transition to online service, the capabilities and functionality of the service through a mobile application have been expanded:

- service options via the subscriber's personal account were expanded. The following self-services have been implemented: payment of services, details of bills, information on connected services, details of traffic for services, connection of VAS (including TV+), the ability to apply, get answers to frequently asked questions, onboarding, change to e-SIM, connection of booster, information about the arrival of a fitter;
- subscriber verification was implemented – a system for recognizing identification documents and face recognition, which will significantly reduce customer service time. The functionality is available to customers who have access to the e-gov "Digital Documents" service through the eGov mobile application.



The year 2022 was also marked by the introduction of new digital service mechanisms and growth of service through remote channels. Among other things, the operation of WhatsApp and Telegram online channels was improved:



channels were switched to  
**24/7/365**  
service mode

**30 minutes**

the waiting time of the specialist's answer from 1.5 hours at the beginning of the year to 30 minutes at the end of the year was improved

**98%** **+26%**

the percentage of the clients served

**3.5 hours**

the duration of the dialog with the client was reduced from 10 hours to 3.5 hours

Part of inquiries was transferred to the self-service level. Such requests as the current balance of the personal account, payment methods, SIM card registration procedure, advice on roaming and connecting TV+ services by debt, recommendations on Wi-Fi routers, and shop.telecom.kz services are handled by an online chatbot.

**66%**

**+8%**

the share of service in online channels

**934**  
thousand subscribers

were served online in 2022



The index of the quality of service index compared to 2021 in the context of service channels improved as follows:

in online channels

**80%** **61%**  
in 2022 in 2021

in the incoming calls sector

**86%** **82%**  
in 2022 in 2021

in the service network points

**86%** **74%**  
in 2022 in 2021

in contact centers

**87%** **83%**  
in 2022 in 2021





### Changes in the organizational structure — as a guarantee of strengthening customer-centricity and increasing efficiency

Organizational changes are an integral part of the Company's development and growth. One striking example of such changes in 2022 was the transfer of technical personnel responsible for installation work on the subscriber side to the management of the commercial department. This change strengthens the Company's customer centricity. Thanks to this change, the Company can more effectively meet the needs of its customers, providing them with better services and solving problems faster and more efficiently.

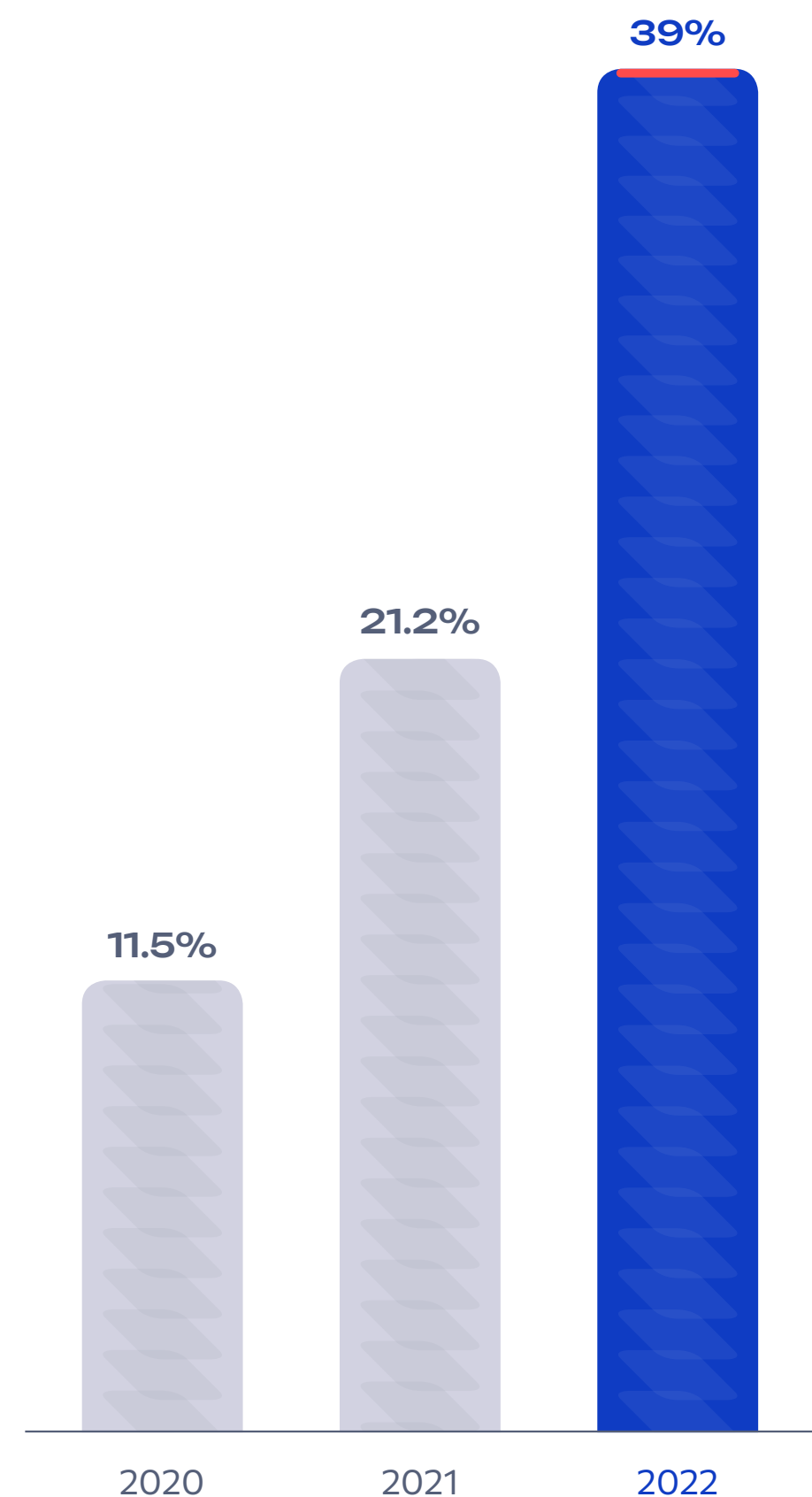
Thus, according to the Decision of the Board No. 48-198 dated September 26, 2022, in the organizational structure of the Retail Business Division, a branch of Kazakhtelecom JSC, a new direction for the development and support of networks has appeared, consisting of 332 staff units, united in four structural divisions: Installation Works Department, Technical Solutions Development Department, Planning and Operational Efficiency Service, Service Delivery Processes Service.

The activities of the new division are aimed at:

- planning the development of communication networks and promotion of innovative technologies for telecommunication services;
- organization of work on the development, definition and search for technical solutions in order to increase the number of connections for all types of telecommunications services of the Company;
- carrying out installation work on the subscriber side;
- control and analysis of the state of accomplishment of tasks set to improve the Company's activities.

In 2022, there was a positive trend in the average connection time, which was achieved by optimizing installation order routes in internal software complexes and improving processes for connecting services (introduction of a motivational contest for installers with a focus on timely and high-quality service provision). This had an impact on improving subscriber satisfaction and loyalty.

The share of completed orders for the installation of services using GPON technology at the HRH for 24 hours



### Plans for network development in 2023

The construction of optical telecommunications networks is planned for 2023:

- in the cities of Almaty, Astana and Shymkent with connection of 42 thousand households;
- Turkestan city with connection of 5 thousand households in multi-storey buildings and cottages;
- in Semey, Pavlodar, Kostanay, Petropavlovsk, Taraz, Kokshetau, Aktobe, Atyrau, Aktau, Uralsk, Karaganda, Temirtau, Kyzylorda with connection of 74 thousand households;

- in the area of the Company's copper networks with switching of existing ADSL subscribers in the cities of Almaty, Astana and Shymkent;
- through partner network in the cities of Astana, Almaty, Shymkent, Kokshetau, Atyrau, Aktau, Uralsk with connection of 73 apartment complexes.

In addition, it is planned to further reduce the time to connect telecommunications services, expanding the dealer network to meet the daily order queue.

### Social responsibility

**In the January period of 2022, when a state of emergency was introduced on the territory of the Republic of Kazakhstan, one of the many restrictions imposed on the population was the restriction of access to telecommunications services.**

Realizing its social responsibility in this difficult period for the country and the need to take into account the rights of subscribers who were limited in access to communication services, the Company decided to provide discounts for individuals for the period from January 1 to January 31, 2022:

# 50%

for all accruals for services rendered by Kazakhtelecom JSC

# 100%

for tariffs for long-distance (intrazonal) telephone communication services and for connections on the networks of cellular operators provided on a per-second basis

Penalties for late payment for telecommunications services were also abolished.

These measures underscore the Company's high level of social responsibility and its readiness to take care and help its customers.





# Corporate business

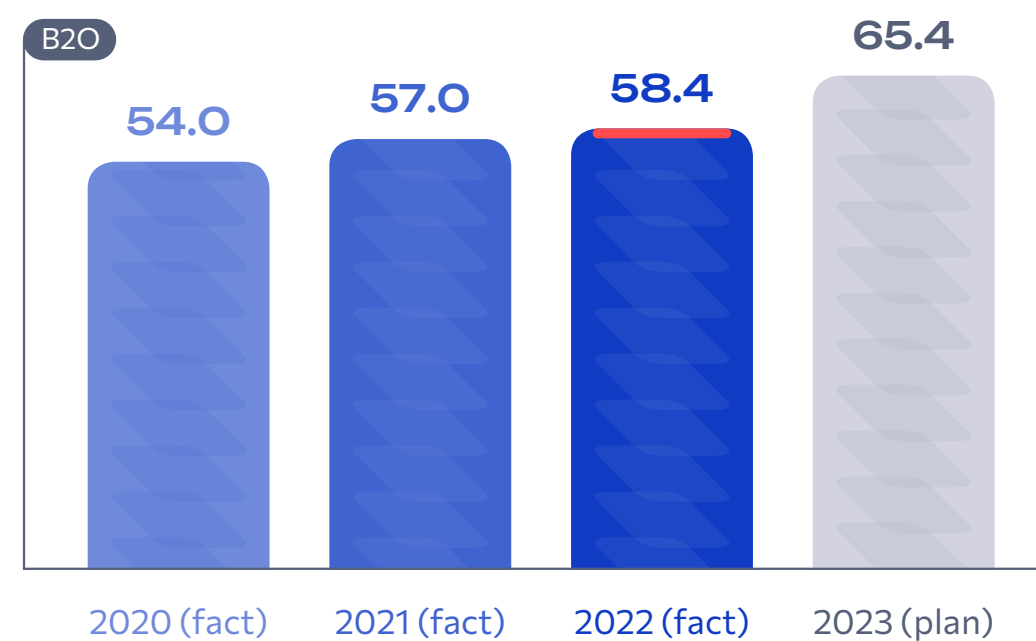
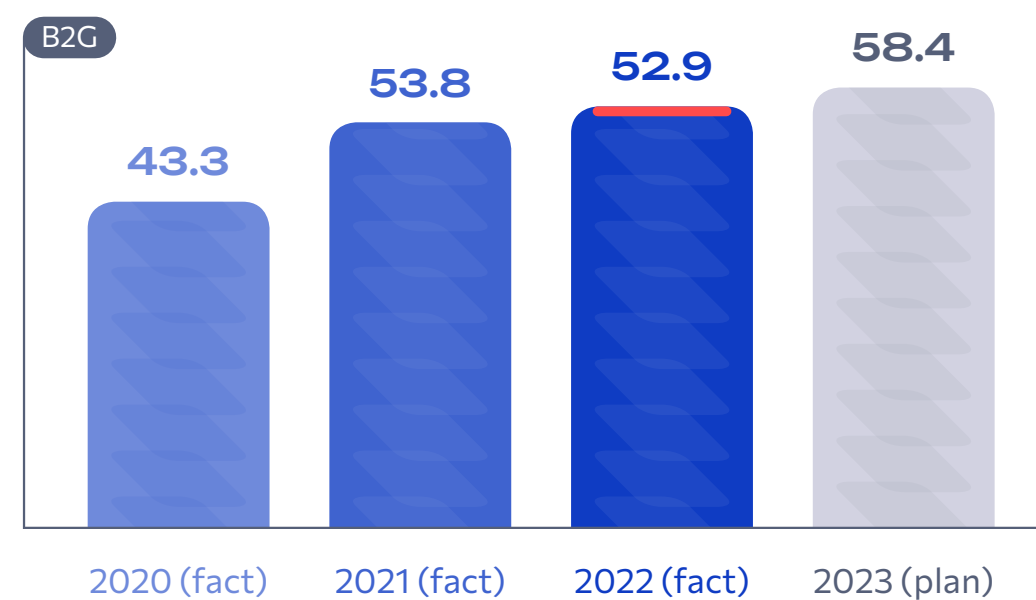
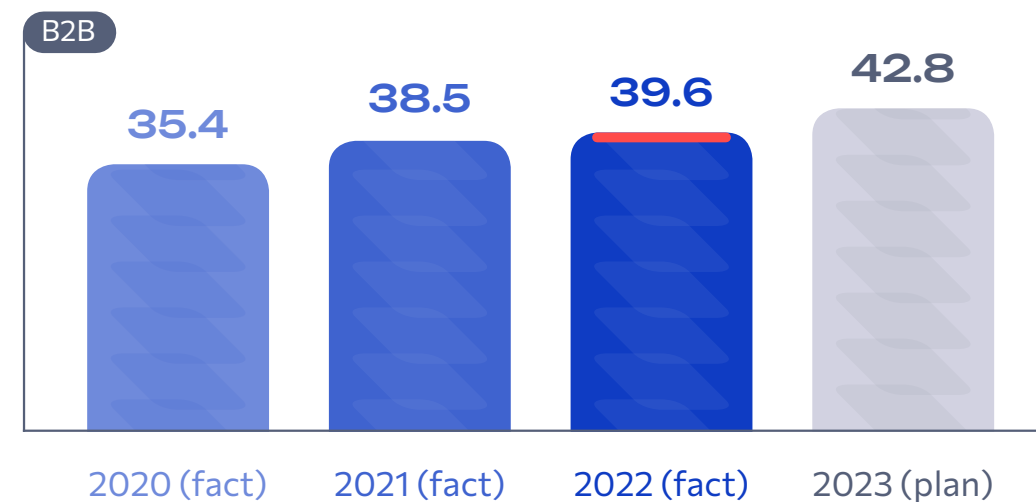
**The Company's revenue in the corporate segment for 2022 amounted to KZT 150.999 billion, net of VAT, broken down by B2B, B2G and B2O segments.**

In 2022, the corporate segment focused on such areas as the development of the product line, identification of the most effective digital channels and their development, personalization and digitalization of services, and development of the OFD project.

As part of the implementation of the strategic objective of Kazakhtelecom JSC – the business partner of the digital economy in the corporate segment, revenue growth from new businesses in 2022 was KZT 3.884 billion. The main growth was due to the promotion of video surveillance services.

Carrying out activities in the period after the pandemic made it possible in 2022 compared to 2021 to reduce the outflow of services in the corporate segment by 21.6 thousand devices (26%).

Company's income in the corporate segment, billion KZT

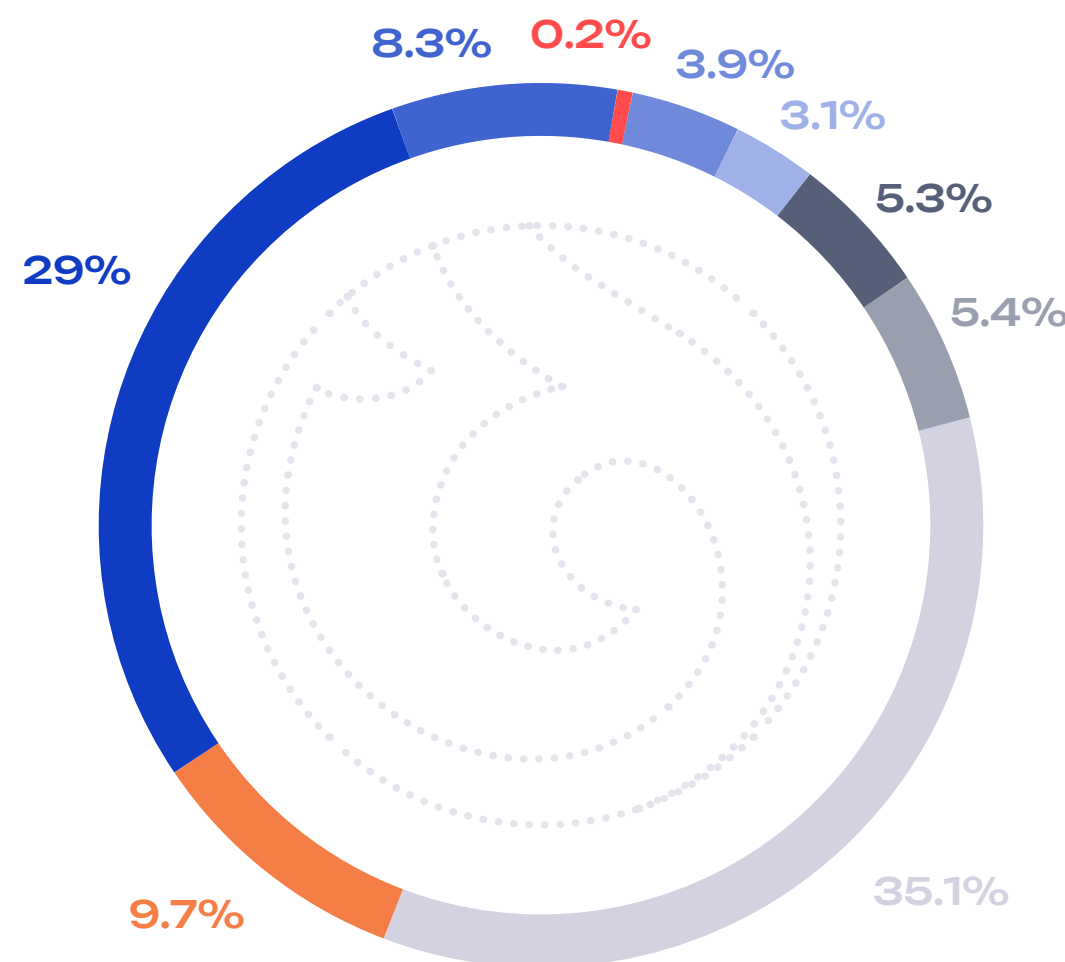


**3.884**  
billion KZT  
revenue growth from new businesses in 2022





Revenues structure of the Company in the corporate segment, %



- Revenues under agreement with international operators
- Domestic operator market
- Corporate infocommunication services
- Television
- New businesses
- OFD services
- Other services
- Telephony
- Data transmission network

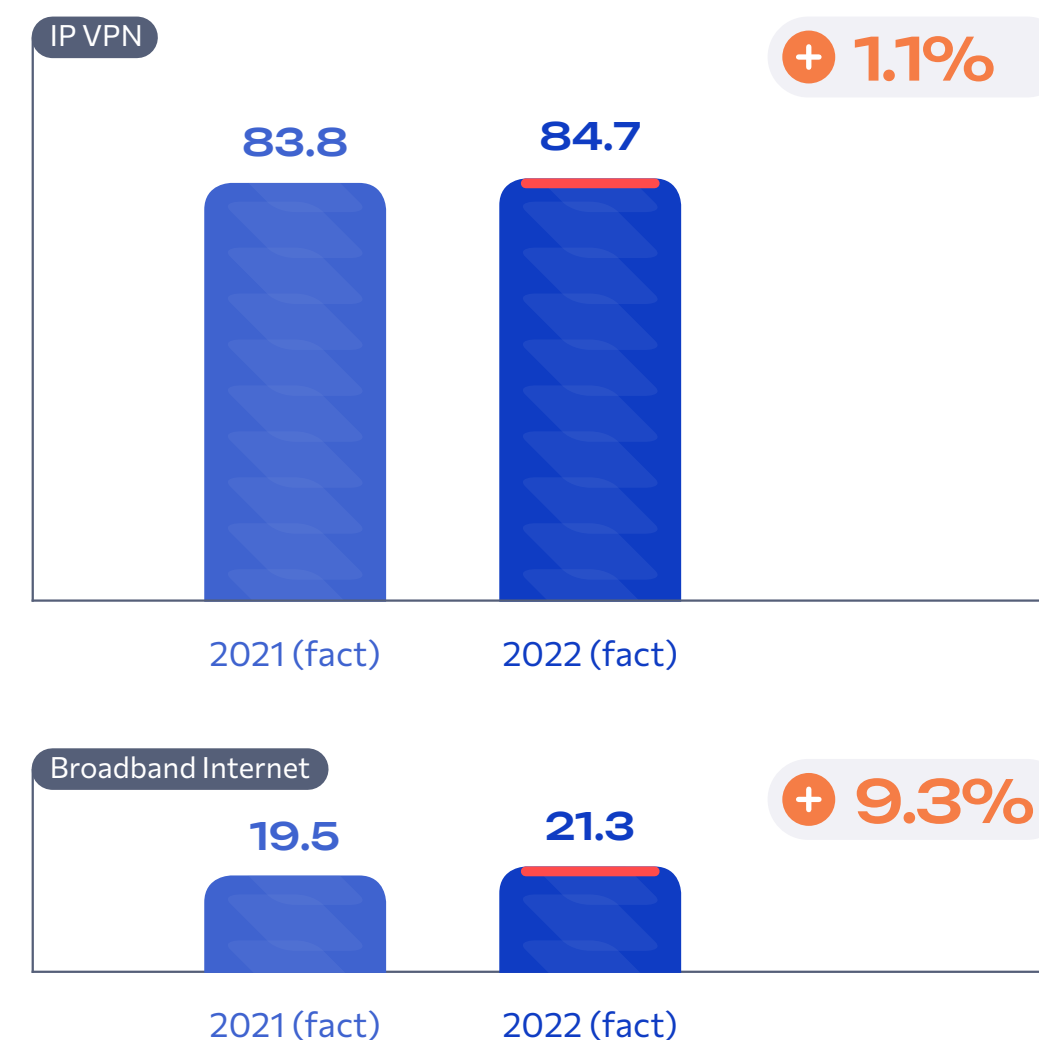
In the revenues structure in the corporate segment, the largest share of 35.1% is made up of revenues from the provision of data transmission network services. The share of revenues from the domestic market operator 29.0%, and the share of revenues under the agreement with international operators equaled 9.7%.

Dynamics of volume indicators in B2B and B2G segments, thousand devices



The decline in sales of fixed lines is an established global trend due to the development of substitute services – instant messengers and social networks. As part of the post-pandemic cost reduction efforts undertaken by customers, corporate networks were optimized, which led to the disbandment of broadband, TV and IP VPN outlets.

ARLB growth for 2022 to 2021 in the context of Internet access and IP VPN services, %



At the end of 2022, compared to 2021, the commercial indicator of ARLB increased in providing broadband access to the Internet by KZT 1,800 per month for each point, which is 9.3%, in providing IP VPN, the increase was KZT 900 (1.1%) monthly for each connected point.

By the end of 2022 the client base in the B2X segment was 63,342 clients, of which in the B2O segment the client agreements with 160 operators, in the B2G segment – with 15,835 state organizations, and in the B2B segment – with 47,347 agreements with business companies. Compared to last year, the total client base increased by 1,803 clients, which is +2.9%.

## Product line expansion and differentiation

The tariff policy of the Company in the corporate segment provides for the formation of product offers aimed at fulfilling the company's strategic goals for the transition to a customer-centric sales model.

In this regard, within the framework of a segment-oriented model, a number of package product offers for the SOHO segment have been developed and implemented.

In July 2022, a new Kasipker line was launched for this segment, consisting of eight packages and focused on customer needs. The starting package price range starts from KZT 8500 including VAT. At the same time, the package includes telephony services, broadband access, mobile telephony and rental of IMOU cameras with improved technical characteristics.

In addition, from October 2022, Nomad packages for SOHO segment were developed and introduced for sale starting from KZT 8,500 with VAT. These packages provide for inclusion of Plug&Play services "Mobile Telephony", "Fixed Internet on LTE technology" + "IMOU video camera rental", consisting of 3 packages with different content.





Along with this, in 2022 the following were developed:

- new line of Alan tariffs. The line provides broadband access to the Internet based on FTTx technology for game clubs;
- a package offer for the provision of broadband access and iD TV services for categories of HoReCa users;
- product offer “Temporary blocking” for the B2G segment for the period of conclusion/renewal of contracts, summing up the results of the competition/tender.

Eight services were launched in 2022, two of them for large corporate and government organizations (“Video Analytics” and “Alarm Button”) and six new cloud services on the ismet.kz portal to solve business problems of any complexity without capital costs. The current situation after the coronavirus pandemic has led commercial and government organizations to transfer employees to remote work, some events and user actions are transferred online, and marketing budgets are redirected to digital channels. These and other processes require prompt decisions and significant resource capacities. The shortage served as one of the growth drivers for the cloud services segment, and the need for businesses to reduce costs led to the search for convenient cloud solutions, such as:

<b>Virtual servers</b>	organized on the basis of high-performance servers with the ability to configure backups (connected in the panel) to solve business problems of any complexity: hosting highly loaded web applications, databases, remote desktops via RDP and many other tasks.
<b>Virtual Data Center</b>	created on the basis of virtualization from VMware – this is a pool of dedicated resources with the ability to flexibly configure the cloud infrastructure through a convenient web-panel.
<b>VPS based on Open Source</b>	a dedicated server running Linux from ISMET.KZ is based on Open Source solutions, which guarantees high speed servers and ease of setup.
<b>Cloud storage</b>	allows you to create a reliable and secure S3 cloud object storage for storing heterogeneous data with access via Swift, S3.
<b>DNS-hosting and monitoring</b>	allows you to easily manage your domain’s DNS records and increase the availability of your site, since we use independent NS servers.
<b>SSL-certificates</b>	provide secure data transmission on the Internet, confirm ownership of the domain and help advance in search engines.

At the end of 2022, “DDoS attacks Protection Service” became the killer-product in the corporate segment, with a 980% increase in revenue since the beginning of the year. The clients of the service are large second-tier banks of the Republic of Kazakhstan, as well as telecom operators of the Republic of Kazakhstan.

According to preliminary forecasts, it is expected that in 2023 “Video Analytics” and “Alarm Button” will become killer products.

## Digitalization

**In 2022, Kazakhtelecom JSC accelerated its implementation of the online customer service practice. The work was aimed at the growth and attraction of new clients, at transferring clients to online services, and at improving client service and improving client loyalty.**

It is possible to receive various services on the ISMET.KZ business platform without leaving the office. User may:

- submit an application for connecting services online with an instant check of the technical feasibility when connecting to the Internet using optical technologies;
- use the user account to submit/monitor requests/requests and monitor the status of service orders;
- the possibility to perform self-diagnostics of the problem and solve the problem without the participation of the operator;
- to receive information on the individual account, balance sheet, itemization, replenishment;
- to receive and sign documents electronically (contracts, CC, Reconciliation Act, etc.) with electronic digital signature or QR;
- post information on its goods or services;
- search for partners, clients, contractors, etc.

In addition, the number of documents requested from clients was reduced. Integrations with information systems of government agencies allow you to receive documents in electronic form with the consent of the client. The number of registered users of the ISMET.KZ platform increased by 27% in 2022 and amounted to over 80 thousand users.

As part of the digital transformation, Kazakhtelecom JSC has launched “Digital Partner in Village” project throughout the country. The idea of the project is to engage private entrepreneurs to provide Internet services to rural communities, and the partner has the opportunity to earn money together with the operator. All interactions with the project partner are performed via a digital channel.

A project has been launched to obtain technical specifications online, which will speed up the process of connecting customers of medium and large businesses.

According to the results of 2022, the “B2B NPS Loyalty Level” retained the indicator of the previous year and amounted to 15%. The main reason for customer dissatisfaction is related to the quality of copper technology broadband access services.

Incoming and outgoing traffic in the B2X segment continues to grow. In view of the increasing demands on the availability of services, on the speed of responding to problems, on the availability of optical technologies, in 2023 the corporate segment will face global challenges to transfer business to improved technical characteristics, increase the speed of connecting broadband access using optical technologies. These improvements include continuing to digitize customers and motivate them to use digital services by reducing service times, implementing green economy principles and increasing the number of self-service services.

**>80 thousand users**  
the number of registered users of the ISMET.KZ platform



## Operator of fiscal data

According to the Order of the First Deputy Prime Minister of the Republic of Kazakhstan – the Minister of Finance of the Republic of Kazakhstan dated April 19, 2019 No. 363 On Amendments to the Order of the Minister of Finance of the Republic of Kazakhstan dated February 16, 2018 No. 205 “On determining the legal entity that ensures the transfer of data on money settlements in the operational mode to the state revenue authorities via public telecommunications networks” were determined operators of fiscal data: Kazakhtelecom JSC, Transtelecom JSC, Kar-Tel LLP and Jusan Mobile JSC.

The Operator of Fiscal Data (OFD) project ensures the prompt transfer of information on cash settlements using cash register made during trading operations and/or the provision of services to the state revenue authorities.

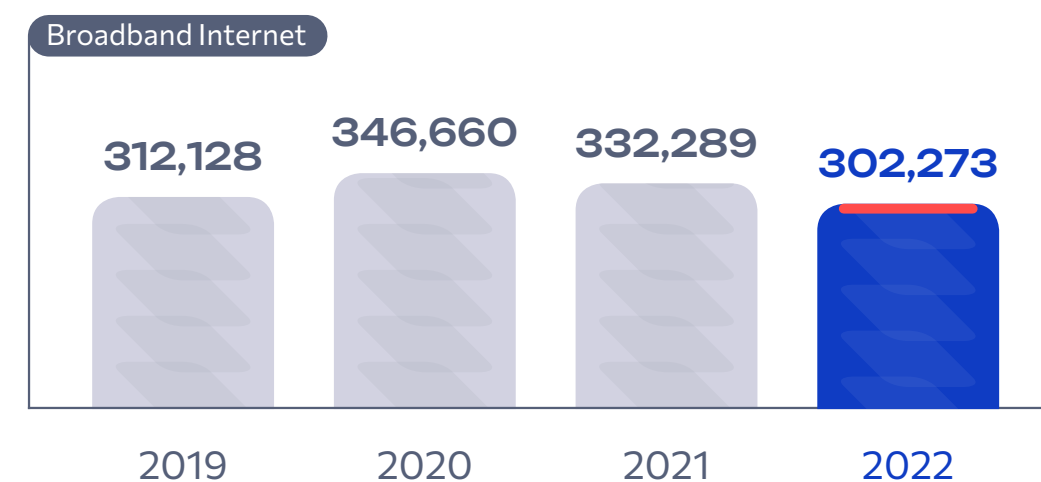
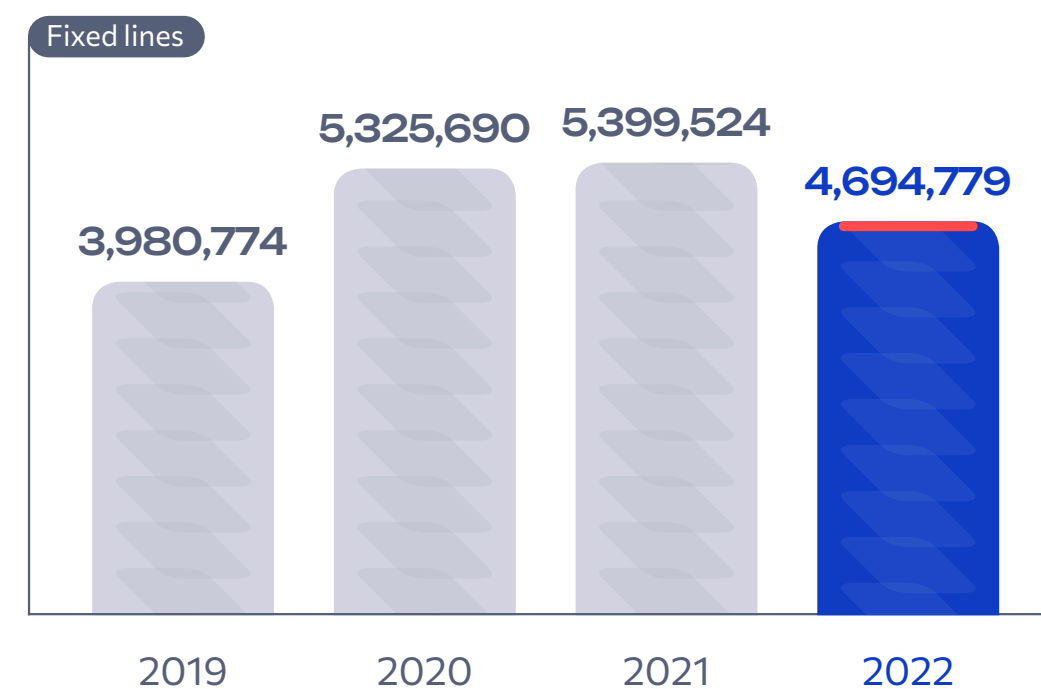
Since 2015, Kazakhtelecom JSC has been providing services of accepting, processing, storing and transferring fiscal data in unchanged form to the tax authorities via wired and wireless VPN channels (SIM cards of Altel JSC, Kcell JSC, Kar-Tel LLP).

At the end of 2022, the number of active cash registers connections amounted to 302,273 units, compared to the previous year, the active client base decreased by 30 thousand. The reason for the decrease was a change in the situation on the OFD market and strong price competition.

Despite the appearance of new players in the market of fiscal data operators, such as Transtelecom JSC, Jusan Mobile JSC and Kar-Tel LLP, the Company retains its leading position in the market of OFD in Kazakhstan through the optimization and digitalization of business processes and provision of services to end users.

In 2022, as part of the development of the OFD project, a new product was launched – “E-cash” – a free software cash register. Launched a subscription system for 1, 3, 6, 12 months with competitive rates. The company is aimed at retaining and maintaining the client base in a competitive market.

Income from the OFD (thousand KZT) and number of cash registers



Within the OFD project in 2023 Kazakhtelecom JSC plans:

- development of after-sales annual contractual tariffs;
- development of promo codes with a tariff discount of up to 100%;
- integration with CRM 2.0 for package solutions with traditional CT (computer telephony) services;
- development of software for a business – a commodity accounting system.

## B2O

### International operator segment

The following projects were implemented in the international operator segment in 2022:

project Organization of PoP nodes in Frankfurt;

project “Laying FOCL across the Caspian Sea”, business plan at the stage of preliminary examination;

network modernization project to provide transit channels between China and Europe. In the process of implementation of the project “Transit 20x100G” a transit channel with the capacity of 1x100Gb/s in the direction of China – Europe was organized. In addition, memorandums were signed with international telecommunications operators China Mobile, China Unicom and China Telecom to extend joints at the border of Kazakhstan and China.

on the project “Transfer of voice traffic from the ISC to the NGN network” transfer to the NGN network in 2022 – 7 operators, 52 channels;

on the introduction of a new billing system Interconnect for the B2O segment, a CBD/ITD working group has been created, the terms of reference are under development;

## Plans and objectives for 2023

The plans for 2023 for corporate business include maintaining the growth trend in Internet traffic consumption. Like the previous period, the main increase in income is planned to be provided by:

- implementation of the project “Organization of a PoP node in Hong Kong”;
- sales of new 2x100G transit channels in the direction of China – Europe (subject to the resumption of suspended tenders due to the geopolitical situation);

- sales of new transit channels in the direction of Central Asia, incl. Afghanistan;
- approval of the business plan for the project “Laying FOCL across the Caspian Sea”;
- transfer of voice traffic from the ICS to the NGN network (5 operators, 5 channels);
- development of business requirements for the Interconnect billing system for the B2O segment and further updating the current system or implementing a new one together with ITS.





## Agreement with telecom operators

The Department of Agreements with Telecom Operators (DATO) carries out activities for the interaction of the Company with telecom operators of the Republic of Kazakhstan and tenants of communication channels:

- provides services for connecting TO networks and tenants to the Company's telecommunications network, to the data transmission network and to the Internet;
- leases communication channels (international, long-distance and intrazonal), IP VPN services for TO and tenants;
- conducts mutual settlements with TO, tenants of communication channels and owners of departmental networks under centralized contracts of the Department

DATO revenues in 2022 amounted to KZT 43 billion 203 million, with a plan of KZT 41 billion 245 million, the execution was 104.7%, an increase compared to 2021 amounted to KZT 1 billion 999 million, or 105%. The implementation of the plan in 2022 was affected by the growth in the volume of voice traffic from mobile operators due to the political situation in Russia and the connection of operators to the Internet access service.

DATO expenses amounted to KZT 6.36 billion, while the plan was KZT 6.17 billion, the execution was 103.1%. The cost overrun was affected by an increase in the volume of transit traffic due to the political situation in Russia and peering agreements. Overdue accounts receivable under DATO at the end of the year amounted to KZT 4.4 million.

### Plans and objectives for 2023

- Timeliness of the tasks/functions assigned to the unit.
- Interaction with structural subdivisions of the Company and mobile operators on the implementation of 5G network coverage areas.
- Growth in volumes by telecom operators for the "Rental of transport network channels and the Internet" service compared to 2022.
- Timely fulfillment of contractual obligations in terms of payment under OSS revenue agreements.
- Development of instructions for interaction with MT-S LLP under the FMS agreement.
- Elaboration of issues regarding the profitability of renting Kazsat services.
- Connecting OSS to services under the FOCL RS project.

**43,203**  
million KZT

The Department of Agreements with Telecom Operators revenues in 2022



## B2G

The main goal of the Department of Sales to Budgetary Organizations (DSBO) is the organization and provision of telecommunications services to government agencies and entities of the quasi-public sector.

Execution of the main indicators:

- AIP according to plan – KZT 23,922,525 million, actual – KZT 23,593,646 million (98.6%), the amount of overfulfillment of AI in 2022 by 2021 + KZT 1,412,891.
- Planned outflow – 2,303, actual – 969 (42%).

In 2022, the project "Transport for video surveillance of the Ministry of Internal Affairs of the Republic of Kazakhstan" was implemented, the income from this project amounted to KZT 3.4 billion.

### Plans and objectives for 2023

- Preservation of income in the amount of KZT 3.4 billion under the project "Transport for video surveillance of the Ministry of Internal Affairs of the Republic of Kazakhstan."
- Minimization of failures on TV connections of new ports/increases in throughput of channels.
- Development of the base of potential customers (Government agencies/Budgetary organizations) with the prospect of switching to the services of Kazakhtelecom JSC and maintaining current income on the portfolio (including under the PPP project "FOCL in RS").
- Implementation of a system for automating the process of signing certificates of conformity within the framework of the FOCL RS PPP project.

### Projects for 2023:

- FOCL project in RS (PPP 2.0).
- FOCL project for schools.
- Project "Laying FOCL along the bottom of the Caspian Sea".





# Information technology

**For Kazakhtelecom JSC, the IT Division (ITD) plays a key role not only in automation, digitalization of internal and external processes, but also in obtaining direct and indirect income. ITD provides customers with the information and communication services necessary for digital business — from the physical placement of client equipment in the data center and virtual infrastructure, to SaaS services for information security, website building, conferences and much more.**

In addition, projects of national and social significance are provided based on the data center infrastructure, and the placement of Facebook, Yandex, Netflix, Akamai, and Google caching servers in the data centers of Kazakhtelecom JSC allows the company to significantly save on international traffic.

According to the P&L report for the last year, the profitability of the IT business was about 50%, which is perhaps the highest indicator among all the company's services. Also, the solvency of the IT-direction is evidenced by such indicators as asset turnover, operating profit and others. For example, the asset turnover ratio of the IT business is more than 15% higher than that of the Group of Companies, which characterizes the Division as a mature and efficient business.

At the end of last year, revenue in the ICT direction amounted to KZT 12.9 billion, while income received from the amount of projects of Kazakhtelecom JSC using the data center infrastructure amounted to KZT 29 billion, including such projects as Cloud Video Surveillance, IoT, services Intellectual platform, "Marking and traceability of goods".

In terms of services, the main revenues at the end of the year were brought by basic data center services, revenue drivers were: IaaS (infrastructure as a service), rack rental, virtual data center, as well as services for hosting server equipment.



**29**  
billion KZT

income received from the amount of projects of Kazakhtelecom JSC using the data center infrastructure

**12.9**  
billion KZT

revenue in the ICT direction in 2022








## Development of a network of data centers

The outgoing year allowed the company to consolidate its position as a leading player in the information storage market. Kazakhtelecom JSC remains the leading ICT provider in the commercial data center market with a market share of 54%. Today, the Company maintains a network of 27 data centers in large cities and regional centers of the republic. This is more than 1,600 racks. The overall utilization of data center resources reaches an average of 95-98%, data center services are in high demand among telecom operator customers. Today, this is a critical percentage, therefore, in the next three years, the Information Technology Division intends to increase the company's data center network by 428 racks. So, in 2023, two data center modules in Almaty for 84 racks will be introduced, in 2024 it is planned to expand the data center in Akkol by 42 racks, and in 2025 it is planned to build a new data center in the capital with a capacity of 300 racks with a TIER III availability level. In addition, next year ITS will begin work on upgrading the current data center infrastructure using highly efficient "green" solutions. The priority is to connect the modular data center in Almaty to renewable energy sources within the framework of the ESG program and obtain a "green" passport.

**27**  
data centers  
in large cities and regional centers of the republic

---

**>1,600**  
racks  
in data centers




**30%**  
the average income growth rate over the past five years, which corresponds to market rates both within Kazakhstan and in the world as a whole



**It is worth noting that today the income from products and projects implemented based on the company's data centers has paid off the investments invested in their construction and development by almost three times. The share of income from ICT services and projects based on the data center is more than 10% in the income of Kazakhtelecom JSC and this value is constantly growing. Over the past 12 years, revenues from data center-based services amounted to KZT 152 billion. Of these, direct income — KZT 120 billion and indirect — KZT 32 billion.**

Traditionally, the main data center services are physical hosting services such as Co-location, Dedicated, Rent a Rack, infrastructure rental and additional services. However, it is worth noting that the demand for the Company's virtual resources is increasing on average four times every three years, and the performance of computing over the past five years has grown 10 times. For example, the increase in revenues from the IaaS service "Virtual Data Center" over the past year amounted to 23%.

Due to the growing demand for virtual computing resources in the Kazakhstan market, in the near future the company's IT department plans to expand the range of digital services and increase the capacity of data centers to provide cloud services. By the way, 50% of future data center resources will be used for the development of clouds.

It should be noted that today the Company provides cloud solutions for all market segments — both small and medium-sized businesses and large corporate clients, and positions itself as a reliable supplier that meets all quality and safety standards.

As part of the development of partner services together with Kazakhstani and international IT companies and cloud providers, in July last year, the Information Technology Division signed a memorandum of cooperation with IT Grad 1 Cloud LLP, one of the leading providers of digital, media and telecommunications services in Russia. To implement and bring new products to the market, the division plans to combine the technical resources of Kazakhtelecom JSC with the innovative technologies of the Russian service provider, as well as use its own communication channels, data center capacities, IT infrastructure, expertise in the development and launch of cloud products and services, sales channels for cloud solutions and competencies for the development of national IT marketplaces.

So, as part of the first stage of a large interaction between the two operators, a new page "Cloud Solutions" was launched last year on ISMET.KZ. Other, more in-depth stages of cooperation are currently being worked out.

Also in 2022, the IT department of the company began active work on the transfer of ICT products to the full digital self-service format. Now the main part of the IT Division services can be purchased at ISMET.KZ by leaving a request, and individual products can be connected independently, without the need to call the manager and send any documents. In 2023, work on the program for the development of digital products will continue, next year DIT plans to move to the next stage of providing quality services to its customers.





## Infrastructure and IT architecture development

The pandemic has had a significant impact on the development of digital trends, accelerating their growth and boosting business. Over the past two years, the formats of interaction with clients have changed dramatically in the Company, new digital solutions have been introduced, which increasingly demanded from the IT department of Kazakhtelecom JSC a flexible and scalable IT infrastructure, which is the foundation for any digital transformation.

In this regard, the IT department of the Company initiated a three-year project for high-quality global modernization of corporate infrastructure, the first stage of which was successfully completed last year.

The modernization project affected three main areas: the engineering infrastructure of data processing centers, where the company's corporate information systems are located, the republican corporate data transmission network and computing virtual platforms.

As part of the implementation of the first stage of the project, the air conditioning and uninterruptible power systems in the data center of Astana were completely updated. The main nodes of the corporate network were replaced in all regions of the country, outdated server equipment was completely modernized at virtual computing sites in Almaty and Pavlodar. Already in the first half of 2023, the company's IT department plans to transfer the most critical IT systems to new sites.

In addition, the Company's first project was implemented to geo-reserve highly critical information systems that are involved in the processes of interaction with the client. The georeserve was built on the basis of two data processing centers in Astana and Akkol using MetroCluster technology.

By 2024, the IT department of the company plans to fully complete the global modernization, and the IT infrastructure will fully meet business expectations in terms of fault tolerance, reliability, performance and speed of response to changes in business requirements.

In addition, next year the Division of Information Technologies plans to pass the international certification for compliance with the requirements of the ISO/IEC 20000 standard. This is the first international standard for managing the quality of IT services. To date, the Company has already developed and approved regulatory documentation, implemented all the processes prescribed by the standard, DIT employees have undergone the necessary training, and an audit team has been trained.

One of the important results of the outgoing year was the transition to a microservice IT architecture and the introduction of Development and Operation (DevOps) practices into development processes. The main advantage of moving to a microservice architecture is the ability of IT components to adapt to changes in business rules. Thanks to the microservice architecture, the Company receives easily scalable, flexible and cross-platform applications that can be quickly changed for any user tasks, while contact with other microservices occurs through open APIs. In a word, the company's IT direction is building a new architecture focused on maximum openness to the external environment, which will allow not only the telecom operator to quickly launch new services and services, but also provide the opportunity for the company's partners to connect to it in order to provide services together with Kazakhtelecom JSC. The ongoing work will allow the Company to release new products and services in digital format faster, improve their quality, and respond more actively to customer needs in accordance with the new requirements for Time-to-Market.

It should be noted that at the end of last year, the main part of such monolithic systems as Siebel CRM, Oracle ASAP, part of the BMC Remedy and Amdocs modules, the Human Resources Management System, telecom.kz and ismet.kz corporate portals have already been transferred to microservices.

# Infrastructure and network development

In 2022, as part of the implementation of investment projects for the technical development and support of telecommunications networks, Kazakhtelecom JSC continued work in the following main areas of network development:

- backbone and area transport network;
- backbone data transmission network;
- broadband networks;
- switching networks.

As a result, the following indicators were achieved.



### Data transmission network:

expanded backbone data transmission network

<b>288</b> 100G ports	<b>136</b> 40G ports
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<b>48</b> 10G ports	<b>60</b> 1G ports
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<b>3,734</b> Gb/s	<b>880</b> Gb/s
the port capacity of connecting Cache servers was increased from 2,854 Gb/s for Google, Meta, Akamai, Netflix, Cloudflare	the infrastructure for the MDPC cache servers was built in the city of Almaty

the backbone data transmission network BNGMX (stage 2) was expanded in the cities of Kokshetau, Ust-Kamenogorsk, Atyrau, Aktobe with the transition to 100Gb/c channels	modernization of the MBH network to connect the mobile banking operators (stage 1), 8 CSGs and 2 AGGs were installed in the cities of Almaty and Astana
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------

migration to the first plane of the IP/MPLS core built based on PTX10008 devices in the cities of Astana, Almaty, Aktobe to further ensure the network operation at the current level (without critical failures and in a constant regular mode)	modernization of the Turkestan city network, providing a comprehensive upgrade of obsolete equipment with the organization of a network of the center level with the installation of service border equipment and aggregation equipment
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

services were migrated to a new SDN network in the cities of Almaty and Astana	upgraded ASBR equipment in Almaty
--------------------------------------------------------------------------------	-----------------------------------

a new PoP node was organized in the city of Frankfurt with a capacity of 300G







### Transport network:

# 3x100

Gb/s

organized channels to the new POP-node in Frankfurt

# 800

Gb/s

a new DWDM border junction Uralsk-Ozinki with Rostelecom PJSC was organized

# 48\*100

Gb/s

channels in total: the backbone DWDM network was expanded to meet the needs of broadband access services to data centers in the cities of Astana, Almaty, Aktobe, Atyrau, Kokshetau, Ust-Kamenogorsk

# DWDM HWT

work was carried out to switch backbone data transmission network channels from DWDM ALU equipment to a new DWDM HWT transit network

### Access network:

FTTH networks were built covering:

# 115

apartment buildings

(including in the cities of Almaty – 54, Turkestan – 59, Shymkent – 2)

# 833

cottages

(including in the cities of Almaty – 253, Shymkent 580)

# +160

ports

GPON network was expanded

Subscribers switched from copper networks to optics:

# 85,000

subscribers

within the framework of the deduplication project

# 1,000

subscribers

within the framework of Capital investment budget construction and overhaul

# 862

subscribers

the city of Kurchatov was completely transferred to optics

# 1.84

billion KZT

in aggregate, the costs

### Switching networks:

completed work on disbanding ALTDE in the cities of Almaty and Uralsk;

completed optimization of SoftX-3000 SSW by merging two SSWs into one centralized SSW;

switching of ALTDE in the cities of Karaganda, Zhezkazgan, Kyzylorda, Kokshetau, Petropavlovsk, Atyrau to SSW;

continuation of work on providing switching systems of the C&C08 type with SOIM functionality;

continued work on the implementation of the project of deduplication from copper and migration to FTTx;

continued work on optimizing local computerized banking system, including reducing the installed capacity as the outflow of subscribers and their migration to other technologies.

### Implementation and development of the IPTV service:

the network part of the TV+ platform and the migration of services from the Netris platform were completed.

## Plans and objectives for 2023

### Transport network:

- organization of transit channels in the direction of Russia – Uzbekistan with a capacity of 4 \*100 Gb/s (Beineu – Kungrad 2 \*100 Gb/s, Abay-Pakhta 2 \*100 Gb/s), Russia – Kyrgyzstan 3 \*100 Gb/s (Merke – Chaldovar 1 \*100 Gb/s, Kordai – Bishkek 2\*100 Gbit/s);
- expansion of DWDM equipment for the organization of channels on the backbone network in accordance with the projects for the expansion of ISMT, in the cities of Pavlodar, Taraz, Semey, Kostanay, Petropavlovsk by 18 \*100 Gbit/s channels in general.

### Implementation and development of the IPTV service:

- continuation of work on the migration of services from the Netris platform.

### Data transmission network:

- implementation of a project to expand the core of the backbone data transmission network built based on PTX10008 devices (expansion of the second plane of the network core);
- implementation of a project to expand cache servers;
- implementation of a project to expand operator connections and the service border of the backbone data transmission network;
- implementation of the MBH project (stage 2);
- implementation of the backbone data transmission network Smart Pavlodar project;
- implementation of the VoIP gateway deduplication project, switching clients from copper to fiber;
- carrying out work to expand the BNGMX backbone data transmission network (stage 3);
- implementation of a project to introduce 5G in the cities of Almaty, Astana, Shymkent.

### Access network:

- expand optical access networks in 14 cities in accordance with the projects for the development of a broadband access network in B2C branches in 2022;
- supply equipment and replace GPON ECI/Ericsson equipment (stage 1 Almaty, Karaganda TNLN) in accordance with the BP Modernization of obsolete equipment of optical access networks using GPON technology without replacing ONT ECI/Ericsson;
- Implement subscriber switching plans for the copper deduplication project and migrate to FTTx;
- implement plans for the construction of FTTH networks under the project “Transfer of city networks to GPON technologies in 2023” in the cities of Aksai, Zhanaozen, Turkestan, Astana, Almaty;
- complete the project “Fulfillment of license obligations 50+ JSC construction of fiber-optic communication lines in 24 RSs”.

### Switching network:

- completion of the transfer of the long-distance / international communication network to the NGN network with the decommissioning of ISC-1 and ISC-2;
- completion of the decommissioning of ALTDE in the cities of Uralsk, Karaganda, Zhezkazgan, Kyzylorda;
- switching of ALTDE in the cities of Kokshetau, Petropavlovsk, Atyrau, Aktau to SSW;
- continued work on optimizing local computerized banking systems, including reducing the installed capacity as the outflow of subscribers and their migration to other technologies;
- completion of work on providing switching systems of type C&C08 with SOIM functionality;
- continuation of work on the implementation of the deduplication project from copper and migration to FTTx.





# Big Data development

## 14 billion KZT

projected economic effect based on the results of ongoing projects for 2022



One of the important results of the activities of the Information Technology Division in the past year can be called the promotion of work with big data in the Company, as well as the introduction of Big Data analytics as a tool to generate additional income for the company and maintain leadership positions in the market.

Last year, as part of the digital transformation, a separate structural unit "Data Factory" was created based on the Division, and a large-scale project "Sandbox – sandbox" was successfully implemented, aimed at testing different solutions or ideas based on data analysis. During this project, employees from Big Data departments, together with Data Factory specialists, test various hypotheses and, on their basis, create products for clients or solutions for internal use. Last year alone, about 76 hypotheses were tested in the "sandbox", of which 17 have grown into existing projects, and six are already bringing economic benefits. Among them are tools and services aimed at increasing the subscriber base, improving service, efficient use of the capital investment budget, increasing users of OFD

and TV + services, as well as retail customers who use package offers of Kazakhtelecom JSC. Already today, thanks to the analysis of big data, the Company's specialists are developing targeting and personalized offers, working with the outflow of subscribers, developing, and implementing a proactive monitoring system that allows predicting possible failures in the operation of IT equipment and reducing its downtime by up to 10%, thereby ensuring uninterrupted provision of communication services.

Today, the economic effect based on the results of ongoing projects for 2022 is projected at the level of KZT 14 billion, in 2023 the FCF from new projects is planned to be 30% more.

# Financial activity for 2022

GRI 2-6

In 2022, the Company achieved positive results in the implementation of the Long-Term Strategy.

According to the results of the work of Kazakhtelecom JSC for 2022:

## 1,863,228 ports

the number of broadband subscribers (or 100.1% compared to the fact of 2021)

## 2,651,454 units

the number of fixed lines in the network of Kazakhtelecom JSC (or 95.6% compared to the fact of 2021). The decrease in the number of fixed lines is explained by the refusal of users from fixed telephony services in favor of mobile communications, which is in line with global trends

## 930,682 points

the number of pay TV subscribers (or 101.3% compared to the fact of the last year)

## 14,548,861 subscribers

the number of mobile subscribers (or 100.04% compared to the fact of 2021)

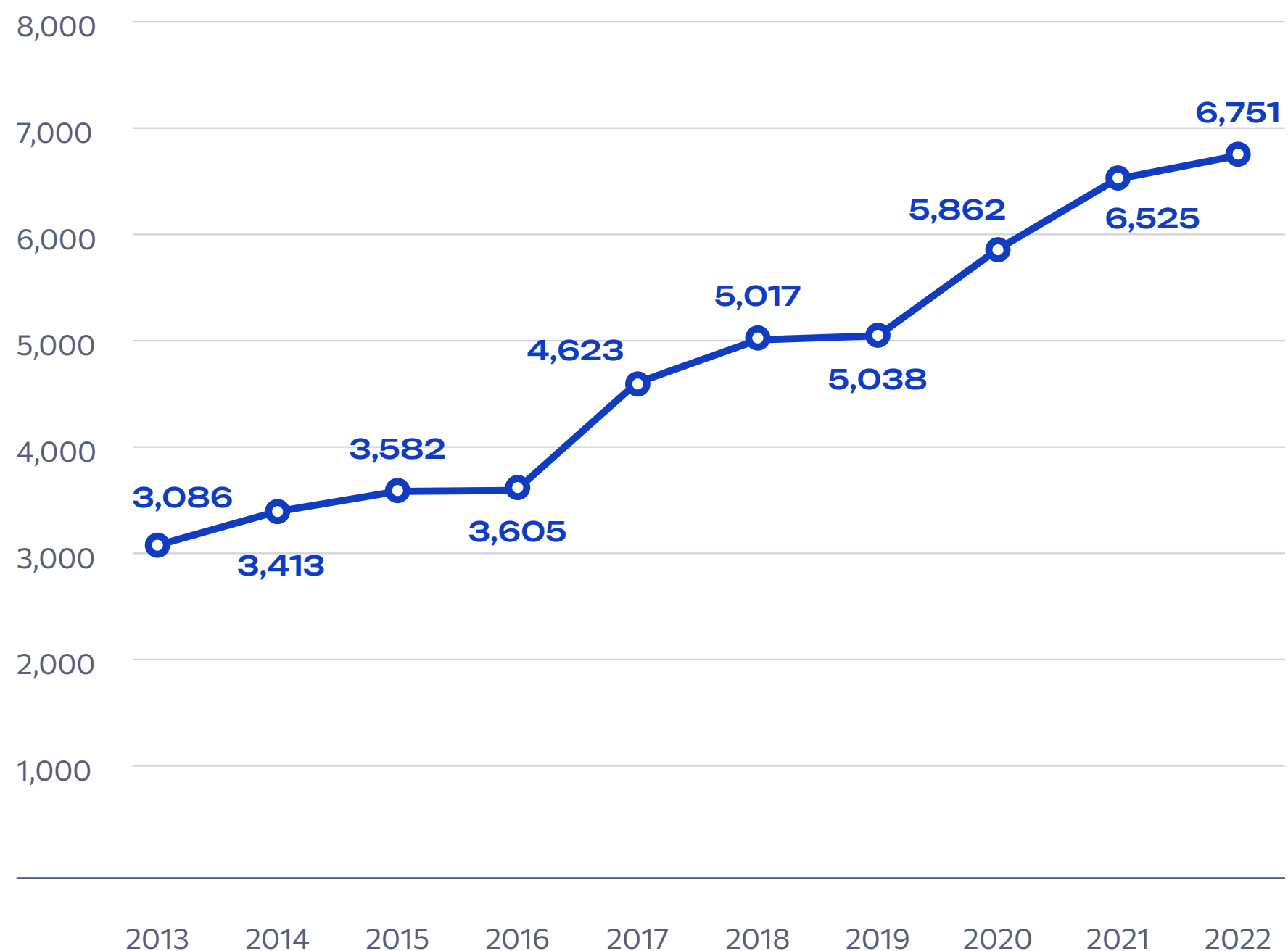






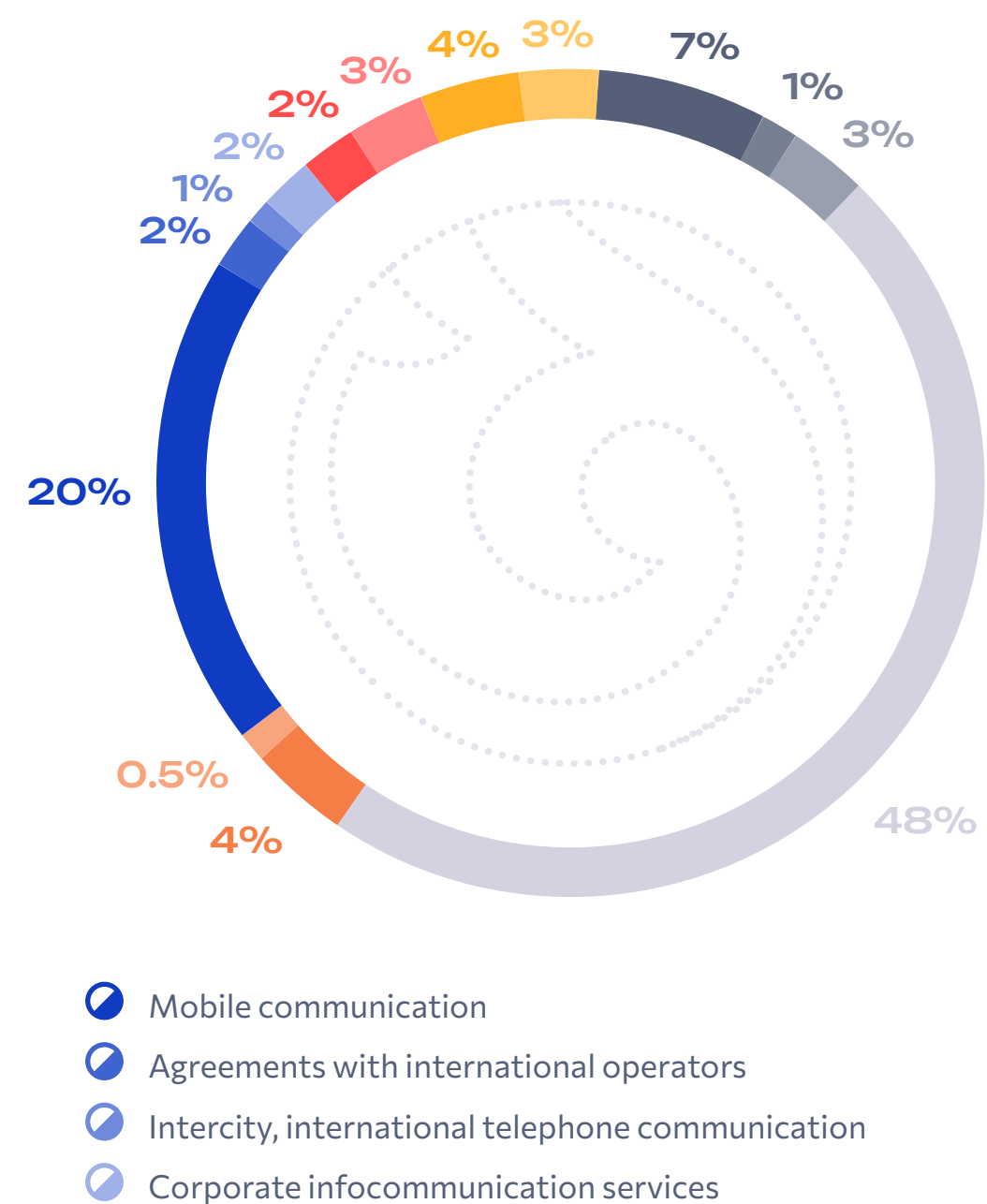
## Financial overview

Dynamics of ARPU<sup>5</sup> change, KZT



<sup>5</sup> data on JSC.

Revenue structure across Kazakhtelecom Group, %



Income is the largest in 2022:

- from the services of the data transmission network, the share in the total revenue structure of Kazakhtelecom JSC equaled 48%;
- from mobile communications, the share in the total revenue structure was 20%;
- income from the sale of goods, the share in the total structure of income equaled 7%;
- from the provision of local telephone services, the share in the total income structure was 4%;
- income from the provision of converged services (FMS/FMC), the share in the total structure of income was 4%;
- from corporate information and communication services 2%;
- pay TV, share in the total revenue structure 3%;
- under agreements with telecom operators connected to the network of Kazakhtelecom JSC with a share in the overall structure of income – 3%;
- from other services with a share in the total income structure – 3%;
- conversations with subscribers of third-party operators, including mobile operators with a share in the total revenue structure of 2%;
- under agreements with international operators with a share in the total revenue structure of 2%.

- Local telephony communications
- Rental of transport network channels
- Conversations with subscribers of third-party operator, including cellular communication operators
- Other
- Revenue from the provision of converged services (FMS/FMC)
- Pay TV
- Revenue from sales of goods
- Services of Operator of fiscal data (OFD)
- Revenue under agreements with communication operators connected to the network of Kazakhtelecom JSC
- Data transmission network

**634,496**  
million KZT

consolidated income from the sale of services for the Group of Companies of Kazakhtelecom JSC

**285,288**  
million KZT

Profit before taxes, interest on loans and depreciation – EBITDA for 2022

**44.96%**

the EBITDA margin, thanks to the implementation of a strategy aimed at improving operating efficiency and optimizing costs

**460,238**  
million KZT

consolidated operating expenses (cost and expenses of the period) for the Group of Companies of Kazakhtelecom JSC

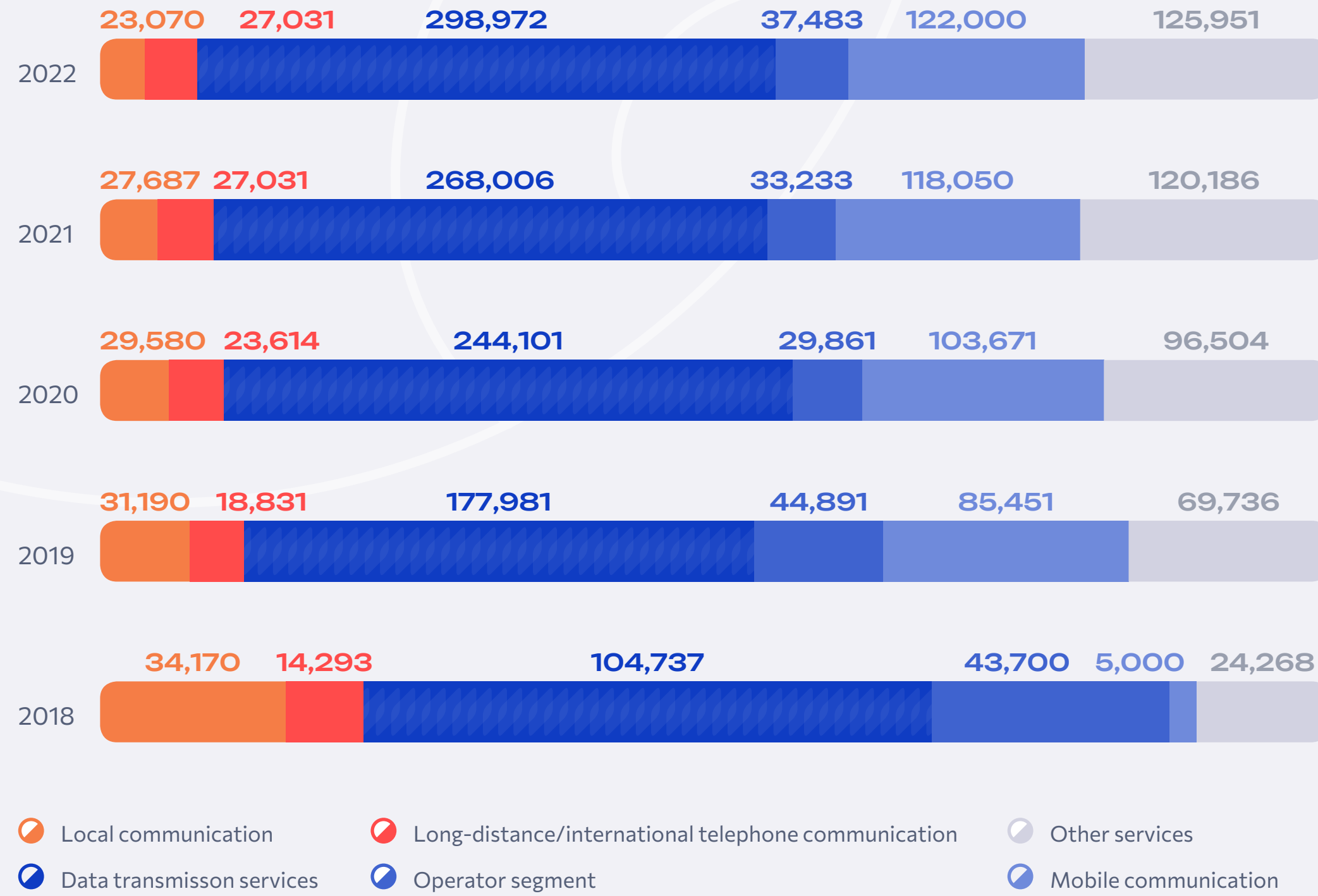
**128,753**  
million KZT

consolidated net profit





Dynamics of the most significant income items for 5 years, million KZT



Changes in the structure of income in 2022 relative to 2021, million KZT







# 4

## Sustainability report: sustainability management











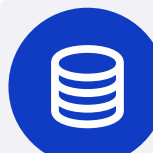
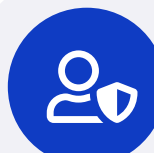


# Management approach

**At Kazakhtelecom JSC, we understand that the sustainable development agenda requires close attention and joint efforts of companies in Kazakhstan and around the world, and with a willingness and a high level of involvement, we work on our contribution to achieving a sustainable future.**

The company strives to build an effective management system in the field of sustainable development. Kazakhtelecom JSC has developed a Policy in the field of sustainable development, which includes the main principles of the Company in this area:

Improving the sustainable development system is an integral part of the Strategy of Kazakhtelecom JSC until 2024. The Company has formulated the Mission of Kazakhtelecom JSC in the field of sustainable development, which is to meet the needs of the present, preserving and expanding opportunities for future generations, to make a positive contribution to the socio-economic development of the regions in which it operates.

By creating and implementing internal policies that regulate various aspects of sustainable development, as well as introducing the principles of sustainable development into the corporate governance structure, Kazakhtelecom JSC continues to develop the practice of corporate sustainability management.

 <p><b>Openness</b></p> <p>We are open to dialogue with all interested parties in order to build long-term cooperation based on mutual interests, respect for rights and a balance between our interests and the interests of stakeholders.</p>	 <p><b>Accountability</b></p> <p>We are aware of our responsibility for the impact on the economy, the environment and society and our accountability to shareholders and investors for the growth of long-term value and sustainable development of the Company on a long-term basis.</p>	 <p><b>Transparency</b></p> <p>All our decisions and actions are based on transparency and timely disclosure of information to stakeholders.</p>	 <p><b>Ethical behavior</b></p> <p>Our decisions and actions are based on our values, such as respect, honesty, openness, team spirit and trust, integrity and fairness.</p>	 <p><b>Respect</b></p> <p>We respect the rights and interests of interested parties.</p>
 <p><b>Legality</b></p> <p>We make decisions and act in compliance with the laws of the Republic of Kazakhstan.</p>	 <p><b>Intolerance to corruption</b></p> <p>We show zero tolerance for corruption in all its manifestations in cooperation with all stakeholders. Officials and employees involved in corruption cases are subject to dismissal and prosecution in the manner prescribed by the laws of the Republic of Kazakhstan.</p>	 <p><b>Respect for human rights</b></p> <p>We observe and promote the observance of human rights provided for by the Constitution of the Republic of Kazakhstan and international documents such as the Universal Declaration of Human Rights. We categorically reject and prohibit the use of child labor. Our employees are our main value and main resource, the results of our activities and the value created for investors directly depend on the level of their professionalism and safety.</p>	 <p><b>No Conflict of Interest</b></p> <p>All violations related to a conflict of interest may damage the Company's reputation and undermine the confidence in them on the part of shareholders and other interested parties, and the personal interests of an official or employee should not affect the impartial performance of their official, functional duties.</p>	 <p><b>Personal example</b></p> <p>Each of us daily in our actions, behavior and decision-making contributes to the implementation of the principles of sustainable development.</p>



# Sustainability management structure

## GRI 2-23

The main principles of Kazakhtelecom JSC in the field of sustainable development are reflected in the main policies and documents in the field of ESG:

- Sustainable Development Policy (updated in the first half of 2023) (approved by Decision of the Board of Directors No. 5 dated April 21, 2023);
- Environmental Policy (updated in the first half of 2023) (approved by Decision of the Board of Directors No. 5 dated April 21, 2023);
- Policy in the field of safety and labor protection (approved by the Decision of the Board No. 2/7 of January 27, 2020);
- Guidelines for sustainable development (approved by the Decision of the Board No. 5 of April 21, 2023);
- Anti-Corruption Policy (amended by decision of the Board of Directors No. 5 dated April 22, 2022) (approved by decision of the Board of Directors No. 9 dated March 29, 2019);
- Policy for notification of alleged unethical/illegal actions (amended and amended by decision of the Board of Directors No. 10 dated September 20, 2022) (approved by decision of the Board of Directors No. 9 dated March 29, 2019);
- Employee Experience Strategy (approved by Decision of the Board of Directors No. 8 dated July 21, 2021);
- Code of Business Ethics (approved by Decision of the Board of Directors No. 14 dated May 28, 2019);
- Corporate Governance Code (approved by the Decision of the Extraordinary General Shareholders Meeting No. 56 dated December 7, 2015);
- Reference model for sustainable development for portfolio companies of Samruk-Kazyna JSC;
- Procurement Management Standard of Samruk-Kazyna JSC;
- International standards ISO 14001, ISO 26000, ISO 9001, ISO 45001.

## GRI 2-9, 2-12

### Kazakhtelecom JSC is continuously working to improve its approach to sustainable development management.

The Board of Directors of the Company is actively involved in the management of sustainable development issues, including issues of interaction with stakeholders. The Board of Directors determines the strategy and main areas of activity, reviews and approves sustainability reporting, controls the implementation of sustainable development principles in the Company's activities, and manages sustainable development risk issues, including climate risks.

Until 2022, the Human Resources, Remuneration and Social Affairs Committee of Kazakhtelecom JSC was responsible for managing sustainable development at the level of committees of the Board of Directors. As part of the development and strengthening of the Company's ESG practices, in July 2022 the Audit Committee was renamed the Audit and Sustainable Development Committee. The functions of the Committee in the framework of control over the activities of the Company in the field of sustainable development include:

- preliminary approval of the Company's annual report for the quality of the non-financial information provided;
- development of recommendations to the Board of Directors on topics related to sustainable development, as well as on the implementation of ESG and low-carbon development principles in the Company;
- control over the transformation of business processes, taking into account the principles of sustainable development, ethical behavior and responsible investment;

- development of recommendations to the Board of Directors regarding the approval of new and evaluation of the effectiveness of existing policies, plans, programs of the Company in the field of sustainable development, as well as priority projects, key events and initiatives of the Company in the field of sustainable development;
- consideration of issues of low-carbon development and management of the Company's carbon footprint, including potential risks and restrictions arising for the Company related to the global climate agenda;
- development of recommendations to the Board of Directors regarding the compliance of activities, corporate reporting and documents with the requirements of international ratings in the field of sustainable development, as well as control over the implementation of measures to improve the Company's position in international ratings in the field of sustainable development;
- monitoring the quality of the Company's public reporting in the field of sustainable development.

## GRI 2-13

The division responsible for sustainable development management is the Corporate Governance Service. The Service regularly conducts an inventory of internal regulatory documents, policies, practices and internal control of the Company. In addition, continuous work is underway to identify the risks of sustainable development and take measures to manage them. The Corporate Governance Service regularly (at least once every six months) submits issues related to the Company's activities in the field of sustainable development, such as approval of developed internal documents, provision of information on the results of activities in the field of sustainable development, etc., to the Audit and Sustainable Development Committee for consideration.

The Chairman of the Management Board and General Directors of the branches control, implement and implement the principles, policies, standards in the field of sustainable development and provide reliable information in accordance with the Company's action plan. The Managing Director of Kazakhtelecom JSC, who is in charge of sustainable development issues, ensures coordination of the Company's activities to achieve goals and KPIs. The procedure for internal communications regarding ethical standards is regulated by the Compliance Controller/Head of the Compliance Service. The Head of the Communications Department is responsible for external communications with the public.

Structural divisions of Kazakhtelecom JSC, responsible for personnel management, labor protection and industrial safety, environmental protection, supervise certain issues in the field of sustainable development, are responsible for initiating, coordinating, and implementing the sustainable development management system and achieving the Company's SDGs. Direct responsibility and control over the implementation of initiatives of the structural divisions of the Company lies with the Central Office of Kazakhtelecom JSC.

Strategic areas of Kazakhtelecom JSC in the area of sustainable development:

- introduction of innovative information and communication technologies and improvement of the quality of services provided in order to improve the lives of people;
- stable economic growth;
- reduction of environmental impact;
- creating attractive working conditions and ensuring the safety of employees.





### ESG priorities



## ENVIRONMENT

- reduced use of natural resources;
- energy efficiency.



## SOCIAL

- training and development of personnel;
- increase in the level of employee engagement;
- occupational safety and safety;
- social stability.



## GOVERNANCE

- shareholders rights;
- best corporate governance practices;
- fair remuneration.

As part of the Action Plan of Kazakh Telecom JSC to obtain an ESG rating for 2022–2023, the following activities and initiatives were implemented:

- climate change disclosure;
- development of the Low-Carbon Development Program of Kazakh Telecom JSC for 2022–2032;
- preparation for obtaining an ESG rating;
- development of the Roadmap in the field of sustainable development.

**KAZAKHTELECOM JSC PAYS GREAT ATTENTION TO THE DEVELOPMENT OF ESG PRACTICES. DURING THE REPORTING PERIOD, A ROADMAP WAS DEVELOPED TO ENSURE A SYSTEMATIC APPROACH TO IMPLEMENTING THE BEST ESG PRACTICES IN THE COMPANY. THE DOCUMENT INCLUDES ACTIVITIES PLANNED FOR THE NEXT THREE YEARS IN THE FOLLOWING AREAS OF SUSTAINABLE DEVELOPMENT:**







# ESG Strategic Goals

GRI 2-23

## Environment

Electricity is one of the energy-intensive resources used by Kazakhtelecom JSC. In view of this, the Company is making every effort to reduce electricity consumption, making the most significant contribution to the fight against climate change.

## Society

Kazakhtelecom JSC is the leading telecommunications company in the Republic of Kazakhstan, as well as a major employer that creates jobs throughout the country. The Company is aware of how its presence in a particular region affects the quality of life of residents and employees and takes all available measures to manage this impact.

In 2022, the Company continued striving to improve the quality of life of the population and ensure social

stability in the regions where it operates. In addition, the Company's focus is on ensuring the well-being of employees. The Company annually conducts a sociological study by Samruk Research Services (SRS) in order to determine social stability based on three key indicators:

- Engagement Index;
- Social Wellbeing Index;
- Social Security Index.

## Governance

Kazakhtelecom JSC builds and maintains an effective system of corporate governance in accordance with all requirements and international best practices, striving to take into account the interests of a wide range of stakeholders.



KPI

“Reducing the Consumption of Energy and Natural Resources”

Goal until 2032:

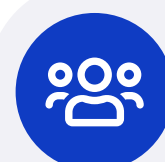
**2% per year**

reducing electricity consumption

In 2022:

**13.2%<sup>6</sup>**

decrease of electricity consumption



KPI

“Social Stability Index”

Goal until 2032:

**64-79%**

level maintaining

In 2022:

**67%**

KPI

“Zero injury”

Goal until 2032:

**2**

accidents

In 2022:

**0.06 (LTIFR)**



KPI

“Corporate Governance Rating”

Goal until 2032:

**AA**

level maintaining

In 2022:

**BBB**

<sup>6</sup> Thanks to the implementation of the Action Plan for the transition to low-carbon development, deduplication and replacement of copper networks with modern fiber optic technologies, decommissioning of energy-consuming equipment, energy consumption decreased by 13.2% in 2022 compared to 2021.





# Risk-oriented approach to sustainable development

GRI 2-12

Risks and opportunities in the field of sustainable development are annually assessed by the Company. The evaluation process includes an analysis of the impact of ESG factors for internal and external stakeholders.

Key sustainability impacts, risks and opportunities (SWOT) of Kazakhtelecom

 <b>Strengths</b>	 <b>Weaknesses</b>	 <b>Opportunities</b>	 <b>Threats</b>
<p><b>Economic aspect</b></p> <ul style="list-style-type: none"> <li>• innovations and technological progress;</li> <li>• local economic growth.</li> </ul>	<p><b>Economic aspect</b></p> <ul style="list-style-type: none"> <li>• slowdown in global economic growth;</li> <li>• potential for political instability;</li> <li>• possible economic crisis associated with the pandemics.</li> </ul>	<p><b>Economic aspect</b></p> <ul style="list-style-type: none"> <li>• increase in market coverage;</li> <li>• development of new technologies for business and the state;</li> <li>• growing demand for ICT services due to the pandemic.</li> </ul>	<p><b>Economic aspect</b></p> <ul style="list-style-type: none"> <li>• changes in the state management structure;</li> <li>• political tension, cyber attacks.</li> </ul>
<p><b>Social aspect</b></p> <ul style="list-style-type: none"> <li>• dynamic development of society;</li> <li>• Growth of urbanization.</li> </ul>	<p><b>Social aspect</b></p> <ul style="list-style-type: none"> <li>• growing dissatisfaction among people due to technological problems in providing ICT services;</li> <li>• increasing competition.</li> </ul>	<p><b>Social aspect</b></p> <ul style="list-style-type: none"> <li>• Smart city technology solutions;</li> <li>• advantages of using cloud storage technologies for the population;</li> <li>• improving the level of education and medical care through ICT technologies.</li> </ul>	<p><b>Social aspect</b></p> <ul style="list-style-type: none"> <li>• Geopolitical risks;</li> <li>• socially vulnerable problems associated with strikes.</li> </ul>
<p><b>Environmental aspect</b></p> <ul style="list-style-type: none"> <li>• increasing the importance of issues of environmental pollution and depletion of natural resources.</li> </ul>	<p><b>Environmental aspect</b></p> <ul style="list-style-type: none"> <li>• depletion of natural resources;</li> <li>• climate change;</li> <li>• environmental pollution;</li> <li>• global consumption growth.</li> </ul>	<p><b>Environmental aspect</b></p> <ul style="list-style-type: none"> <li>• implementation of sustainable development principles;</li> <li>• greening of industries.</li> </ul>	<p><b>Environmental aspect</b></p> <ul style="list-style-type: none"> <li>• growth of local environmental problems;</li> <li>• more stringent environmental regulations.</li> </ul>





# Priority Sustainable development goals

**Kazakhtelecom JSC recognizes the importance of all seventeen Sustainable Development Goals and identifies nine key goals that are especially relevant for the telecommunications sector, the specifics of the Company's activities and the implementation of the Company's Strategic Growth Directions.**

## UN Priority Sustainable Development Goals

### First choice brand

**11 SUSTAINABLE CITIES AND COMMUNITIES**  
**SDG 11**  
Make cities and human settlements inclusive, safe, resilient, and sustainable

**15 LIFE ON LAND**  
**SDG 15**  
Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

**17 PARTNERSHIPS FOR THE GOALS**  
**SDG 17**  
Strengthen the means of implementation and revitalize the global partnership for sustainable development

### Digital platform

**10 REDUCED INEQUALITIES**  
**SDG 10**  
Reduce inequality within and among countries

**12 RESPONSIBLE CONSUMPTION AND PRODUCTION**  
**SDG 12**  
Ensure sustainable consumption and production patterns

**16 PEACE, JUSTICE AND STRONG INSTITUTIONS**  
**SDG 16**  
Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels

### Effective organization

**4 QUALITY EDUCATION**  
**SDG 4**  
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

**8 DECENT WORK AND ECONOMIC GROWTH**  
**SDG 8**  
Promote sustained, inclusive, and sustainable economic growth, full and productive employment and decent work for all

**9 INDUSTRY, INNOVATION AND INFRASTRUCTURE**  
**SDG 9**  
Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation





## Contribution to the UN Sustainable Development Goals

### UN SDG



Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

### Relevant SDG objectives

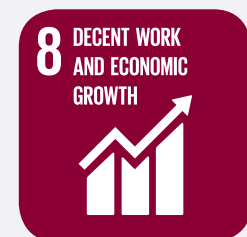
**4.4** By 2030, significantly increase the number of young people and adults with high-demand skills, including professional and technical skills, for employment, decent work, and entrepreneurial activities

### Projects, initiatives, activities implemented by Kazakhtelecom JSC

- Opening of the Corporate University of Kazakhtelecom JSC, aimed at cooperation with educational institutions and providing conditions for students to undergo internships in the Company;
- More than 23,521 employees have been trained in the following areas: Leadership academy, EX academy, HSE&ESG academy, Service and sales academy, Technical academy, IT academy, Qazaq&English academy, Finance academy, Jas academy

**4.7** By 2030, ensure that all students acquire the knowledge and skills necessary to promote sustainable development, including through training on sustainability and sustainable lifestyles, human rights, gender equality, promotion of a culture of world and non-violence, citizenship of the world and recognition of the value of cultural diversity and the contribution of culture to sustainable development

- Conducted training events for members of the Board of Directors in order to further the qualitative growth of the management body in the implementation of ESG standards



Promote sustained, inclusive, and sustainable economic growth, full and productive employment and decent work for all

**8.2** Improve economic productivity through diversification, technical modernization, and innovation, including by focusing on high value-added and labor-intensive sectors

- Continuous improvement of network infrastructure;
- Development of innovation activities and new businesses: 5G, IoT, Smart quantity, labeling of goods, etc.;
- Technical development and support of networks

**8.8** Protect employment rights and promote safe and secure working conditions for all workers, including expatriate workers, particularly women, and people without stable employment

- Human rights policy developed and planned for approval;
- Provision of social support to employees, including within the framework of the Collective Agreement



Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation

**9.1** Develop quality, reliable, sustainable, and sustainable infrastructure, including regional and cross-border infrastructure, to support economic development and human wellbeing, with a particular focus on ensuring affordable and equal access for all

- Kazakhtelecom JSC's platform installed 34 thousand video cameras in 17 cities of the Republic of Kazakhstan. Video cameras are installed at entrance gates and inside entrances of apartment buildings

**9.2** Significantly increase access to information and communications technology and strive for universal and affordable Internet access in the least developed countries



Reduce inequality within and among countries

**10.3** Ensure equality of opportunity and reduce disparity in outcomes, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and actions

- The program "Support for Women in the Regions" was launched, aimed at increasing the level of knowledge and competencies of the Company's female personnel;
- Equal Opportunity, Inclusion and Diversity Policy developed and scheduled for approval



## Contribution to the UN Sustainable Development Goals

### UN SDG

### Relevant SDG objectives

### Projects, initiatives, activities implemented by Kazakhtelecom JSC



**11** SUSTAINABLE CITIES AND COMMUNITIES  
Make cities and human settlements inclusive, safe, resilient, and sustainable

**11.3** By 2030, expand inclusive and sustainable urbanization and opportunities for inclusive and sustainable human settlements planning and management in all countries

- In connection with a large-scale natural emergency (forest fires), assistance was provided to all victims in the form of releasing and writing off debts and penalties on the subscription fee for the services provided



**12** RESPONSIBLE CONSUMPTION AND PRODUCTION  
Ensure sustainable consumption and production patterns

**12.2** Achieve sustainable development and efficient use of natural resources by 2030

- Implementation of measures to reduce energy consumption, such as deduplication of copper communication lines and replacement with LED light sources;
- Low-carbon development program of Kazakhtelecom JSC for 2022–2032

**12.6** Encourage companies, particularly large and multinational companies, to adopt sustainable production methods and report on the rational use of resources

- Implementation of the principles and values of sustainable development;
- Realization of the Program of Sustainable Development Initiatives;
- Issuance of an annual sustainability report in accordance with the requirements of GRI standards;
- Implementation of the Action Plan for obtaining the ESG rating in 2023



**15** LIFE ON LAND  
Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

**15.1** To ensure the conservation, restoration and rational use of surface and internal freshwater ecosystems and their services, including forests, wetlands, hills and drylands, in accordance with the obligations arising from international treaties

- Carrying out activities for land reclamation after the construction of networks;
- Preparatory work for the development of biodiversity and land management guidelines scheduled for 2023



**16** PEACE, JUSTICE AND STRONG INSTITUTIONS  
Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

**16.5** Significantly reduce corruption and bribery in all its forms

- 100% of employees and members of key corporate governance bodies are informed about anti-corruption policies and methods;
- An analysis of the Company's activities was carried out to identify spheres of influence, collusion and other violations leading to a shortfall in profits and losses of the Company



**17** PARTNERSHIPS FOR THE GOALS  
Strengthen the means of implementation and revitalize the global partnership for sustainable development

**17.16** Strengthen the Global Partnership for Sustainable Development, supplemented by multi-stakeholder partnerships that mobilize and distribute knowledge, experience, technology and financial resources to support the achievement of sustainable development goals in all countries, particularly in developing countries;

- Interaction with legislative and executive authorities, civil society institutions, local communities and business communities;
- Participation in international and national associations;
- Membership in working groups, profile committees of state structures and associations

**17.17** Encourage and encourage effective partnerships between public organizations, between public and private sectors and between civil society organizations, based on experience and strategies to use partner resources





# Stakeholder Engagement

GRI 2-29

**Qualitative involvement of stakeholders is one of the most important aspects of stable and successful development of Kazakhtelecom JSC.**

The setting of the Company's strategic goals and their fulfillment are significantly influenced by the interests and requirements of stakeholders. The values of respect and consideration of the interests, opinions and preferences of stakeholders, prompt, and frequent contact with them, as well as responsible fulfillment of the obligations assumed are key components in the development of long-term partnerships.

Kazakhtelecom JSC identifies two categories of stakeholders:

- the immediate circle (area of close influence) includes groups of interested parties that have a material influence on the decisions taken by the Company or are affected by these decisions;
- a long-range (area of indirect influence) includes groups of interested parties that have less significant influence on the decisions taken by the Company.

In the reporting period, the Company's Stakeholder Map remained the same. In 2023, it is planned to update it to comply with the world's leading practices in the field of sustainable development.

Stakeholder map



- Close range of stakeholders
- Far range of stakeholders

## Stakeholder engagement



### Shareholders

#### Interests

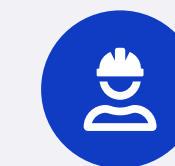
- increasing the value of the Company;
- receipt of dividends;
- stability and scale;
- transparency;
- effective risk management;
- maximization of the value of the Company and the amount of dividends.

#### Input

- allocation of financial funds;
- replenishment of charter capital.

#### Communication mechanisms

- payment of dividends;
- approval of annual financial statements and non-financial statements;
- implementation of the SERPIN transformation program;
- holding meetings, negotiations, meetings;
- holding polls, questioning, testings.



### Workers

#### Interests

- results and achievements of the Company;
- prospects for the Company's development;
- human resources and social policy;
- employee engagement and development prospects;
- material and intangible incentive measures, youth policy;
- collective bargaining agreement.

#### Input

- human resources;
- loyalty.

#### Communication mechanisms

- taking measures to ensure zero injuries;
- regular meetings with management, holding negotiations;
- functioning of internal communication channels, hotline;
- safe and decent working conditions;
- ensuring professional development and professional development.







## Stakeholder engagement



### Subsidiaries

#### Interests

- assistance in working with state authorities;
- commercial interests.

#### Input

- respect for the interests of shareholders.

#### Communication mechanisms

- regular monitoring of the performance of subsidiaries;
- continued work on developing the mobile business together with subsidiaries;
- participation of subsidiaries in making strategic decisions of the Company as a shareholder.



### Labor union

#### Interests

- responsibility and protection of employees;
- Collective bargaining agreement;
- compliance with laws and regulations.

#### Input

- Promoting social stability;
- regulation of employment relations and resolution of conflicts.

#### Communication mechanisms

- compliance with all clauses of the Collective Agreement;
- provision of material assistance to Company employees in the form of interest-free loans;
- holding public hearings;
- functioning of internal communication channels, whistle-blowing hotline.



### Partners

#### Interests

- commercial interests.

#### Input

- joint implementation of projects;
- transfer of technologies, competencies and innovations.

#### Communication mechanisms

- participation of partners in making strategic decisions of the Company as a shareholder;
- meetings, negotiations, business correspondence;
- reports on current activity.



### Clients

#### Interests

- commercial interests;
- qualitative characteristics of services;
- continuity of services;
- qualified service support.

#### Input

- loyalty of the Company;
- financial resources through the acquisition of goods and services.

#### Communication mechanisms

- online services;
- increasing and improving channels of support services;
- customer feedback system;
- customer satisfaction analysis;
- conclusion of contracts.



### Government authorities

#### Interests

- performance of legislative and executive functions;
- implementation of the state telecommunications policy, creation of jobs.

#### Input

- state regulation.

#### Communication mechanisms

- meetings, negotiations, business correspondence;
- provision of reports on current activity;
- review of compliance with laws of the Republic of Kazakhstan.



### Media

#### Interests

- informing the public about the Company's activities.

#### Input

- constructive cooperation;
- positive public opinion.

#### Communication mechanisms

- publication of information on the Company in the mass media;
- social networks, hotline.



### International organizations

#### Interests

- development of international cooperation between member states of the ITU, RCC, exchange of experience, adoption of common standards in the use of technology;
- ensuring the requirements of international standards and agreements on sustainable development, fair and balanced growth in compliance with environmental norms and in the development of information and communication services.

#### Input

- international grants;
- opportunities for future development.

#### Communication mechanisms

- conferences, sessions, forum meetings;
- signing agreements, contracts and memoranda, cooperation agreements.



### Local communities

#### Interests

- employment opportunities;
- quality of services;
- attractiveness of service tariffs;
- receipt of charitable assistance;
- health safety.

#### Input

- Local support.

#### Communication mechanisms

- development of regions of presence;
- interaction via social networks, hotline;
- reputation audit;
- charitable activities.





# Materiality analysis

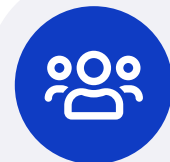
## GRI 3-1

In accordance with the updated non-financial reporting standard GRI Sustainability Reporting Standards (GRI Standards) dated June 30, 2022, during the reporting period, when preparing the current Annual Report, a materiality assessment was carried out based on an analysis of significant potential and actual impacts of the Company. The assessment was the result of joint work of the Company's management and representatives of stakeholders.

For the assessment, a series of interviews were conducted with the Company's internal stakeholders, in which the Company's significant impacts on the economy, the environment and human rights were discussed. The views of external stakeholders were also taken into account. Based on the results of interviews and surveys, the Company's management ranked the identified impacts in terms of their significance and relevance, as well as grouped them to form a list of material topics.

## GRI 3-2

Compared to the topics covered in the 2021 Integrated Annual Report, the topics "Freedom of Association and Collective Bargaining", "Support for Organizations/Government Bodies", "Non-Discrimination", "Quality of Services", "Environmental Compliance" were not included in the list material topics based on the results of the materiality assessment in 2022, and the topics "Employment", "Local Communities", "Compensation and Social Programs for Employees", "Work Stress and Sustainability", "Indirect Economic Impacts", "Procurement Practices", "Corporate Ethics" and "Information Security and Data Protection" were selected as significant in the reporting period.



### Social aspects

1. Labor/Management relations;
2. Employment;
3. Occupational Health and Safety;
4. Local communities;
5. Training and education of employees;
6. Diversity and Equal Opportunity;
7. Compensation and social programs for employees;
8. Compliance of human rights;
9. Work stress and resilience.



### Environmental aspects

1. Biodiversity;
2. Climate change and carbon;
3. Energy Efficiency;
4. Pollutant emissions;
5. Waste management;
6. Water resource management.



### Corporate governance aspects

1. Anti-corruption;
2. Indirect economic impacts;
3. Economic performance;
4. Procurement practices;
5. Markets and competition;
6. Innovations and new technologies;
7. Corporate ethics;
8. Information security and data protection.

## Plans for 2023 and the medium term

The Company plans to carry out the following activities aimed at achieving the implementation of sustainable development goals:

1. Implementation of the action plan for the transition to low-carbon development until 2030.
2. Inclusion of target indicators in the field of sustainable development in the system of motivation of top management.
3. Obtaining an international ESG rating.
4. Updating the Stakeholder Map.







# Membership associations

GRI 2-28

**To increase the sustainability of its activities, Kazakhtelecom JSC participates in the implementation of tasks proposed by various associations at the national and international levels and develops long-term cooperation.**

The Company strives for open and constructive dialogue and responsible interaction with state bodies and other companies, maintaining high standards of corporate and business ethics and complying with legal norms.

The main areas of cooperation include the development of the telecommunications market, the improvement of the legal and regulatory framework, the initiation and implementation of joint projects, and the promotion of key initiatives for the sustainable development of the industry and regions.

The Company is a member of the international and national associations listed below, working with various target groups:

1. The Association for the Development of Blockchain and the Data Center Industry in Kazakhstan;
2. Association for the Development of Competition and Commodity Markets;
3. The Union of Machine-Building Companies of Kazakhstan;
4. The International Telecommunication Union (ITU);
5. The Association of Legal Entities National Telecommunications Association of Kazakhstan;
6. Regional community in the field of communication;
7. The National Chamber of Entrepreneurs of the Republic of Kazakhstan Atameken.







# 5

## Sustainability Report: aspect E





# Environmental protection

## Management of material topics

GRI 3-3

**Due to the specific nature of its operations, the Company does not have a significant negative impact on the environment and the quality of life of people in the regions where it operates. The Company strives to ensure environmental safety by improving its production processes.**

The Company has an Environmental Management System (EMS), which is an integral part of the corporate governance system and the main component of the non-financial risk management system. Kazakhtelecom JSC conducts activities for continuous improvement of the EMS in accordance with the requirements of the international standard ISO 14001. As part of these activities, internal and external audits are conducted.

In 2022, the organizational structure in the field of Environmental Protection (EP) remained unchanged. Environmental issues are managed at two levels. The Health and Safety Department coordinates these activities at both head office and branch level. All planning, coordination, assessment of the company's environmental risks and identification of hazards are the responsibility of the Chief Strategic Officer.

GRI 2-23

The Company has the following internal regulatory documents governing environmental activities, which are binding on each employee of the Company:

- Environmental policy (Approved by resolution of the Board of Directors) (<https://telecom.kz/ru/pages/13687/172367>);
- Kazakhtelecom JSC policy in quality, environment, professional health and labor protection (approved by the Company's Order) (<https://telecom.kz/ru/pages/13687/172367>);
- Low-carbon development program of Kazakhtelecom JSC for 2022-2032 (hereinafter referred to as "LCDP") (approved by the decision of the Board of Directors) (<https://telecom.kz/ru/pages/13683/172516>);
- Plan of Kazakhtelecom JSC's environmental protection measures for 2022-2023 (approved by the Company's Order);
- Program of internal environmental audits of Kazakhtelecom JSC (approved by the Order of the Company);
- Documented procedure for identifying hazards, environmental aspects and risk assessment (approved by Order of the Company);
- Documented procedure for identifying legislative and other requirements in the area of occupational safety, health and environmental protection;
- Documented procedure for monitoring occupational health, safety and environmental indicators (approved by Order of the Company);
- Documented procedure for management of production and consumption waste (approved by Order of the Company);
- Documented emergency readiness and response procedure (approved by Order of the Company).

In accordance with the Environmental Policy and Low-Carbon Development Program, the Company has identified the following priority development areas in the environmental sphere:

- minimizing the negative impact on the environment;
- Awareness of the extreme importance of the climate change problem;
- complying with legislation and national and international environmental standards;
- adhering to the principles of sustainable development in the design and implementation of the Company's activities;
- responsibility of the Company's management at all levels for the effective functioning of the environmental management system;
- disclosure of accessible and transparent environmental information to all stakeholders.

At the end of the year, a number of regulatory documents were approved with a view to achieving the set objectives in the field of environmental protection:

- Plan of Kazakhtelecom JSC's environmental protection activities for 2022-2023. The Plan reflects 30 main activities on rational use of natural resources, monitoring and promotion of environmental initiatives to protect the environment among the Company's employees;
- LCDP of Kazakhtelecom JSC for 2022-2032. The Program was developed within the framework of implementation of the strategic objective to reduce the carbon footprint in accordance with the legislation of the Republic of Kazakhstan and the Charter of Kazakhtelecom JSC.

Within the Plan of Kazakhtelecom JSC's environmental protection measures for 2022-2023, the Company implemented measures to minimize environmental impact in terms of air emissions, waste generation and biodiversity. Within the framework of preparation for obtaining the international ESG-rating, the Company held a few seminars on the topics "Sustainable development and priorities, timeframe and possible in integration of ESG-principles into the Company's business processes" and "Low-carbon development" in the face-to-face format. According to the results of the seminars from the Corporate University Samruk-Kazyna, eight employees of the Company were given certificates of training.





## Compliance with the legislation of the Republic of Kazakhstan in the field of environmental protection

GRI 2-27

**Kazakhtelecom JSC annually carries out a few measures to manage the negative impact on the environment. In 2022, there were no violations of environmental legislation. In the reporting year, no non-financial sanctions, and other administrative penalties for violations in the field of environmental protection were imposed. In 2022, the Company paid environmental charges for emissions of pollutants into the air and wastewater discharges.**

In 2022, the Program of internal environmental inspections of Kazakhtelecom JSC was approved. Within the framework of this program, 8 affiliated branches in 18 cities of Kazakhstan were checked for compliance with the environmental legislation:

- Merger Division “Network”;
- Corporate Business Directory;
- Retail Business Directory;
- TelecomComplect Directory;
- IT Division;
- Telecommunications and Infrastructure Construction Directory;
- Information and Communication Technologies Academy Directory;
- Service factory.

Based on the results of the inspection, the Company's branches developed corrective action plans for the identified environmental inconsistencies, which were eliminated by the responsible employees.



Costs of environmental protection measures, thousand KZT

Expenses item	2021	2022
Development of ESIA projects, draft emission standards and performance of production environmental monitoring, confirmation of categories	38,212	0
Payments for adverse environmental impact, total	7,101	12,526.7
of which by stationary source	0	1,686.8
Total	45,313	12,526.7

## Plans for 2023 and the medium term

The Company plans to carry out the following measures to effectively manage environmental protection:

1. Participation in obtaining an ESG rating;
2. Independent assurance of non-financial reporting;
3. Development of a procedure for investigating environmental incidents.





# Emissions

GRI 3-3

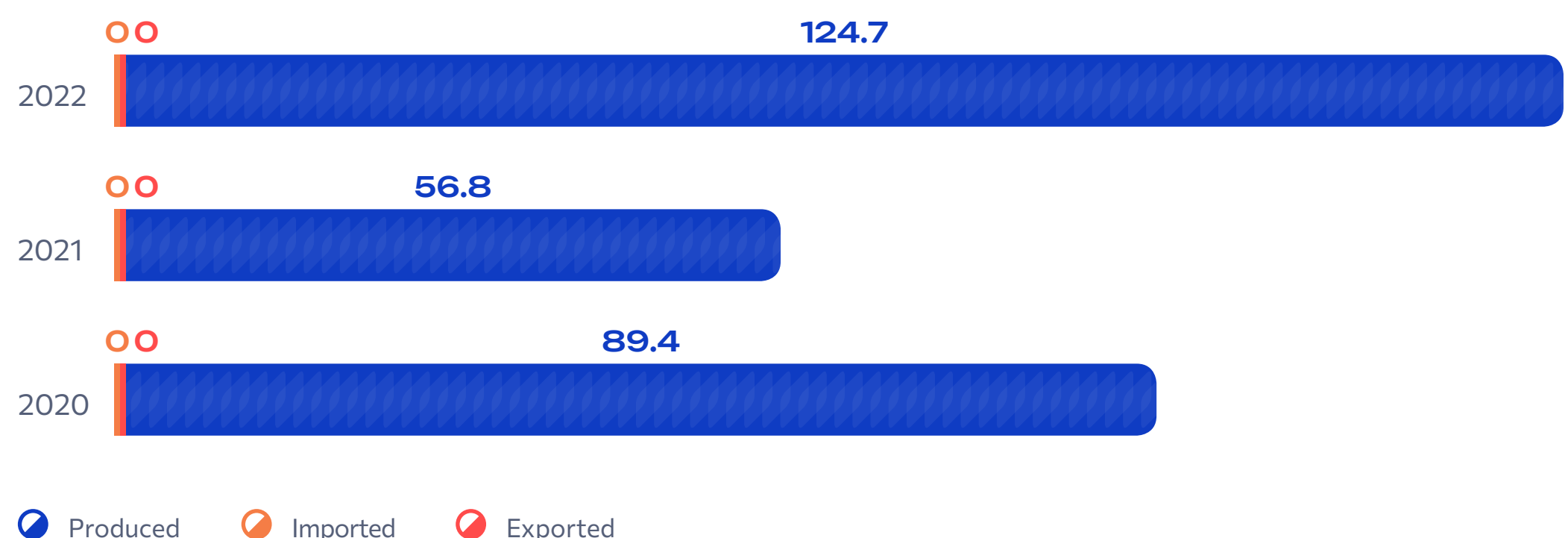
**Systematic reduction of pollutant emissions into the atmosphere is an important part of Kazakhtelecom JSC’s activity. The Company carries out annual measures to reduce atmospheric emissions as part of its activities in the field of environmental protection.**

Thus, at all facilities of the Company’s branches, maintenance and operation of generators, gasoline generators and motor vehicles is carried out in accordance with the manufacturer’s recommendations. During periods of low activity, equipment engines are turned off and stationary generators are used in the event of a power outage. A report on pollutant emissions is performed on a quarterly basis in accordance with the deadlines established by the legislation of the Republic of Kazakhstan.

In 2022, in accordance with Montreal Protocol methodology on substances that deplete the ozone layer, the Company carried out calculations on the following ozone-depleting substances used in refrigeration installations at the Company facilities: refrigerants R-407C, R-410A, chlordifluoromethane (R-22), difluoromethane (R-32). The main producer of ozone-depleting substances emissions is refrigerant R-22 with the share of 100%.

The Company accounts for refrigerants in cylinders and kilograms. When calculating ODS, the ozone-depleting potential coefficient of 0.055 was applied.

Volume of ozone-depleting substances (ODS) emissions, kg CFC-11- equivalent<sup>7</sup> **GRI 305-6**



In 2022, the total volume of air emissions (AE) was 294 tons. Calculation of AE was based on the approved Methodology for determining the standards of emissions into the environment. The main sources of air pollutants are carbon monoxide (CO) and nitrogen oxides (NOx) – they account for 37.1% and 24.8%, respectively. The total volume of pollutants increased by 4.4% compared to the previous year. The growth of pollutant emissions is due to the long heating season in North-Kazakhstan and East-Kazakhstan regions, which caused an increase in the volume of fuel combustion.

For operation of autonomous heating systems and diesel generator units, projects of maximum permissible emissions are being developed in accordance with the requirements of environmental legislation. Currently, Kazakhtelecom JSC has one valid environmental emission permit for the facility of the 2nd category in Zhambyl region.

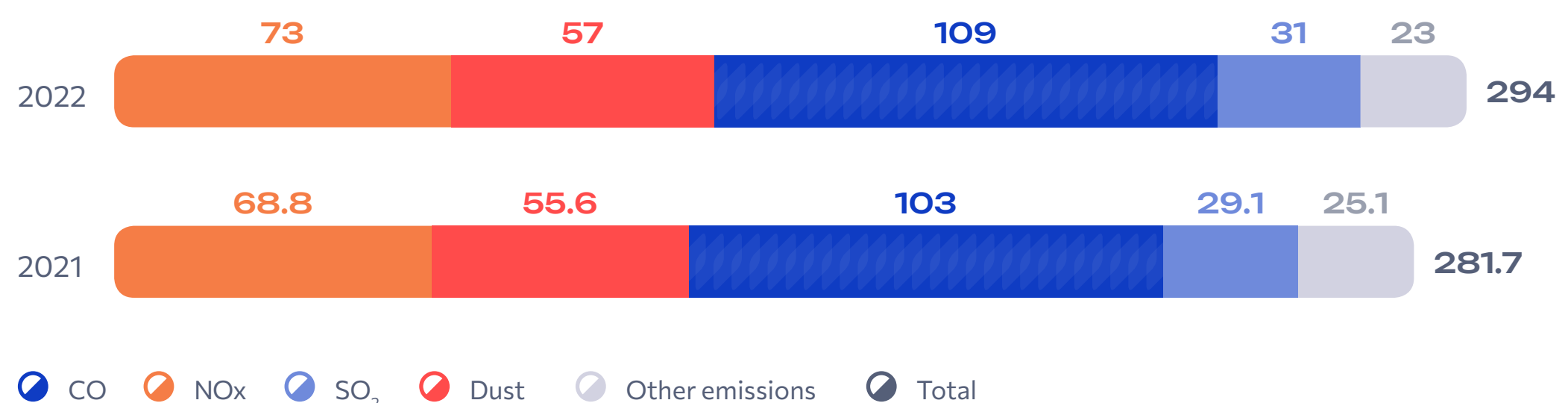
## Plans for 2023 and the medium term

In 2023, the following measures are planned to reduce air pollutant emissions:

1. Monitoring of pollutants and recording of emissions;
2. Introduction of quantitative targets for the reduction of emissions of pollutants into the atmosphere.

**294**  
tons  
the total volume of air emissions (AE) in 2022

Air emissions structure<sup>8</sup>, tons **GRI 305-7**



<sup>7</sup> Trichlorofluoromethane (CFC -11- equivalent).  
<sup>8</sup> Emissions for 2020 are not given due to changes in the calculation methodology – for the current methodology, the base year is 2021.





# Water and Effluents

GRI 3-3

**Kazakhtelecom JSC annually takes measures aimed at ensuring rational use of water resources and economical consumption of drinking quality water, despite insignificant impact of the Company's activity on water bodies.**

Efficient use of water resources at all the Company's facilities is a priority objective of the Environmental Policy. The Company has adopted documents regulating water resource management:

- The Plan for achieving long-term objectives of Kazakhtelecom JSC in the field of environmental management for 2020-2030 approved by the Order of the Company;
- The Action Plan of Kazakhtelecom JSC for environmental protection for 2022-2023 approved by the Order of the Company.

GRI 303-1, 303-2

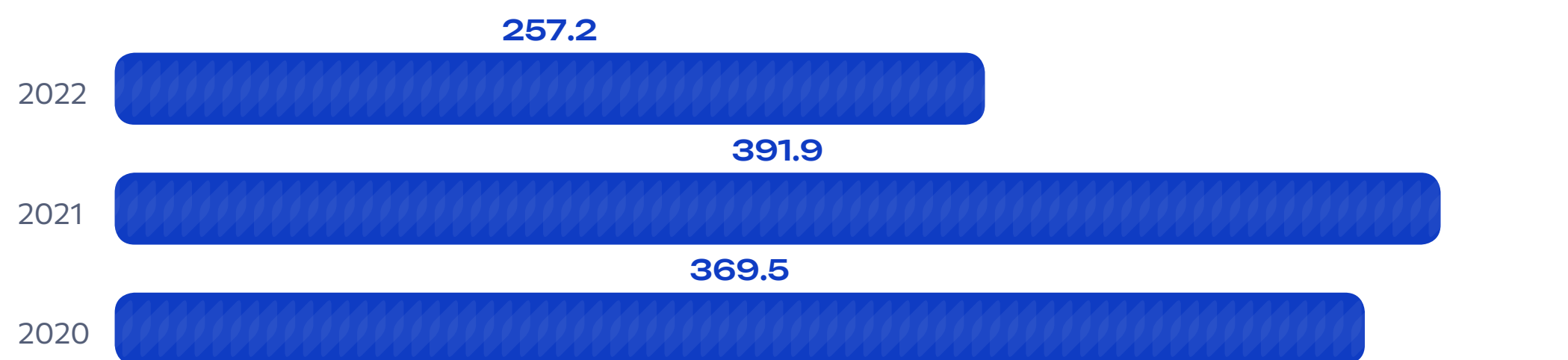
The main sources of water supply are water from water supply organizations (water utilities). The Company does not withdraw water from surface and underground sources in regions with water deficit. In 2022, there was decrease of water intake by 34.36% due to implementation of measures of the Plan on achieving long-term targets of Kazakhtelecom JSC in the field of environmental management for 2020-2030. The Company uses water exclusively for sanitary and household needs. All wastewater of the Company is discharged into the centralized sewerage network in accordance with the contract, except for wastewater at the Company's facilities in Zhambyl region. Wastewater at these facilities is discharged into screened septic tanks with subsequent disposal under the contract.

## Plans for 2023 and the medium term

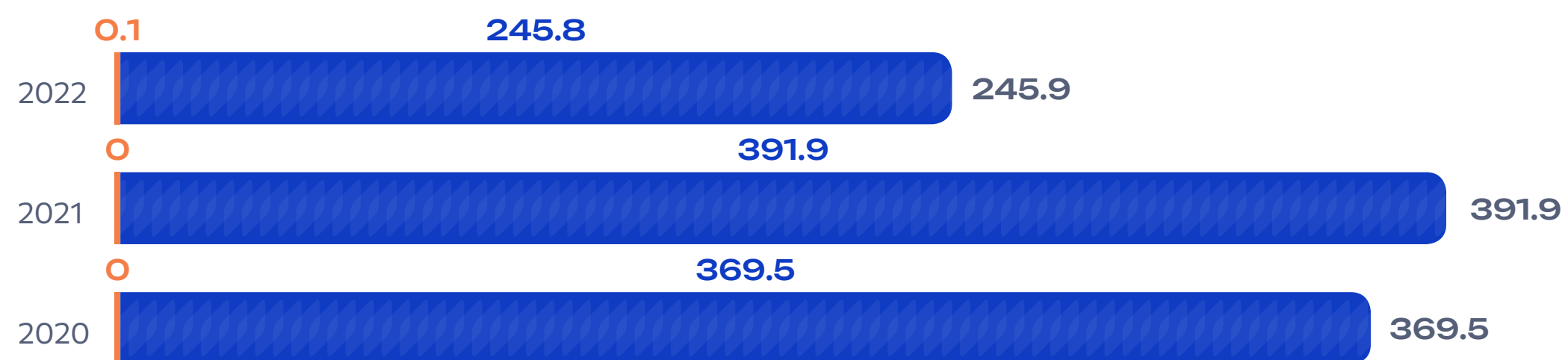
The Company plans to carry out the following water resource management measures:

1. Conduct monitoring of water bodies describing the impact of the Company's activities on them once a year (monitoring of water bodies at the intersections of the main networks of water bodies to determine the degree of cable impact on water bodies, on underwater wildlife, etc.). The monitoring results will allow developing measures to eliminate the impact or preserve water quality in water bodies;
2. Installation of water saving devices (water flow regulators, sensor faucets).

Total volume of water intake, thousand m<sup>3</sup> GRI 303-3



Total volume of discharges by source, thousand m<sup>3</sup> GRI 303-4, 303-5



○ Water transferred to third-party organizations for disposal
 ● Total  
● Water transferred through the central sewerage system

# 257.2

thousand m<sup>3</sup>

total volume of water intake in 2022

- 34.4%

# 245.9

thousand m<sup>3</sup>

total volume of discharges in 2022

- 37.3%

# 11.3

thousand m<sup>3</sup>

total water consumption in 2022





# Waste

GRI 3-3, 306-1, 306-2

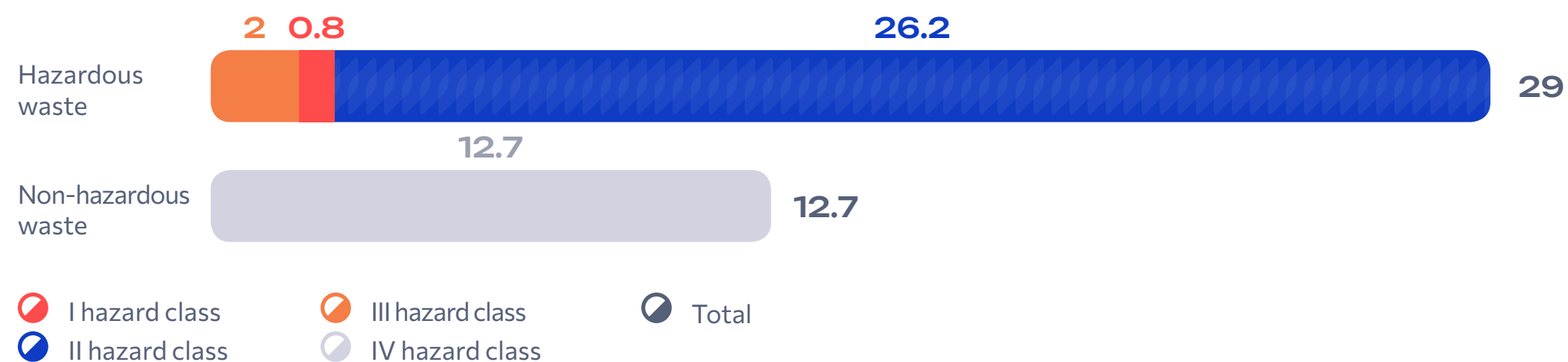
Kazakhtelecom JSC strives to minimize waste generation. The Company has a Documented procedure for management of production and consumption waste approved by the Order of the Company, which reflects the procedure for management of production and consumption waste, including collection, temporary storage, disposal, removal, and monitoring of generated waste in accordance with the legislation of the Republic of Kazakhstan on EP. The Company records waste volumes in registers, as well as based on acts of waste movement (acts of write-off, acceptance and transfer, disposal, etc.).

The Company implements projects to improve and optimize business processes in the field of waste management by the branch "Service Factory". Every year the Service Factory enters into an agreement with organizations to dispose of the following types of waste of the Company:

- electronic and electrical equipment (climate control equipment, household electrical appliances, power metering devices, backup power supplies (DGS, DGU, mini-electric power plants), uninterruptible power supplies, EPP equipment, transformer substations, power tools, etc.);
- chemical sources of current (batteries of various types);
- mercury-containing waste (fluorescent lamps);
- waste oils (waste oil from gas processing plants, vehicles, transformer substations, etc.);
- waste paper (paper);
- packaging (all kinds of packaging material).

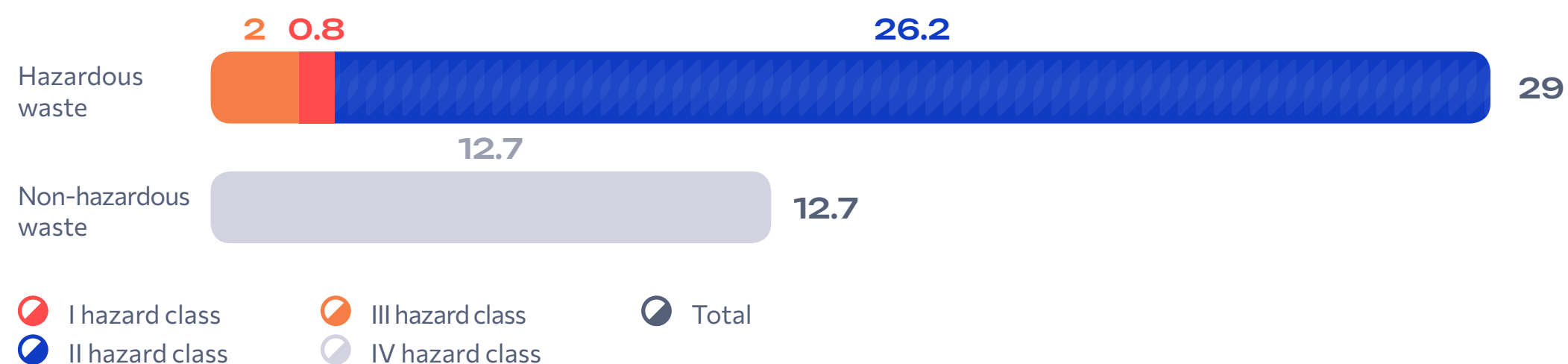
Volume of generated waste by hazard class<sup>9</sup>, tons

GRI 306-3



Volume of disposed waste by hazard class<sup>10</sup>, tons

GRI 306-4



<sup>9</sup> In 2020-2021 there was no breakdown by hazard class.  
<sup>10</sup> The entire volume of waste is disposed of by a third party.

In 2022, the total volume of waste generated was 41.7 tons (excluding municipal solid waste).

Every year the Company transfers telecommunication equipment to specialized organizations for storage and disposal of non-ferrous and ferrous metals. When in proper condition, telecommunications equipment is used as spare parts based on the organization's Standard "Rules for Dismantling and Recycling of Written Off Telecommunications Equipment" approved by the Company's Order.

## Plans for 2023 and the medium term

The Company plans to implement the following measures for effective waste management:

1. Conducting an inventory of production and consumption waste.
2. Developing waste passports.
3. Expansion of separate waste collection.
4. Introduction of accounting by waste hazard classes.

# 41.7

tons

total volume of generated waste in 2022

# 41.7

tons

total volume of disposed waste in 2022





## Biodiversity

GRI 3-3, 304-1

The Company does not carry out activities in protected and other areas of high biodiversity value. Pursuant to the Environmental Policy, Kazakhtelecom JSC undertakes to promote the level of biodiversity and prevent production activities in protected areas.

Within the framework of preservation of flora and fauna in the areas of construction and installation works (including cable laying), mechanical and biological reclamation were carried out, which minimize the risks of soil erosion and contribute to restoration of vegetation layer on the disturbed land plot.

### Plans for 2023 and the medium term

In 2023, the Company plans to implement the following biodiversity conservation measures:

1. Development and approval of guidelines for biodiversity management and conservation, as well as land management.
2. Monitoring the impact of the Company's operations on biodiversity, land, and water resources to develop measures to manage and improve the quality of biodiversity, water, and land resources.

# Climate change

## GHG emissions

GRI 3-3

### Kazakhstan, as a country integrated into the world community, shares the global goal of combating climate change.

Being the largest fixed telephony operator in Kazakhstan, the leader in providing telecommunications services, as well as one of the largest operators of the national data transmission network, Kazakhtelecom JSC supports Kazakhstan's participation in the global GHG emission reduction targets. The Company is actively applying and introducing sustainability principles in its business model. One of the areas of Kazakhtelecom JSC's Strategy is improvement in the field of sustainable development. The strategic objective of Kazakhtelecom JSC is to reduce GHG emissions by 13% by 2032 compared to the base year 2021, with a further goal to achieve carbon neutrality by 2060. In 2022, Kazakhtelecom JSC carried out active work contributing to the achievement of national and international climate change targets.

Within the framework of managing greenhouse gas emissions, the Company has the following internal documents:

- Low-carbon development program of Kazakhtelecom JSC for 2022-2032;
- Guidelines for monitoring and reporting on greenhouse gas emissions and energy flows.

GRI 2-24

In December 2022, the Company developed and approved a Low-Carbon Development Program for 2022-2032 aimed at reducing greenhouse gas emissions, which involves all General Directors of the Company's branches. The implementation of this Program is supervised by the Chief Director for Strategic Management. The program includes key measures and initiatives to achieve the strategic goal of reducing energy consumption by 2% per year, increasing the Company's investment appeal and shareholder value, and reducing the Company's carbon footprint by 13% by 2032. Four key areas of low-carbon development were identified in the preparation of the LCDP:

- alternative energy;
- resource saving and energy efficiency;
- compensatory measures;
- monitoring and management of greenhouse gas issues.

Under the LCDP, the Company plans to build a corporate system to monitor, report and manage GHG emissions. The Company intends to take an annual inventory of GHG emission sources, disclose, calculate, and verify greenhouse gas emissions in accordance with an international reporting standard – the IPCC guidelines.

The current base year is 2021, due to the Company's initial inventory and quantification of GHG emissions. To achieve the goals of low-carbon development, the Company is developing a corporate document to unify reporting requirements for energy and greenhouse gas emission streams.







Volume of greenhouse gas emissions<sup>11</sup>, tons CO<sub>2</sub>-equivalent

GRI 305-1, 305-2

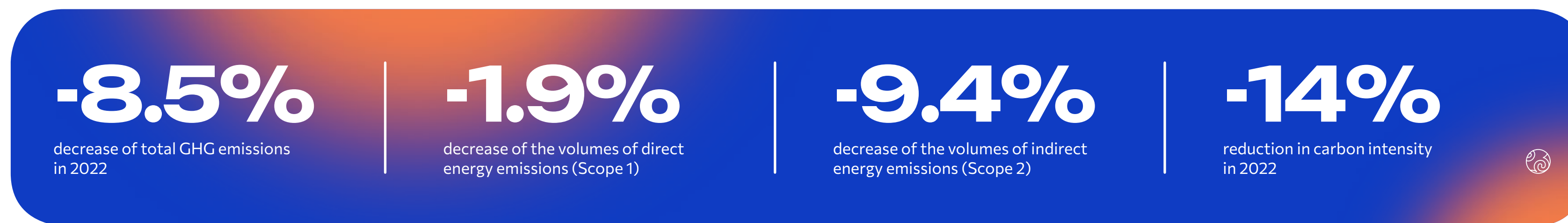
Indicator	2021	2022	Change, %
Direct (Scope 1) GHG emissions, incl.:	28,833	28,291	-1.9
- carbon dioxide (CO <sub>2</sub> )	28,750	27,851	-
- nitrous oxide (NO <sub>2</sub> )	62	298	-
- methane (CH <sub>4</sub> )	20	142	-
Energy indirect (Scope 2) GHG emissions (electric power and heat)	225,417	204,276	-9.4
<b>Total greenhouse gas emissions</b>	<b>254,249</b>	<b>232,567</b>	<b>-8.5</b>

<sup>11</sup> The assessment of GHG emissions in 2020 was not carried out. The Base Year for emissions calculations is 2021.

The Company has no GHG emissions from biomass combustion and decomposition. Calculation of GHG emissions of Scope 1 was based on the IPCC guidelines using individual fuel densities. GHG Scope 2 emissions were calculated based on an approved list of benchmarks in regulated economic sectors. At the end of 2022, Kazakhtelecom JSC's total GHG emissions were

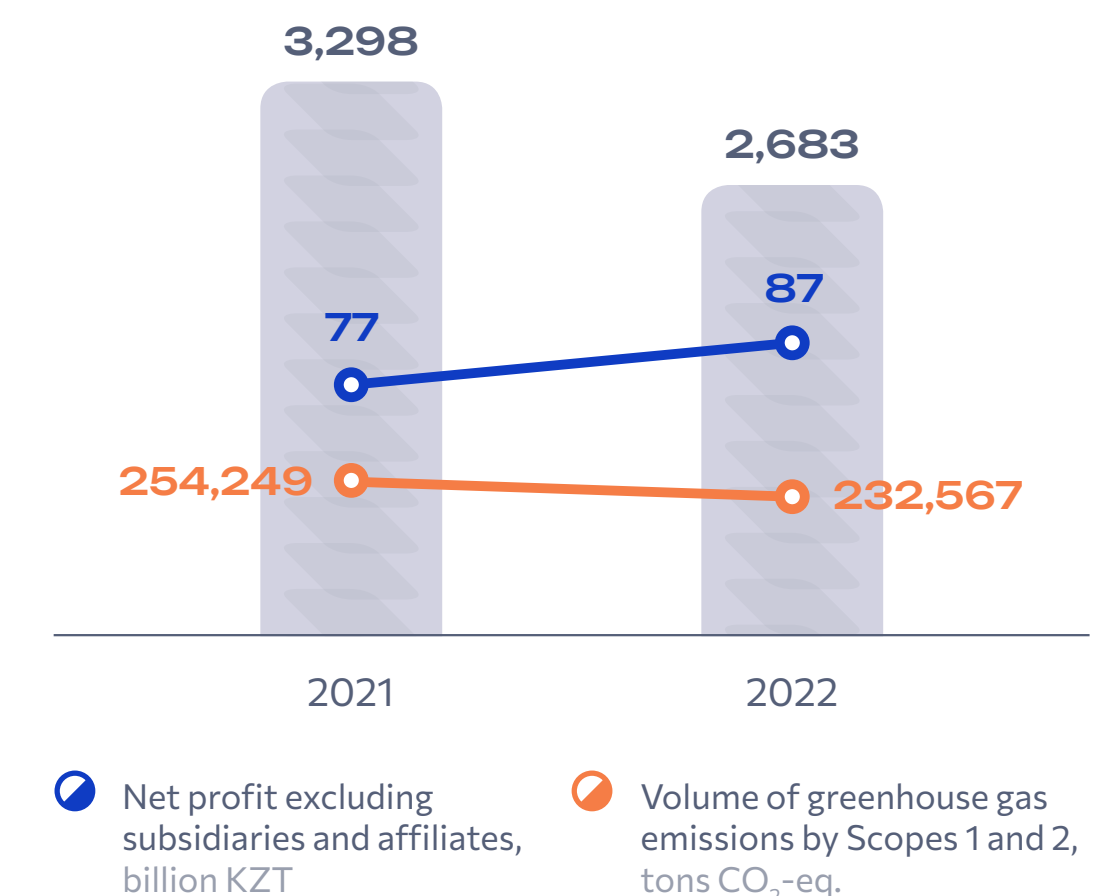
232,567 tons of CO<sub>2</sub>-eq. (Scopes 1 and 2), 8.5% below the 2021 level. The volumes of direct (Scope 1) and indirect energy emissions (Scope 2) decreased by 1.9% and 9.4%, respectively. The year-on-year decrease is due to the switchover of users from copper to fiber-optic lines, which made it possible to optimize the costs of maintaining the access network infrastructure and

station equipment, to dismantle ATU, MSA, DSLAM, including freeing up buildings and premises that consume electric power, to replace fluorescent lamps with LED ones and a number of other energy efficiency measures, which the Company plans to implement one by one until 2032. In 2022 there was a 14% reduction in carbon intensity compared to 2021.



Dynamics of carbon intensity, tons CO<sub>2</sub>-eq./million KZT

GRI 305-4



Plans for 2023 and the medium term

In 2023 it is planned to carry out measures to increase the consumption of energy resources from low-carbon energy sources:

1. Continued implementation of initiatives in the field of low-carbon development – the transition to the use of low-carbon energy sources in Kostanay region (gas);
2. Reducing the consumption of fossil fuels in stationary and mobile sources;
3. Implementation of Kazakhtelecom JSC LCDP measures for 2022-2032 (<https://telecom.kz/ru/pages/13683/172516>).





# Energy

GRI 3-3

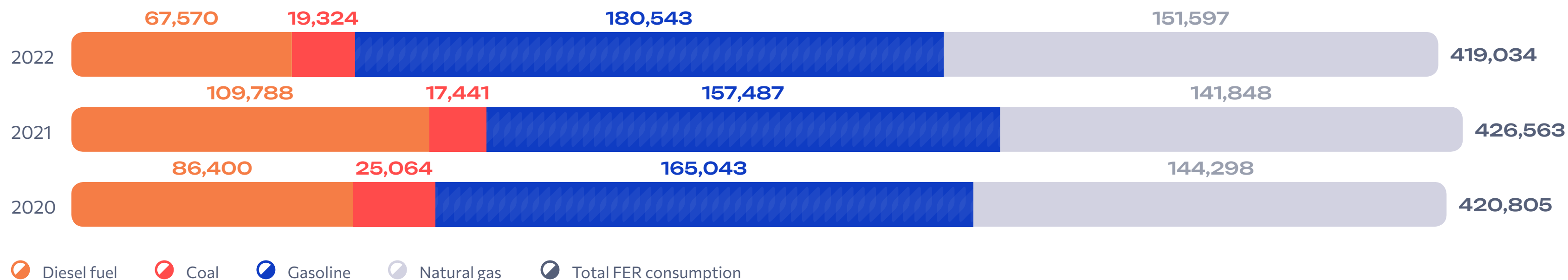
**Kazakhtelecom JSC strives to increase energy efficiency of the Company's production activity and apply highly efficient technologies.**

In 2022, the Company developed the Energy Registry and the Greenhouse Gas Registry, which include structural data on primary production facilities that consume energy resources. The registry includes the following measures to build a system for monitoring and reporting on energy flows:

- internal quality control procedures in the Company (regular certification and accreditation of operating personnel, verification of the correctness of measurement results as part of operator control, control over compliance with and use of approved calculation methods);
- regular maintenance, calibration and verification of measuring equipment for monitoring in accordance with the manufacturer's instructions and existing enterprise practices;
- cross-checking primary and secondary data;
- regular training and retraining of personnel;
- internal and external audits.

Total consumption of fuel resources<sup>12</sup>, GJ

GRI 302-1, 2-4



<sup>12</sup> Values for 2021 differ from those presented in IAR 2021 due to refinement of the calculation. Total FER consumption increased by 41,892 GJ.

In Kazakhtelecom JSC, transition to resource-saving technologies and improvement of energy efficiency is one of the key areas. The Company develops measures to minimize consumption of imported electricity, heat and fuel resources while operating its own power generating facilities.

In 2022, total fuel consumption was 419,034 GJ, down 1.8% from 2021. The main sources of energy are gasoline and diesel fuel. The Company uses autonomous heating systems at 248 properties, including diesel heating (at 103 properties), gas heating (at 103 properties), and solid fuel heating (at 39 properties, including electric boilers at 28 properties). The company is reducing the number of heating systems using diesel fuel (108 facilities in 2021), which reduces overall air emissions. Burning natural gas generates less carbon dioxide than burning coal and diesel fuel, so it has less impact on the environment.

In 2022, electricity consumption was 622,298 GJ, a 13% decrease from last year because of the deduplication project and the replacement of copper networks with modern fiber-optic lines. As a result, most of the power-consuming equipment was decommissioned and the administrative buildings that consume power for lighting were freed up.

**419,034** **-1.8%**  
GJ  
total consumption of fuel resources in 2022

**622,298** **-13.2%**  
GJ  
electricity consumption in 2022

**-9%**  
decrease of the specific energy consumption in 2022

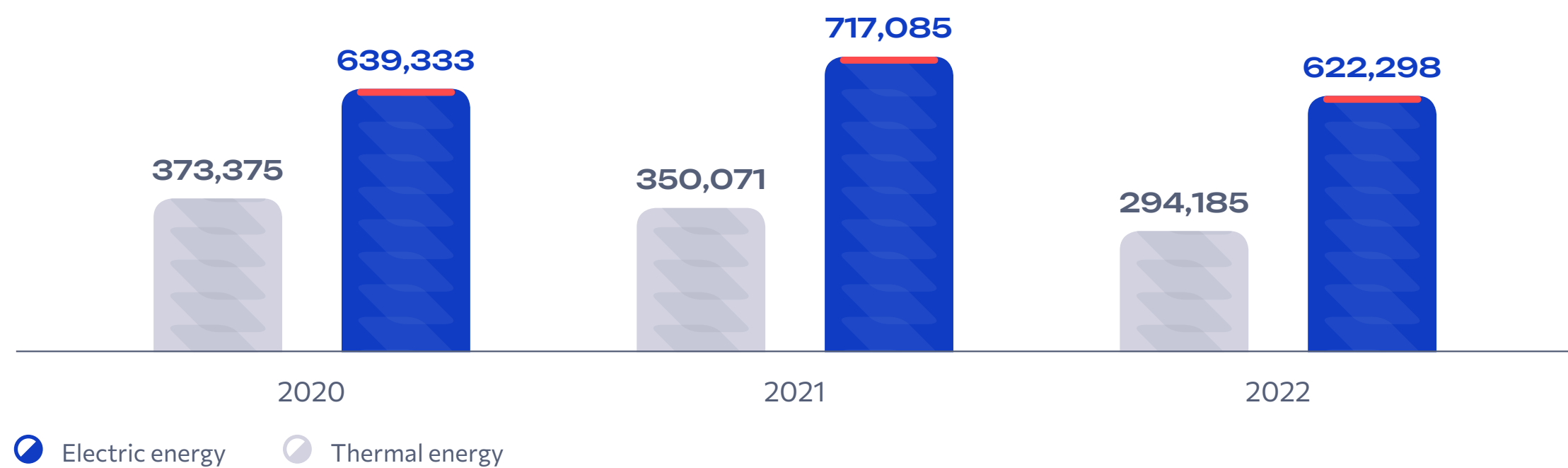






### Heat and electricity consumption for own process needs, GJ

GRI 302-1



### Energy intensity

GRI 302-1, 302-3



# 113,442

subscribers

were switched from copper to fiber optic communications

# 11,575

lamps

were replaced from fluorescent to LED ones



### Total reduction of energy consumption and greenhouse gas emissions due to the implementation of energy saving programs

GRI 302-4, 305-5

#### Indicator

Copper grid deduplication, GJ

2022

7,761

Replacement of fluorescent lamps, GJ

605

Total energy consumption reduction, GJ

8,386

Total GHG emissions reduction, tons CO<sub>2</sub>-eq.

1,966

The dynamics of specific energy consumption shows a stable decrease. In the reporting period it was 9%.

In 2022, the total reduction in energy consumption was 8,386 GJ due to the implementation of LCDP measures. As a result, 113,442 subscribers were switched from copper to fiber optic communications and 11,575 fluorescent lamps were replaced with LED ones.

In subsequent years the Company plans to gradually convert heating systems to gas, which is one of its priority tasks. The Company's subdivisions regularly carry out activities that are focused on ensuring rational use of heat and power resources.

### Plans for 2023 and the medium term

The following energy efficiency measures are planned for 2023:

1. Elimination of heat losses by insulating buildings and structures as part of measures to prepare the Company's facilities for the heating season.
2. Carrying out maintenance of autonomous heating systems.
3. Switching to LED lamps.
4. Installation of motion/presence sensors for the lighting system.
5. Setting personal computers to hibernate when not in use for more than two hours and installing software to automatically shut down personal computers.
6. Continued deduplication project and replacement of copper networks with modern fiber optic technology.
7. Conducting a mandatory energy audit.





# 6

## Sustainability report: aspect S





# Relationships with employees

GRI 3-3

## Management of material topics

People are not only the most important asset of Kazakhtelecom JSC but also our highest value. The Company pays great attention to taking care of its employees and is continuously improving its practices and procedures in this area, from building an effective transparent HR system to organizing courses and trainings aimed at taking care of the mental and physical health of employees.

### Principles of the Personnel Policy of Kazakhtelecom JSC

 <p><b>Social Responsibility</b></p> <p>when building relationships with employees, the Company complies with the requirements of the legislation of the Republic of Kazakhstan in the field of labor relations in order to achieve social well-being;</p>	 <p><b>HR system transparency</b></p> <p>the Company uses a transparent procedure for managing the HR function through systematic processes (appointment, career development, training and development, performance evaluation, etc.) to implement strategic goals (Employee Experience program);</p>	 <p><b>Continuity</b></p> <p>the Company views employee training and development as a valuable tool in achieving a skilled level of employee succession;</p>	 <p><b>Customer centricity</b></p> <p>the HR function seeks to improve the client-oriented approach through the Company's employees on the basis of effective mutually beneficial relationships with clients to enhance a positive reputation status in the business space;</p>
 <p><b>Individual responsibility</b></p> <p>HR-function employees strive to instill high self-discipline and individual responsibility in each employee of the Company to achieve high results;</p>	 <p><b>Balance of interests and goals of Kazakhtelecom JSC and employees</b></p> <p>the Company respects the interests of its employees and is based on their needs and requirements in order to promote social well-being, and equally expects employees to respect the interests of the Company in order to achieve its goals in the course of its business;</p>	 <p><b>Innovative thinking</b></p> <p>The Company considers innovative thinking as one of its competitive advantages, and in this regard the HR-function provides employees with all conditions for the formation of innovative thinking aimed at optimizing and automating the products and technologies provided by the Company.</p>	

The personnel management system of Kazakhtelecom JSC is regulated by the activity of the Personnel Management and Development Department. The main objectives of the Department are to increase the level of efficiency, development of personnel and corporate culture among Kazakhtelecom JSC's employees.

Relations with employees in the Company are built up on the basis of the Personnel Policy of Kazakhtelecom JSC concept aimed at developing and enhancing efficiency of approaches to personnel management, including competitive level of salaries and other types of financial incentives, as well as opportunities for realization of professional potential and personal development and increasing the level of social support of its employees.

Kazakhtelecom JSC strictly complies with the requirements of the labor legislation of the Republic of Kazakhstan and the principles of selection, development, and provision of decent working conditions for all its employees. The Company strives to improve organizational mechanisms and procedures of HR-function in the field of employment. In 2022, the document "Rules for selection of Kazakhtelecom JSC's personnel" that provides for the main areas of interaction and responsibility of the Company to its employees was updated.



Training and development of employees is managed by a structural subdivision of the HR system – Employee Experience Management Service. Organization of its activity is based on the following internal documents of the Company:

- Knowledge Management Rules of Kazakhtelecom JSC;
- The Employee Experience Strategy of Kazakhtelecom JSC;
- Rules of Formation and Training of Kazakhtelecom JSC's Personnel Pool.

In 2022, the responsibility of the HR Director was centralized, aiming to summarize the areas of responsibility of his subordinate business units (Remuneration and Organizational Effectiveness Service, Employee Experience Management Service) to achieve high results for the Company. In addition, the functional responsibilities of the HR Director were supplemented and updated, including the quantitative indicators of the scope of activities:

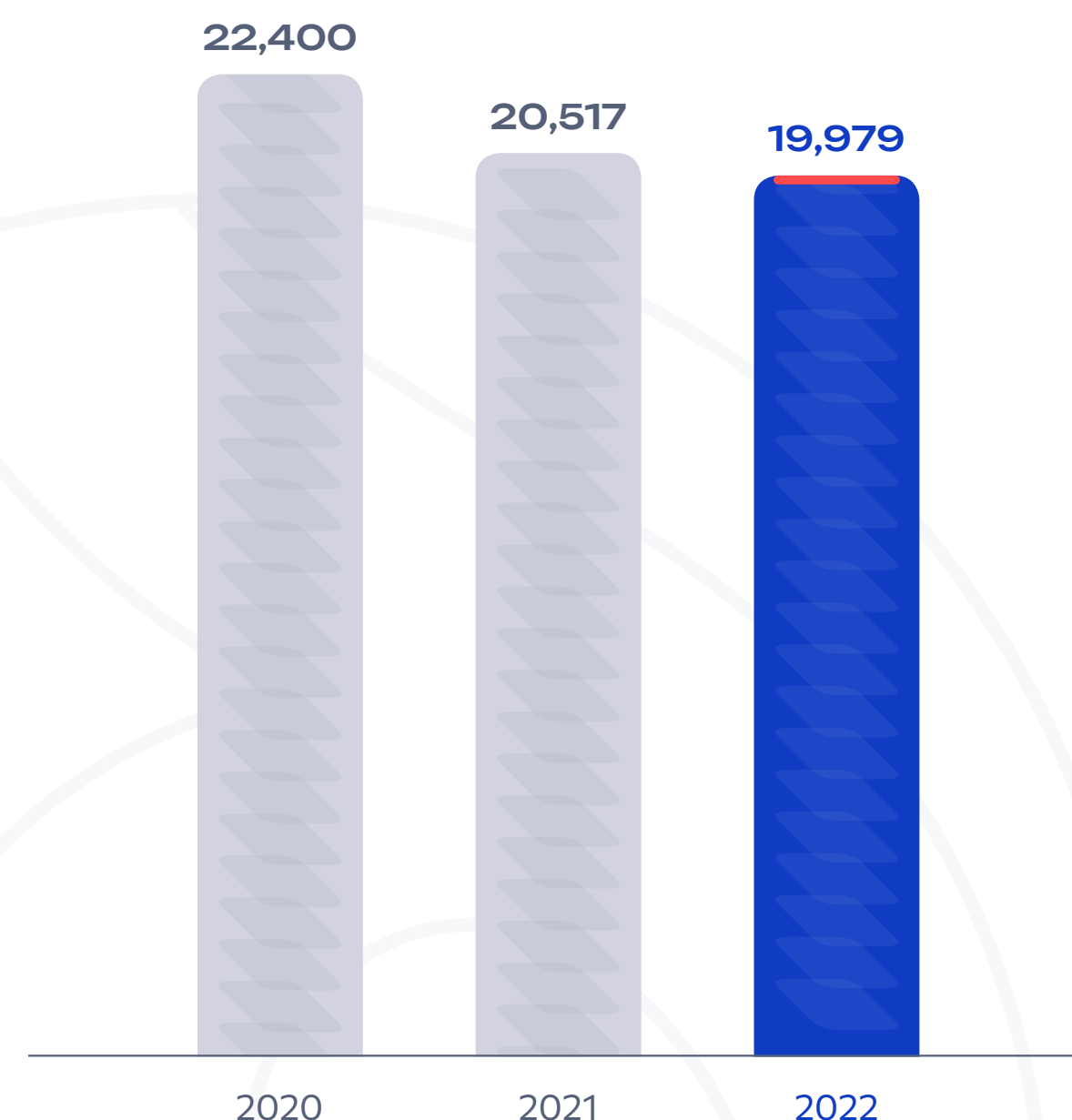
- Salary fund of Kazakhtelecom JSC with its subsidiaries;
- Number of employees;
- Labor productivity of the Company with its subsidiaries;
- Attractiveness of the employer in the labor market (employer brand);
- Involvement and loyalty of the personnel;
- Staff turnover;
- Use of methods allowing to evaluate the candidates by criteria;
- Employable talent pool.

## Headcount and staff structures

GRI 2-7

Dynamics of the headcount, people

GRI 2-7



**19,979** people  
 the listed number of employees as of December 31, 2022  
 -2.6%

Breakdown of employees by age group as of December 31, 2022, people

GRI 405-1

Category	Total, people	under 30 years		30-50 years		over 50 years	
		People	Share, %	People	Share, %	People	Share, %
Total number of employees	19,979	4,568	22.9	10,289	51.5	5,114	25.6
in management positions	1,147	51	4.5	739	64.4	357	31.1
experts	13,862	3,514	25.3	7,343	53.0	2,997	21.7
workers	4,970	1,003	20.0	2,207	44.5	1,760	35.5

Gender structure of employees as of December 31, 2022, people

GRI 405-1

Category	Total, people	Men		Women	
		People	Share, %	People	Share, %
Total number of employees	19,979	12,590	63	7,389	37
in management positions	1,147	816	71.1	331	28.9
experts	13,862	7,112	51.3	6,750	48.7
workers	4,970	4,662	93.8	308	6.2

As of December 31, 2022, the listed number of Kazakhtelecom JSC employees amounted to 19,979 persons, most of them working on a permanent and full-time basis.

In terms of age category, the main share of employees is represented in the group from 31 to 50 years old – 51.5%. The number of employees over 50 years old is 25.6% of the total number of personnel. The share of young people under the age of 30 is 22.9% of the total number of personnel. The share of male employees is 63%, women 37%.





Breakdown of governing bodies by age group as of December 31, 2022, people **GRI 405-1**

Category	Total, people	under 30 years		30-50 years		over 50 years	
		People	Share, %	People	Share, %	People	Share, %
The Board of Directors	7	0	0	5	71.4	2	28.6
The Management Board	4	0	0	4	100	0	0

Gender structure of governing bodies as of December 31, 2022, people **GRI 405-1**

Category	Total, people	Men		Women	
		People	Share, %	People	Share, %
The Board of Directors	7	7	100	0	0
The Management Board	4	3	75	1	25

Compared to last year, in 2022, a woman was included in the Management Board of Kazakhtelecom JSC, and the share of women made up 25% of the total number of members of the Management Board.

In the reporting period, the number of the Company's employees working under termless labor contracts made up 19,535 out of the total number of personnel. The number of permanent and temporary employees varies significantly by regions of Kazakhtelecom JSC's presence.

The number of permanent and temporary employees as of December 31, 2022, people **GRI 2-7**

Category	Total, people	By gender	
		Men	Women
The number of staff on the payroll, of which:	19,979	12,590	7,389
- permanent	19,535	12,503	7,032
- temporary	444	87	357

**19,535**  
people

the number of the Company's employees working under termless labor contracts

**19,710**  
people

the number of employees of Kazakhtelecom JSC working on a full-time basis



Number of employees by region as of December 31, 2022, people **GRI 2-7**

Total Permanent Temporary



**GRI 2-7**

In 2022 the number of employees of Kazakhtelecom JSC working on a full-time basis made up 19,710 people out of the total number of personnel, with the number of male employees making up 12,358 people, female employees – 7,352 people. In the reporting period the Company had 509 part-time employees, including 369 men and 136 women.



## Recruiting personnel

The recruitment procedure in Kazakhtelecom JSC is carried out in accordance with the document “Rules of Selecting Personnel of Kazakhtelecom JSC”. Recruitment for vacant positions and working professions in the Company is carried out by structural divisions of the General HR Service Center and Employee Experience Management Service. In its activity, the Company applies the following principles of personnel selection:

- recruitment planning based on business needs;
- clear and transparent selection criteria based on the requirements to the position and the Competence Model;
- transparent tender procedures;
- professionalism, personal qualities of the candidate and his/her compliance with the qualification requirements and competencies for the position;
- reasonableness of decisions taken based on the meritocracy principle;
- use of candidates evaluation methods that are relevant for each position, making it possible to make objective decisions when hiring personnel;
- non-discrimination, professional, open and respectful attitude towards all candidates;
- compliance with laws of the Republic of Kazakhstan;
- rational use of resources for attracting and recruiting personnel.

Personnel selection is carried out on a competitive basis. In-house candidates, including those in the personnel reserve, have priority when filling a vacant position. Applicants for search and selection of qualified specialists can be:

- employees of the Company, including reservists included in the personnel reserve of Kazakhtelecom JSC;
- employees of Kazakhtelecom JSC's group of companies;
- employees of Samruk-Kazyna JSC group;
- candidates participating in the competition for the vacant position;
- graduates of universities, senior students.

If necessary, external candidates are selected. The Company uses the following sources and tools to search for potential new employees:

- electronic database of resumes formed by the Company;
- specialized sites with resume databases (Qyzmet.kz., Kz.jooble.org and others);
- social networks (Facebook, LinkedIn and others);
- business contacts, recommendations;
- electronic database of graduates of young professionals / talent management programs implemented by the Company / Samruk-Kazyna JSC;
- electronic database of candidates formed on the Unified online recruiting platform Samruk Qyzmet (<https://qsamruk.kz>).

In 2022, the Company hired 2,174 new employees. Among them are 105 candidates selected from the Company's Talent Pool. Most of the newly hired employees are less than 30 years old.

The ratio of newly hired employees in 2022 was 0.11%. Compared to 2021, the share of newly hired employees increased by 22.2%.

### Number of newly hired employees, people GRI 401-1

Indicator	2020	2021	2022	Change, %
<b>Total by Company:</b>	<b>2,952</b>	<b>1,978</b>	<b>2,174</b>	<b>9.9</b>
<b>By gender:</b>				
- Women	882	722	714	1.1
- Men	2,070	1,256	1,460	16.2
<b>By age groups:</b>				
- Under 30 years	1,866	1,222	1,305	6.8
- 30-50 years	897	666	748	12.3
- Over 50 years	189	90	121	34.4

### Ratio of newly hired workers, % GRI 401-1

Indicator	2020	2021	2022	Change, %
<b>Ratio of employees hired, total for the Company:</b>	<b>0.13</b>	<b>0.09</b>	<b>0.11</b>	<b>22.2</b>
<b>By gender:</b>				
- Women	0.11	0.09	0.10	11.1
- Men	0.15	0.09	0.12	33.3
<b>By age groups:</b>				
- Under 30 years	0.34	0.23	0.28	21.7
- 30-50 years	0.08	0.06	0.08	33.3
- Over 50 years	0.03	0.02	0.03	50

### Number of newly hired workers by region, people GRI 401-1

Region	People
Astana city	238
Pavlodar region	110
Almaty region	163
Kyzylorda region	27
Aktobe region	76
Atyrau region	78
Mangistau region	57
North Kazakhstan region	101
Kostanay region	109
Zhambyl region	64
Turkestan region	28
Shymkent city	104
Abay region	0
Almaty city	577
Zhetysu oblast	0
Akmola oblast	105
Karagandinskaya region	160
Ulytau region	0
West-Kazakhstan region	65
East-Kazakhstan region	112

**2,174**  
people

the number of newly hired employees in 2022

**0.11** + 22.2%

the ratio of newly hired employees in 2022







## Attracting young professionals

**Kazakhtelecom JSC has the Knowledge Center, which provides a single integrated platform for access to corporate information, corporate applications and other sources of information that helps in adaptation and development of employees.**

Moreover, in 2022, the Company continued implementing internship programs for graduate students with a view to attracting and subsequently employing them in the Company. One of the regulatory documents on attracting students is the “Rules for organizing and attracting students for internships under the PROTelecom program. In 2022, the Company continued the PROTelecom program, within the framework of which more than 600 students were admitted to the internship program. As a result of the program, Kazakhtelecom JSC recruited 201 new employees. We always welcome new colleagues and are confident that young specialists will make a great contribution to the Company’s development and success.

In addition, in the reporting period, Kazakhtelecom JSC implemented the Telecom Data Factory internship program aimed at theoretical and practical training of 3-4 course and master’s degree students, as well as recent graduates of higher education institutions in the field of data analytics. As part of this program, students mastered courses in Python for data analysis, Structured Query Language, Business Intelligence tools. Based on the results of the program, the students with the best results were awarded and offered employment with the Company.

All information about contests and the beginning of internship program is posted on the corporate website. Apart from Kazakhtelecom JSC’s internship programs, the Memorandum of Cooperation with Kazakh-British Technical University, Nazarbayev University and KIMEP University continued to operate in 2022. In the reporting year, a new Memorandum of Cooperation was signed with De Montfort University Kazakhstan.

## Talent Pool

**Kazakhtelecom JSC is proud of its employees. The Company makes considerable efforts to ensure active professional development of its personnel.**

In 2022, the Company continued implementation of the “Talent Management” project aimed at forming and training a talent pool.

Through this project, the Company identifies and retains talented employees with a high level of professional skills development. Within the framework of the project, the School of Leadership functions – a program in which reservists undergo stage-by-stage training in developing managerial and leadership competencies. Within the framework of the School of Leadership, a comprehensive Management Skills Training Program has been developed, which includes a complex of training events for the development of universal management competencies and leadership qualities of reservists.

One of the key documents regulating the process of formation of the talent pool is the Rules for formation and training of Kazakhtelecom JSC’s talent pool.

During the reporting period, the number of vacancies filled by employees from the talent pool was 106.

### Principles of forming the talent pool:

- Objectivity**  
Candidates for the talent pool are determined on the basis of objective evaluation criteria;
- Transparency**  
Procedures for the selection and formation of the personnel pool are open and transparent;
- Voluntariness**  
Inclusion of a candidate in the personnel pool must be at the employee’s request;
- Equal opportunities**  
Any eligible employee may participate in the selection process for inclusion in the talent pool;
- Meritocracy**  
The process of filling key management positions with the most capable and talented employees.

### Number of Appointments of Reservists to Key Positions as of December 31, 2022, people



Number of vacancies filled by reservists

**106**  
vacancies  
filled by employees from the talent pool in 2022



## Employee turnover

GRI 401-1

**Kazakhtelecom JSC develops recruitment procedures and practices of motivation and retention aimed at reducing personnel turnover and stimulating development of the Company's employees. In 2022, the level of personnel turnover decreased significantly.**

During the year, the total number of employees with whom employment relations were terminated was 2,654. Compared with 2021, the share of employees with whom employment relations were terminated decreased by 29.8%.



### Total number of employees with whom labor relations were terminated by category, people GRI 401-1

Indicator	2020	2021	2022	Change, %
<b>Kazakhtelecom JSC</b>	<b>2,686</b>	<b>3,785</b>	<b>2,654</b>	<b>-29.8</b>
<b>By gender:</b>				
- Women	791	1,272	920	-27.6
- Men	1,895	2,513	1,734	-31.0
<b>By age groups:</b>				
- Under 30 years	1,179	1,532	1,003	-34.5
- 30-50 years	967	1,275	1,200	-5.9
- Over 50 years	540	978	451	-53.9

### Personnel turnover, % GRI 401-1

Indicator	2020	2021	2022	Change, %
<b>Employee turnover rate<sup>13</sup></b>	<b>0.12</b>	<b>0.17</b>	<b>0.13</b>	<b>-23.3</b>
<b>By gender:</b>				
- Women	0.10	0.16	0.12	-22.0
- Men	0.13	0.18	0.13	-23.9
<b>By age groups:</b>				
- Under 30 years	0.20	0.27	0.23	-13.9
- 30-50 years	0.09	0.12	0.11	-6.3
- Over 50 years	0.10	0.17	0.08	-52.2

### Total number of employees with whom labor relations were terminated by region, people GRI 401-1

Region	People
Astana city	223
Pavlodar region	149
Almaty region	177
Kyzylorda region	37
Aktobe region	130
Atyrau region	101
Mangistau region	66
North Kazakhstan region	115
Kostanay region	130
Zhambyl region	52
Turkestan region	28
Shymkent city	106
Abay region	15
Almaty city	798
Zhetysu oblast	0
Akmola oblast	107
Karagandinskaya region	169
Ulytau region	14
West-Kazakhstan region	75
East-Kazakhstan region	162

The staff turnover rate in 2022 was 0.13. Compared to 2021, it decreased by 23.3%. This indicator demonstrates the development and improvement of practices in the field of recruitment, motivation, and retention of Kazakhtelecom JSC's personnel in the reporting period.

GRI 401-2

In 2022, the following types of social benefits were provided to Kazakhtelecom JSC's employees as part of social support measures<sup>14</sup>:

- life insurance;
- health care;
- parental leave;
- retirement provision.

GRI 402-1

According to the Labor Code of the Republic of Kazakhstan, the minimum notice period for employees upon termination of employment contracts in connection with the reduction of headcount or staff is 4 weeks (30 calendar days). In accordance with the Collective Bargaining Agreement approved in Kazakhtelecom JSC, this period is increased as compared to the minimum legal requirements and amounts to 45 calendar days.

<sup>13</sup> The personnel turnover rate is defined as the ratio of the number of employees whose employment was terminated by agreement of the parties and/or for negative reasons to the average number of the Company's personnel for the year.

<sup>14</sup> All types of benefits were provided under open-ended and temporary employment contracts entered into with employees, regardless of the type of employment for the year.





## Distribution of employees by maternity leave, people

GRI 401-3

Indicator	2020	2021	2022
<b>Total number of employees that were entitled to parental leave, by gender:</b>	<b>822</b>	<b>900</b>	<b>892</b>
- Women	803	878	861
- Men	19	22	31
<b>Total number of employees that took parental leave, by gender:</b>	<b>822</b>	<b>900</b>	<b>892</b>
- Women	803	878	861
- Men	19	22	31
<b>Total number of employees that returned to work in the reporting period after parental leave ended, by gender:</b>	<b>531</b>	<b>482</b>	<b>399</b>
- Women	510	473	389
- Men	21	9	10
<b>Total number of employees due to return to work after taking parental leave, by gender:</b>	<b>531</b>	<b>482</b>	<b>399</b>
- Women	510	473	389
- Men	21	9	10
<b>Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender:</b>	<b>433</b>	<b>492</b>	<b>403</b>
- Women	430	474	397
- Men	3	18	6

The number of employees who went on maternity leave at the end of the reporting period was 892, and the share of women was 96.5%.

In the reporting period, the retention rate and the rate of employees returning to work after the end of their leave were 100%.

The rate of return of employees – employees who were supposed to return after the parental leave in 2022 – 100%.

Retention rate of employees – employees who returned after parental leave in the last reporting period and continued to work in 2022 – 100%.

## Training and Education

**At Kazakhtelecom JSC, we understand that continuous growth and development of personnel is a necessary condition for the Company's success.**

Kazakhtelecom JSC developed Kazakhtelecom Knowledge Management Rules, which are the key document that regulates the work in the field of training and development of employees. In 2022, more than 23,521 employees were trained

in the following areas: Leadership academy, EX academy, HSE&ESG academy, Service and Sales academy, Technical academy, IT academy, Qazaq&English academy, financial academy, Jas academy.

## Number of hours of employee training as of December 31, 2022, people

GRI 404-1

Indicator	By gender		By employee category		
	Women	Men	Managers	Experts	Workers
Number of employees, people	7,389	12,590	1,147	13,862	4,970
Average hours of training per year per employee, hours <sup>15</sup>	84.2	75.4	185.3	66.9	30.9

In addition, in accordance with the Employee Experience Strategy, the number of training hours per employee of the Company was approved. In 2022, this target was set at 61 hours per employee. The actual average number of training hours per employee per year in 2022 was 75.35 hours for men and 84.15 hours for women.

**>23,521**  
employees  
were trained in 2022

## Corporate University

On July 12, 2022, with the participation of the Managing director of Samruk-Kazyna JSC, top management of Kazakhtelecom JSC and over 300 employees of the Company of all levels, the Corporate University of Kazakhtelecom JSC was opened in the city of Astana.

The work of the Corporate University is based on cooperation with Astana IT University with the aim of direct participation of Kazakhtelecom JSC in improvement of AITU educational programs (including IT college on the basis of AITU), provision of conditions for students at the university to take industrial practice and internships in Kazakhtelecom JSC, recruitment of IT-specialists from among talented graduates, etc.

<sup>15</sup> Average number of training hours per category employee = Total number of training hours provided for each category of employees / Total number of employees in the category.





**GRI 404-2** Key educational programs of the Corporate University:

- 1** Leadership and Management Academy – training and development of managers (self & people management);
- 2** HSE Academy – introduction and development of safe work culture. Developed courses (electronic and face-to-face):
  - Injury Prevention & Response;
  - Safe Work Environment;
  - HSE Facilitator;
  - Hand Injuries;
  - Occupational Safety and Health (OSH) charting rules;
  - Injury Prevention & Response Trainer Certification;
  - Injury Prevention & First Aid;
  - Safe Driving.
- 3** Training of the Personnel Reserve and managers under programs:
 

<b>Start MBA</b> <b>112</b> people	<b>Digital MBA</b> <b>40</b> people
<b>Fresh MBA</b> <b>88</b> people	<b>Advanced MBA</b> <b>37</b> people
- 4** HR/EX Academy – internal certification, organization of comprehensive professional development programs for EX-services employees, HR-BP School to improve personnel management processes;

- 5** Development of a development concept for all categories of EX experts: EX Operations, EX Generalist, EX Analyst, EX Business Partner, EX Director. In addition, within the framework of this concept, the training of EX-Generals was held, which was attended by 30 people;
- 6** Sales and Service Academy – sales and service skills, new products:
 

<b>41</b> participants	<b>20</b> participants
Service First School of Customer Centricity	State Language Coach Selection
<b>31</b> participants	
Mentor Forum “Joining Efforts in Employee Development”	
- 7** IT Academy – training in support of digital transformation:
  - Developed 12 new Information Security e-courses as part of Digital Marathon;
  - Professional IT courses in partnership with Astana IT University.
- 8** Technical Academy – GPON, CISCO, data transmission, universal installer, technical mentor support:
  - Developed a mobile knowledge base functionality for off-site technicians;
  - Center of expertise for training of technical specialists.

- 9** Financial Academy – training of employees in financial literacy:
 

<b>168</b> people trained	<b>56</b> people within the framework of START MBA
---------------------------	----------------------------------------------------
- 10** Jas Academy (youth programs, schoolchildren, students) – programs to attract schoolchildren and students to the company, the struggle for digital talents:
 

<b>450</b> participants	<b>100</b> participants
IT Summer Camp	HSE trainings (piloting)
<b>20</b> participants	<b>14</b> participants
Intellectual endurance (piloting)	University admissions webinar (piloting)
- 11** Qazaq&English Academy – language training for employees:
  - Project “қазақша сөйлеу клубы – “Қазақша тілде-сейік!” (“Kazakh speak club – “Let’s speak Kazakh!”).
  - Training in the Kazakh language :




**1,165** people

## Personnel assessment

The performance management system in Kazakhtelecom JSC consists in setting clear, measurable goals and objectives for a corresponding period in the form of key performance indicators (KPI), on the fulfillment of which the remuneration depends. The system of individual development plan (IDP) is also introduced, which gives each employee an opportunity to focus on development of his/her knowledge and skills, increase personal efficiency and effectiveness.

Performance assessment allows us to determine the requirements for the results of work, skills, knowledge, and competencies of employees to achieve the strategic goals of the Company. In the reporting period, regular performance evaluation covered 530 employees, which is 21.7% less than in 2021.

### Principles of personnel assessment

-  Interaction of remuneration with the performance of tasks that meet the interests of the Company and its shareholders
-  Simplicity and transparency of the principles for determining the amount of remuneration
-  The dependence of remuneration on the Company’s performance results and the employee’s personal performance







### Percentage of employees covered by regular performance and career development assessments, %

GRI 404-3

Indicator	2020	2021	2022	Change, %
<b>Kazakhtelecom JSC</b>	<b>231</b>	<b>681</b>	<b>530</b>	<b>-22.2</b>
<b>By gender:</b>				
- Women	95	204	173	-15.2
- Men	136	467	357	-23.6
<b>By employee category:</b>				
- In management positions	98	330	234	-29.1
- Experts	133	351	296	-15.7
- Workers	0	0	0	0

Management of the KPI system is aimed at achieving the Company's strategic goals defined in the Strategy, Business Plan, and other governing documents, and covers long-term, medium-term and operational planning.

Employees are responsible for achieving results in the main areas of activity and controlling their fulfillment of strategic goals, objectives, and initiatives. The Company monitors the balance between financial and non-financial KPIs. There is an obligation to monitor and evaluate the achievement of the planned KPIs on a regular basis (quarterly/annually), including factor analysis and development of recommendations.

The performance planning and assessment cycle is aimed at continuous management of the employees' performance during the current calendar year. The main condition for the payment of remuneration based on the results of the reporting period is the consolidated final profit, calculated considering the planned amount for the payment of remuneration.

In 2022, the Company introduced the following changes in performance assessment:

- Rules on current and quarterly bonus payment to employees of Kazakhtelecom JSC's affiliated branches were developed;
- The Company introduced the system of quarterly bonuses – quarterly KPI for employees of affiliated branches, in accordance with the Rules for current and quarterly bonuses;
- The process of setting and calculating the labor participation rate (LPR) was automated;
- A new scheme for calculating the LPR has been approved – both increasing factors (early and high-quality performance of production tasks, urgent tasks, demonstration of responsibility, additional work for an absent employee, assistance to other employees in performing production tasks, mentoring, etc.) and decreasing factors (violation of labor discipline, violation of task completion deadlines, poor quality of work, presence of reasonable complaints from subscribers/clients, violation of safety regulations, etc.) have been introduced affecting the LPR of Kazakhtelecom JSC employees.

## Social stability

GRI 2-26

### In 2022, the work on ensuring social stability in the Company and its subsidiaries continued, considering internal political situation in the country.

On a regular basis (quarterly), HR managers of Kazakhtelecom JSC's divisions and branches hold meetings with employees on social and labor relations, wage fund, social support to identify key issues of employees, as well as work on improvement of the identified problems with the participation of trade unions and the Ombudsman.

In addition, the Company has set up a feedback mechanism for all employees and top management on all issues of interest to them in the form of an online conference. The mechanism includes the following procedures:

- initial collection of a pool of questions;
- moderation of the pool of questions by the Communications Department of Kazakhtelecom JSC;
- live chat with the Chairman of the Management Board.

When social and labor conflicts arise, the Company creates special commissions for thorough consideration of appeals/complaints, the management travels to the places with the involvement of local trade unions and the Ombudsman. Based on the results of the commission's work and meetings of management with labor collectives, measures are developed to solve problematic issues.

The Samruk-Kazyna Group of Companies performs annual monitoring of the social situation at production facilities. To timely identify hidden social tension and manage this process, Kazakhtelecom JSC and PI Center for Social Interaction and Communications are conducting sociological research of Samruk Research Services (SRS). Based on the results of the survey, in accordance with the recommendations of sociologists, the Action Plan for working on the concern zones is approved on an annual basis.

In 2022, the Center for Social Interaction and Communications conducted a study of the SRS index, according to the results of which the total value was – 67%, with the threshold value of Kazakhtelecom JSC KPI – 68%.

The aggregate SRS is integrated from three indices:

- Engagement Index – high level;
- Social Wellbeing Index;
- Social Security Index – stable level.

The engagement index measures the level of satisfaction with working conditions and safety, relations and communications at the Company, and the level of loyalty of employees.

The Social Security Index reflects the level of tension between management and subordinates, as well as the level of protesting potential (likelihood of meetings and strikes).

Based on the analysis of the results of the SRS for 2022, it should be noted that the Company has performed systematic and successful work to ensure comfortable and safe working conditions, as well as to maintain healthy and constructive relations in the teams. Based on the results of the SRS, to improve employee satisfaction with the level of working conditions, the Company has approved an Action Plan to work on the areas of concern for 2023.



## Social policy

# 96%

the percentage of the Company's employees covered by the collective agreement



The social policy of Kazakhtelecom JSC stipulates the development and implementation of social programs that facilitate the resolution of a set of administrative and management tasks aimed at attracting and retaining qualified competitive employees, as well as social support for certain categories of employees.

The following areas of social policy are implemented at the Company:

- income policy;
- policy on cooperation with trade unions;
- social support policy.

The social security of the Company's employees and pensioners is an essential component of its social policy.

### GRI 2-30

The percentage of the Company's employees covered by the collective agreement is 96%. Pursuant to the Collective Agreement, the Company provides the following types of social support, regardless of the nature of the employee's employment (permanent or temporary):

- material assistance in registering a marriage;
- material assistance in connection with the birth, adoption and adoption of a new-born child;
- material aid for recovery when granting annual leave;
- payment of social benefits on temporary disability;
- payment of additional maternity leave until the child reaches the age of 18 months;
- lump-sum retirement benefit for the first time;
- a lump-sum benefit if the employee has established a disability of 1 or 2 groups;

- material assistance for the organization of funerals in connection with the death of a close family member of an employee;
- provision of medical assistance to employees under voluntary medical insurance;
- payment of a lump-sum benefits to a retired employee.

Provision of social support to employees not covered by the collective agreement is carried out in accordance with the labor legislation of the Republic of Kazakhstan.

## Social support for employees

**In 2022, Kazakhtelecom JSC carried out the work on improving social support of employees.**

Within its framework, the Social Support Program "Demeu" of Kazakhtelecom JSC was updated in the reporting period. The main prerequisites for changes in the social package were appeals of employees from socially vulnerable groups (low-income families, families with many children and families raising children with disabilities). Based on the results of the appeals, the following types of social support were supplemented and changed:

- reimbursement of expenses related to the purchase of vouchers for children's health camps;

- reimbursement of expenses related to the purchase of vouchers for children's health resorts (for children with disabilities);
- material aid for the purchase of medicines for children;
- financial aid for meals for schoolchildren;
- material aid for the beginning of the school year;
- reimbursement of funds for medical rehabilitation/ individual child rehabilitation program (for children with disabilities);
- reimbursement of funds for special educational programs (for children with disabilities);
- reimbursement of funds for attending special correctional organizations (for children with disabilities);
- financial assistance for school leavers who have not reached the age of majority at the date of graduation and have completed their studies with honors.







**GRI 404-2**

In addition, branch employees in grades A8-B4 receive social support in the form of reimbursement of the cost of their children's graduation tuition (not including living expenses and meals) at a secondary special educational institution/ higher education institution receiving their first secondary/ higher education and having for the previous course of study:

- a traditional GPA of at least “good” (range 70-100);
- or a GPA of at least 2.33.

Kazakhtelecom JSC also provides social support to its employees under the Collective Agreement of Kazakhtelecom JSC concluded trilaterally with industry trade unions, including:

- material assistance for employment leave;
- temporary disability benefits;
- lump sum on early retirement;
- payments in connection with the birth of a child;
- payments to provide assistance in various life situations.

In addition, the Collective Agreement of Kazakhtelecom JSC regulates support programs during the transition period designed to help maintain employment opportunities and manage career endings because of retirement or reduction of the Company's employees. Within it, the Company provides the following types of support:

- in accordance with the laws of the Republic of Kazakhstan, the Company ensures the transfer of redundant employees to available vacancies in a similar position, relevant qualification, specialty or profession;
- employees with whom the labor contract was terminated due to reduction of headcount/staff, who have uninterrupted work experience in the Company at the time of termination of the labor contract of not less than 20 years, are subject to registration as pensioners of the Company upon reaching the retirement age, provided that they did not work in other organizations after termination of the labor contract with Kazakhtelecom JSC;
- when optimizing the number of employees, the Company undertakes, by the decision of the Company's bodies and/or on the basis of administrative documents of the Company's Central Administration Office, if the Company has funds, at the request of an employee (application), if the continuous service of the employee in the Company is at least 10 years, to provide the employee with an opportunity of premature retirement not earlier than five years before the retirement age pension right established by the legislative act in the relevant year with payment of a lump sum benefit. The amount of the benefit shall be determined on the basis of 50% of the employee's average monthly salary multiplied by the number of months remaining before the right to retire on retirement, but not more than 36 months;
- to grant employees subject to reduction the right to leave their workplace to look for a new job for 4 hours per week with their current salary retained from the date of delivery of the notice;
- when retiring from the Company for the first time, to pay a lump sum in the amount of the average salary for two months and an additional average salary per month for each 10 years of continuous work in Kazakhtelecom JSC before retirement.

In the reporting period, according to the Action Plan for 2022 in the field of social support of employees, Kazakhtelecom JSC implemented 100% of planned measures:

- Issuance of concessional interest-free loans for employees who needed to expand their real estate in accordance with the established criteria (the minimum value of living space per person – 18 square meters);
- Issuance of preferential interest-free loans for employees who did not have their own real estate in accordance with the established criteria;
- The amount of allocated budget for the implementation of activities amounted to more than KZT 500 million. The implementation of the budget was carried out by 100%.

Also in the reporting year, the Company continued its initiatives to improve the culture of healthy lifestyles among its employees. The following measures were developed and implemented:

- project on well-being and health of employees within the framework of the EX Strategy approved by the decision of the Board of Directors (protocol No. 8 of 21.07.2021) with a view to motivating employees of Kazakhtelecom JSC for a healthy lifestyle, increasing involvement, productivity and well-being of employees;
- measures for the development of physical health of employees (Healthy nutrition, Healthy sleep – refusal from gadgets before going to bed).

It is also worth noting separately the Healthy Lifestyle Marathon, which was held for two weeks in the online format on the platform of Salauatty Telecom Telegram Channel among the Company's employees. According to the results of the marathon, the participants who took prizes were awarded certificates of Shop.telecom.kz, with the following denomination:

- 1st place – KZT 150,000 (one hundred fifty thousand);
- 2nd place – KZT 100,000 (one hundred thousand);
- The 3<sup>rd</sup> place – KZT 80,000 (eighty thousand).

**Plans for 2023 and the medium term**

With a view to optimizing the HR management system in the field of relations with employees, Kazakhtelecom JSC planned the following measures for 2023:

1. Optimization of recruitment processes – Revision of KPI.
2. Holding a face-to-face conference as a part of feedback with the top management of Kazakhtelecom JSC.
3. Organization of webinars with line managers of Kazakhtelecom JSC on work with stress, harassment, psychological violence of subordinates in April 2023 within the project on well-being and health.
4. Training of health ambassadors of the “Healthy lifestyle” marathon.
5. Implementation of the social support program for employees of Kazakhtelecom JSC “Demeu”.
6. Development and implementation of a program to support women in the regions.
7. Introduction of practices to create favorable and safe working conditions Industrial Relations (IR).
8. Improvement of the personnel recruitment and adaptation system (Projects: “Online Dashboard”, “Raising EVP”, “Development of a new adaptation program”).
9. Continued implementation of PROTelecom and Telecom Data Factory internship programs.
10. Continued implementation of the Employee Experience Strategy.
11. Development of the Corporate University of Kazakhtelecom JSC – further promotion of the programs of Academies of Corporate University with introduction of a systematic approach to automatic determination of the employees' training needs based on training roles.
12. Continuation of the program of issuing interest-free loans taking into account social status of an employee, with priority provision of loans to production personnel, low-income and large families.







# Compliance of human rights and equal opportunities

GRI 3-3

## Management of material topics

**Kazakhtelecom JSC ensures observance of human rights and equal opportunities for all employees and eliminates conditions for gender inequality and any types of discrimination.**

The Company complies with the requirements of the labor legislation of the Republic of Kazakhstan in this area, under which no one can be subject to any discrimination in exercising labor rights based on religion, gender, language, age, national origin, disability, family status, social origin or other individual characteristics that are not related to the business qualities of an employee.

Kazakhtelecom JSC is continuously improving its practices in the field of human rights and equal opportunities. Thus, the Company participates in negotiations with employees on conclusion, amendment, and supplementation of the collective agreement, observes terms of negotiations and ensures work of relevant joint commissions, provides information necessary for negotiations, strictly complies with provisions of the collective agreement. According to labor legislation, any employee has the right to participate through his/her representatives in collective bargaining and drafting of the collective agreement, as well as to get acquainted with the signed collective agreement.

## Compliance of human rights

GRI 2-23

Kazakhtelecom JSC, being a major employer, makes a significant contribution to social and economic development of the regions of its presence. In the reporting year, the number of personnel made up about 20 thousand people, which imposes a high responsibility in the field of observing human rights, which the Company is fully aware of. Kazakhtelecom JSC is developing practices of human rights observance in accordance with the legislation of the Republic of Kazakhstan and international standards. The main document that regulates approaches to observance of human rights in the Company is the Code of Business Ethics of Kazakhtelecom JSC. In the field of human rights, the Company adheres to the following principles of the Code of Business Ethics:

- respect for human dignity, rights and personal freedom, a trusting attitude towards employees, providing everyone with equal opportunities to realize their own potential;
- exclusion of any forms of discrimination or harassment in the workplace, facts of offensive or unacceptable behavior from the position of universal moral and ethical values.

To develop human rights practices, in 2023 and in the medium term the Company plans to consider the following goals and objectives:

- development and approval of Kazakhtelecom JSC's Human Rights Policy;
- implementation of the methodology for conducting due diligence practices in the field of human rights;
- conducting risk assessment in the field of human rights.

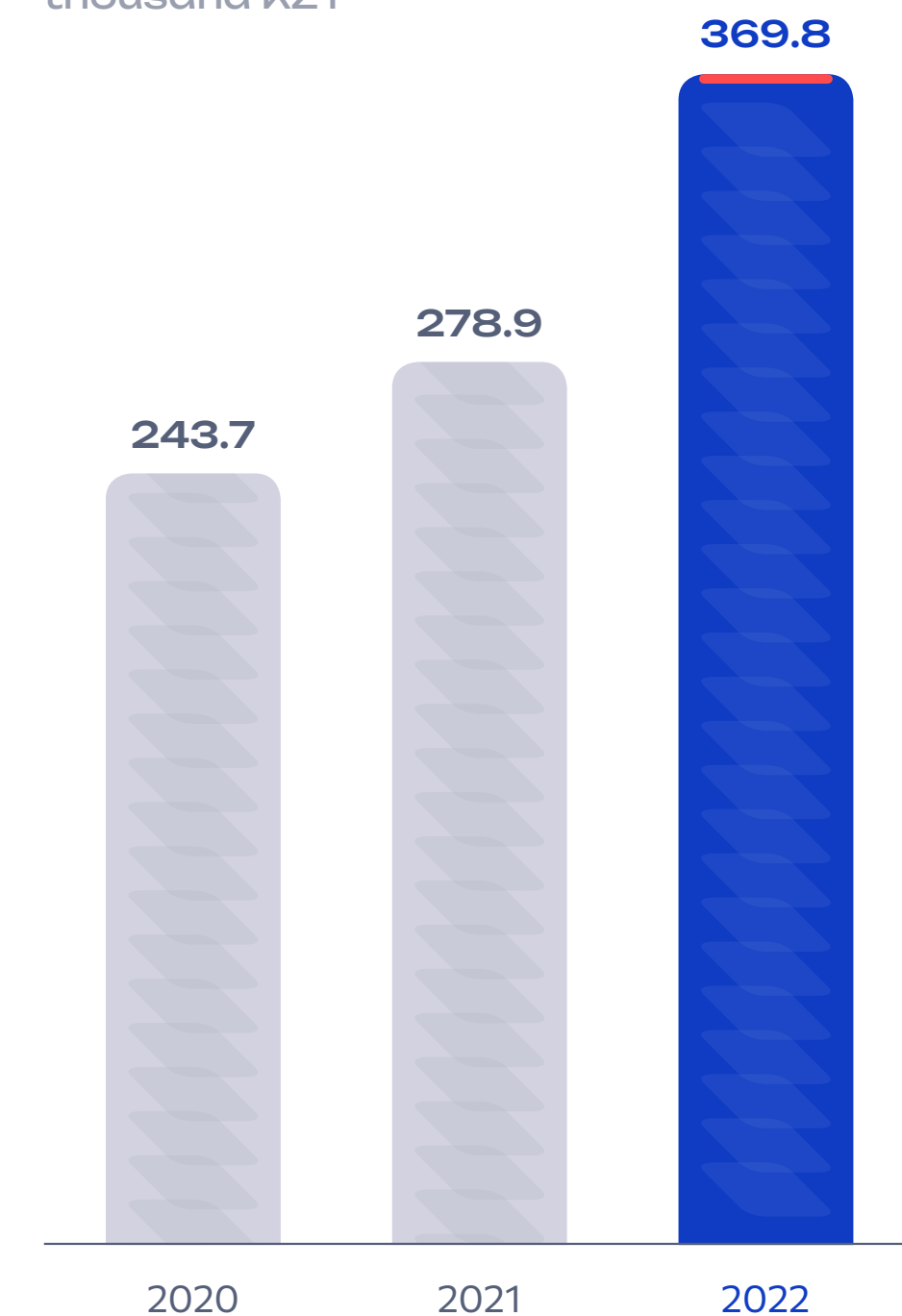
## Equal opportunities

In December 2022, to enhance diversity of personnel and ensure equal opportunities, Kazakhtelecom JSC launched the program "Support for women in the regions" aimed at improving knowledge and competencies of the Company's female personnel. Within the framework of this program, in the cities of Astana and Almaty the Company held 2–3-day trainings on the topic "Women's Leadership" led by women top managers and executives of the Company.

Kazakhtelecom JSC ensures equal opportunities in the level of salaries regardless of position and gender affiliation. The level of the Company's average monthly salary does not depend on the employee's position and is determined in accordance with the wage rules of the organization.

The Company monitors non-discrimination on any grounds and ensures a fair and equal approach to remuneration. No facts of discrimination were registered in Kazakhtelecom JSC during the reporting period. The average salary of women compared to the average salary of men was 107.5% in 2022.

Growth in average monthly salary of employees of Kazakhtelecom JSC, thousand KZT





## Remuneration of employees

The structural unit that regulates the approach to remuneration of Kazakhtelecom JSC's employees is the Remuneration and Organizational Effectiveness Service. The main objectives of this division are the creation of a cost-effective remuneration system required for attracting, retaining, and motivating employees.

The motivation system adopted in Kazakhtelecom JSC provides for a clear relationship between remuneration of employees and results of their work, including the system of assessment of personnel performance that has been introduced.

Kazakhtelecom JSC has a system of grades according to Hay Group's methodology. There are unified approaches to remuneration, additional payments, allowances, current and one-time bonuses, differentiation of grade/category of the position with application of inter-grade coefficient. The focus is on the total income of employees, which includes, in addition to wages and bonuses, benefits and intangible motivation.

During the reporting period, the Company developed and updated the following approaches to financial remuneration of employees:

- Regulations on additional remuneration of employees of branches of Kazakhtelecom JSC for excess of EBITDA (Profit Distribution Plan);
- Rules on current and quarterly bonuses to employees of Kazakhtelecom JSC's affiliated branches;
- the branch or separate large structural subdivisions of the branch (for example, TNLN, SSC by direction, etc.) for calculation of current bonuses;
- Map of general KPIs of the branch or separate large structural subdivisions of the branch (for example, TNLN, SSC by direction, etc.) for quarterly bonus payment;
- Rules for remuneration of labor and motivation of experts of Kazakhtelecom JSC's digital transformation team.

Remuneration of labor in Kazakhtelecom JSC is based on the principle of gender equality, including in the ratio of salaries by categories of employees.

Ratio salary of women to men by employee category as of December 31, 2022 **GRI 405-2**



Ratio remuneration of women to men by employee category as of December 31, 2022 **GRI 405-2**



<sup>16</sup> Ratio of basic salary of women to men by category of employees of Kazakhtelecom JSC.

<sup>17</sup> Remuneration (base salary + bonuses).

<sup>18</sup> Ratio of remuneration (base salary + bonuses) of women and men by category of employees of Kazakhtelecom JSC.

**GRI 202-1**

In 2022, the minimum wage of Kazakhtelecom JSC's male and female employees is KZT 84,000. Considering the minimum wage in the country at the level of KZT 60,000, the ratio of the minimum wage of the Company's employees to the minimum wage in the country in 2022 is higher by 40%.

### Plans for 2023 and the medium term

1. Development and approval of the Policy on Equal Opportunity, Inclusion and Diversity.
2. Continuation of the implementation of the program "Supporting Women in the Regions".
3. Introduction of the economic model of management of the Wage Fund.
4. Introduction of compulsory indexation of employees within the framework of updating the Collective Agreement of Kazakhtelecom JSC.
5. Automation of processes for increasing the efficiency of motivational programs.
6. Development of operational efficiency program.
7. Reduction of annual bonus payments at grade levels B5 and above.





# Occupational health and safety

## Management of material topics

GRI 3-3

**The highest value for Kazakhtelecom JSC is life and health of its employees, in this connection the Company adheres to a responsible approach to the issues of safety and labor protection. Creation of favorable working conditions, as well as minimization of risks associated with production activities and risks of emergency situations are the priorities of Kazakhtelecom JSC's Development Strategy.**

The Company intends to comply with the world's best practices, as well as strictly follow the national and international requirements and continuously improve its Health and Safety Management System (HSE).

Kazakhtelecom's OHS (occupational health and safety) priorities are:

- relevant compliance with and application of the Labour Code of the Republic of Kazakhstan;
- provision of safe working conditions and workplaces;
- use of modern technologies and best practices in occupational safety and safety;
- introduction of modern means and methods of preventing occupational injuries and occupational diseases.

Early prevention or mitigation of adverse health and safety impacts on employees, contractors' employees and population plays an important role in Kazakhtelecom JSC's activity in the field of occupational safety. The safety and labor protection management system functioning in the Company is aimed at providing methodological guidance, analysis and control over the state of OHS.

Kazakhtelecom JSC developed the Occupational Health and Safety Policy that applies to all employees and contractors of the Company.

The main internal documents regulating the issues of occupational health, safety and environment, industrial safety, within which Kazakhtelecom JSC's health and safety management system operates, are:

- Occupational Health and Safety Policy;
- Collection of instructions on safety and labor protection by types of work;
- Collection of instructions on safety and labor protection by professions of the Center for maintenance of local networks of branches of Kazakhtelecom JSC;
- Technical requirements and specifications for special clothing and personal protective equipment;
- Health and Safety Card Program;
- Regulations on encouragement of employees in the field of occupational safety and health;
- Procedure for drawing up reports and collecting data on accidents and potentially dangerous situations related to the work activities of employees to be investigated by Kazakhtelecom JSC;
- Kazakhtelecom JSC's policy on driving;
- Travel and Driving Standard;
- Approved forms of statistical reporting on OHS;
- Rules for periodic mandatory medical examinations;
- Rules to produce work in conditions of increased danger according to work permits;
- Standard Fire safety rules at Kazakhtelecom JSC;
- Documented procedure "Emergency Preparedness and Response.

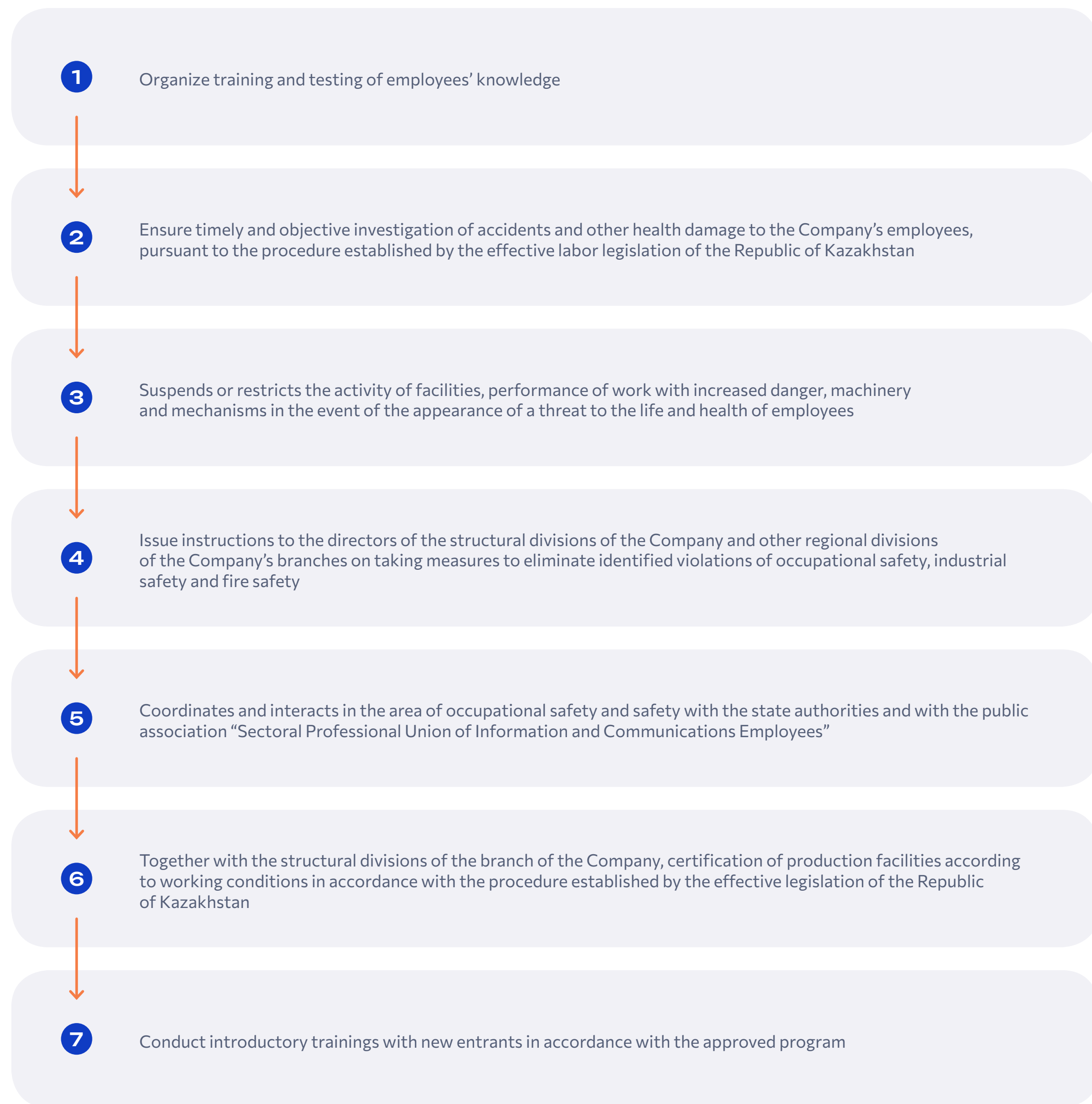
## Governance structure and tools

The Company has the Occupational Safety and Health Service (OSHS), which is a special functional unit of the Central Administration of Kazakhtelecom JSC. The Service is responsible for day-to-day management and coordination of all organizational work on labor protection in the Company.

Responsibility for the implementation of the emergency management procedure is vested in the heads of structural subdivisions of the Company's Central Administration Office and affiliated branches, as well as responsible employees for occupational health and fire safety.



### The main functions of the Occupational Safety and Safety Service



**GRI 403-4**

At Kazakhtelecom JSC, we understand that employees play an important role in managing occupational safety issues. For this reason, we ensure active involvement of employees in the development, implementation, and evaluation of the occupational safety management system. All branches and central office of the Company have established industrial safety and labor protection councils. The production councils work on an ongoing basis to organize joint efforts by the Company and employees to ensure compliance with occupational safety requirements, prevent occupational injuries and diseases, and also organize inspections of working conditions and occupational safety at workplaces. In addition, in case of crisis situations, the Company forms a working group for investigation and elimination of crisis situations with the participation of the Occupational Safety and Health Service together with the Civil Defense Headquarters.

In 2022, Kazakhtelecom JSC developed a standard "OHS Card Program" aimed at increasing the level of involvement of the Company's employees in the process of improving the OHS system, as well as enabling employees to observe and report on hazards, potentially dangerous cases, and good practices, and make proposals for improving the Company's OHS.

In addition, with a view to involving the Company's employees in creating safe working conditions at their workplaces to achieve zero injuries, Kazakhtelecom JSC approved the "Regulations on encouraging employees in the field of safety and labor protection". The Regulation defines the categories of annual encouragement and the procedure for selection, as well as approves the amounts and types of encouragement.

Within the framework of the HSE Concept and the Roadmap the "Қауіпсіз еңбек" (Safety Work), measures were implemented to reduce accidents, achieve zero injuries and train managers of all levels.

### Workers covered by an occupational health and safety management system<sup>19</sup>, people

**GRI 403-8**

Indicator	2020		2021		2022	
	total, people	share, %	total, people	share, %	total, people	share, %
The total number of employees	22,400	100	20,517	100	19,979	100
Employees covered by the occupational health and safety management system	22,400	100	20,517	100	19,979	100

<sup>19</sup> the system has not undergone an internal audit procedure and/or an independent third-party audit/certification procedure.





## Compliance of the management system with international standards

### GRI 403-1

The Company understands the importance of ensuring efficient operation of the health and safety management systems. Kazakhtelecom JSC has introduced health and safety management systems in accordance with international standards. Kazakhtelecom JSC has implemented an Integrated Management System in accordance with international standards ISO 9001, ISO 14001, and ISO 45001.

The Health and Safety Management System establishes uniform requirements for the organisation of occupational safety in accordance with the “Guidelines on Occupational Safety Management Systems of the International Labour Organisation of International Labour Standards ILO-OSH 2001” and the international standard ISO 45001:2018.

One of the main principles of the Company’s OHS policy is the constant improvement of the system of industrial and occupational safety in accordance with the requirements of international standard ILO-OSH and their national counterpart ST RK ISO 45001–2018 and an increase in its effectiveness.

The company reviewed documentation for compliance with ISO 45001:2018 and ISO 14001:2015 standards for documented information of occupational health, safety and environmental management systems.

In addition, as part of the Integrated Management System, the Company developed a Documented Procedure “Emergency Preparedness and Response”, prepared taking into account the ST RK ISO 9000-2015 “Quality Management Systems. Basic provisions and vocabulary”, ST RK ISO 14001-2016 “Environmental management systems. Requirements and guidelines for use”, ST RK ISO 45001-2019 “Occupational safety and health management systems. Requirements and guidelines for use”.

The requirements of the Documented procedure are mandatory for application in all affiliated branches of Kazakhtelecom JSC. The document applies to all areas of the Company’s activity.

## Risk assessment

### GRI 403-2

Kazakhtelecom JSC treats with due responsibility the issues of managing occupational health and safety risks. The process of managing the key risks of OHS is an integral part of the corporate risk management system, as well as the Company’s health and safety management system. Assessment of unacceptable hazards and risks is carried out in accordance with the approved documented procedure “Hazard Identification, Environmental Aspects and Risk Assessment. Procedure for Determining Management Measures”.

The Company’s Risk Register identifies occupational injuries as one of the main risks. The Company has compiled a list of measures aimed at preventing the risk and mitigating its consequences.

To identify work-related hazards and assess risks, an action plan for a key risk event has been prepared, and the status of key risk indicators for key risk events, on the basis of information on injuries and accidents at work, and internal health and safety control, has been provided. The Company has approved the Register of significant hazards and unacceptable risks. The Company also analyzes and assesses the probability and impact of risks, and reviews measures to minimize risk taking into account the current situation.

In 2022, the Company approved and put into effect the standard “Procedure for reporting and collecting data on accidents and potentially hazardous situations related to labor activities to be investigated at Kazakhtelecom JSC, which is designed to facilitate the collection of data on accidents and potentially hazardous situations to be investigated. In addition, in 2022, the Chairman of the Management Board announced the “Right to Stop”, which enables the Company’s employees to stop work partially or fully at any time if they believe that working conditions are unsafe. In doing so, employees are guaranteed that there will be no adverse consequences for partially or completely stopping unsafe work.

### GRI 403-2, 403-9

Kazakhtelecom JSC regularly identifies and assesses project risks and adverse impacts on the health and safety of population groups in the areas where it operates, and develops protective, preventive measures. If necessary, the Company cooperates with relevant authorities and other stakeholders on mitigation measures and plans.

Hazard identification and risk assessment procedures consider the daily activities of all personnel, human behavior and abilities, hazards identified near or outside the work area, infrastructure, equipment and materials, and technological processes. The Company defines and implements risk management measures.





## Prevention of occupational injury

**GRI 403-7**

Kazakhtelecom JSC understands its responsibility for managing the issues of occupational injuries and ensures regular meetings to analyze all causes of accidents that have occurred in the Company and develop measures to prevent them.

The Company carries out analysis of occupational injuries and accidents, because of which information letters are prepared and sent to the branches, which contain a list of measures for prevention and avoidance of accidents. In addition, the Company discusses the circumstances and causes of accidents with employees in all subdivisions and conducts unscheduled safety briefings.

To ensure occupational health and safety, an annual Zero Injury Plan is implemented. A report on the implementation of the plan is reviewed by the Board of Directors on a quarterly basis.

The Company does not conduct statistical recording of injuries among employees of contractors with whom it has service contracts.

### Indicators of injuries among employees of Kazakhtelecom JSC<sup>20</sup>

**GRI 403-9**

For all employees	2020	2021	2022
Number of fatal accidents related to the Company's production activities (units)	0	0	0
Rate of fatal accidents related to the Company's production activities (%)	0	0	0
Number of severe injuries associated with the Company's operations (units)	1	5	2
Rate of severe injuries associated with the Company's operations (%)	0.03%	0.14%	0.06%
Number of work-related injuries (units)	4	6	2
Lost time injury frequency rate (LTIFR) (%) <sup>21</sup>	0.12%	0.17%	0.06%
Total working hours (man-hours)	36,634,678	35,020,687	34,007,902

<sup>20</sup> This data covers 100% of the Company's employees. No categories of employees have been excluded from these statistics.

<sup>21</sup> The coefficients are based on 1,000,000 hours worked.

In 2022, the Company had two accidents with a severe degree of occupational severity.

Main causes of injuries:

- road traffic accident caused by the fault of a third party;
- inadequate organization of safe work by responsible managers, resulting in an explosion of faulty equipment in Aktobe.

Based on the results of the identified accidents, the management of Kazakhtelecom JSC took the following corrective measures:

- conducting a special investigation;
- full inspection of working equipment in the Company's branches and divisions for compliance with the requirements of OHS;
- disciplinary reprimands to responsible managers;
- provision of compensation for material damage.





## Worker training on occupational health and safety

GRI 403-5

Compliance with occupational health and safety requirements in carrying out its activities is mandatorily ensured and monitored by the Company, and comprehensive measures to prevent accidents and incidents are taken on a regular basis. In addition, Kazakhtelecom JSC carries out systematic work on improving safety culture to raise the level of employees' awareness of the relevant requirements, as well as to ensure compliance with the best international practices in this area.

The Company carries out annual training of employees in occupational safety, industrial safety, fire safety and minimum safety requirements for working at electrical installations, both in third-party training organizations and at workplaces. In 2022, Kazakhtelecom JSC held trainings and training programs in the field of occupational health and safety for the Company's employees:

- providing first aid to injured people;
- fatigue control;
- a master class program on "Safety for Children". 100 participants aged 8-10 years old were trained in the pilot mode;
- online injury prevention and response level 1 training – on injury prevention;
- online injury prevention and response level 2 training for technicians;
- online injury prevention and response level 3 injury prevention training for trainers;
- safe driving training. Drivers in the cities of Astana and Almaty participated;
- Health and Safety Facilitation" training; "Occupational Health and Safety Facilitation" training.

External training on health and safety, fire safety, safety in 2022, people

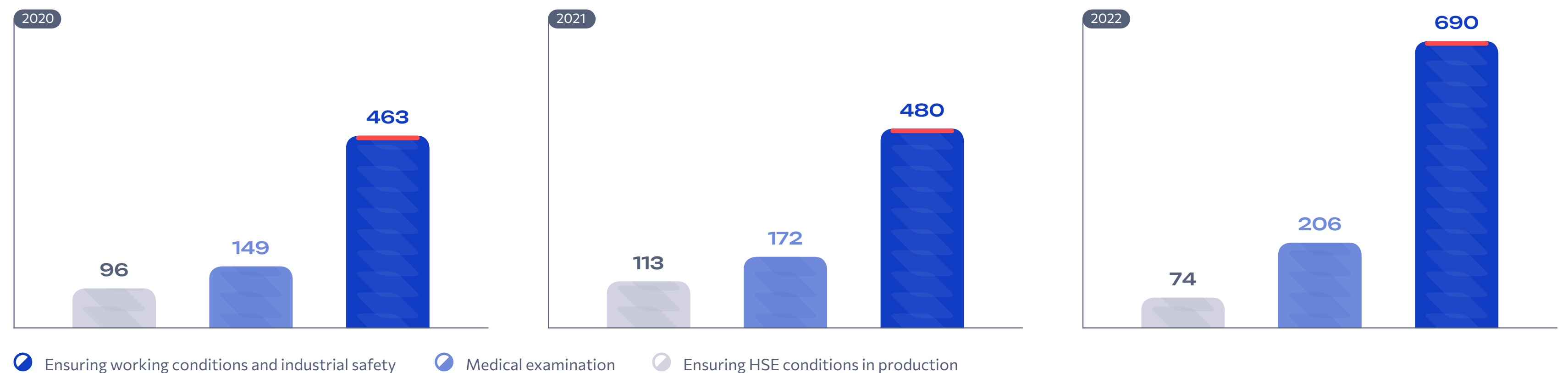
GRI 403-5



## Investments in industrial and occupational safety

In 2022, the total amount of investment in industrial safety and labor protection was KZT 970 million.

Investments in industrial and occupational safety, million KZT







## Occupational health services and promotion of worker health

**GRI 403-3, 403-6**

Since care for people is the Company's top priority, special attention in Kazakhtelecom JSC's activity is paid to employees' health. The social package of employees includes full medical insurance, in accordance with the terms of collective agreement there are health improvement and sanatorium-resort treatment programs. In addition, the Company regularly conducts preliminary, periodic, and unscheduled medical examinations. Based on their results, if necessary, employees are sent for in-depth preventive examinations. Employees who are production personnel and

are subject to mandatory medical examinations but have not passed a medical examination are not allowed to work. In accordance with the requirements of the Labor Code of the Republic of Kazakhstan, employees of the Company's contractors engaged in work associated with increased danger, machines, and mechanisms, also undergo mandatory pre- and post-shift medical examinations.

### Organization of work with increased danger

The company is continuously working to improve its practices in occupational safety and occupational injury risk management. Several corrective measures were taken to ensure the elimination of work-related hazards and to minimize the risks of injury:

- unscheduled briefing with an analysis of the causes and circumstances of the accident with employees of the Company's branches;
- an unscheduled check of the knowledge of the injured persons for their knowledge of the Instructions on Occupational Safety and Safety for the electrical controller and during the performance of work at height;
- when working at a height of more than 1.8 meters, and if the distance is less than two meters from non-protected height, protective devices and PPE have been used;
- access to work with heightened danger was performed after the responsible manufacturer of the work provided confirmation of its readiness for safe work (availability of special clothing, special footwear, protective cask, security and retention tie, security rope, fixtures, etc.);

- to take disciplinary measures against managers and employees who allow work to be performed without the use of collective and personal protective equipment, up to and including termination of employment contracts.

To prevent employees falling into inspection pits, the Service Factory shall:

- to provide all repair boxes with protective billboards to cover the inspection pits, with a depth of at least 4 cm;
- develop instructions on occupational and occupational safety when performing work in the inspection pit, with subsequent familiarization of employees against signature;
- to provide repair boxes with sufficient portable lighting with a voltage of 12 volts.

In 2022, Kazakhtelecom JSC was awarded a certificate of honor for successful work in the field of industrial safety by Samruk-Kazyna JSC.

## Management of industrial and occupational safety at contracting organizations

Contracting organizations carrying out work at the Company's facilities are obliged to comply with the requirements, standards, and norms in the field of environmental protection and industrial safety.

Kazakhtelecom JSC responsibly interacts with suppliers of goods, works and services in terms of managing occupational health and safety aspects. Requirements to suppliers and contractors are imposed in accordance

with the corporate standards in the field of occupational safety. At the same time, contractors independently monitor compliance with occupational health and safety requirements.

The Company has implemented a system for assessing contracting organizations on production safety issues. For employees of contractors, the Company organizes training in OHS aspects.

## Responding to emergencies

Kazakhtelecom JSC treats responsibly the issues of emergency response. According to the Occupational Health and Safety Policy, the Company applies the principle of "immediate notification, timely and objective investigation and accounting of all accidents, incidents and incidents in accordance with the legislation of the Republic

of Kazakhstan and corporate documents". The Company has a Civil Defense (CD) Headquarters, which forms teams in case of emergencies. The HQ reports directly to the Chairman of the Management Board. Kazakhtelecom JSC regularly conducts training alarms and emergency drills.

### Plans for 2023 and the medium term

1. Implement procedures to motivate and reward employees for H&S achievement.
2. Implement the H&S Behavioral Surveillance Program (OHS Card).
3. Provide all employees with "Right to Stop" cards.
4. Organize an occupational safety audit.
5. To hold the second annual forum of Kazakhtelecom JSC on Health & Safety with the participation of subsidiaries and affiliated organizations (SAO).
6. Updating the health and safety management system.
7. Develop and implement a standard for investigating accident.
8. Continue the program for rewarding the Company's employees for their commitment to occupational health and safety (motivation program).
9. Develop the possibility of using VR-technologies to practice skills for safe performance of hazardous types of work with the risk of severe and/or fatal injuries.
10. Acquire a frontal collision simulator to train as many employees as possible.
11. Make a register of risks of emergencies, accidents, and emergencies with a high probability of severe and/or fatal outcomes at the level of Kazakhtelecom JSC.
12. To automate everywhere the process of pre-shift and post-shift medical examinations to reduce the risks of deterioration of employees' health.
13. Procure emergency medical equipment, including defibrillators for cardiopulmonary resuscitation.
14. To train 100% of employees in the methods of medical assistance.
15. To train 100% of the production personnel on the course "Culture of safe work", including the involvement of internal trainers.





# Local Communities

## Management of material topics

GRI 3-3

**Kazakhtelecom JSC pays great attention to social activity, which is one of the important components of corporate social responsibility of business. Every year, the Company carries out the work on improvement of approach to the management of relations with local communities at various corporate levels.**

In 2022, Kazakhtelecom JSC continued its work on supporting local communities in the regions of its presence. The Company's interaction with local communities is governed by the provisions of both national and international documents: Corporate Governance Code, UN Sustainable Development Goals, Global Reporting Initiative (GRI), IFC and EBRD Environmental and Social Standards, UN Principles for Responsible Investment, etc.

The sponsorship activity of Samruk-Kazyna Group of Companies, of which Kazakhtelecom JSC is a part, is carried out by the Social Projects Development Fund Samruk-Kazyna Trust, which implements socially significant projects.

### Creation of economic value for stakeholders

GRI 413-1

Kazakhtelecom JSC contributes to improving the quality of life of the population in the regions of its presence by developing and supporting social and educational programs. Within the framework of the social aspect of sustainable development, the Company adheres to the principle of transparency of its activity and its impact, focusing on reducing the negative impact on the environment. As part of one of these social programs, the Company actively cooperates with veterans' centers in the regions where it operates, and food baskets are collected for veterans as part of this assistance.

In the first quarter of 2022, during the tragic events of January, Kazakhtelecom JSC implemented subscriber support programs for all residents of the country in each

GRI 413-2

Kazakhtelecom JSC is a company of the telecommunications industry, the consequences of which do not have a significant negative impact on local communities. However, the Company considers opinions of local communities and their appeals that are received from stakeholders through the customer support service.

The Company is attentive to the environmental impact of its operations. More detailed information on this is provided in the section "Biodiversity" on page 71.

region of its operation. Within the framework of these programs, subscribers were provided with the following types of assistance:

- Unlimited long-distance calls, as well as 1000 minutes to numbers of mobile operators of the Republic of Kazakhstan from fixed city telephone at no extra charge for all subscribers;
- 50% discount for subscribers – representatives of small and medium business on the OFD (Operator of Fiscal Data) service and the Internet.

Moreover, in September 2022, in connection with the large-scale emergency of natural character (forest fires) in Kostanay region, the Company also rendered assistance to all victims,

Kazakhtelecom JSC operates in all regions of Kazakhstan and is a major employer and taxpayer. The Company makes tax payments in full, on time and with a high level of transparency.

The Company's contribution to the local and national economy and local communities is expressed in:

- direct business activity and focus on improving efficiency;
- creation of direct and indirect employment opportunities;
- social investments.

including small and medium businesses, residents of Auliekol district, in the form of release and write-off of debts and penalties on subscriber fees for the services provided.

The Company has no special units that implement programs of interaction with local communities, as the Company does not directly impact the infrastructure and local communities. According to the new Charity Policy of Samruk-Kazyna JSC, all charitable and sponsorship activities of Samruk-Kazyna Group of Companies are carried out by the Social Projects Development Fund Samruk-Kazyna Trust.

The Company's activity within the framework of social responsibility of business applies to 100% of Kazakhtelecom JSC's divisions.

Kazakhtelecom JSC realizes the importance of its participation in sustainable development of the regions of its presence and takes all available measures to enhance its positive impact on the life of local communities. The Company is a major employer in the regions of its presence and makes a significant contribution to local labor markets. This responsible approach is developed as part of the Company's Development Strategy. Direct economic value is created through the Company's core activities, which generate income. The economic value created is distributed through the payment of wages, dividends, taxes and other payments to the state, the purchase of goods and services, and voluntary social investments.





## Regional development

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In 2022, Kazakhtelecom JSC continued the work on supporting development and installation of eQoldau devices in the regions of presence. EQoldau is an effective tool in the fight against “digital inequality”.

The Ministry of Digital Development, Innovations and Aerospace Industry of the Republic of Kazakhstan, together with Kazakhtelecom, is creating a network of open points in rural settlements.

EQoldau is a device like a payment acceptance device, but in fact it is a full-fledged computer equipped with a touchscreen display, screen key, printer and sound device.

With its help, the villagers will be able to:

- to receive government services;
- to use the service of the electronic labor exchange;
- purchase equipment and various goods in online stores;
- purchase railway and air tickets;
- make online payments for utility services;
- to make transfers;
- the possibility to use all the capabilities of the portal “Азаматтарға арАтлған үкімет”(Government for citizens), Portal Egov.kz and the website of the Unified Pension Fund of the Unified State Pension Fund;
- order postal services and courier deliveries.

In addition to the aforementioned services, the eQoldau may distribute a Wi-Fi signal, so the rural people can easily connect to and use the Internet on their phones.

## Plans for 2023 and the medium term

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Development and approval of the Policy of interaction with local communities of Kazakhtelecom JSC.

Setting objectives of the Company for the development of local communities.

Introduction of the practice of monitoring local community development programs and charitable programs.





7

# Sustainability report: aspect G

Gigabit generation





# Anti-corruption

## Management of material topics

GRI 3-3

The Company has created a Compliance Service. The main task of the division is to ensure compliance with mandatory regulatory requirements and international practices on issues of combating corruption, compliance with ethics and the formation of the Kazakhtelecom JSC internal corporate culture.

The Company has the following internal documents<sup>22</sup>:

- Anti-Corruption Policy;
- Whistleblowing Policy;
- Conflict of Interest Policy;
- Code of Business Ethics;
- Corporate Governance Code.

**41**  
training events  
was conducted in the Company to improve compliance culture in 2022



GRI 205-1, 205-2

Anti-corruption at the Company is based on the following main principles:

- the legality of the Company's operations;
- the public and openness of the Company's operations;
- anti-corruption promotion among employees, partners and clients;
- cooperation in the area of anti-corruption activity with the state authorities, as well as the Company's partners and clients;
- mandatory performance of official audits of violations of anti-corruption laws and the Company's internal policies.

With a view to combating corruption in the reporting period, the Company used the following tools and mechanisms:

- Kazakhtelecom JSC's Order No. 184 dd. 18.08.2022 "On distribution of powers and responsibilities of Kazakhtelecom JSC's management" was amended with additions on personal liability for non-performance or

improper performance of official duties on preventing corruption offenses by subordinate employees;

- Approved amendments to the Rules for selection of employees of Kazakhtelecom JSC in terms of provision of a list of affiliated persons of a candidate, certificate of criminal record, conclusion of polygraph examination (only for CEO-1 and CEO-2 supervising procurement issues), before appointment of candidates to vacant positions of CEO-1 and CEO-2, for the Compliance Service to conduct a check on a candidate;
- Additions were made to the Regulations on the Compliance Service of Kazakhtelecom JSC to extend the powers of the Service in terms of consideration of issues adopted at the level of the Management Board and the Board of Directors;
- Kazakhtelecom JSC's Risk Register for 2022 included and approved the expanded list of compliance risks. In 2021, it included two main risks: the presence of conflicts of interest in the performance of official duties and the presence of corrupt practices and non-compliance with

the code of ethics. In 2022, the risk of corrupt practices and non-compliance with the code of ethics was split into two separate risks with separate measures and response plans.

The last internal analysis of corruption risks was conducted in 2021 for procurement, recruitment, and business processes. The next analysis of corruption risks is planned for 2023.

In 2022, the Company's activities were analyzed to identify spheres of influence, collusion and other violations that lead to shortfalls in profits and losses of the Company.

The analysis revealed the facts of falsification of lease agreements for placed equipment of Kazakhtelecom JSC, the facts of sale of property at underestimated cost, violations of procurement procedures, as well as the facts of unreasonable granting discounts to certain companies, violating the existing regulations. Materials were submitted to law enforcement bodies.

### Operations assessed for risks related to corruption

GRI 205-1

Name	2020	2021	2022
Total number of structural units in relation to which corruption-related risks were assessed, pcs.	0	4	0
Share of structural subdivisions for which corruption-related risks were assessed, %	0	70	0

In the reporting period, to improve compliance culture in the Company, the Compliance Service organized and conducted 41 training events in Kazakhtelecom JSC and subsidiaries aimed at popularizing the compliance function and raising the level of knowledge on combating corruption with the coverage of more than 6 thousand employees of the Company and subsidiaries.

<sup>22</sup> Compliance policies are available in the Compliance section of the Company's Internet resource telecom.kz.





### Communication and training about anti-corruption policies and procedures

GRI 205-2

Category of employees	2020		2021		2022	
	people	%	people	%	people	%
Total number of informed members of key corporate governance bodies (General Shareholders Meeting, Board of Directors, Management Board)	15	100	15	100	12	100
Total number of informed employees	20,000	100	20,000	100	18,662	93.4
Total number of informed business partners	0	0	0	0	0	0

The Head of the Compliance Service conducted review interviews on the information sites zakon.kz and kursiv.media, revealing the main goals, objectives and results of the Service.

Technical training was conducted, within the framework of which the employees of all affiliated branches and Central Administration Office (coverage of 18,662 employees – 93.4%) were familiarized with amendments to the anti-corruption legislation of the Republic of Kazakhstan and the Anti-Corruption Policy of Kazakhtelecom JSC in terms of responsibility of managers for committing corruption offences by subordinate employees.

### Number of employees by category who received anti-corruption training in 2022

GRI 205-2

Category of employees	People	Share, %
Total number of members of key corporate governance bodies (Board of Directors, Management Board) who were trained	12	100
Total number of employees trained (by category):	18,662	93.4
- In managerial positions	1,074	93.6
- Specialists	12,305	88.8
- Employees	5,283	99.6

The number of employees by category is different from the number of employees in the general list, because data as of the date of training was taken.

The Company does not make payments to political parties, organizations or their representatives and does not participate in political activities.

GRI 205-3, 2-25, 2-27

In 2022, the Compliance Service did not identify any instances of corruption.

Reporting mechanisms for unethical or illegal conduct are governed by the Whistle-Blowing/Reporting Policy, under which the Company guarantees full confidentiality to employees, business partners and other interested parties who have reported serious problems at the Company, as well as the absence of harassment and/or discrimination.

GRI 2-16, 2-25

The Company operates a hotline through its parent company Samruk-Kazyna JSC, which is serviced by an independent operator, KPMG, to ensure its efficiency. The hotline guarantees confidentiality and anonymity (at the request of the contacted person), as well as registration and processing of 100% of appeals with subsequent submission to responsible persons. The Company's internal and corporate websites contain hotline and Compliance Service contacts that can be used to report any facts of labor, corruption, and other types of offenses.

In 2022, 170 reports on the following topics were considered:

- non-performance of contractual obligations;
- unfair wages;
- unequal employment and working conditions;
- violations of procedures, abuse;
- Procurement violations.

GRI 2-16

The Compliance Service examines appeals and received materials. If there are signs of a criminal offence, the Compliance Service sends them to the Management Committee for financial and economic discipline of Kazakhtelecom JSC under the guidance of the Chairman of the Management Board. Members of the Management Committee take a decision on transferring materials to law enforcement bodies.

Each fact recorded in the Compliance Service is reflected in the quarterly report for the report to the Board of Directors. There were no critical problems in the reporting year.

### Plans for 2023 and the medium term

1. Conducting internal analysis of corruption risks in procurement, hiring, evaluation, promotion and dismissal of employees and other business processes.
2. Organizing and conducting training sessions for members of the governing bodies and the executive body of the Company and the SAO on anti-corruption issues, demonstrating the latest trends in compliance and corporate culture.
3. Holding training sessions for the heads of the Company's branches and structural subdivisions (CEO-1, CEO-2 level) and the first heads of subsidiaries and affiliated organizations (SAO) for the organizations' employees on anti-corruption issues.





# Economic performance of the Company

## Management of material topics

**GRI 3-3**

**The economic component of Kazakhtelecom JSC activity plays an important role in strategic planning both for the Company itself and for the state economy. It is aimed at increasing long-term value for shareholders and investors, which is one of the Company's priorities.**

Being the largest telecommunications operator of the Republic of Kazakhstan, the Company strives to make a significant contribution to implementation of the strategic direction on modernization and diversification of the country's economy and promotes development of local content. Performance of socially and state significant tasks facilitates effective cooperation of the Company with the state bodies of the Republic of Kazakhstan, which as a result ensures contribution to strengthening and forming leading positions of Kazakhtelecom JSC in key markets.

**GRI 201-1**

Kazakhtelecom JSC strives to make a significant contribution to economic activity in the regions of its presence, providing economic opportunities to those who are not active in the local economy.

Direct economic value generated and distributed, million KZT

**GRI 2-6, 201-1**

Indicator	2022
1. Created direct economic value	327,710
Income (revenue)	278,111
Income from financial investments	49,599
Income from sale of tangible assets	0
Other income	0
2. Allocated economic value	305,026
Operating expenses	144,454
Wages, salaries and other payments and benefits to employees	88,700
including wages and salaries and	86,253
Including other payments and benefits to employees	2,447
Payments to providers of capital	60,013
including dividends paid	39,512
including finance costs	20,502
Payments to the government	11,859
Investments in local communities	0
3. Undistributed economic value	22,684

# Indirect economic impacts

**GRI 203-1, 203-2**

The Company strives to have a positive economic and social impact in the regions where it operates through job creation and infrastructure improvements. These economic impacts are relevant to the agenda of such international initiatives as the UN Sustainable Development Goals and the UN Global Compact Principles, namely SDG 8 “Decent Work and Economic Growth”, SDG 9 “Industrialization, Innovation and Infrastructure”, and UN Global Compact Principle 6 “Businesses should uphold the elimination of discrimination in respect of labor and employment”.

During the reporting period, the Company did not invest in infrastructure and local communities. By the decision of the Board of Directors of Samruk-Kazyna JSC from January 28, 2016 No. 126 the Charity Policy of Samruk-Kazyna JSC and the Charity Program of Samruk-Kazyna JSC were approved.

According to the new Charity Policy of Samruk-Kazyna JSC, all charitable and sponsorship activities of Samruk-Kazyna Group of Companies are carried out by the Social Projects Development Fund Samruk-Kazyna Trust, which implements socially significant projects by selecting on a competitive basis in several priority areas.







# Procurement Practices

## Management of material topics

GRI 3-3

Procurement processes are managed in accordance with the regulatory documents of the authorized procurement body of Samruk-Kazyna JSC and the Company's internal documents. The Foundation's electronic procurement information system is an instrument for managing procurement processes.

The company adheres to the following procurement principles:

- cost minimization;
- timely provision of the necessary goods, work and services of the required quality;
- transparency and transparency of the procurement process;
- control and responsibility for decisions made.

The procurement system is being developed at the Fund level. Together with the Fund, Category-based Procurement Management Strategies are being developed.

GRI 2-6, 204-1

To increase the share of local content in procurements, a local project office for import substitution was created on the basis of Telecom Komplekt Directorate, aimed at working with the instructions of the authorized bodies on procurement and import substitution, as well as with the Central Project Office of Samruk-Kazyna JSC. In addition, each year the authorized body on procurement of the Fund determines the performance targets to increase the share of local goods, works and services in the procurement.

The geographic definition of "local" and the main place of Kazakhtelecom JSC's activity implies the country of the Company's presence – the Republic of Kazakhstan.

### Share of spending on local suppliers

GRI 2-6, 204-1

Indicators	2020	2021	2022
Number of suppliers	2,328	2,312	2,133
Purchase amount, thousand KZT	91,900,000	70,500,000	93,283,774
Number of purchases from local suppliers, thousand KZT	90,865,589	49,830,167	27,434,683

The significant changes in the indicators compared to the previous year are due to the fact that the method of calculation has been changed in 2022.

Kazakhtelecom JSC has created a Test Laboratory. The testing laboratory is a structural division of the DTC and is intended for testing products in the declared area of accreditation, as well as for initial control over cable and wire products, patchcords, splitters, and AKB. Accreditation certificate No. KZ.T.02.2382 was received on 30 September 2020.

The laboratory's activity is supported by highly qualified experts, and about 60 different reviews are performed with the provision of test reports. The laboratory is accredited by the NCA, which confirms the maximum reliability of the tests performed.

GRI 2-6

In the reporting period, the Company continued to conduct procurement procedures using competitive methods, which were less developed in the past. In 2022, the share of procurements by competitive method significantly increased, and several other methods were used, including open tender with price quotations.

Kazakhtelecom JSC attaches special importance to cooperation with local suppliers, preferring to procure goods and services from them. In its activity the Company follows the state policy aimed at development of national economy and local content.

### Plans for 2023 and the medium term

In 2023, the Company aims to increase the share of local content in the procurement of goods, works and services, to introduce new procurement rules on the electronic platform of the Fund, to develop a Supplier Code of Conduct, and intends to increase the percentage of competitive method and strengthen partnerships with local communities in various ways.





# Markets and competition

## Management of material topics

GRI 3-3

The Company's approach to managing anti-competitive behavior includes a combination of legal, ethical, and strategic measures. One of the fundamental legislative acts of the Republic of Kazakhstan that Kazakhtelecom JSC follows is the Law "On natural monopolies".

The Company is included in the republican section of the State register of subjects of natural monopolies and performs functions of the operator of "universal services", in this connection its activity is subject to regulation by the state.

The activity of Kazakhtelecom JSC in the sphere of antimonopoly regulation is controlled by the authorized body in the sphere of natural monopolies in the field of telecommunications – the Committee of state control in the field of communications, informatization and mass media of the Ministry of information and communications of the Republic of Kazakhstan. The authority in the field of protection of competition with regard to Kazakhtelecom JSC is exercised by the Committee for regulation of natural monopolies, protection of competition and consumer rights of the Ministry of national economy of the Republic of Kazakhstan.

GRI 206-1, 2-27

During the reporting period, the Company did not record any cases related to violation of antitrust laws and other legal actions against the Company due to obstruction of competition.

# Innovation and new technologies

## Management Approach

Innovative technologies play an important role in achieving the Company's strategic goals, as they have a direct impact on their implementation. The implementation of innovative projects and digital transformation

contribute to improving management efficiency, minimizing risks, promoting ESG principles and achieving the SDGs.

## Telecommunications infrastructure and network development

### Modernization of Multiservice data network (MDN)

1. Kazakhtelecom JSC completed the upgrade of the external border of MDN and organized PoP-nodes in Frankfurt and Hong Kong.

Modernization of the border router (ASBR) in the city of Almaty was carried out, earlier this process was launched in Astana and Aktobe.

Own PoP-nodes were deployed in Frankfurt and Hong Kong, which allowed direct connections with major content companies, such as Google, Facebook/Meta, Steam Valve, Amazon, Tencent, Twitch, Microsoft, and Apple. Connections have also been established with T1 operators such as Lumen and PCCW. These infrastructure changes allow Kazakhtelecom JSC to provide higher speed access to content for its customers and improve the quality of services provided.

2. Core routers of the second plane network core were upgraded (one PTX router each in the cities of Astana, Almaty and Aktobe).

3. The service border routers were expanded by additional 100G ports to connect operators in the cities of Almaty, Astana, Karagandy, Shymkent, Aktobe, Taraz.

Backbone channels of broadband (BNG) routers in the cities of Kokshetau, Oskemen, Aktobe and Atyrau were transferred to 100G.

## New businesses and innovative activities

### Cloud video surveillance

Currently, 34 thousand video cameras are installed in 17 cities of the Republic of Kazakhstan on the platform of Kazakhtelecom JSC. Video cameras are installed at the entrances and inside entrances of apartment buildings.

34 thousand

video cameras installed in 17 cities of the Republic of Kazakhstan







## Video surveillance systems in public places of Astana

Successful work on the development of new customer video surveillance projects was carried out. The topic of public safety continues to be relevant where the video surveillance system is implemented not at the level of private companies, but at the level of the city, creating a powerful tool for operational monitoring of the work of various city services. These systems allow you to monitor the situation in public places and control the work of city services involved in snow removal, garbage collection, etc.

Today, urban video surveillance systems are an integral priority component of the ecosystem of a smart city, striving to be as safe and comfortable as possible for its residents. For example, the city of Astana has implemented projects to install video surveillance systems in public places at 118 sites.

Healthcare facilities in Astana are equipped with cameras

that are connected to a cloud video surveillance platform with additional redundancy on local video servers at each facility.

Having access to the video surveillance cameras of the facilities, the Health Administration now has the ability to quickly monitor the situation at health facilities, which leads to improved safety for visitors.

These projects demonstrate the Company's capabilities in implementing large-scale urban video surveillance projects and are successful cases for further replication in other regions of the country, since for state customers one of the important triggers for decision-making is the availability of implemented cases in the territory of the Republic of Kazakhstan.

## Working with content providers

In 2022, work with content providers was continued. According to the results of the year, the Company expanded local content providers' cache servers with such companies as Google, Facebook, Cloudflare, Akamai, Yandex, Netflix, Steam, etc. In total, 67% of Internet traffic on Kazakhtelecom's network is localized.

These cache servers allow the Company to localize traffic of popular content providers closer to end users, which increases the speed and quality of access to content. By increasing the volume of cache-servers, the Company improved the quality of services provided and increased satisfaction of its customers.

## Tested and launched the root DNS (K-root) for the RIPE zone

Kazakhtelecom JSC, as an operator with a reliable and large network infrastructure, together with RIPE NCC, which is responsible for K-root root server, deployed a network in Tier III data center of Pavlodar city "mirror" K-root DNS-server. Thus, the K-root server at Kazakhtelecom's site became part

of the global network responsible for Internet traffic. The average daily meeting is about 20 million DNS presences.

The current location of K-root servers can be viewed at the RIPE NCC website <https://ripe.net/analyse/dns/k-root>.

## Testing of virtualization and disaggregation of various network functions on the Telco Cloud node

In 2022, Kazakhtelecom JSC conducted several successful tests on the Telco Cloud node. These tests were conducted to verify the virtualization and disaggregation of various network functions.

The list of tests conducted are:

1. vDNS – corporate DNS for B2C subscribers.
2. vSBC – session controller for fixed telephony subscribers.
3. VOLTHA – OLT and ONT based on open architecture and Open OMCI protocol.
4. vSIEM – SIEM system for IS events correlation.
5. Open RAN – BS based on open architecture.

This experience will allow introducing these solutions on Kazakhtelecom JSC's network in the near future. For example, such solution as virtual Session Border Controller (vSBC) – session border controller – equipment (software or hardware), which is part of operators' NGN networks. Session border con-

trollers perform a number of functions, necessary for successful and secure functioning of the operator's network:

1. Hiding the internal network topology.
2. Separating trusted (internal) and untrusted (external) networks on different physical network interfaces (physical layer network separation).
3. Protection of networks against hacking, DoS/DDoS VoIP attacks, possibility to set arbitrary rules of traffic analysis and checking.
4. Dynamic/static blacklists/whitelists and access lists.
5. Manipulation of SIP headers, manipulation with SDP.
6. SIP normalization.
7. Providing work of subscribers behind NAT (NAT Traversal).
8. Compatibility with any third-party solutions.
9. Interoperability with networks having a joint with SS7 (SIP-I/SIP-T support).
10. Transcoding, etc.





# Information security and data protection

## Management Approach

**Kazakhtelecom JSC is actively developing information security (IS) and data protection, which requires modernization and implementation of necessary information security processes.**

Information security is a part of the structural subdivision in the Division of Information Technologies (IT Division) of the Company. The main internal documents governing information security are:

- Policy of anti-virus protection of information systems of Kazakhtelecom JSC;
- Policy on protection of personal data in Kazakhtelecom JSC;
- Information security concept;
- Information security development roadmap.

In 2022, the Company conducted a preliminary External Audit to assess the current level of IT/IS infrastructure security and develop solutions to implement a set of organizational and technical measures aimed at reorganizing the existing IT/IS infrastructure of the Company to implement the Zero Trust Networks concept (Zero Trust), as well as to comply with information security requirements under the international standard ISO 27001/2:2022. As a result of the assessment, the main growth areas were identified and the current percentage of compliance with the requirements of ISO 27001/2:2022 was determined at 57%.

In the reporting period, the Information Technologies Division was focused on a strategically important project for Kazakhtelecom JSC aimed at improving infrastructure protection tools, internal corporate systems and ensuring full-fledged operation of information security in the Company. To meet the requirements of information security, the IT Division is introducing new solutions and methods of working with resources, which in the long term will enable to effectively protect the Company from modern threats in the field of cybersecurity and data leaks. These include: creation of all necessary infrastructure and staff of qualified specialists, formation of an operational information security center and implementation of the ZeroTrust concept.

In 2022, the IT Division developed an Information Security Strategy and approved a business plan for modernization of information security protection for 2023-2025, as well as several regulatory and regulatory documents on IS in the Company. In addition, at a meeting of the Architectural Committee, the IS architecture based on the ZeroTrust concept was approved. This concept is the most popular in the sphere of cyber-security and is based on complete absence of trust to users of resources. Under this concept, corporate systems of the company are not divided into external and internal, and users or devices at each specific session must undergo authentication and confirm their right to access certain data.

The IT Division plans to complete implementation of the ZeroTrust concept by the end of 2023. After full implementation, IT specialists will be ready to undergo international certification for compliance with the requirements in the information security management system – ISO 27001.

## Plans for 2023 and the medium term

1. Creation of an IS unit in the CA Security Service, which will supervise and control information security issues in the Company at the top level.
2. Introduction of the Zero Trust concept.
3. Introduction of the Anti APT system.
4. Implementation of protection against DDoS attacks.
5. Development of an event collection and correlation system.





8

# Corporate governance report

Gigabit generation





The basis of the Company's corporate governance is an effective management structure that respects the rights and interests of all those interested in the Company's activities and contributes to its success, including the growth of its reputation and maintenance of financial stability and profitability.

The main principles of corporate governance are sustainable development, shareholders' rights and fair treatment of shareholders, effectiveness of the Board of Directors, transparency. Compliance with these principles and provisions of the Code of corporate governance is highlighted annually in the report for the Board of directors, prepared by the Corporate secretary.

The system of corporate governance of Kazakhtelecom JSC is a set of processes ensuring management and control over the joint stock company's activity as well as the system of relationships between the executive body, Board of directors, shareholders, and stakeholders. Competence of the bodies and procedure of making decisions are determined and enshrined in the Charter of Kazakhtelecom JSC.

The analysis by the results of 2022 showed that Kazakhtelecom JSC's activity and its corporate practice ensure compliance with the principles and provisions of the Corporate Governance Code.

Management bodies:

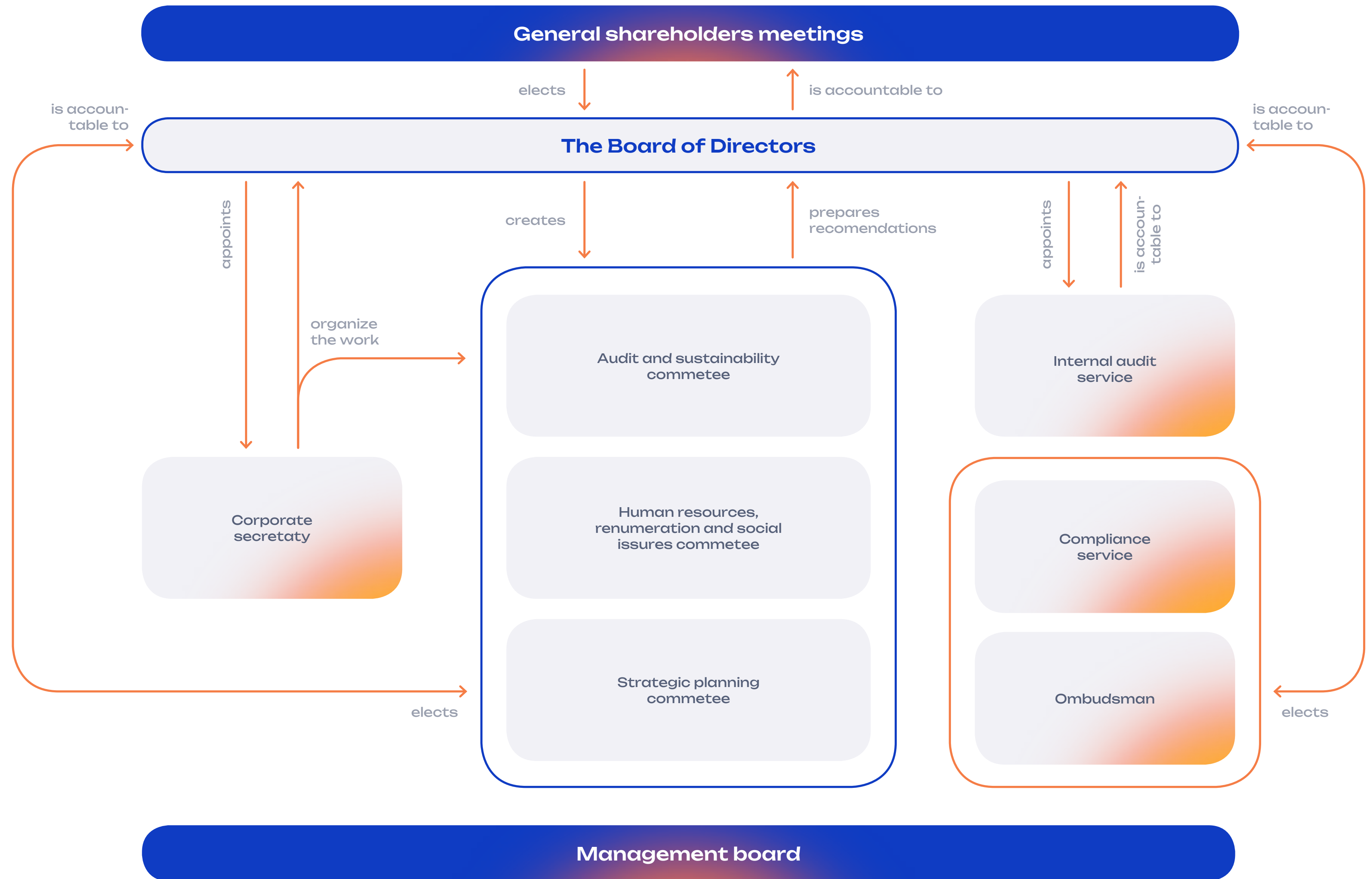
- the supreme body – the General Shareholders Meetings;
- management body – the Board of Directors;
- executive body – the Management Board.

The Management Board is subordinate and accountable to the Board of Directors, which, in turn, is responsible to the General Shareholders Meeting. The detailed role and functions of each body of the Company are described in the law "On joint-stock companies", the Charter and other internal documents of the Company.

The Internal Audit Service is a body that monitors the financial and economic activities of the Company, evaluates internal control, risk management and execution of documents in the field of corporate governance, as well as consulting to improve the activities of the joint stock company.

Corporate governance structure of Kazakhtelecom JSC

GRI 2-9







# General Shareholders Meeting

**SHAREHOLDERS' RIGHTS AND THEIR OBSERVANCE ARE IMPORTANT PRINCIPLES OF CORPORATE GOVERNANCE OF KAZAKHTELECOM JSC. THE COMPANY TREATS ALL SHAREHOLDERS, INCLUDING MINORITY SHAREHOLDERS, EQUALLY REGARDLESS OF THEIR SHAREHOLDING AND COMMUNICATES INFORMATION IN AN EQUAL MANNER.**

In 2022, the Company held 4 General Shareholders' Meetings (1 annual and 3 extraordinary ones) where the issues of approval of annual financial statements, payment of dividends, amendments to the Company's Charter, changes in the composition of the Board of directors, including reduction of the number of members of the Board of directors were considered.

Kazakhtelecom JSC discloses information in accordance with the laws of the Republic of Kazakhstan "On securities market" and "On joint stock companies" as well as in accordance with the requirements of Kazakhstan Stock Exchange JSC, Astana International Exchange Ltd., and the National Bank of the Republic of Kazakhstan.

Internet resources of Kazakhstan Stock Exchange JSC (kase.kz), Astana International Exchange Ltd. (aix.kz) and Information and Accounting Center JSC (dfo.kz) publish information on the composition of the management body and the executive body of the Company, on corporate events, on the composition of major shareholders, upcoming general meetings of shareholders and their results, on issues of securities, as well as financial statements and other information for the benefit of shareholders and investors.

In addition, for broader shareholder and stakeholder outreach, information is disclosed on the Company's website.

# Equity capital structure

Owners of Kazakhtelecom JSC's ordinary shares as of 01.01.2023

**GRI 2-1, 2-6**

Shareholders	Number of shares	Share of outstanding common shares (%) <sup>23</sup>	Share of common shares in circulation (%) <sup>24</sup>
Samruk-Kazyna JSC	5,570,668	51.00%	52.03%
State Institution "Committee of State Property and Privatization of the Ministry of finance of the Republic of Kazakhstan"	3,084,983	28.24%	28.81%
Depository receipts (nominee holder — BNY Mellon)	1,046,150	9.58%	9.77%
Other shareholders with less than 5% <sup>24</sup>	1,004,313	9.19%	9.38%
Repurchased shares	216,852	1.99%	—
<b>Total authorised ordinary shares</b>	<b>10,922,876</b>	<b>100.00%</b>	

<sup>23</sup> The share is calculated on the total number of outstanding common shares.

<sup>24</sup> The share is calculated on the total number of outstanding common shares minus treasury shares.

As of January 01, 2023, members of the Management Board and Board of Directors of the Company do not own ordinary shares of Kazakhtelecom JSC, there is no cross ownership of shares.

The authorized capital of the Company amounts to KZT 12,136,529 thousand consisting of 10,922,876 ordinary shares and 1,213,653 preferred shares. The nominal value of one share is KZT 1,000. The fraction of Kazakhtelecom JSC's preferred shares from the total number of issued shares makes up 10%.

Common and preferred shares of Kazakhtelecom JSC were included in the official list of Kazakhstani stock exchange JSC (hereinafter Exchange) of "A" category since October 16, 1997. Since September 1, 2008, they were transferred to the first category of the Exchange's official list.

At the moment the Company's ordinary and preferred shares are included in the "Premium" category of the official list of Kazakhstan Stock Exchange JSC and are traded on the main floor of the exchange.

On April 28, 2006 the state block of shares of Kazakhtelecom JSC was transferred to Kazakhstan holding on management of state assets Samruk JSC established pursuant to the Resolution of the Government of the Republic of Kazakhstan as of February 23, 2006 No. 117 for effective management of the state shares of a number of the largest companies of Kazakhstan. Sovereign Wealth Fund Samruk-Kazyna JSC (hereinafter referred to as SWF Samruk-Kazyna JSC, the Fund) was founded by the decision of the Republic of Kazakhstan Government dated October 17, 2008 No 962 "About measures on realization of the Decree of the President of the Republic of Kazakhstan dated October 13, 2008 No. 669" by merge of joint stock companies "Sustainable Development Fund "Kazyna" and "Kazakhstan Holding for Management of State Assets "Samruk". To date, the Fund is the largest shareholder of the Company.

In May 2022, the Committee for State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan became the second major shareholder of Kazakhtelecom JSC.





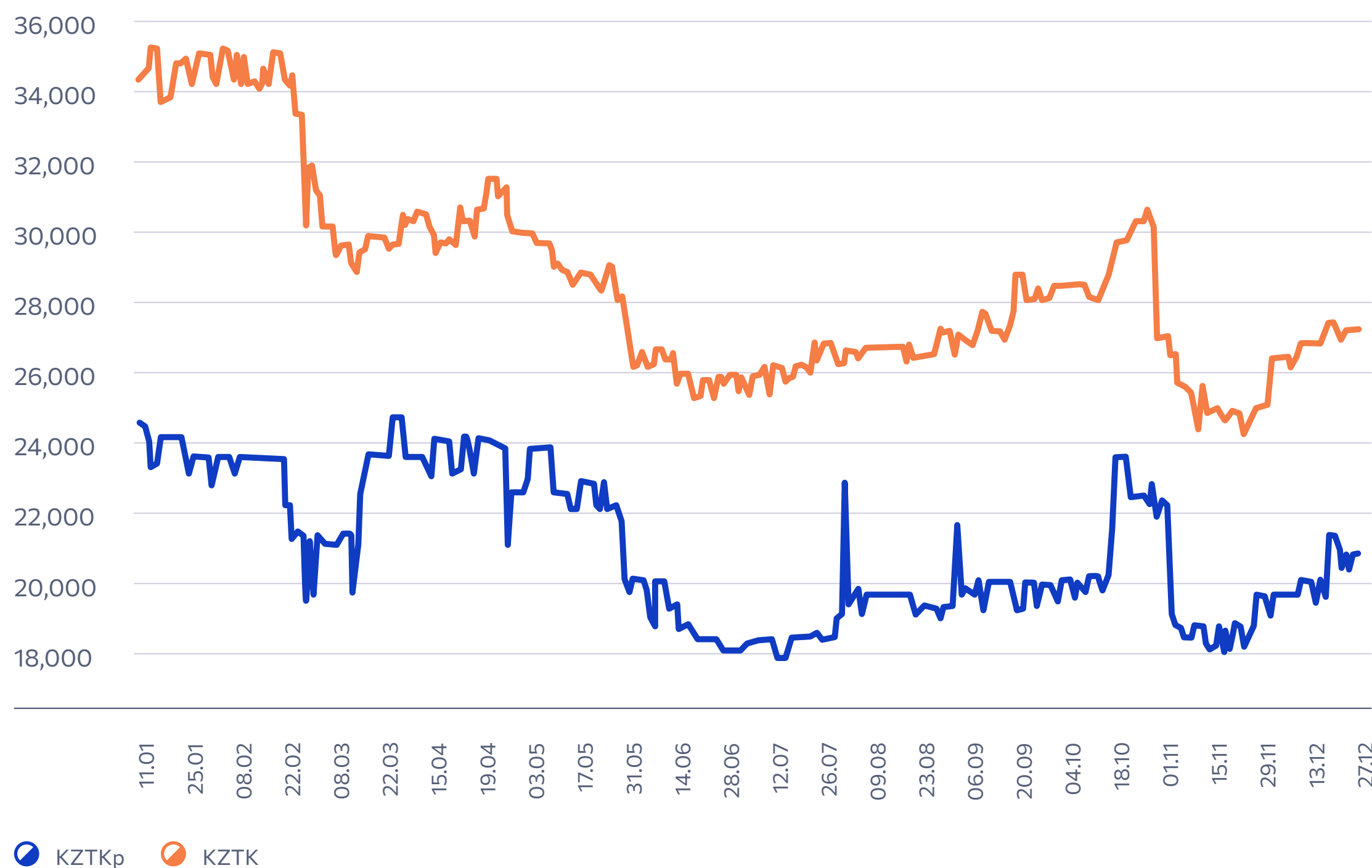


Due to events in the first quarter of 2022 in the Republic of Kazakhstan and in the world, the value of Kazakhtelecom JSC shares decreased compared to the value at the end of 2021. During 2022 the minimum price of the Company's ordinary shares reached KZT 25,603.02, while the minimum price of preferred shares reached KZT 19,900.00.

In the fourth quarter of 2022, on the threshold of the date of fixing the list of shareholders for payment of dividends from undistributed profits for 2022 in the amount

of KZT 3,590.39 per one ordinary share, there was a short-term increase in the price of Kazakhtelecom JSC shares. After the deadline for inclusion in the lists for payment of dividends and reduction to the minimum level of 2022, the value of Kazakhtelecom JSC shares continued a gradual recovery until the end of 2022. By results of the last trading day of December 2022 the value of ordinary shares of Kazakhtelecom JSC (ISIN KZ0009093241) on the Exchange made up KZT 28,362.32, the value of preferred shares of Kazakhtelecom JSC (ISIN KZ0009094645) made up KZT 22,500.00.

Chart of changes in the market value of shares, KZT



# Dividend policy

**THE AIM OF KAZAKHTELECOM JSC'S DIVIDEND POLICY IS TO ENSURE A BALANCE OF INTERESTS OF THE COMPANY AND SHAREHOLDERS, PREDICTABILITY AND TRANSPARENCY OF APPROACH IN DETERMINING THE AMOUNT OF DIVIDENDS, TERMS AND PROCEDURE OF THEIR PAYMENT.**

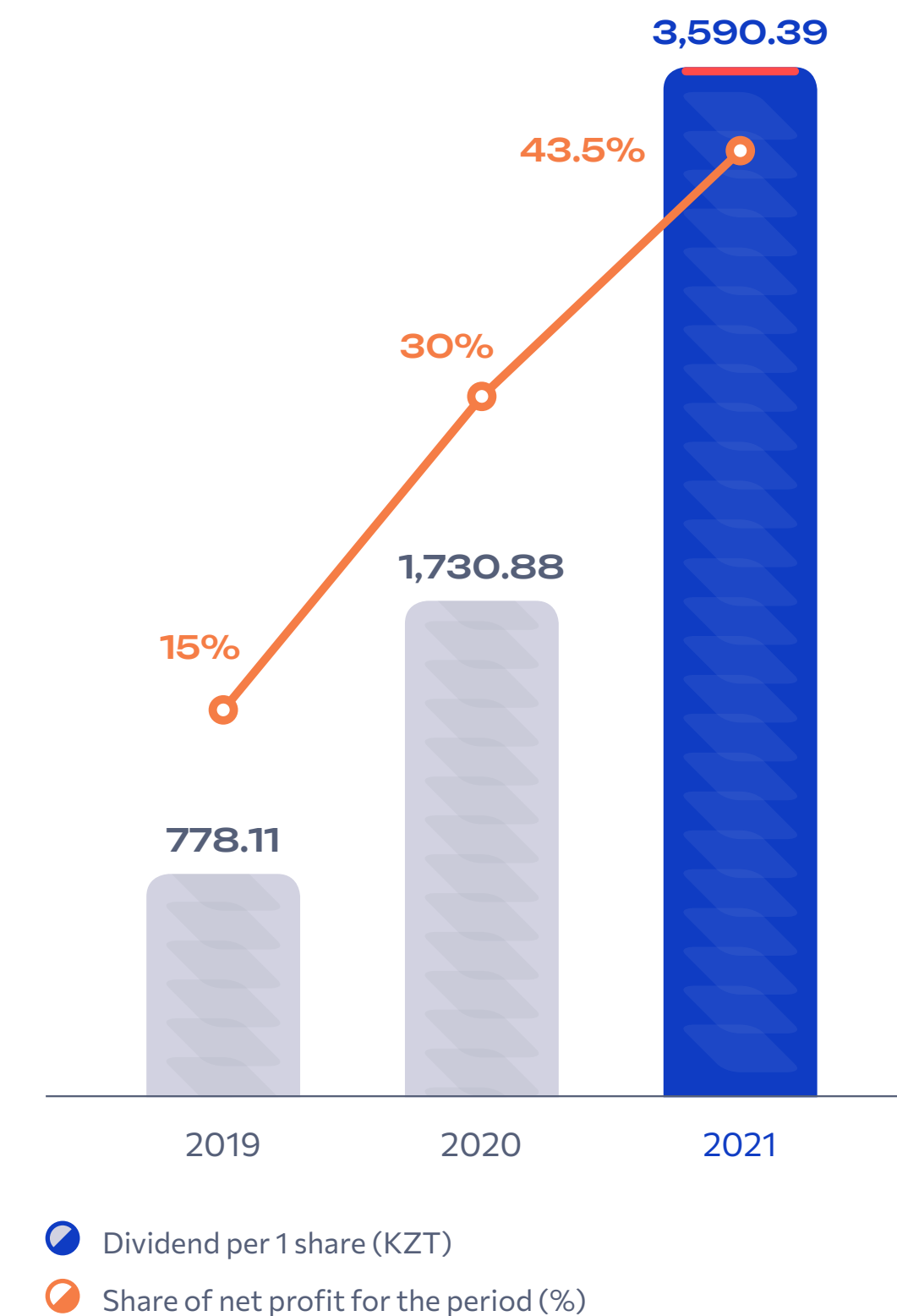
The main principles of the Company's dividend policy are the principle of ensuring guaranteed payment of dividends for the entire outstanding block of shares and the principle of ensuring financing of the Company's activity, including financing of new types of activity and investment projects implemented at the Company's expense.

The amount of dividends payable depends on the financial and economic condition of the Company, which is determined on the basis of financial stability and liquidity indicators.

The number of dividends proposed for payment by the Company is determined in accordance with the dividend calculation methodology set forth in the Regulations on the Dividend Policy of Kazakhtelecom JSC approved by decision of the extraordinary General Shareholders Meeting (Minutes No. 49 of 18.01.2013), as amended by decision of the extraordinary General Shareholders Meeting Kazakhtelecom JSC No. 51 of 27 December 2013. The final decision on the size of dividends shall be taken by the General Shareholders Meeting.

In 2022, according to the decision of the Extraordinary General Shareholders Meeting (Minutes No. 75 of October 31, 2022), 43.53% of the 2021 consolidated undistributed profit attributable to owners of the parent company was earmarked for dividend payout.

Announced equity dividends on shares of Company for 2019-2021

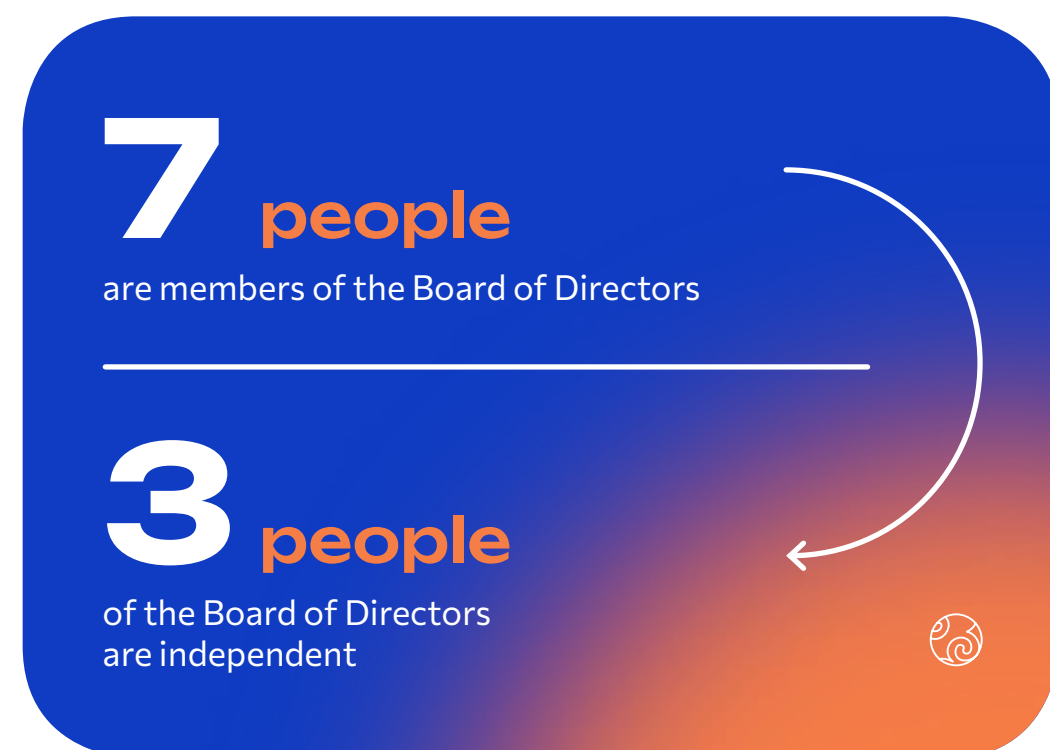




# Board of Directors

**The Board of Directors is the managing body of the Company, which determines strategic directions of its activity, approves the development strategy, budget, elects the executive body and exercises other authorities.**

The activity of the Board of Directors is governed by the Charter, the Corporate Governance Code, the Regulations on the Board of Directors, and other documents adopted by the General Shareholders Meeting.



## Roles of Board of Directors Members

The Chairman directs the Board of Directors, organizes and ensures the effective operation of the Board of Directors, conducts its meetings, and performs other functions stipulated by the Charter and Regulations on the Board of Directors.

Members of the Board of Directors — Shareholders' Representatives — represent the interests of major shareholders when the Board of Directors performs its activity.

The Company holds regular thematic events for interaction of members of the Board of Directors and top management with shareholders (including minority shareholders). In 2022 such events include the Issuer Day on KASE by the results of 2021, the Issuer Day on KASE according to the results of the first half of 2022, the Hearing at the Public Council of Samruk-Kazyna JSC.

**GRI 2-5**

Independent directors of the Board of Directors are members of all committees, review all issues and accept recommendations for the Board of Directors. The Audit Committee, which consists solely of independent directors, considers, and takes decisions on financial reporting, internal and external audit, risks, and other important areas of activity. In addition, independent directors are also responsible for making decisions on the conclusion of transactions in which there is an interest due to their independence.

## Election of members of the Board of Directors

**GRI 2-10**

Members of the Board of Directors shall be elected by the annual General Shareholders Meeting and reelected by the extraordinary General Meeting in the event of the early termination of the authorities of previously elected members of the Board of Directors of the joint-stock company pursuant to the procedure established by the legislation of the Republic of Kazakhstan, the Charter of the joint-stock company and the Regulations on the Board of Directors of Kazakhtelecom JSC.

The election of members of the Board of Directors shall be performed by shareholders through cumulative voting using ballots, except for cases where one candidate is run for one place on the Board of Directors.

Candidates for election to the position of a member of the Board of Directors may be nominated from among:

- Individual Shareholders;
- Persons proposed (recommended) for election to the Board of Directors as shareholder representatives;
- Individuals who are not a shareholder of the Company and are not proposed (not recommended) for election to the Board of Directors as a representative of the shareholder.

Candidates and members of the Board of Directors should have the relevant experience, knowledge, qualifications, positive achievements and impeccable reputation in the business and/or industry environment necessary to perform their duties and organize the effective work of the entire Board of Directors in the interests of shareholders and the Company.

## Composition of the Board of Directors

The Board of Directors consists of 7 people, 3 of whom are independent (43% of the total number).

Key competencies of members of the Board of Directors:

- **Baidaletov Nurzhan Talipovich** — management of the Board of Directors, telecommunications, strategy, implementation of decisions of a major shareholder;
- **Yessekeyev Kuanyshbek Bakytbekovich** — telecommunications, strategy, business planning;
- **Auganov Gibrat Kairatovich** — strategy, personnel issues, implementation of decisions of the major shareholder;
- **Kazutin Nikolay Yurievich** — audit, finance, marketing, implementation of decisions of a major shareholder;
- **Independent directors:** Buyanov Alexey Nikolayevich, Jubaev Armanbay Saparbaevich and Zaika Dmitriy Alexandrovich are specialists in the fields of audit, finance, marketing, telecommunications, strategic management, human resources and others. As part of the activities of the Board of Directors and its committees, they perform a wide range of duties.



**GRI 2-12, 2-17**

Due to the launch of the state policy in the field of ESG, the Company has become an active participant in this program and has taken the path of gradual implementation of standards in its activities. The members of the Board of Directors, who have sufficient experience in the field of sustainable development, play an important role in this process. In particular, the entire current Board of Directors is constantly immersed in the social sphere, corporate governance and environmental issues. The social side is particularly relevant in the current time of unstable economic conditions. Board members review the areas covered by ESG standards both at the Board of Directors level and at the levels of the relevant committees. The company conducts training events, including for members of the Board of Directors in order to further the qualitative growth of the management body in the implementation of ESG standards.

Key changes in the composition of the Board of Directors in 2022:

- On April 13, 2022, Naizabekov Timur Kurmangazievich terminated the powers of a member of the Board of Directors on his own initiative.
- On May 30, 2022, by resolution of the annual General Shareholders Meeting the powers of authorities of Saudabayev Serik Bolatovich were terminated, Auganov Gibrat Kayratovich was elected as the representative of the interests of the major shareholder of Kazakhtelecom JSC – Samruk-Kazyna JSC.
- On July 4, 2022, by the resolution of the extraordinary general shareholders' meeting, the Company's Board of directors changed its composition: the powers of Kussainov Erulan Aitashovich, Alimov Abay Savitovich, Alexander von Gleich were prematurely terminated and Kazutin Nikolai Yurievich was elected as a representative of Samruk-Kazyna JSC and Zhubaev Armanbai Saparbaevich as independent director for the rest of the term of Kazakhtelecom's Board of directors.

Composition of the Board of Directors:

- Bidauletov Nurzhan Talipovich;
- Auganov Gibrat Kairatovich;
- Kazutin Nikolay Yurievich;
- Yessekeyev Kuanyshebek Bakytbekovich;
- Buyanov Alexey Nikolayevich;
- Jubaev Armanbay Saparbaevich;
- Zaika Dmitriy Alexandrovich.

## Biographies of Board of Directors Members

**GRI 2-9, 2-11**



**Bidauletov Nurzhan Talipovich**

**Chairman of the Board of Directors, Representative of the shareholder of Samruk-Kazyna JSC (5,570,668 ordinary (voting) shares)**

**Birth Date:** September 1, 1960  
**Citizenship:** Republic of Kazakhstan  
**Date of first election to the Directors' Board:** May 8, 2012  
**Date of current election to the Directors' Board:** April 30, 2021  
**Ownership of company shares, shares of the company's suppliers and competitors:** No

**Education**

- 2017–2019 – International Chartered Director Program of the Directors Institute of Great Britain;
- 09.1977–06.1986 – Moscow Institute of Railway Transport  
 Qualified in: Railway Transportation Process Management.

**Place of work and positions held in organizations over the past five years**

- 17.04.2016 – Samruk-Kazyna JSC – Representative of Samruk-Kazyna JSC in the Kazakhtelecom JSC Directors' Board, NC Kazakhstan Temir Zholy JSC, Air Astana JSC;
- 02.06.2014–17.04.2016 – Samruk-Kazyna JSC – Senior Asset Management Officer;
- 27.11.2008–01.06.2014 – Samruk-Kazyna JSC – Managing Director.



**Auganov Gibrat Kairatovich**

**Member of the Board of Directors, Representative of the shareholder of Samruk-Kazyna JSC (5,570,668 ordinary (voting) shares)**

**Birth Date:** June 6, 1988  
**Citizenship:** Republic of Kazakhstan  
**Date of first election to the Directors' Board:** May 30, 2022  
**Date of current election to the Directors' Board:** May 30, 2022  
**Ownership of company shares, shares of the company's suppliers and competitors:** No

**Education**

- 2014–2015 – Humanitarian and Technical Academy  
 Specialty: "Master of Economics and Business";
- 2010–2012 – Taraz State University named after M.Kh.Dulati  
 Specialty: "Oil and gas business";
- 2006–2009 – Kazakh Economic University named after T. Ryskulov, Faculty of "Finance and Accounting"  
 Specialty: "Finance";
- 2003–2006 – Kokshetau College of Economics "ARNA", Faculty of Finance and Credit  
 Specialty: "Finance" (by industry).

**Place of work and positions held in organizations over the past five years**

- 21.02.2021–Samruk-Kazyna JSC, Managing Director of Public Relations and Change Management;
- 01.10.2021–18.01.2022 – Samruk-Kazyna JSC, Director of Human Resources Management Department;
- 15.06.2020–01.10.2021 – Karazhanbasmunai JSC, Director of HR and Compensation Department;
- 04.09.2017–12.06.2020 – Embamunaigas JSC, Deputy Director of the HR and Compensation Department.



**Yessekeyev Kuanyshebek Bakytbekovich**

**Member of the Board of Directors – Chairman of the Management Board of Kazakhtelecom JSC**

**Birth Date:** June 10, 1975  
**Citizenship:** Republic of Kazakhstan  
**Date of first election to the Directors' Board:** December 16, 2006  
**Date of current election to the Directors' Board:** April 30, 2021

**Education**

- 2015–2017 – Hult Business School, London, GB Specialty "Finance" Executive MBA degree;
- 2001–2002 – Kazakh State Academy of Management  
 Qualified in: Management;
- 1991–1995 – Kazakh State University named after al-Farabi  
 Qualified in: Applied math Candidate of mathematics.

**Place of work and positions held in organizations over the past five years**

- 23.02.2007–15.03.2010 – Informatization and Communications Agency of the Republic of Kazakhstan – Chairman;
- 15.03.2010 – Kazakhtelecom JSC – Management Board Chairman, Chairman of the Supervisory Board of Mobile Telecom-Service LLP, QazCloud LLP Supervisory Board member, Digital Economy Development Center LLP Supervisory Board Chairman.





## Kazutin Nikolay Yurievich

Member of the Board of Directors, Representative of the shareholder of Samruk-Kazyna JSC (5,570,668 ordinary (voting) shares)

Birth Date: November 28, 1982  
 Citizenship: Republic of Kazakhstan  
 Date of first election to the Directors' Board: July 4, 2022  
 Date of current election to the Directors' Board: July 4, 2022

### Education

- Graduated in 2003 from T. Ryskulov Kazakh University of Economics.

### Place of work and positions held in organizations over the past five years

- February 2022 – JSC “Samruk-Kazyna”, Managing Director for Legal Support, Security and Risks;
- January 2020 – February 2022 – Deputy Chairman of the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan;
- January 2018 – November 2019 – Head of the Internal Audit Service of JSC “East Kazakhstan Regional Energy Company”, Ust-Kamenogorsk;
- August 2016 – January 2018 – Advisor to JSC “Kokshetau mineral waters”, Kokshetau;
- March 2006 – June 2016 – Senior Manager of the Department of Pricewaterhousecoopers Tax and Advisory LLP, Almaty.



## Buyanov Alexey Nikolayevich

Independent Director

Birth Date: August 15, 1969  
 Citizenship: Resident of Luxembourg, Citizenship of the Russian Federation  
 Date of first election to the Directors' Board: June 30, 2015  
 Date of current election to the Directors' Board: April 30, 2021

Independence criteria: Meets the criteria specified in subclause 20) of the article 1 “On Joint-Stock Companies” Law of the Republic of Kazakhstan

### Education

- 1986–1992 – Moscow Institute of Physics and Technology (MIPT).

### Place of work and positions held in organizations over the past five years

- From January 2016 – to present – Bengala Investments SA (Investment Company), Director, Kcell JSC Directors' Board Chairman (since 25.01.2019);
- 2014–2016 – Redline Capital Management JSC Managing Director, Moscow Stock Exchange OJSC Stock Board Member.



## Jubaev Armanbay Saparbaevich

Independent Director

Birth Date: January 28, 1977  
 Citizenship: Republic of Kazakhstan  
 Date of first election to the Directors' Board: July 4, 2022  
 Date of current election to the Directors' Board: July 4, 2022

Independence criteria: Meets the criteria specified in subclause 20) of the article 1 “On Joint-Stock Companies” Law of the Republic of Kazakhstan

### Education

- 2012 – CFA Course, CFA Institute;
- 2005–2007 – Master of Business Administration MBA, University of California Berkeley, USA;
- 2002–2003– Master of Science, University of Oxford, Faculty of Social Sciences;
- 1997–1999 – Bachelor's Degree, Duquesne University, Pittsburgh, USA, Faculty of Finance.

### Place of work and positions held in organizations over the past five years

- June 2020 – Founder of the consulting company StrategyLab LLP;
- January 2013 – May 2020 – PwC (Kazakhstan), Senior Manager, Director of Advisory Services Department;
- April 2012 – January 2013 – KPMG (Kazakhstan), Senior Manager.



## Zaika Dmitriy Alexandrovich

Independent Director

Birth Date: April 27, 1975  
 Citizenship: Republic of Kazakhstan  
 Date of first election to the Directors' Board: June 30, 2015  
 Date of current election to the Directors' Board: April 30, 2021

Independence criteria: Meets the criteria specified in subclause 20) of the article 1 “On Joint-Stock Companies” Law of the Republic of Kazakhstan

### Education

- 2003–2005 – Kazakh State Economic University Specialized in: Financial Management Qualified as: Economist (Diploma with Honors);
- 1992–1998 – Almaty Institute of Energy and Communications Specialized in: Radio Equipment Qualified as: Radio engineer.

### Place of work and positions held in organizations over the past five years

- 29.08.2011 – Chimpharm JSC – Independent Director;
- 20.04.2012–15.08.2016 ALTEL JSC – Independent Director.



## Independence of Directors

According to the requirements of the Law on Joint Stock Companies, the number of independent members of the Board of Directors should be at least 30%. This proportion in the Company is 43%.

Independent Director – member of the Board of Directors who:

- is not an affiliate of this joint-stock company and has not been an affiliate for the three years preceding his election to the Board of Directors (except where he is an independent director of this joint-stock company);
- is not an affiliate of this joint-stock company;
- is not subordinate to the officers of the given joint-stock company or organizations that are affiliates of the given

joint-stock company, and was not related to subordination to these persons during the three years preceding his election to the Board of Directors;

- is not a government official;
- is not a representative of the shareholder at meetings of the bodies of the given joint-stock company and has not been the shareholder for the three years preceding his election to the Board of Directors;
- does not participate in the audit of this joint-stock company as an auditor working on the audit firm and did not participate in such audit for the three years preceding his election to the Board of Directors.

In 2022, the Company's independent directors met the independence criteria in full.

## Conflicts of interest

GRI 2-15

Kazakhtelecom JSC has a Conflict of Interest Policy. The Policy determines the procedure for preventing, identifying and regulating conflicts of interest; procedures for interaction and coordination of the Company's bodies and/or persons in the event of the appearance or likelihood of the appearance of a conflict of interest.

In accordance with the Conflict of Interest Policy, the Board of Directors monitors and, where possible, eliminates potential conflicts of interest of members of the Board of Directors and shareholders, including the misuse of Company property and the abuse of transactions in which there is an interest.

Members of the Board of Directors do not have any family or other relations with members of the executive body and other responsible employees of the Company, which could affect the quality of their decisions.

No conflicts of interest in the work of the Board of Directors were recorded in 2022.

## Assessment of the Board of Directors

GRI 2-18

The Company has Rules for assessing the activity of the Board of Directors and its committees, members of the Board of Directors and the Corporate Secretary. According to this document, the assessment of the Board of Directors is performed once a year using the internal resources of the Board of Directors and at least once every three years with the involvement of independent consultants.

The Board of Directors' performance evaluation for 2022 was carried out in-house by the Board of Directors. The list of evaluation criteria included questions assessing the level of strategic thinking, knowledge of the industry, about professional experience, commitment to teamwork, adherence to the principles of sustainable development and others. In general, all

directors received high marks; each member of the Board of Directors acted reasonably, skillfully, efficiently, which was also reflected in high financial and operating results of the Company. The evaluation report was presented to the Board of Directors for review and familiarization, and Board members discussed the results of the evaluation and measures for further improvement.

The last external evaluation of the Board of Directors was carried out in 2021. According to its results, PricewaterhouseCoopers consultants noted the strong composition of the Board of Directors of Kazakhtelecom JSC. Moreover, because of this assessment the measures related to the Board of Directors' activity were included into the Corporate Governance Improvement Plan.

## Improving the professional competence of members of the Board of Directors

GRI 2-17

The Company has a Policy on professional development and attraction of external experts by members of the Board of Directors. This policy has been developed considering best practice of corporate governance in order to improve the efficiency of the work of the Board of Directors through the implementation of a system of skills development and professional development of members of the Board of Directors and the exercise of their right to engage external experts if the issues considered by the Board of Directors require external professional and independent expert analysis.

In 2022, a training program in the field of sustainable development, ESG and climate change was held with the participation of members of the Board of Directors, the Management Board of Kazakhtelecom JSC and representatives of the top management of subsidiaries.



## Activity of the Board of Directors

**GRI 2-13**

In 2022, meetings of the Board of Directors were held in an online format using existing video conferencing platforms.

14 meetings of the Board of directors were held during the year, at which 117 issues were considered.

The key decisions in 2022 were the approval of the Development Strategy of Kazakhtelecom JSC for 2023-2032, the business plan for 2023-2027, the parameters of the Group's investment activity for 2023, the resolution of the issues of subsidiaries functioning. The Management Board also heard, on a regular basis, the issues of implementation of the Development plan, safety and labor protection, implementation of strategic projects, risks, implementation of the Strategy, activity of mobile operators.

The Board of Directors of Kazakhtelecom JSC pays special attention to the issues on consideration of major transactions and related-party transactions.

Kazakhtelecom JSC strictly complies with the requirements of the legislation when making decisions on conclusion of major transactions, as well as related party agreements. When preparing materials, the Board of Directors is provided with detailed information on the proposed transactions, their nature, financial and other conditions. To ensure objective and full consideration of issues on transactions, the Board of Directors makes decisions on them only in person in the presence of the entire Board of Directors, the Management Board and other participants. Decisions on related-party transactions are made exclusively by independent directors, and the Chairman of the Board of Directors constantly emphasizes this when considering transactions by the Board of Directors. Once decisions on such transactions have been made, information about them is published in the relevant media to notify interested parties.

Summing up the results of the Board of Directors' activity for 2022, no cases of corporate disputes between the Company and members of the Board of Directors were revealed, as well as facts of their misconduct.

## Committees of the Board of Directors

**GRI 2-9**

**THERE WERE THREE COMMITTEES OF THE BOARD OF DIRECTORS IN 2022: THE AUDIT AND SUSTAINABILITY COMMITTEE, THE HUMAN RESOURCES, REMUNERATION AND SOCIAL ISSUES, STRATEGIC PLANNING COMMITTEE.**

### Audit and Sustainability Committee

**GRI 2-9, 2-13**

The Audit Committee of the Board of Directors of Kazakhtelecom JSC was established by the resolution of the Board of Directors in 2006. In July 2022, the Board of Directors renamed the Audit Committee into the Committee for audit and sustainable development and carries out its activity in accordance with the Provision on the Committee approved by the Board of Directors on 19.07.2022.

Composition of the Committee in 2022<sup>25</sup>:

1. From January 01 to April 13, 2022: Naizabekov Timur Kurmangazievich (Committee Chairman), Buyanov Alexey Nikolayevich, Alexander von Gleich, Zaika Dmitry Alexandrovich.
2. From April 18 to July 04, 2022: Alexander von Gleich (Acting Committee Chairman), Buyanov Alexey Nikolayevich, Zaika Dmitry Alexandrovich.
3. From July 08, 2022 – Jubaev Armanbay Saparbaevich (Committee Chairman), Buyanov Alexey Nikolayevich, Zaika Dmitry Alexandrovich.
4. On July 4, 2022, by the decision of the extraordinary General Shareholders Meeting the composition of the Board of Directors of the Company was changed, and on July 8, 2022, the composition of the Committee was renewed by the decision of the Board of Directors.

Pursuant to the Code of corporate governance of Kazakhtelecom JSC, the Committee for audit and sustainable development consists entirely of independent directors who meet the criteria of recognition of independence of directors provided for by subparagraph 20) of article 1 of the Law of the Republic of Kazakhstan "On joint stock companies".

In accordance with the Statute of the Committee, the Chairman of the Committee was invited to the meetings to provide information on issues on the agenda:

- members of the Board of Directors;
- Heads of the Internal Audit Service and the Compliance Service;
- representatives of the external auditor of Ernst & Young LLP;
- Company employees (top management, heads of structural divisions, specialists) and employees of subsidiaries.

The Audit and Sustainability Committee holds regular meetings in presential at least once a quarter and extraordinary meeting as necessary.

In 2022, nine meetings were held, at which 31 issues were considered and relevant recommendations were given to the Company's Board of Directors, including the activities of the Internal Audit Service, the Compliance Service, internal controls and risks, financial reporting, external audit and other important issues. The Committee worked in accordance with the Work Plan for 2022.

### Participation in meetings of the Audit and Sustainability Committee in 2022

Committee members	№1 04.02	№2 10.03	№3 30.03	№4 18.04	№5 27.05	№ 15.07	№7 16.09	№8 01.11	№9 02.12	Percentage of participation <sup>26</sup>
Naizabekov T.K.	+	+	+							100%
Alexander von Gleich	+	+	+	+	+					100%
Buyanov A.N.	+	+	+	+	+	+	+	+	+	100%
Zaika D.A.	+	+	+	+	+	+	+	+	+	100%
Jubaev A.S.						+	+	+	+	100%

<sup>25</sup> On April 13, 2022, T.K. Naizabekov terminated the powers of a member of the Board of Directors on his own initiative.

<sup>26</sup> percent participation during the term of office of a member of the Committee.





## Human Resources, Remuneration and Social Issues Committee

GRI 2-20

The Human Resources, Remuneration and Social Issues Committee of the Board of Directors was established by decision of the Board of Directors of Kazakhtelecom JSC in 2015.

In its activities, the Committee is fully accountable to the Board of Directors and operates in accordance with the Regulations on the Human Resources, Remuneration and Social Issues Committee of the Board of Directors of Kazakhtelecom JSC, approved by the decision of the Board of Directors Minutes No. 2 dated 18.03.2015.

The members of the Human Resources, Remuneration and Social Issues Committee of the Board of Directors of Kazakhtelecom JSC were determined in 2022<sup>27</sup>:

1. from 1 January to 13 April: Buyanov Alexey Nikolayevich (Committee Chairman), Kussainov Erulan Aitashovich, Saudabaev Serik Bolatovich, Zaika Dmitriy Alexandrovich, Alexander von Gleich, Naizabekov Timur Kurmangazievich;

2. from 31 May to 04 July: Buyanov Alexey Nikolayevich (Committee Chairman), Kussainov Erulan Aitashovich, Auganov Gibrat Kairatovich, Zaika Dmitriy Alexandrovich, Ixander von Gleich;
3. from July 08: Buyanov Alexey Nikolayevich (Committee Chairman), Auganov Gibrat Kairatovich, Jubaev Armanbay Saparbaevich, Zaika Dmitriy Alexandrovich.

In accordance with the Regulations on the Human Resources, Remuneration and Social Issues Committee, the Chairman of the Committee was invited to the meetings as speakers and observers, and to provide information on items on the agenda:

- members of the Board of Directors;
- Company employees (top management, heads of structural divisions, specialists);
- candidates for management positions in accordance with the List of Management Positions.

GRI 2-13

In 2022, the Committee for Human Resources, Remuneration and Social Issues held 9 meetings in presential, which considered 32 issues on which the relevant recommendations were given to the Company's Board of Directors. These are the issues of social nature (indexation, increase of salaries of branch employees), changes in the structure of the Central Administration Office, election of employees to the Management Board of Kazakhtelecom JSC, appointment to the positions of first heads of subsidiaries, approval of KPI of executives, labor remuneration, personnel management and other issues.

## Strategic Planning Committee

The Strategic Planning Committee of the Board of Directors of Kazakhtelecom JSC was established by the decision of the Board of Directors in 2010. The Committee for Strategic planning is an advisory and consultative body of the Board of directors and carries out its activity in accordance with the Provision on the Committee for strategic planning approved by the decision of the Board of directors on 19.11.2010.

Composition of the Committee for Strategic planning of the Board of directors of Kazakhtelecom JSC in 2022<sup>29</sup>:

1. Zaika Dmitriy Alexandrovich (Chairman of the Committee), Alexander von Gleich – independent director, Buyanov Alexey Nikolayevich, Naizabekov Timur Kurmangazievich, Kussainov Erulan Aitashovich, Saudabaev Serik Bolatovich, Alimov Abay Savitovich.
2. from July 08 Zaika Dmitriy Alexandrovich (Committee Chairman), Buyanov Alexey Nikolayevich, Jubaev Armanbay Saparbaevich, as well as non-voting experts Sharipov Timur Sabrzhonovich and Mukanova Almagul Umurzakovna.

The Chairman of the Committee was invited to the meetings as observers, speakers, and to provide information on issues on the agenda:

- members of the Management Board;
- management and other employees of the Company, as well as subsidiaries;
- representatives of Samruk-Kazyna JSC.

The Strategic Planning Committee shall hold meetings on the annual plan approved by decision of the Committee, but at least once a quarter, and extraordinary meetings as necessary.

The Strategic Planning Committee held 11 face-to-face meetings in 2022 at which 18 issues were considered and the relevant recommendations were given to the Board of Directors of the Company. These include issues of strategy, business planning, the attraction of advisory services, the Company's Development Plan, and other important issues of the Company's operations.

### Participation in meetings of the Human Resources, Compensation and Social Issues Committee in 2022

Members of the Board of Directors	№1 10.02	№2 11.03	№3 14.04	№4 21.04	№5 27.05	№6 18.07	№7 19.09	№8 13.10	№9 05.12	The reason for the absence of	Percentage of participation <sup>28</sup>
Buyanov A.N.	+	+	+	+	+	+	+	+	+		100%
Zaika D.A.	+	+	+	+	+	+	+	+	+		100%
Saudabaev S.B.	+	+	+	+	+						100%
Alexander von Gleich	-	+	+	+	+						80%
Kussainov E.A.	+	+	+	+	-					business trip	80%
Naizabekov T.K.	+	+									100%
Auganov G.K.						+	-	+	+	business trip	75%
Jubaev A.S.						+	+	+	+		100%

<sup>27</sup> On April 13, 2022 Naizabekov Timur Kurmangazievich terminated the authority of a member of the Board of Directors on his own initiative. On May 30, the decision of the Annual General Shareholders Meeting terminated the authority of Saudabaev Serik Bolatovich. Auganov G.K. was elected to the composition of the Committee on May 31, 2022 by the decision of the Board of Directors. On July 04, 2022, by the resolution of the extraordinary General Shareholders Meeting changes took place in the composition of the Board of directors of Kazakhtelecom JSC, and on July 08, 2022 the composition of the Committee was renewed by the resolution of the Board of directors.

<sup>28</sup> % of participation during the term of office of a member of the Committee.

<sup>29</sup> On April 13, 2022 Timur Kurmangazievich Naizabekov terminated the authority of a member of the Board of Directors on his own initiative. On May 30, the decision of the Annual General Shareholders Meeting terminated the authority of Saudabayev Serik Bolatovich. On July 04, 2022, by the resolution of the extraordinary General shareholders meeting changes took place in the composition of the Board of directors of Kazakhtelecom JSC, and on July 08, 2022 the composition of SPC was renewed by the resolution of the Board of directors.





## Participation in meetings of the Strategic Planning Committee in 2022

Members of the Board of Directors	№1 10.02	№2 11.03	№3, 21.04	№4 27.05	№5 18.07	№6 16.09	№7 19.09	№8 04.11	№9 02.12	№10 14.12	№11 19.12	The reason for the absence of	Percentage of participation <sup>30</sup>
Zaika D.A.	+	+	+	+	+	+	+	+	+	+	+		100%
Buyanov A.N.	+	+	+	+	+	+	+	+	+	+	+		100%
A. Gleich	+	+	+	+									100%
Naizabekov T.K.	+	+											100%
Alimov A.S.	+	+	+	+									100%
Kussainov E.A.	+	+	+	-								business trip	75%
Saudabaev S.B.	+	+	+	+									100%
Jubaev A.S.					+	+	+	+	+	+	+		100%

<sup>30</sup> % of participation during the term of office of a member of the Committee.

## Remuneration of the Board of Directors

**GRI 2-19, 2-21**

Pursuant to the Policy of remuneration of independent members of the Board of Directors of Kazakhtelecom JSC approved by the decision of the extraordinary General Shareholders Meeting of Kazakhtelecom JSC as of 29 December 2011 No. 46 (with amendments as of 09.07.2012, as of 12.08.2021) the independent director is paid a fixed annual fee and additional fee for membership/presidency in committees of the Board of Directors by the decision of the General Shareholders Meeting of Kazakhtelecom JSC dated 12.08.2021:

- for non-residents of the Republic of Kazakhstan – fixed annual remuneration in the amount of USD 45,000 (forty-five thousand) and additional remuneration for membership/chairing of committees of the Board of Directors of the Company in the amount of USD 11,000 (eleven thousand) after withholding taxes and other mandatory contributions in accordance with the legislation of the Republic of Kazakhstan;

- for residents of the Republic of Kazakhstan – fixed annual remuneration in the amount of KZT 16,650,000 (sixteen million six hundred fifty thousand) and additional remuneration for membership/chairing of Committees of the Board of Directors of the Company in the amount of KZT 4,000,000 (four million) after withholding taxes and other mandatory contributions in accordance with the legislation of the Republic of Kazakhstan.

In accordance with the decision of the General Shareholders Meeting of Kazakhtelecom JSC of 12.08.2021, the amount of the fixed annual remuneration to the Chairman of the Board of Directors of the Company is KZT 16,000,000 (sixteen million) after withholding taxes and other mandatory contributions in accordance with the laws of the Republic of Kazakhstan.

The total remuneration paid to the resident members of the Board of Directors in 2022 amounted to KZT 52,577,341. The total remuneration paid to non-resident members of the Board of Directors in 2022 amounted to USD 56,608.

In accordance with the Regulations on the Board of Directors, in the event of termination of the powers of an Independent Director (including early termination) before the end of the six-month period, the Independent Director shall be paid remuneration and compensation for the period of actual membership on the Board of Directors.

In accordance with the Regulations on the Board of Directors and the Policy of remuneration of independent members of the Board of Directors of Kazakhtelecom JSC, the Independent Director may be paid additional remuneration based on the results of the year by the decision of the General Shareholders' Meeting of Kazakhtelecom JSC.

## Corporate Secretary

The Corporate Secretary shall report to the Board of Directors and shall act in accordance with the provisions of the laws of the Republic of Kazakhstan, the Charter, the Corporate Governance Code, other internal documents, as well as decisions of the General Shareholders Meeting and the Board of Directors.

As part of his activity, the Corporate Secretary shall control preparation and holding of General Meetings of Shareholders and meetings of the Board of Directors, organize record keeping and ensure document flow of the Board of Directors, ensure convening of meetings of the Board of Directors and keep minutes of such meetings, provide members of the Board of Directors with necessary information.

The Corporate Secretary of Kazakhtelecom JSC, Abdykalykov B. K, holds state awards and a sectoral title of “Үздік байланысшы” (Best Communicator). He was recognized as one of the best corporate secretaries of the Samruk-Kazyna Group of Companies, a permanent participant in various measures to further improve corporate governance and the institute of corporate secretaries.

The Regulations on the Corporate Secretary are available on the Company's corporate Internet resource in the section “Corporate Governance”.





# Management Board

The Management Board is a collective executive body responsible for managing day-to-day activities to fulfill the objectives and implement the company's strategy.

The activity of the Management Board is based on the principle of maximum compliance with the interests of Shareholders and full accountability to the decisions of the General Shareholders Meeting and the Board of Directors.

The Management Board consists of 4 members – the Chairman of the Management Board and other persons elected by the Board of Directors.

In 2022, the following were elected to the Management Board of the Company:

- Bitabarov Berik Abdimazhitovich, Chief Director for Operational Efficiency of Kazakhtelecom JSC;
- Atamuratova Lyudmila Viktorovna, Chief Financial Officer of Kazakhtelecom JSC.

**4** people  
are members of the Management Board

## Composition of the Management Board

GRI 2-11



### Yessekeyev Kuanyshebek Bakytbekovich

Member of the Board of directors, Chairman of the Board of Kazakhtelecom JSC

Birth Date: June 10, 1975  
 Citizenship: Republic of Kazakhstan  
 Date of the first election to the Management Board of Kazakhtelecom JSC: March 15, 2010  
 Date of the current election to the Management Board of Kazakhtelecom JSC: March 16, 2022  
 Ownership of the Company's shares, shares of suppliers and competitors: No

Education: higher

- 1991–1995 – Kazakh State University named after Al-Farabi. Specialty: Applied maths, degree: candidate of maths;
- 2001–2002 – Kazakh State Academy of Management. Specialty: Management;
- 2015–2017 – Hult Business School, London, GB; Specialty: Finance; Degree: Executive MBA.

Place of work and positions held in organizations over the past five years

- 23.02.2007–15.03.2010 – Information and Communications Agency of the Republic of Kazakhstan – Chairman;
- 15.03.2010 – present: Kazakhtelecom JSC – Chairman of the Management Board, Member of the Board of Directors.

Part-time work and membership in the Boards of Directors of other organizations

- Member of the Board of Directors of Kcell JSC, Member of the Supervisory Board of QazCloud LLP, Chairman of the Supervisory Board of Digital Economy Development Center LLP.



### Meirmanov Nurlan Kemalovich

Member of the Management Board of Kazakhtelecom JSC, Chief Innovation Officer of Kazakhtelecom JSC

Birth Date: August 3, 1972  
 Citizenship: Republic of Kazakhstan  
 Date of election to the Management Board of Kazakhtelecom JSC: May 2, 2019  
 Ownership of the Company's shares, shares of suppliers and competitors: No

Education: higher

- 1989–1995 – Kazakh Chemical Technology Institute, specialization: “Main processes of chemical production and chemical cybernetics”;
- 2008–2011 – Russian Presidential Academy of National Economy and Public Administration, major: Doctor of Business Administration;
- 2011 – International Business Academy, major: Doctor of Business Administration.

Place of work and positions held in organizations over the past five years

- 01.2012–05.2019 – Kazakhtelecom JSC – Managing Director for Innovations;
- 05.2019 – present: Kazakhtelecom JSC – Chief Innovation Officer.

Part-time work and membership in the Boards of Directors of other organizations

- Member of the Supervisory Board of NURSAT+ LLP.





## Atamuratova Lyudmila Viktorovna

Member of the Management Board of Kazakhtelecom JSC,  
Chief Financial Officer of Kazakhtelecom JSC

Birth Date: March 1, 1980  
Citizenship: Republic of Kazakhstan  
Date of election to the Management Board of Kazakhtelecom JSC: June 1, 2022  
Ownership of the Company's shares, shares of suppliers and competitors: No

**Education: higher**

- 1997-2002 – South Ural State University (Russian Federation, Chelyabinsk), Faculty of Finance and Economics (diploma with honors). Qualification “Manager”. Specialized in Project Management;
- 1999-2001 – South Ural State (Russian Federation, Chelyabinsk), Language Center. Qualification “Translator and Teacher of English”. Specialty “Theoretical and applied linguistics”.

**Place of work and positions held in organizations over the past five years**

- 10.1999 – present – Kazakhtelecom JSC, Specialist, Manager, Chief Manager, Director of Project Financing Department, Chief Financial Director.

**Part-time work and membership in the Boards of Directors of other organizations**

- No



## Bitabarov Berik Abdimazhitovich

Member of the Management Board of Kazakhtelecom JSC,  
Chief Operating Efficiency Director of Kazakhtelecom JSC

Birth Date: September 18, 1977  
Citizenship: Republic of Kazakhstan  
Date of election to the Management Board of Kazakhtelecom JSC: May 1, 2022  
Ownership of the Company's shares, shares of suppliers and competitors: No

**Education: higher**

- 1994-1999 – Almaty State University named after Abay. Abay. Specialty: Specialist in International Relations;
- 2021 – London School of Business, Great Britain. Degree: Executive MBA.

**Place of work and positions held in organizations over the past five years**

- 05.2015 – till present – Kazakhtelecom JSC, Managing Director – Director of Personnel Management and Development Department; Managing Director for Personnel; Managing Director for Personnel, Health and Safety; Chief Director for Personnel; Chief Director for Operational Efficiency.

**Part-time work and membership in the Boards of Directors of other organizations**

- No

## Activity of the Management Board

The Management Board of Kazakhtelecom JSC manages the day-to-day activity of the organization, ensuring its compliance with the strategy, the Development Plan and the decisions adopted by the General Shareholders Meeting and the Board of Directors.

The Management Board shall meet in person once a week and shall appoint additional meetings as necessary.

In 2022, the number of members of the Management Board was reduced from 9 (nine) to 5 (five) and re-elected:

- Atamuratova Lyudmila Viktorovna (Chief Financial Officer);
- Bitabarov Berik Abdimazhitovich (Chief Operating Officer).

During the reporting period, the Management Board reviewed and made decisions on the following main issues:

- considered and approved – Annual financial statements of Kazakhtelecom JSC for 2021, Annual financial statements of subsidiaries and associates of Kazakhtelecom JSC for 2021, order of distribution of net income of Kazakhtelecom JSC for 2021, parameters of investment activity of Kazakhtelecom JSC for 2023, Regulation on Commercial Secrecy of Kazakhtelecom JSC in new version, Rules for internal control over disposal and use of insider information of Kazakhtelecom JSC in new version, Development Strategy of Kazakhtelecom JSC for 2023-2032, Low-carbon development program of Kazakhtelecom JSC for 2022-2030;
- approved the Procurement Budget and Cash Budget of Kazakhtelecom JSC for 2022, the Road Map for implementation of strategic and business initiatives of Kazakhtelecom JSC – SERPIN programs and financial effects from implementation of Road Map projects, Rules for disposal and write-off of vehicles and special equipment of Kazakhtelecom JSC, etc.





## Remuneration of the Board

GRI 2-19, 2-20, 2-21

The conditions and procedure for payment of remuneration to the Company's executives for the reporting period are governed by the Rules for payment of remuneration to Kazakhtelecom JSC executives for the reporting period, approved by the decision of the Board of Directors as of 14.02.2023, Minutes No. 2 (hereinafter the Rules).

Key principles of the Rules:

- interaction of remuneration with the performance of tasks that meet the interests of the Company and its shareholders;
- simplicity and transparency of the principles for determining the amount of remuneration;
- the dependence of remuneration on the Company's performance results and the employee's personal performance.

The conditions for the payment of performance-related benefits for the reporting period to management personnel are:

- the existence of consolidated final profit for the reporting period, calculated taking into account the planned amount for payment of remuneration;
- compliance by the Enterprise with the internal document of Samruk-Kazyna JSC on credit risk management for counterparty banks. The decision on payment in such cases shall be taken by the Board of Directors on an individual basis.

Motivational KPI are used to assess the performance of executives.

The performance assessment process for executives consists of the following stages:

- setting motivational KPI and its target values;
- approval of incentive KPI;
- performance monitoring;
- calculation and approval of actual performance.

Based on the results of work for the reporting period, remuneration shall be paid within the limits of monetary funds stipulated for these purposes in the Company's budget, after duly approving the results of financial and business activity based on the audited financial statements for the reporting period.

Maximum remuneration based on the results of work for the reporting period is determined in accordance with the remuneration structure.

The total amount of salaries and all types of monetary incentives paid to members of the Management Board of the Company for 2022 equaled KZT 224,992.9 thousand.

### Payroll structure, %



# 224,992.9

thousand KZT

the total amount of salaries and all types of monetary incentives paid to members of the Management Board of the Company for 2022







# Information transparency

Kazakhtelecom JSC adheres to the principles of information openness and transparency, confirming its readiness to follow high standards of corporate governance. The main objective of information disclosure is the fullest satisfaction of the needs of stakeholders in obtaining reliable and complete information about the Company to improve the efficiency of activities, strengthen trust between the Company and stakeholders, create and increase investment attractiveness of the Company.

Within the framework of transparency management, the Company is guided by the Information Policy. The Information Policy of Kazakhtelecom JSC is developed in accordance with the legislation of the Republic of Kazakhstan, the Charter, and Corporate Governance Code of Kazakhtelecom JSC and the Business Development Strategy until 2025.

The policy is implemented by generating unique information messages about the Company's activities for distribution through various communication channels and delivering relevant information to the target audience. The purpose of each informational message is to reach the target audience in an accessible and understandable form.

The Policy defines the basic principles and specific requirements for the information the Company provides about its activities to its key target audiences:

- shareholders, investors;
- clients (B2B, B2C, B2G corporate partners);
- state authorities of the Republic of Kazakhstan;
- the mass media and other parties interested in receiving information on the Company, its products, and services.

The Policy also imposes requirements for the protection of insider, proprietary and commercial information, as well as information classified as personal data by law.

Principles of the Policy:

- the principle of reliability;
- the principle of efficiency;
- systemic principle;
- the principle of proactivity and amicability;
- the principle of pragmatism and concern for the interests of target audiences;
- the principle of digitalization and diversity;
- the principle of confidentiality.



# Corporate ethics

GRI 2-23

Corporate ethics issues are governed by the Code of Business Conduct and the Corporate Governance Code. The Code of Business Conduct and the Corporate Governance Code are public documents and are freely distributed by the Company to employees, shareholders, customers, partners, and other stakeholders. The provisions of the Code of Business Conduct and the Corporate Governance Code are mandatory for all categories of employees and officers.

All the Company's officers and employees assume the obligation to comply with the provisions of the Corporate Governance Code under the appropriate agreements. In addition, the Company's officers and employees sign a Statement of Familiarity with the Code of Business Conduct and regularly confirm their knowledge of the Code.

The Company conducts regular training for officers and employees to understand the Code of Business Conduct, the role of the Ombudsman and the availability of the system for reporting suspected violations.

The main principles of the Company's business ethics are:

- compliance with legal requirements;
- fairness;
- good faith;
- transparency;
- liability;
- competence and professionalism;
- trust;
- meritocracy.

The Ombudsman ensures compliance with the principles of business ethics and optimal regulation of social and labor disputes.







# Risk management and internal controls

## Risk management system

Following the JRUN Strategy for 2023-2032, Kazakhtelecom JSC implements the most advanced risk management practices. Development of the corporate risk management and internal controls system (hereinafter – CRMS and IC) is aimed at achieving maximum efficiency of assets utilization, minimizing losses when adverse events occur, identifying opportunities and stimulating innovation, which in turn contributes to creating and protecting the Company’s value for shareholders, creditors, and other stakeholders.

Properly designed and applied risk management structure ensures its implementation in all activities of the Company, including the decision-making process and proper accounting for changes in the external and internal business environment.

## Participants in the risk management process

The organizational structure of the Company’s CRMS is presented on several levels and includes the following participants in the risk management process:

### Organizational structure of the corporate risk management system

<b>Board of Directors</b>	as a management body that has key responsibility to the shareholder (s) for risk management issues at the Company
<b>Management Board</b>	is the executive body of the Company and is responsible for implementing the Company’s Risk Management Policy
<b>Risk committee</b>	is a consulting and advisory body under the Management Board whose main goals and objectives are to ensure high-quality information on risk management issues and the appropriate communication channels between the structural divisions of the Company, as well as working discussion of issues that require agreement/approval at the level of the Management Board
<b>Risk Management and Internal Controls Department</b>	is a key structural division in the CRMS, which ensures coordination, necessary analytics and methodological support on risk management issues for all participants in the CRMS at the Company level. Is responsible for implementing and maintaining an effective system of internal controls and process management adequate to the scope and complexity of the Company’s business.
<b>Business units</b>	are important members of the CRMS, since they are responsible for risk management within the limits of their authorities and competencies
<b>Risk coordinators and risk teams</b>	are appointed to ensure the effective functioning of the risk management system in the first line of defense in the structural divisions of the Company
<b>Internal audit service</b>	is a service that provides the Board of Directors with independent and objective recommendations aimed at improving the Company’s operations through a systematic and consistent approach to assessing and improving the effectiveness of risk management, internal control, and corporate governance systems





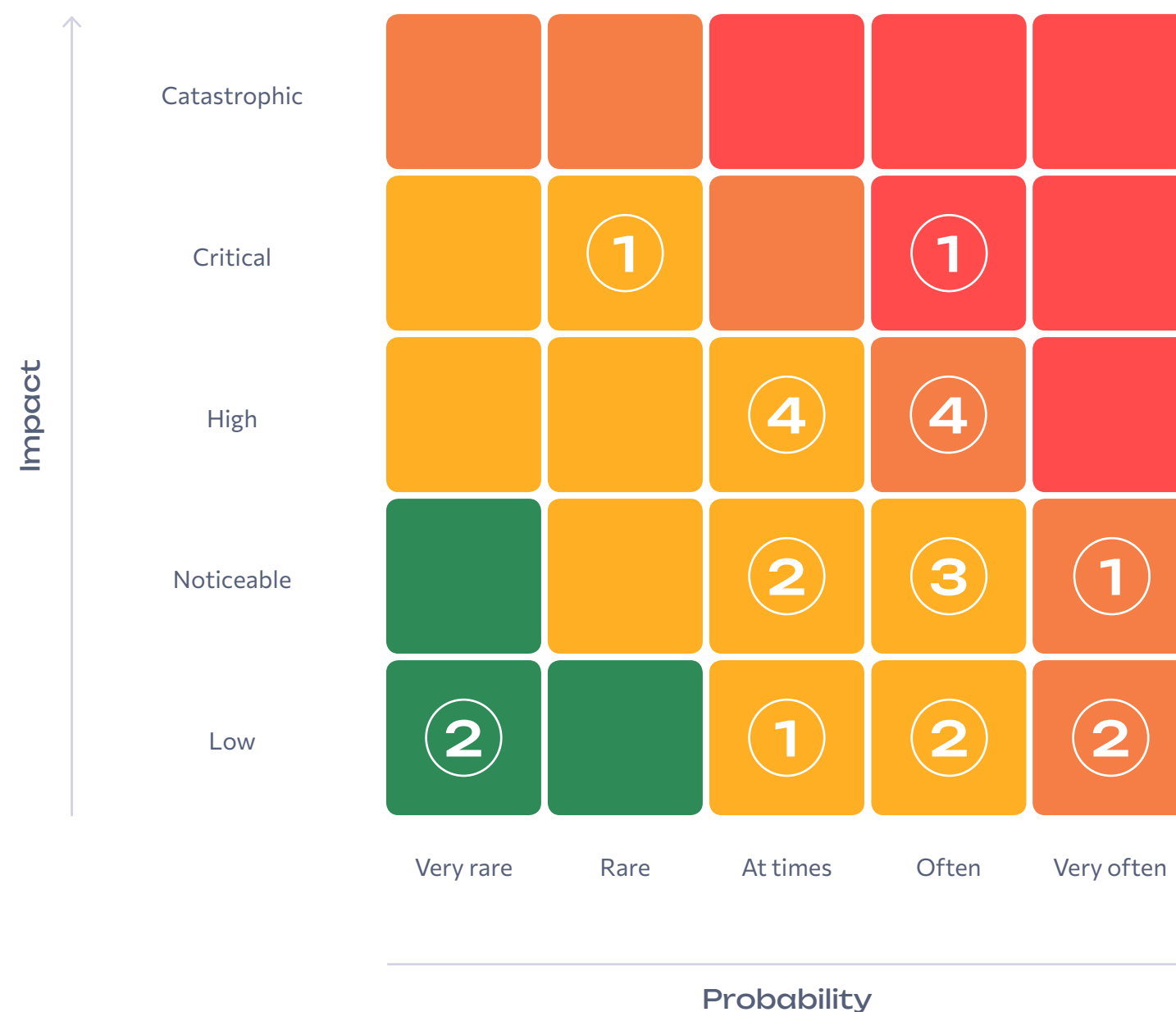
## Risk management in 2022

The Company annually identifies the Company's risks, the results of which are reflected in the risk register approved by the Board of Directors. The register includes risks capable of affecting the achievement of long-term strategic goals and key performance indicators of the Development Plan.

In 2022, the list of risk events for compliance risks has been expanded. The list for 2021, which consisted of two risk events "Presence of conflicts of interest in the performance of official duties" and "Presence of corrupt practices", was supplemented by the risk event "Non-compliance with the code of ethics".

According to the Company's Risk Register and Risk Map at the end of 2022, the Company has 23 risks:

Risk map of Kazakhtelecom JSC for 2022



## Key risks of 2022

The Risk Management Service constantly monitors the dynamics of key risks and monitors the implementation of measures aimed at mitigating risks. The results of monitoring are sent quarterly in the form of risk reporting to the Board of Directors of the Company.

The Company is implementing measures to proactively manage key risks to reduce their impact on the objectives of the period:

Key risks	Measures taken by the Company to mitigate risk	Risk assessment Probability/impact
Safeguarding physical assets	<ul style="list-style-type: none"> <li>Daily maintenance of security and technical protection systems of the Company's facilities;</li> <li>Development of the "Fire Safety" BP.</li> </ul>	4/3
Innovation risk	<ul style="list-style-type: none"> <li>A partnership agreement was signed between Kazakhtelecom JSC and Nursat+LLP;</li> <li>A document was approved (Decree No. 19 of 18.02.2022) on providing the possibility of applying discounts to tariffs for new businesses in a highly competitive environment;</li> <li>updated information on product pages;</li> <li>Promo was held (Order No. 309 of 30.09.2022) "On holding a campaign to promote the service "Cloud Video Surveillance for Entrances"</li> </ul>	5/1
Legal risk	<ul style="list-style-type: none"> <li>Registration of property rights to unregistered cable conduit sections and land plots, prolongation of property rights to facilities with expired terms of validity.</li> </ul>	5/2
Regulatory risk	<ul style="list-style-type: none"> <li>A number of measures are being taken to ensure the functionality of SOIM switching stations.</li> </ul>	4/3
Fraud	<ul style="list-style-type: none"> <li>Prevention and suppression of violations in the field of fraud by the employees of the Company are carried out;</li> <li>reviews of structural divisions of the Central Administration and the Company's branches are performed.</li> </ul>	5/1
HR risk	<ul style="list-style-type: none"> <li>During the year, the Comprehensive Action Plan to ensure social stability in the group of companies of Kazakhtelecom JSC was implemented (Order No. 81 as of 25.04.2022);</li> <li>During the year, the Action Plan for work on disturbing zones for 2022 was completed (Order No. 45 as of 05.03.2022).</li> </ul>	4/3
Quality risk	<ul style="list-style-type: none"> <li>Prevention of the provision of services that do not comply with contractual obligations to corporate clients (non-compliance with the declared parameters, quality standards).</li> </ul>	4/4
Information security violation	<ul style="list-style-type: none"> <li>Implementation of the project "Modernization of information security protection tools".</li> </ul>	4/3



## Emerging risks

To ensure preventive risk management measures, emerging risks have been identified that are not yet on the risk map. However, subject to their further development, they may enter the risk map in the future. Kazakhtelecom JSC does not exclude the existence of other risks of which nothing is currently known or which Kazakhtelecom JSC considers immaterial:

- Geo-economic confrontations
- Rapidly rising and/or persistent inflation
- Geopolitical struggle for resources;
- Interstate conflict;
- Price hikes on products and goods.

## Internal controls system

Developed based on recommendations of the Committee of Sponsoring Organizations of the Tradeway Commission (COSO) and other international best practices in the field of risk management and internal control in Kazakhtelecom JSC, the ICS is based on the model of three lines of defense, and responsibility for its operation in the Company is distributed among participants as follows:

### Model of the three lines of defense



In order to increase the overall effectiveness of control functions in the Company, ensure timeliness of actions and fruitful interaction, the structural units of the second and third lines of defense constantly exchange information about the identified shortcomings of the ICS, errors and violations in the Company's activities and in the performance of their duties by its employees, as well as coordination activity in its direction in Kazakhtelecom JSC's subsidiaries/affiliates.

The key objective of the internal control system is to ensure the transparency and reliability of the Company's financial statements. In Kazakhtelecom JSC, the main principles and stages of building an internal control system over the process of preparing financial statements are defined as follows:

- identification and description of significant business processes for the preparation of financial statements;
- identification and assessment of risks at the level of business processes (affecting the reliability of reporting), as well as delineation of responsibility for managing these risks, considering possible conflicts of interest.

When describing, evaluating, and implementing control procedures aimed at reducing risks at the level of business processes, the possibility of automating controls is provided, as well as establishing controls of various types: preliminary, subsequent, key and compensating.

Also, Kazakhtelecom JSC practices evaluation of the operating efficiency of controls on an ongoing basis.





## Development of the CRMS and IC in 2022

In the reporting year, the Company implemented the measures provided for by the Main directions for development of RMS and IC of Kazakhtelecom JSC Group for 2022-2024 approved by the Company's Management Board, namely:

**RCSA** – Risk and Control Self-Assessment (self-assessment of risks and the control environment) practice was introduced. Department of Risk Management and Internal Controls conducted target interviewing of heads of structural subdivisions of CBDs and SFs.

During the year, Department of Risk Management and Internal Controls carried out preparations for introducing amendments and additions to methodological and regulatory documents on risk management.

To ensure the proper implementation of internal control over the activities of the Company and increase the importance of internal control, the Internal Control Policy of Kazakhtelecom JSC was developed.

One of the strategic goals in the field of ESG is ecology. As part of the implementation of the Action Plan to improve corporate governance in Kazakhtelecom JSC for 2022–2024, the Department of Risk Management and Internal Controls included an environmental risk in the Risk Register of Kazakhtelecom JSC, the risk events of which are:

- Exceeding emission limits;
- Non-compliance with the requirements of legislation in the field of environmental protection;
- The spread of epidemics of influenza and other infectious diseases.

## Areas of development of the CRMS and IC

Given the uncertainties caused by new challenges, the high volatility of the business environment, the constantly increasing expectations of consumers of products and services, the dependence on the geopolitical picture of the modern world and the strengthening of the regulatory role of the state in the economy, there is a need to change attitudes to the system of risk management and internal controls.

Improving the database of realized risks and incidents.

According to the requirements of the Code of Corporate Governance, on an annual basis, employees are tested for knowledge of internal regulatory documentation adopted by Kazakhtelecom JSC on the risk management system, internal controls, and process management. The total number of employees tested was 1,879 people.

In the IV quarter of 2022, the Internal Audit Service of Kazakhtelecom JSC assessed the effectiveness of the corporate risk management system and the internal control system of Kazakhtelecom JSC in accordance with the Methodology for diagnosing the corporate governance of legal entities, more than 50% of the voting shares of which are directly or indirectly owned by Samruk-Kazyna JSC. Based on the results of the events, the overall rating was – A.

In 2022, in accordance with the Methodology for diagnosing risk management and internal control systems in subsidiaries and affiliates of Kazakhtelecom JSC, diagnostics of systems were carried out in VOSTOKTELECOM LLP and QazCloud LLP.

The list of the Group's risk appetite has been revised.

The Company intends to improve the current risk management and internal control model by applying the fundamental concepts and standards and based on their criteria:

- corporate governance and culture;
- strategy and goal setting;
- performance;
- monitoring and implementation of changes;
- information, communications, and reporting.

# Internal audit

## The Internal Audit Service

**THE INTERNAL AUDIT SERVICE (HEREINAFTER THE “IAS”) IS A BODY OF THE BOARD OF DIRECTORS OF THE COMPANY ENSURING THE ORGANIZATION AND PERFORMANCE OF INTERNAL AUDIT AT THE COMPANY, DIRECTLY SUBORDINATE AND ACCOUNTABLE TO THE BOARD OF DIRECTORS AND OVERSEEN BY THE AUDIT COMMITTEE.**

The IAS operates in accordance with the Regulations on the Internal Audit Service and the Annual Audit Plans of Kazakhtelecom JSC.

In its activity, the Service is governed by the principles of independence, objectivity, competence and professional attitude to work, and the qualitative standards and standards for the activity of internal auditors established by the International Professional Standards for Internal Auditing of the Institute of Internal Auditors. In accordance with standard 1110 – Organizational independence – the IAS complies with organizational independence.

As part of its core activity, in 2022 the IAS, in accordance with the Annual Audit Plan and the instructions of the Board of Directors, conducted 19 audit events, and the plan was 127% completed.

Based on the results of an independent external assessment of the IAS performed by KPMG, it has been confirmed that IAS activities comply in all material respects with the requirements of the International Standards for the Professional Practice of Internal Auditing. Based on the assessment of compliance with the Standards, the IAS compliance rate was 98%.







# 9. Annexes

## About the report

GRI 2-2, 2-3

This Integrated Annual Report of Kazakhtelecom JSC (hereinafter the Integrated Report, the Report) discloses information on the financial and non-financial performance indicators of the Company for 2022. The Company adheres to the principle of openness and strives for effective disclosure of information on a wide range of issues to all key stakeholders. In terms of financial indicators, the report covers the Kazakhtelecom Group, and in terms of non-financial indicators – the Central Administration and 8 branches of the Company. Differences in the coverage of financial and non-financial indicators are explained by the fact that statistics on non-financial indicators of subsidiaries and affiliates were not kept until 2023. Sustainable development practices are planned for implementation in subsidiaries and affiliates of Kazakhtelecom JSC in 2023. The report describes the corresponding activity from 1 January to 31 December 2022, and the reporting cycle – annual. Kazakhtelecom JSC has been issuing annual public non-financial reports since 2017. The unified report for 2022 was published on 25 July 2023. All reports of the Company are available on the official website of Kazakhtelecom JSC.

The financial information has been prepared based on the consolidated IFRS financial statements for the year ended 31 December 2022 for the Kazakhtelecom Group, which are included in the consolidation perimeter. Non-financial indicators were prepared in accordance with International Sustainability Reporting Standards – 2021 GRI Standards (disclosure level: core). To disclose the most relevant topics in the Report, the Company analyzed the materiality of sustainability aspects by specific indicators and topics specified in 2021 GRI standards, based on a review of internal and external environments and stakeholder engagement.

The information for the Report, considering the results of the materiality analysis, was collected using the corporate reporting system and special information requests on 2021 GRI requirements. When preparing the Integrated Report, the Company was governed by the principles for determining the content of the report, determined by 2021 GRI Standards:

- Stakeholder engagement – we have sought to take stakeholder interests into account when disclosing information.
- Sustainability context – the Company determines its work within the context of the external environment, including economic, social, and environmental aspects.
- Materiality – the focus in the annual report is on topics recognized by the Company’s most material internal or external stakeholders.
- Completeness – the Company strives for comprehensive coverage of material sustainability topics. The Report discloses financial and non-financial data on the Company and all subsidiaries and associates.

GRI 2-5, 2-14

The Report was approved by the Board of Directors of Kazakhtelecom JSC. To confirm the reliability of information provided in the framework of non-financial reporting and to conduct external assurance, the Company engaged PricewaterhouseCoopers LLP.

## Contact details

GRI 2-1

### Kazakhtelecom JSC

**Legal address:** Republic of Kazakhstan, 010000, Astana, Esil District, 12 Sauran Street

**Contact Center:** 160  
**Email:** telecom@telecom.kz

**Office:** Astana: +7 (717) 259 16 00, 258 08 39;  
Almaty: +7 (727) 258 72 19, 258 72 15.

**On Cases of Theft, Fraud and Corruption:**  
8 (800) 080 19 94, sk.hotline@deloitte.kz,  
www.sk.deloitte-hotline.com

**Direct line for collecting complaints and complaints on procurement issues:**  
+7 (727) 226 82 61

**Investor Relations:**  
+7 (7272) 581 175

**Media Relations:**  
+7 (7172) 59 15 04

**Human Resources:**  
+7 (7272) 64 50 21

**Technical support of the procurement portal:**  
+7 (7172) 55,2266 support2@skc.kz

### Feedback

GRI 2-3

We are very interested in your feedback.

If you would like to propose new ideas and opportunities for sustainability partnerships or in relation to the Report, please contact us:

### Corporate Governance Service:

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**Phone:** +7 (717) 259 14 14  
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### Registrar of the listed Company

**Central Securities Depository**  
28, Samal-1, Almaty, Republic of Kazakhstan.  
**Phone:** +7 (727) 262 08 46, 355 47 60





# GRI Index

GRI Index <sup>31</sup>	Indicator name	Section Report/Commentary
Statement of use: The report was prepared by Kazakhtelecom JSC in accordance with GRI standards for the period from January 1, 2022 to December 31, 2022.		
<b>GRI 1: Foundation 2021</b>		
<b>GRI 2: General Disclosures 2021</b>		
2-1	Organizational details	About the Company, page 12 Corporate governance report, page 107 Contact details, page 124
2-2	Entities included in the organization's sustainability reporting	About the report, page 124
2-3	Reporting period, frequency, and contact point	About the report, page 124; Contact details, page 124
2-4	Restatements of information	Climate change, page 73
2-5	External assurance	Corporate Governance Report, page 109 About the report, page 124
2-6	Activities, value chain and other business relationships	About the Company, page 13, 15, 18 Business and Finance Overview, page 49 Economic performance, page 100 Procurement practices, page 101 Corporate Governance Report, page 107
2-7	Employees	Relationships with employees, page 77, 78
2-8	Workers who are not employees	The Company does not employ persons who are not employees. All employees in 2022 were employed based on employment contracts with Kazakhtelecom JSC.
2-9	Governance structure and composition	About the company, page 14 Sustainability management, page 54 Corporate Governance Report, page 106, 110, 113
2-10	Nomination and selection of the highest governance body	Corporate Governance Report, page 109
2-11	Chair of the highest governance body	Corporate Governance Report, page 110, 116
2-12	Role of the highest governance body in overseeing the management of impacts	Sustainability Management, page 54, 57 Corporate Governance Report, page 110
2-13	Delegation of responsibility for managing impacts	Sustainability Management, page 54 Corporate Governance Report, page 113, 114
2-14	Role of the highest governance body in sustainability reporting	About the report, page 124
2-15	Conflicts of interest	Corporate Governance Report, page 112 Information on conflicts of interest (if any) is quarterly disclosed at meetings of the Board of Directors.
2-16	Communication of critical concerns	Anti-corruption, page 99
2-17	Collective knowledge of the highest governance body	Corporate Governance Report, page 110, 112
2-18	Evaluation of the performance of the highest governance body	Corporate Governance Report, page 112
2-19	Remuneration policies	Corporate Governance Report, page 115, 118
2-20	Process to determine remuneration	Corporate Governance Report, page 114, 118 The amount of the fixed annual remuneration, as well as additional remuneration for membership/chairmanship in committees of the Board of Directors, is determined by the decision of the General Shareholders Meeting. The Company has no practice of involving remuneration consultants in determining remuneration.

<sup>31</sup> There is currently no GRI sector standard that is applicable to the company.

GRI Index	Indicator name	Section Report/Commentary
2-21	Annual total compensation ratio	Corporate Governance Report, page 115, 118
2-22	Statement on sustainable development strategy	Message from the Chairman of the Management Board, page 04
2-23	Policy commitments	Sustainability Management, page 54, 56 Environmental protection, page 66 Compliance of human rights and equal opportunities, page 87 Corporate Governance Report, page 119
2-24	Embedding policy commitments	Climate change, page 71
2-25	Processes to remediate negative impacts	Anti-corruption, page 99 Stakeholder participation in the creation, review, and improvement of feedback mechanisms is not currently foreseen.
2-26	Mechanisms for seeking advice and raising concerns	Relationships with employees, page 84
2-27	Compliance with laws and regulations	Environmental protection, page 67 Anti-corruption, page 99 Markets and competition, page 102
2-28	Membership associations	Sustainability Management, page 64
2-29	Approach to stakeholder engagement	Sustainability Management, page 61
2-30	Collective bargaining agreements	Relationships with employees, page 85
<b>GRI 3: Material Topics 2021</b>		
GRI 3-1	Process to determine material topics	Sustainability Management, page 63
GRI 3-2	List of material topics	Sustainability Management, page 63
<b>Biodiversity</b>		
GRI 3-3	Management of material topics	Environmental protection, page 71
GRI 304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Environmental protection, page 71
<b>Climate change and carbon</b>		
GRI 3-3	Management of material topics	Climate change, page 71
GRI 305-1	Direct (Scope 1) GHG emissions	Climate change, page 72 The company does not generate biogenic CO <sub>2</sub> emissions.
GRI 305-2	Energy indirect (Scope 2) GHG emissions	Climate change, page 72
GRI 305-4	GHG emissions intensity	Climate change, page 72
GRI 305-5	Reduction of GHG emissions	Climate change, page 74 The accounted gases – CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O.
GRI 305-6	Emissions of ozone-depleting substances (ODS)	Environmental protection, page 68





GRI Index	Indicator name	Section Report/Commentary
Pollutant emissions		
GRI 3-3	Management of material topics	Environmental protection, page 66
GRI 305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Environmental protection, page 68 The company does not generate emissions of persistent organic pollutants (POPs), volatile organic compounds (VOCs), hazardous air pollutants.
Energy Efficiency		
GRI 3-3	Management of material topics	Climate change, page 73
GRI 302-1	Energy consumption within the organization	Climate change, page 73, 74 The company does not re-sell energy to third parties. The company does not consume fuel from renewable sources. The company does not consume or re-sell cooling or steam energy to third parties.
GRI 302-3	Energy intensity	Climate change, page 74 The calculation of energy intensity considers fuel resources (gasoline, diesel, coal, natural gas), electrical and thermal energy. Energy consumption is only used internally by the organization.
GRI 302-4	Reduction of energy consumption	Climate change, page 74
Waste management		
GRI 3-3	Management of material topics	Environmental protection, page 70
GRI 306-1	Waste generation and significant waste-related impacts	Environmental protection, page 70
GRI 306-2	Management of significant waste-related impacts	Environmental protection, page 70
GRI 306-3	Waste generated	Environmental protection, page 70
GRI 306-4	Waste diverted from disposal	Environmental protection, page 70
GRI 306-5	Waste directed to disposal	The Company has no waste sent for neutralization and disposal.
Water resource management		
GRI 3-3	Management of material topics	Environmental protection, page 69
GRI 303-1	Interactions with water as a shared resource	Environmental protection, page 69 The Company's water withdrawal does not have a significant impact on water sources. The Company does not withdraw water from surface or underground sources in regions with water shortages.
GRI 303-2	Management of water discharge related impacts	Environmental protection, page 69
GRI 303-3	Water withdrawal	Environmental protection, page 69
GRI 303-4	Water discharge	Environmental protection, page 69
GRI 303-5	Water consumption	Environmental protection, page 69
Labor/Management Relations		
GRI 3-3	Management of material topics	Relationships with employees, page 76
GRI 402-1	Minimum notice periods regarding operational changes	Relationships with employees, page 81

GRI Index	Indicator name	Section Report/Commentary
Employment		
GRI 3-3	Management of material topics	Relationships with employees, page 76
GRI 401-1	New employee hires and employee turnover	Relationships with employees, page 79, 81
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or parttime employees	Relationships with employees, page 81
GRI 401-3	Parental leave	Relationships with employees, page 82
Occupational Health and Safety		
GRI 3-3	Management of material topics	Occupational health and safety, page 89
GRI 403-1	Occupational health and safety management system	Occupational health and safety, page 91
GRI 403-2	Hazard identification, risk assessment, and incident investigation	Occupational health and safety, page 91
GRI 403-3	Occupational health services	Occupational health and safety, page 94
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	Occupational health and safety, page 90
GRI 403-5	Worker training on occupational health and safety	Occupational health and safety, page 93
GRI 403-6	Promotion of worker health	Occupational health and safety, page 94
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational health and safety, page 92
GRI 403-8	Workers covered by an occupational health and safety management system	Occupational health and safety, page 90
GRI 403-9	Work-related injuries	Occupational health and safety, page 91, 92
Local Communities		
GRI 3-3	Management of material topics	Local Communities, page 95
GRI 413-1	Operations with local community engagement, impact assessments, and development programs	Local Communities, page 95
GRI 413-2	Operations with significant actual and potential negative impacts on local communities	Local Communities, page 95
Training and Education		
GRI 3-3	Management of material topics	Relationships with employees, page 76
GRI 404-1	Average hours of training per year per employee	Relationships with employees, page 82
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	Relationships with employees, page 83, 86
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	Relationships with employees, page 84





GRI Index	Indicator name	Section Report/Commentary
Diversity and Equal Opportunity		
GRI 3-3	Management of material topics	Compliance of human rights and equal opportunities, page 87
GRI 405-1	Diversity of governance bodies and employees	Relationships with employees, page 77, 78
GRI 405-2	Ratio of basic salary and remuneration of women to men	Compliance of human rights and equal opportunities, page 88
Compensation and social programs for employees		
GRI 3-3	Management of material topics	Compliance of human rights and equal opportunities, page 87
GRI 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Compliance of human rights and equal opportunities, page 88
Compliance of human rights		
GRI 3-3	Management of material topics	Compliance of human rights and equal opportunities, page 87
Work stress and resilience		
GRI 3-3	Management of material topics	Relationships with employees, page 76
Anti-corruption		
GRI 3-3	Management of material topics	Anti-corruption, page 98
GRI 205-1	Operations assessed for risks related to corruption	Anti-corruption, page 98
GRI 205-2	Communication and training about anti-corruption policies and procedures	Anti-corruption, page 98, 99 Information on employee training by region is not available, as the Company did not maintain statistics in this breakdown in 2022.
GRI 205-3	Confirmed incidents of corruption and actions taken	Anti-corruption, page 99
Indirect Economic Impacts		
GRI 3-3	Management of material topics	Indirect Economic Impacts, page 100
GRI 203-1	Infrastructure investments and services supported	Indirect Economic Impacts, page 100
GRI 203-2	Significant indirect economic impacts	Indirect Economic Impacts, page 100
Economic Performance		
GRI 3-3	Management of material topics	Economic performance of the Company, page 100
GRI 201-1	Direct economic value generated and distributed	Economic performance of the Company, page 100
Procurement Practices		
GRI 3-3	Management of material topics	Procurement Practices, page 101
GRI 204-1	Proportion of spending on local suppliers	Procurement Practices, page 101
Markets and competition		
GRI 3-3	Management of material topics	Markets and competition, page 102
GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Markets and competition, page 102

# Glossary

<b>3G (third generation)</b>	third-generation mobile communications technology – a set of services that combine both high-speed mobile access with Internet services and radio communication technology that creates a data channel.
<b>4G (fourth generation)</b>	a generation of mobile communications with heightened demands. The fourth generation usually includes promising technologies that make it possible to transfer data at a rate exceeding 100 Mbit/s – mobile and 1 Gbit/s – fixed users.
<b>5G (fifth generation)</b>	is a high-speed wireless Internet, a fifth-generation technology that provides more efficient communications and access to data and services by increasing the speed of data receipt/transmission and broadening the range.
<b>ADSL (Asymmetric Digital Subscriber Line)</b>	an asymmetric digital subscriber line – modem technology in which the available bandwidth of the channel is distributed between the proceeding and entering traffic asymmetrically.
<b>API (Application Programming Interface)</b>	a description of how one computer program may interact with another program.
<b>ARPU (Average Revenue Per User)</b>	average revenue per month per subscriber.
<b>B2B (Business to Business)</b>	is a term for commercial relations between legal entities.
<b>B2C (Business to Consumer)</b>	is a term that refers to a commercial relationship between a legal entity and a consumer.
<b>B2G (Business to Government)</b>	a term that refers to commercial relations between a legal entity and the state.
<b>B2O (Business to Operators)</b>	a term that refers to commercial relations between a legal entity and the state.
<b>Big Data</b>	big data processing.
<b>Blockchain</b>	a continuous sequential chain of blocks containing information, organized according to specific rules. Most often, copies of the chain of blocks are stored on many different computers independently of each other.
<b>CDMA (Code Division Multiple Access)</b>	multiple access with code division, digital cellular (wireless) communications network. CDMA is recommended by the global organization for standardization of communications as the most promising for building third-generation networks.
<b>DWDM (Dense Wave Division Multiplexing)</b>	is the most reliable technology for the underlying infrastructure of multiservice and mobile networks, ensures a sharp increase in network throughput and provides a wide range of fundamentally new communications services.
<b>EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)</b>	the Company's profit before deduction of interest on loans, profits tax and depreciation.
<b>ESG factors (Environmental, Social, Governance)</b>	environmental, social and management factors.
<b>Firewall</b>	a technology barrier designed to prevent unauthorized or unsolicited communications between computer networks or hosts.
<b>FMC – One contact (fixed mobile convergence)</b>	a technology barrier designed to prevent unauthorized or unsolicited communications between computer networks or hosts.
<b>FTTH (Fiber to the Home)</b>	fiber optic cable to the home (individual/private home).
<b>FTTx (fiber to the x)</b>	fiber-optic connection technology.
<b>FWA (Fixed Wireless Access)</b>	fiber-optic connection technology.





<b>GSM</b>	a global standard of digital mobile cellular communications with time and frequency split, is highly secure and operates in 2G networks. The main purpose is to make calls and exchange messages.
<b>GPON (Gigabit passive optical network)</b>	GB passive optical networks.
<b>IaaS (Infrastructure as a Service)</b>	infrastructure as a service, for example, virtual servers and a virtual network; the client may install any software and applications.
<b>IPTV (Internet Protocol Television)</b>	television using Internet protocol, technology (standard) of digital television in data transmission networks using IP protocol, used by digital cable television operators, and the new generation of television.
<b>IP-transit</b>	a service to provide managed and high-speed Internet access through modern optical data transmission networks using the BGP protocol. BGP is a protocol of dynamic route between autonomous systems used on the Internet.
<b>IoT (Internet of Things)</b>	a common name for technologies that allow devices built into individual objects to send and receive information via the Internet (wired or wireless).
<b>LoRa (Long Range)</b>	is a technology and a method of modulation of the same name.
<b>LTE (Long-Term Evolution)</b>	is a wireless high-speed data transmission standard for mobile phones and other data terminals.
<b>NPS (Net Promoter Score)</b>	Consumer Commitment Index or Company (Recommendation Readiness Index), used to assess readiness for repeat purchases. It is one of the main indices for measuring customer loyalty.
<b>OTT (Over the Top)</b>	a method of providing video services over the Internet.
<b>ROACE (Return On Average Capital Employed)</b>	return on average capital employed.
<b>SaaS (Software as a Service)</b>	software as a service, for example, e-mail or other office application; the client uses the application, basic application settings are managed by the provider.
<b>SAC (Subscriber Acquisition Cost)</b>	a metric that reflects the Company's total costs on attracting one buyer.
<b>SDN/NFV</b>	Software-Defined Networks (SDN) and Network Function Automation (NFV).

<b>VAS (Value-Added Services)</b>	value-added services.
<b>VPN (Virtual Privet Network)</b>	a common name for the technology that makes it possible to provide one or more network connections (a logical network) over another network (for example, the Internet).
<b>WAP (Wireless Application Protocol)</b>	wireless data transfer protocol. The protocol was created specifically for GSM networks, where portable devices need to be connected to the Internet. Using WAP, a user of a mobile device may download any digital data from the Internet.
<b>WIMAX (Worldwide Interoperability for Microwave Access)</b>	is a broadband wireless technology that provides high-speed long-distance connections, even without a line of sight, on a reflected signal.
<b>WLL (Wireless Local Loop)</b>	is a broadband wireless technology that provides high-speed long-distance connections, even without a line of sight, on a reflected signal.
<b>AMTC</b>	automatic long-distance telephone communication.
<b>FOCL RS</b>	fiber-optic communications lines in rural settlements.
<b>SAC</b>	subsidiary and affiliated company
<b>ICT</b>	information and communication technologies.
<b>CSR</b>	corporate social responsibility.
<b>SMEs</b>	small and medium-sized enterprises.
<b>ULE</b>	association of legal entities.
<b>SSC</b>	shared service center.
<b>Broadband or high-speed Internet access</b>	Internet access at a data rate that is higher than the maximum possible when using dial-up access using a modem and a public telephone network.
<b>CR</b>	cash register.





# Information on interested-party transactions

In 2022, the Management Board of Kazakhtelecom JSC approved and submitted to the Board of Directors of the Company 1 Decision of the Management Board and approved 7 Decisions of the Management Board concerning the conclusion of interested-party transactions, including:

1. Decision of the Management Board No. 13/56 of 03.03.2022 “On entering into the Joint Activity Agreement between KT IX LLC and Kazakhtelecom JSC”.

In accordance with the decision of the Management Board, Kazakhtelecom JSC and KT IX LLC entered into the Joint Activity Agreement No. 113-27-JAA dated 30.03.2022, pursuant to which the services are sold in the city of Moscow.

2. Decision of the Management Board No. 22/94 of 25.05.2022 “On entering the transaction in which Kazakhtelecom JSC has an interest, with Mobile Telecom-Service LLP”.

In accordance with the decision of the Management Board, an Agreement on the joint implementation of the FWA service is concluded with Mobile Telecom-Service LLP (at the stage of signing).

3. Decision of the Management Board No. 30/124 of 06.06.2022 “On entering into a transaction with National Information Technologies JSC”.

In accordance with the Management Board, the Services Procurement Agreement No.000740000728EER2208036/00 of 26.08.2022 was entered into with National Information Technologies JSC.

4. Decision of the Management Board No. 30/126 of 06.06.2022 “On entering into the interested party transactions of Kazakhtelecom JSC – Term deposit agreement and Current bank account agreement with Kazpost JSC.

In accordance with the decision of the Management Board, the agreements were concluded by signing the Applications for accession:

- Application for Joining to the Current Bank Account Agreement (for legal entity, individual entrepreneur, peasant/farming enterprise, lawyer, private bailiff, professional mediator) with Kazpost JSC No. 173-32-ZP of 10.06.2022;
- Application for adherence to the Term Deposit Agreement for opening a savings account and making a bank deposit (applicable to “KAZPOST-Corporate” Term Deposit) No.174-32-ZP of 10.06.2022.

5. Decision of the Management Board No. 41/167 of 08.08.2022 “On entering into the transaction in which Kazakhtelecom JSC has an interest – the Agreement on transfer of state property management in the form of 50% share of participation in the authorized capital of Soft Art LLP”.

Pursuant to the decision of the Management Board, Kazakhtelecom JSC and Samruk-Kazyna JSC concluded the Agreement on the transfer of state property management in the form of 50% share of participation in the authorized capital of Soft Art LLP from 08.08.2022 No. 188-27-DP/1509-I, and measures on trust management of Soft Art LLP are implemented.

6. Decision of the Management Board No. 41/168 of 08.08.2022 “On entering into the transaction in which Kazakhtelecom JSC is the interested party – Additional Agreement No. 2 to the Cooperation Agreement between Kcell JSC, KaR-Tel LLP and Mobile Telecom-Service LLP dated 05.07.2022”.

In accordance with the decision of the Management Board, additional agreement No.2 dated 08.08.2022 was signed with Kcell JSC, KaR-Tel LLP, Mobile Telecom-Service LLP and Vostoktelecom LLP to the Cooperation Agreement of 05.07.2022 and additional agreement No. 1 dated 05.08.2022, previously signed between Kcell JSC, KaR-Tel LLP and Mobile Telecom-Service LLP.

7. Decision of the Management Board No 47/195 of 19.09.22 “On approval of conclusion of interested-party transactions on early redemption of bonds of Kazakhtelecom JSC (KZX0000013)”.

Pursuant to the decision of the Board of Directors of 20.09.2022 (Protocol No. 10), bonds of Kazakhtelecom JSC (KZX000000013), placed on the Astana International Exchange Ltd in November 2018, were early repurchased. The total value of the repurchased bonds amounted to KZT 34 billion, the amount of remuneration paid was KZT 0.4 billion.

8. Decision of the Management Board No 58/228 of 21.11.2022 “On signing Additional Agreement No. 13 to the Joint activity agreement No 743/12-DO/1171-03-JAA dated 14.12.2012 between Kazakhtelecom JSC and Mobile Telecom-Service LLP”.

In accordance with the decision of the Management Board, additional agreement No 13 to the Joint activity agreement No 743/12-DO/1171-03-JAA of 14.12.2012 with Mobile Telecom-Service LLP, according to which recalculation of previously compensated amounts was made.





# Report on compliance with the principles and provisions of the Corporate Governance Code of Kazakhtelecom JSC for 2022

This Report is prepared in accordance with item 15 of chapter 5 of the Corporate Governance Code of Kazakhtelecom JSC “Effectiveness of the Board of Directors and Executive Body”.

Kazakhtelecom JSC’s activity and its corporate practice show full compliance with the principles and provisions of the Corporate Governance Code.

## Principles of corporate governance of joint-stock company Sovereign Wealth Fund Samruk-Kazyna

### Chapter 1. Government as a shareholder of the Fund

Despite the title of the chapter of the Code, it contains a number of provisions that should and should be governed by the Company in its operations. In particular, the Foundation’s main strategic objective is to increase long-term value and sustainable development. All decisions and actions should be in line with the development strategy.

The Company’s bodies are wholly independent and independent in taking decisions and taking any actions within their competence. Relations (interaction) between shareholders and the Company shall be performed through the Board of Directors in accordance with the principles of good corporate governance.

Information on the Company’s operations is disclosed in accordance with the Law On Joint Stock Companies and the Company Charter by placing the necessary information in the mass media (Internet resources of the depository of financial statements and exchanges). At the request of shareholders, part of the information was provided to them personally.

The Company has the Internal Audit Service, the Compliance Service, the Corporate Secretary and the Ombudsman, who perform their tasks as provided for by law and the Company’s internal documents.

These provisions are disclosed in more detail later in this Report.

### Chapter 2. Interaction between the Fund and organizations. Role of the Fund as a national holding manager

The corporate governance system is a set of processes ensuring management and control over the Company’s activities, as well as the system of relations between the Management Board, the Board of Directors, shareholders, and stakeholders. These issues are clearly regulated in the Charter, regulations on GMS, the Board of Directors, Management Board and other internal documents.

Samruk-Kazyna JSC (hereinafter – the Fund) participates in the management of companies by exercising the functions of a major shareholder, as well as through the Board of Directors.

The Board of Directors of the Company has full independence in decision-making within its competence. The Foundation’s position on certain issues is communicated through representatives of the Foundation on the Board of Directors.

The Company is managed by its bodies in accordance with legislation and the Charter.



## Chapter 3. Sustainability

Coordination of sustainable development measures is carried out by the Corporate Governance Service. In 2021, following the state climate agenda “Achieve carbon neutrality by 2060” and in accordance with the instructions of Samruk-Kazyna JSC, Kazakhtelecom JSC started introducing ESG principles and transition to low-carbon development. In 2022 the Decision of the Board of Directors as of 09.12.2022 No.13 adopted the Low-carbon development program of Kazakhtelecom JSC for 2022–2032, according to which the Company has to reduce greenhouse gas emissions by 13% in the next 10 years. Verification of greenhouse gases on Scope 1 and Scope 2 of Kazakhtelecom JSC for 2021 by an independent verification body was carried out in 2022. Low-carbon development, as part of the general corporate strategy in the mid- and long-term perspective, will strengthen the sustainability of business, attract additional investments, improve the Company’s positioning in terms of responsible business management. Implementation of the low-carbon development program demonstrates Kazakhtelecom JSC’s commitment to the national policy of Kazakhstan as the main telecommunications enterprise in the country.

The Company set a goal to obtain ESG rating, which is an important tool for increasing investment attractiveness of the Company. Kazakhtelecom JSC intends to obtain ESG-rating from the leading rating agency Sustainalytics, in connection with which further measures and initiatives will be taken to strengthen its rating positions.

## Chapter 4. Rights of shareholders (participants) and fair treatment of shareholders (participants)

Compliance with shareholders rights is a key obligation of the Company. The Company strictly respects the rights of its shareholders, as set forth in legislation and internal documents, and ensures fair treatment of its shareholders. Shareholders are promptly notified of events affecting their interests, such as meetings of shareholders, decisions made, etc. The Company shall promptly provide the shareholders, upon their request, with the necessary information on the Company’s activities.

## Chapter 5. Effectiveness of the Board of Directors and executive body

The Board of Directors is a management body reporting to the General Shareholders Meeting, ensuring strategic management of the organization and control over the activity of the Management Board.

The Management Board reports to the Board of Directors, manages the day-to-day activity of the organization, and ensures its compliance with the strategy, the Development Plan and the decisions adopted by the General Shareholders Meeting and the Board of Directors.

The powers of the Board of Directors and Management Board are clearly defined and delineated.

The Board of Directors and its Committees maintain a balance of skills, experience, and knowledge, ensuring the adoption of independent, objective and effective decisions in the interests of the Company and taking into account fair treatment of all shareholders and the principles of sustainable development.

The Board of Directors of the Company is represented by specialists in various fields of knowledge (telecommunications, finance, marketing, technical sphere, etc.) with extensive experience, including international. The number of independent directors corresponds to the recommended by the legislation (not less than 30%) and even exceeds it.

The Board of Directors is elected only within the procedures established by law and the Company’s Charter. The procedure of election, term of office and activities of the Board of Directors are regulated by the internal documents of the Company. There is an induction program for newly elected members of the Board of Directors.

Chairman of the Board of Directors is responsible for general management of the Board of Directors, ensures full and effective implementation of its main functions by the Board of Directors and building a constructive dialogue between the members of the Board of Directors, major shareholders, and the Management Board.

The roles and functions of the Chairman of the Board of Directors and the head of the executive body are clearly delineated and set out in the Company’s Charter, regulations on the Board of Directors and the Management Board.

Committees of the Board of Directors contribute to in-depth and thorough consideration of issues within the competence of the Board of Directors and improve the quality of decisions made, especially in such areas as audit, risk management, strategic planning, human resources, and social issues. In 2022, the Company had three committees: Audit and Sustainability Committee, Human Resources, Remuneration and Social Issues Committee, and Strategic Planning Committee. Their role is quite clearly regulated in their regulations, they consider a wide range of issues and make the necessary recommendations to the Board of Directors. The results of the committees’ activities are constantly reviewed and positively evaluated by the Board of Directors.

The preparation and conduct of meetings of the Board of Directors contributes to the maximum efficiency of its activities. Members of the Board of Directors have access to complete, relevant and timely information to perform their duties.

The Board of Directors holds regular meetings for the effective performance of its functions. Meetings of the Board of Directors are held in accordance with the work plan approved before the beginning of the calendar year. Meetings of the Board of Directors and its committees are held by in-person or absentee voting, with the number of meetings with absentee voting kept to a minimum. In 2022, no meetings of the Board of Directors were held in absentia. Consideration and adoption of decisions on issues of important and strategic importance are only carried out at meetings of the Board of Directors with voting in presentia.

Meetings of the Board of Directors and its committees shall be duly recorded by the Corporate Secretary, indicating the results of discussions and decisions made.

In order to effectively organize the activities of the Board of Directors and interaction of the Board of Directors, the Management Board with shareholders, the Board of Directors appointed a corporate secretary, who performs his functions in accordance with the law, the charter and other internal documents.

The Company has a collegial executive body – the Management Board. The Management Board reports to the Board of Directors and manages the daily operations of the Company, is responsible for the implementation of the strategy, development plan and decisions made by the Board of Directors and the General Shareholders Meeting.

The Board of Directors elects the head and members of the Management Board, determines the term of office, salary, and terms of their remuneration. The recommendation to elect the head and members of the executive body for a term of up to three years is complied with.

Incentive KPI of the director and members of the executive body shall be approved annually by the Board of Directors.

In the event of corporate conflicts, participants seek ways to resolve them through negotiations to ensure the effective protection of the interests of the organization and interested parties.

To comply with the principles of business ethics and to ensure the optimal regulation of social and labor disputes arising at the Company, an Ombudsman has been appointed. The role of the Ombudsman is to advise the employees who have contacted him, the participants in labor disputes, the conflict, and to assist them in developing a mutually acceptable, constructive and implemented solution, taking into account compliance with the norms of the laws of the Republic of Kazakhstan (including maintaining confidentiality where necessary), and to assist them in resolving problem social and labor issues, as well as in complying with the principles of business ethics of the Company’s employees.

The Compliance Service is active and effective, aimed at ensuring compliance with mandatory regulatory requirements and international best practices on anti-corruption and the formation of internal corporate culture of the Company and its subsidiaries to ensure transparency and honesty among employees, as well as creating conditions for doing business in accordance with best international standards, internal policies, and legislation of the Republic of Kazakhstan.





## Chapter 6. Risk management, internal control, and audit

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The Company has a risk management and internal control system in place. The Board of Directors plays an active role in risk management.

On a quarterly basis, risk management reports are reviewed by the Audit and Sustainability Committee and the Board of Directors. If necessary, they adjust measures and processes in this area.

The Company has an effective Internal Audit Service reporting to the Board of Directors. The IAS reports are also reviewed by the Audit and Sustainability Committee and the Board of Directors on a quarterly basis.

## Chapter 7. Transparency

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To comply with the interests of the Company's interested parties, discloses information on all important aspects of its operations, including the financial position, results of operations, ownership and management structure, on a timely and reliable basis. The relevant information is placed on various resources, including the Internet resources of the depository of financial statements and the stock exchange.

The Company audits its financial statements annually by an independent and qualified auditor. Annual financial statements audited by the external auditor are approved annually by the General Shareholders Meeting.

The Company also approves an integrated annual report on an annual basis, which discloses all aspects of the Company's operations for the past year, including sustainability measures.





## Independent Limited Assurance Report

To the Board of Directors of joint stock company "Kazakhtelecom":

### Introduction

We have been engaged by the Management of joint stock company "Kazakhtelecom" (hereinafter – the "Company") to provide limited assurance on the selected information described below and included in the Integrated Annual Report of the Company for the year ended 31 December 2022 (hereinafter – the "Annual Report").

### Description of the subject matter and applicable criteria

We assessed the qualitative and quantitative information that is disclosed in the Annual Report and referred to or disclosed in the GRI Index (hereinafter – the "Selected Information"). The Selected Information has been prepared in accordance with GRI Sustainability Reporting Standards published by the Global Reporting Initiative (GRI) (hereinafter – the "GRI Standards").

The Selected information represents information related to the Company's headquarters and 8 branches as indicated in the Information perimeter section of the Annual Report.

The scope of our assurance procedures was limited to the Selected Information for the year ended 31 December 2022 only. We have not performed any procedures with respect to earlier periods or any other items included in the Annual Report and, therefore, do not express any conclusion thereon.

We assessed the Selected Information using reporting requirements in the GRI Standards and methodology and guidelines developed by the Company and disclosed in the Annual Report (hereinafter – the "Reporting Criteria"). We believe that the Reporting Criteria are appropriate given the purpose of our limited assurance engagement.

### Responsibilities of the management of the Company

The management of the Company is responsible for:

- designing, implementing and maintaining internal control relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- establishing internal methodology and guidelines for preparing and reporting the Selected Information in accordance with the Reporting Criteria;
- preparing, measuring and reporting of the Selected Information in accordance with the Reporting Criteria; and
- the accuracy, completeness and presentation of the Selected Information.

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### Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- forming an independent limited assurance conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Board of Directors of the Company.

We performed the limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits and Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements, and to plan and perform procedures to obtain limited assurance that the Selected Information for the year ended 31 December 2022 has been prepared, in all material respects, in accordance with the Reporting Criteria.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

### Our independence and quality management

We comply with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. In doing so, we:

- made enquiries of the management of the Company, including the Strategy and Sustainable Development team and those with responsibility for sustainability reporting management and reporting;
- conducted interviews of personnel responsible for the preparation of the Annual Report and collection of underlying data;
- performed analysis of the relevant internal methodology and guidelines, gaining an understanding of the design of the key structures, systems, processes and controls for managing, recording, preparing and reporting the Selected Information; and



- performed limited substantive testing on a selective basis of the Selected Information to check that data had been appropriately measured, recorded, collated and reported.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

### Reporting and measurement methodologies

Under the Reporting Criteria there is a range of different, but acceptable, measurement and reporting techniques. The techniques can result in materially different reporting outcomes that may affect comparability with other organisations. The Selected Information should therefore be read in conjunction with the methodology used by management as described in the Annual Report, and for which the Company is solely responsible.

### Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the year ended 31 December 2022 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

### Restrictions of use and distribution

This report, including our conclusion, has been prepared solely for the Board of Directors of the Company in accordance with the agreement between us, to assist the management of the Company in reporting on the Company's sustainability performance and activities.

We permit this report to be disclosed in the Annual Report, which will be published on the Company's website<sup>1</sup>, to assist the management of the Company in responding to their governance responsibilities by obtaining an independent limited assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors of the Company and the Company for our work or this report except where the respective terms are expressly agreed in writing and our prior consent in writing is obtained.

*PricewaterhouseCoopers LLP*

1 June 2023

Almaty, Kazakhstan

<sup>1</sup> The maintenance and integrity of the Company's website is the responsibility of management; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information or Reporting Criteria when presented on the Company's website.





# Consolidated financial statements

For the year ended 31 December 2022  
together with independent auditor's report

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### Independent auditor's report

To the Shareholders and the Audit committee of the Board of directors 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 2022, 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 a summary of significant accounting policies.

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 2022 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
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#### Revenue recognition

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 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 2022 Annual report

Other information consists of the information included in the Group's 2022 Annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2022 Annual report is expected to be made available to us after the date of this auditor's report.

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 the 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 Paul Cohn.

*Ernst & Young LLP*

Paul Cohn  
Audit Partner

Adil Syzdykov  
Auditor

Audit qualification certificate  
No. МФ-0000172 dated 23 December 2013

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

20 April 2023

Rustamzhan Sattarov  
General Director  
Ernst & Young LLP  
State audit license for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2, No. 0000003 issued by the Ministry of finance of the Republic of Kazakhstan dated 15 July 2005



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

In thousands of tenge	Note	31 December 2022	31 December 2021
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	8	501,991,438	476,038,092
Investment properties	12	1,976,652	-
Intangible assets	9	195,141,499	205,424,785
Goodwill	11	152,402,245	152,402,245
Right-of-use assets	24	63,294,805	70,849,066
Advances paid for non-current assets	8	6,830,659	3,647,122
Investments in associates	10	-	3,460,120
Cost to obtain contracts		2,781,123	2,494,814
Cost to fulfil contracts		80,103	135,051
Other non-current non-financial assets	14	6,624,903	5,601,003
Other non-current financial assets	13	6,973,300	7,141,361
Deferred tax assets	43	1,470,763	660,170
<b>Total non-current assets</b>		<b>939,567,490</b>	<b>927,853,829</b>
<b>Current assets</b>			
Inventories	15	13,857,314	11,962,754
Trade receivables	16	45,305,186	36,873,043
Advances paid	17	6,206,238	7,500,551
Corporate income tax prepaid		3,944,275	7,527,978
Cost to fulfil contracts		690,565	854,321
Other current non-financial assets	20	12,070,418	13,310,432
Other current financial assets	18	4,374,070	11,592,724
Financial assets carried at amortised cost	19	14,832,821	-
Assets under reverse repurchase agreements	19	-	49,999,824
Cash and cash equivalents	21	242,122,154	167,109,839
		343,403,041	306,731,466
Assets held for sale	10	3,763,284	-
<b>Total current assets</b>		<b>347,166,325</b>	<b>306,731,466</b>
<b>Total assets</b>		<b>1,286,733,815</b>	<b>1,234,585,295</b>

In thousands of tenge	Note	31 December 2022	31 December 2021
<b>Equity and liabilities</b>			
Share capital	22	12,136,529	12,136,529
Treasury shares	22	(7,065,614)	(7,065,614)
Foreign currency translation reserve		26,183	(18,338)
Other reserves	22	1,820,479	1,820,479
Retained earnings		641,236,831	569,486,063
		648,154,408	576,359,119
Non-controlling interests	6	82,453,415	67,818,247
<b>Total equity</b>		<b>730,607,823</b>	<b>644,177,366</b>
<b>Non-current liabilities</b>			
Borrowings: non-current portion	23	222,858,631	282,246,983
Lease liabilities: non-current portion	24	28,360,505	33,810,098
Other non-current financial liabilities		414	707
Employee benefit obligations	25	16,687,529	21,848,722
Debt component of preferred shares	22	814,868	814,868
Non-current contract liabilities	26	7,554,205	8,188,122
Government grants: non-current portion	32	20,690,473	14,596,405
Asset retirement obligation	27	6,595,165	7,416,005
Deferred tax liabilities	43	31,521,131	34,571,582
<b>Total non-current liabilities</b>		<b>335,082,921</b>	<b>403,493,492</b>
<b>Current liabilities</b>			
Borrowings: current portion	23	25,018,246	33,544,325
Lease liabilities: current portion	24	12,465,379	15,341,478
Other current financial liabilities	29	27,616,881	19,952,085
Employee benefit obligations: current portion	25	1,562,857	1,526,442
Trade payables	28	104,832,254	75,100,611
Current corporate income tax payable		2,131,847	1,087,723
Current contract liabilities	30	26,742,107	21,880,659
Government grants: current portion	32	6,167,493	4,202,083
Other current non-financial liabilities	31	14,506,007	14,279,031
<b>Total current liabilities</b>		<b>221,043,071</b>	<b>186,914,437</b>
<b>Total liabilities</b>		<b>556,125,992</b>	<b>590,407,929</b>
<b>Total equity and liabilities</b>		<b>1,286,733,815</b>	<b>1,234,585,295</b>

Chairman of the Management Board

Chief financial officer

Chief accountant

M. B. M. B. M. B.  
 A. A. A. A. A. A.  
 U. M. M. M. M. M.



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

As at 31 December 2022

In thousands of tenge	Note	2022 год	2021 год
Revenue from contracts with customers	33	621,837,582	581,495,220
Compensation for provision of universal services in rural areas	34	6,326,916	6,412,945
Income from government grants	32	6,331,898	6,285,022
		634,496,396	594,193,187
Cost of sales	35	(399,170,034)	(368,002,607)
<b>Gross profit</b>		<b>235,326,362</b>	<b>226,190,580</b>
General and administrative expenses	36	(44,158,784)	(48,922,105)
Impairment losses on financial assets	47	(7,622,160)	(3,256,363)
Impairment losses on non-financial assets	47	(1,478,876)	(6,001,959)
Selling expenses	37	(16,908,727)	(13,681,240)
Reversal of tax and related fines and penalties provision	31, 48	-	682,820
Income from compensation from Telia and Turkcell	41	-	9,386,963
Loss on disposal of property and equipment, net		(229,712)	(671,797)
Other operating income	42	17,052,723	4,249,587
Other operating expenses	42	(1,322,018)	(998,537)
<b>Operating profit</b>		<b>180,658,808</b>	<b>166,977,949</b>
Share in profits of associates	10	380,019	512,364
Loss from disposal of a subsidiary	44	-	(425,818)
Finance costs	39	(40,469,547)	(46,436,473)
Finance income	39	15,977,954	5,842,984
Net foreign exchange gain	40	7,901,638	2,259,417
<b>Profit before tax</b>		<b>164,448,872</b>	<b>128,730,423</b>
Income tax expenses	43	(35,695,727)	(31,286,637)
<b>Profit for the year</b>		<b>128,753,145</b>	<b>97,443,786</b>

In thousands of tenge	Note	2022 год	2021 год
<b>Other comprehensive income/(loss)</b>			
<b>Other comprehensive loss to be reclassified to profit or loss in subsequent periods (net of tax)</b>			
Foreign exchange differences from translation of financial statements of foreign subsidiaries		44,521	(1,138)
<b>Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</b>		<b>44,521</b>	<b>(1,138)</b>
<b>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods (net of tax)</b>			
Actuarial losses on defined benefits plans	25	(3,348,018)	(6,830,107)
Tax effect	43	387,506	527,236
<b>Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods</b>		<b>(2,960,512)</b>	<b>(6,302,871)</b>
<b>Other comprehensive loss for the year, net of tax</b>		<b>(2,915,991)</b>	<b>(6,304,009)</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>125,837,154</b>	<b>91,139,777</b>

## Profit attributable to:

Equity holders of the Parent		114,117,977	90,759,490
Non-controlling interests	6	14,635,168	6,684,296
		128,753,145	97,443,786

## Total comprehensive income attributable to:

Equity holders of the Parent		111,201,986	84,455,481
Non-controlling interests	6	14,635,168	6,684,296
		125,837,154	91,139,777

Basic and diluted, profit for the year attributable to ordinary equity holders of the parent, tenge	22	10,377.97	8,255.40
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Chairman of the Management Board

Chief financial officer

Chief accountant

*K. B. Kisekeyev*  
*A. U. Atamuratova*  
*M. M. Urazimanova*





## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2022

In thousands of tenge	Attributable to equity holders of the Parent					Total	Non-controlling interests	Total Equity
	Shares outstanding	Treasury shares	Foreign currency translation reserve	Other Reserves	Retained earnings			
Note	22	22		22			6	
<b>At 1 January 2021</b>	<b>12,136,529</b>	<b>(7,065,614)</b>	<b>(17,200)</b>	<b>1,820,479</b>	<b>476,006,801</b>	<b>482,880,995</b>	<b>35,659,002</b>	<b>518,539,997</b>
Net profit for the year	-	-	-	-	90,759,490	90,759,490	6,684,296	97,443,786
Other comprehensive loss	-	-	(1,138)	-	(6,302,871)	(6,304,009)	-	(6,304,009)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(1,138)</b>	<b>-</b>	<b>84,456,619</b>	<b>84,455,481</b>	<b>6,684,296</b>	<b>91,139,777</b>
Dividends (Note 22)	-	-	-	-	(18,958,368)	(18,958,368)	(4,394,500)	(23,352,868)
Discount on loan received from non-controlling interests (Note 23)	-	-	-	-	-	-	1,260,102	1,260,102
Other transactions with owners (Note 22)	-	-	-	-	1,310,411	1,310,411	-	1,310,411
Change in interests in subsidiaries that do not result in a loss of control (Note 5)	-	-	-	-	26,670,600	26,670,600	28,609,347	55,279,947
<b>At 31 December 2021</b>	<b>12,136,529</b>	<b>(7,065,614)</b>	<b>(18,338)</b>	<b>1,820,479</b>	<b>569,486,063</b>	<b>576,359,119</b>	<b>67,818,247</b>	<b>644,177,366</b>
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)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>44,521</b>	<b>-</b>	<b>111,157,465</b>	<b>111,201,986</b>	<b>14,635,168</b>	<b>125,837,154</b>
Dividends (Note 22)	-	-	-	-	(39,421,921)	(39,421,921)	-	(39,421,921)
Other transactions	-	-	-	-	15,224	15,224	-	15,224
<b>At 31 December 2022</b>	<b>12,136,529</b>	<b>(7,065,614)</b>	<b>26,183</b>	<b>1,820,479</b>	<b>641,236,831</b>	<b>648,154,408</b>	<b>82,453,415</b>	<b>730,607,823</b>

Chairman of the Management Board

Chief financial officer

Chief accountant

  
 M. B. M. Sekeev  
  
 L. V. Atamuratova  
  
 M. M. Urazimanova



**CONSOLIDATED STATEMENT OF CASH FLOWS**

As at 31 December 2022

In thousands of tenge	Note	2022	2021
<b>Operating activities</b>			
Profit before tax for the year		164,448,872	128,730,423
<b>Adjustments for:</b>			
Depreciation of property and equipment and right of use assets	8, 24	90,445,532	90,332,002
Amortisation of intangible assets	9	28,203,711	27,512,149
Impairment loss of non-financial assets	47	1,478,876	6,001,959
Impairment loss on financial assets	47	7,622,160	3,256,363
Net foreign exchange gain	40	(7,901,638)	(2,259,417)
Changes in employee benefit obligations		(8,472,796)	(871,089)
Write-down of inventories to net realizable value	36	314,205	521,450
Share in profits of associates	10	(380,019)	(512,364)
Finance costs	39	40,469,547	46,436,473
Finance income	39	(15,977,954)	(5,842,984)
Provisions for tax risks	31	1,019,959	2,226,548
Income from government grants	32	(6,331,898)	(6,285,022)
Loss on disposal of property and equipment, net		229,712	671,797
Loss on cancellation of lease agreements	24	-	319,436
Reversal of tax and related fines and penalties provision	31, 48	(2,130,246)	(682,820)
<b>Operating cash flows before changes in operating assets and liabilities</b>		<b>293,038,023</b>	<b>289,554,904</b>
<b>Changes in operating assets and liabilities</b>			
Change in trade receivables		(15,518,083)	(5,253,423)
Change in inventories		(2,208,765)	3,005,825
Change in other current assets		3,700,055	(7,199,343)
Change in advances paid		1,294,313	(2,829,011)
Change in trade payables		18,881,620	6,895,576
Change in cost to obtain contracts and cost to fulfil contracts		(67,605)	(535,474)
Change in contract liabilities		2,645,145	5,123,969
Changes in other current liabilities		21,808,177	16,944,554
<b>Cash flows from operating activities</b>		<b>323,572,880</b>	<b>305,707,577</b>
Income tax paid		(33,721,779)	(28,239,119)
Interest paid	47	(39,103,847)	(44,661,377)
Interest received		14,224,876	4,372,735
<b>Net cash flows from operating activities</b>		<b>264,972,130</b>	<b>237,179,816</b>

In thousands of tenge	Note	2022	2021
<b>Investing activities</b>			
Purchase of property and equipment		(101,551,623)	(83,802,273)
Purchase of intangible assets		(19,948,771)	(17,425,609)
Proceeds from sale of property and equipment, intangible assets		1,724,661	1,797,882
Cash paid for assets under reverse repurchase agreements	19	-	(49,999,824)
Purchase of financial assets at amortized cost	19	(84,163,285)	(140,018,401)
Proceeds from redemption of financial assets at amortized cost	19	69,350,275	158,630,603
Cash received from assets under reverse repurchase agreement	19	49,999,824	-
Placement of deposits	13, 18	(908,440)	(10,136,700)
Refund on deposits	13, 18	9,227,472	-
Proceeds from disposal of subsidiary, net of cash disposed	44	-	987,132
Issue of long-term loans to employees		(2,018,873)	(935,162)
Repayment of loans by employees		496,026	472,912
Return of cash restricted in use		-	7,548
Dividends received from associate	10	76,855	35,201
<b>Net cash flows used in investing activities</b>		<b>(77,715,879)</b>	<b>(140,386,691)</b>
<b>Financing activities</b>			
Borrowings received	47	-	62,500,000
Borrowings repaid	47	(66,673,091)	(107,240,887)
Dividends paid to equity holders of the Parent	22	(39,511,557)	(17,661,587)
Dividends paid to non-controlling interests	6, 22	-	(4,394,500)
Repayment of principal portion of lease liabilities	47	(13,759,891)	(15,072,509)
Proceeds from sale of non-controlling shares	5	-	55,279,947
<b>Net cash flows used in financing activities</b>		<b>(119,944,539)</b>	<b>(26,589,536)</b>
Effect of exchange rate changes on cash and cash equivalents		7,703,007	2,201,914
Effect of changes in expected credit losses	21	(2,404)	(4,830)
<b>Net change in cash and cash equivalents</b>		<b>75,012,315</b>	<b>72,400,673</b>
Cash and cash equivalents, as at 1 January	21	167,109,839	94,709,166
<b>Cash and cash equivalents, as at 31 December</b>	<b>21</b>	<b>242,122,154</b>	<b>167,109,839</b>

Disclosure of significant non-cash transactions is presented in Note 45.

Chairman of the Management Board

Chief financial officer

Chief accountant

Musekejev K. B.  
Aramuratova L. V.  
Urazimanova M.M.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 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 51% of the Company’s controlling shares. Below is a list of the Company’s shareholders as at 31 December 2022:

	At 31 December 2022	At 31 December 2021
Samruk-Kazyna	51.0%	51.0%
Committee of State Property and Privatization of the Ministry of finance of the Republic of Kazakhstan	28.2%	-
ADR (The Bank of New York – depositor)	9.6%	9.6%
Corporate fund “Development fund”	3.4%	3.4%
SKYLINE INVESTMENT COMPANY S.A.	-	24.5%
Alatau Capital Invest LLP	-	3.7%
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 20 April 2023.

## 2. BASIS OF 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

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

### BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2022. 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.





## 2. BASIS FOR PREPARATION (CONTINUED)

### BASIS OF CONSOLIDATION (CONTINUED)

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. SUMMARY OF SIGNIFICANT 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 2022 (unless otherwise indicated). The Group has not prematurely applied standards, clarifications or amendments that have been issued but are not yet effective.

#### Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments had no impact on the consolidated financial statements of the Group as there were no onerous contracts within the scope of these amendment that arose during the period.

#### Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 **Provisions, Contingent Liabilities and Contingent Assets** or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the **Conceptual Framework**, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments that arose during the period.

#### Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

#### IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the consolidated financial statements of the Group as it is not a first-time adopter.

#### IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 **Financial Instruments: Recognition and Measurement**.

These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.





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

#### NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

##### IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the consolidated financial statements of the Group as it did not have assets in scope of IAS 41 as at the reporting date.

#### 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 statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

##### IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 **Insurance Contracts** (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 **Insurance Contracts** (IFRS 4) that was issued in 2005. 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 an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the 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.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

This standard is not applicable to the Group.

##### 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;
- Disclosures.

##### Right to defer settlement

The Board decided that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. Furthermore, the Board specified that the requirements in paragraph 72B apply only to liabilities arising from loan arrangements.

##### Existence at the end of the reporting period

The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date.

##### Management expectations

IAS 1.75A has been added to clarify that the 'classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period'. That is, management's intention to settle in the short run does not impact the classification. This applies even if settlement has occurred when the financial statements are authorised for issuance.

##### Meaning of the term 'settlement'

The Board added two new paragraphs (paragraphs 76A and 76B) to IAS 1 to clarify what is meant by 'settlement' of a liability. The Board concluded that it was important to link the settlement of the liability with the outflow of resources of the entity.

Settlement by way of an entity's own equity instruments is considered settlement for the purpose of classification of liabilities as current or non-current, with one exception.

In cases where a conversion option is classified as a liability or part of a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current. Only if the conversion option itself is classified as an equity instrument would settlement by way of own equity instruments be disregarded when determining whether the liability is current or non-current.

Unchanged from the current standard, a rollover of a borrowing is considered the extension of an existing liability and is therefore not considered to represent 'settlement'.





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

#### STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

##### Disclosures

IAS 1.76ZA has been added to require an entity to provide 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. This disclosure must include information about the covenants and the related liabilities.

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.

##### Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

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

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 **Making Materiality Judgements**, in which it provides 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 to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

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

On 7th May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Group is currently assessing the impact of the amendments.

##### Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

In September 2022, the Board issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).

The amendment to IFRS 16 specifies 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.

The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8.

A seller-lessee applies the amendment to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted, and that fact must be disclosed. The Group is currently assessing the impact of the amendments.

#### 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.



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

#### FOREIGN CURRENCY TRANSLATION (CONTINUED)

##### 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 2022	31 December 2021
US dollar	462.65	431.8
Euro	492.86	489.1
Russian rubles	6.43	5.76

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.

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.

#### INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.





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

#### INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

#### 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 is 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.

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

#### 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 47.

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.



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

#### FAIR VALUE MEASUREMENT (CONTINUED)

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.

#### NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of comprehensive income.

#### 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





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

#### PROPERTY AND EQUIPMENT (CONTINUED)

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.

#### INVESTMENT PROPERTIES

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing component of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss. Depreciation is calculated on a straight-line basis over the estimated useful life, which is 50 years.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of comprehensive income in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

#### 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.

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

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

#### 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. SUMMARY OF 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.

##### 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.



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

#### FINANCIAL ASSETS (CONTINUED)

##### 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. 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. SUMMARY OF 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.

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.





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

#### LEASES (CONTINUED)

##### 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.

#### 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.

#### REVERSE REPURCHASE AGREEMENTS

Securities purchased under agreements to resell at a specified future date are not recognised in the consolidated statement of financial position. The consideration paid, including accrued interest, is recorded in the consolidated statement of financial position, within cash collateral on securities borrowed and reverse repurchase agreements, reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in net interest income and is accrued over the life of the agreement using the EIR. If securities purchased under an agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within financial liabilities held for trading and measured at fair value with any gains or losses included in net trading income.

#### 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.





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

#### EMPLOYEE BENEFIT (CONTINUED)

##### 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.

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.

##### Rendering of services

The main sources of income of the Group are the provision of wireless and fixed line local, long-distance and international telecommunication services.

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.

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.





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

#### REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

##### 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.

##### 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**.





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

#### CONTRACT BALANCES (CONTINUED)

##### 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.

#### DIVIDENDS

Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

#### 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.

##### 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.





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

#### INCOME TAX (CONTINUED)

##### Deferred tax (continued)

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.

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 47;
- 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).

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.

#### 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.



## 4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

### ESTIMATES AND ASSUMPTIONS (CONTINUED)

#### 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**.

In 2021 the Group started optimization and modernization of network, swapping from old end of life equipment, expansion of capacity and coverage of network according to approved investment plan and strategy of the Group in order to achieve strategic goals to strengthen and form leading positions in the telecommunication markets of the Republic of Kazakhstan. The Group plans to dismantle certain base stations on locations earlier and install upgraded. Such business operation shall provide further savings on capital expenditures and provide a better competitive position in the market. Therefore, in 2021, the Group reassessed the remaining useful lives of certain telecommunication equipment that is subject for dismantling earlier than initially planned or otherwise would not be used once integration process is finalized. The Group performed reassessment from 1 January 2021, which resulted in decrease in remaining useful life of those assets by 4 years on average. The change in the remaining useful life led to an overall increase in depreciation charges for the year ended 31 December 2022, in the amount of KZT 2,889,119 thousand (for the year ended 31 December 2021, in the amount of KZT 2,152,469 thousand).

The effect of change in estimate for 2023-2026 approximated to KZT 540,000 thousand.

	2023	2024	2025	Total
Accelerated depreciation	180.000	180.000	180.000	540.000

#### 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.

#### 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 2022 provision for expected credit losses was created in the amount of KZT 18,309,842 thousand (2021: KZT 11,427,430 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 2022, 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 recognized 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.

In 2021, Kazakhtelecom JSC together with its subsidiaries, Kcell JSC and Mobile Telecom-Service LLP (further "MTS") developed network integration plan. In accordance with integration plan, the Group reassessed maturity of decommissioning of certain telecommunication base stations across Kazakhstan and reflected effect on asset retirement obligation estimation. Impacts are disclosed in Note 27.

#### 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 2022, deferred tax assets of the Group were equal to KZT 1,470,763 thousand (at 31 December 2021: KZT 660,170 thousand). Further details are contained in Note 43.

#### 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.

#### 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 47.

## 5. CONSOLIDATION

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

	Country of incorporation	Percentage ownership	
		31 December 2022	31 December 2021
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%
Khan Tengri Holding B.V.	Netherlands	-	100.00%



## 5. CONSOLIDATION (CONTINUED)

On 21 September 2021, the Board of Directors of Kazakhtelecom JSC decided to sell 24% of shares in the authorized equity of Kcell JSC through open trading on the Kazakhstan Stock Exchange (KSE). On 30 September 2021, the Group sold 24% of the voting shares of Kcell JSC, as a result of which the Group's share decreased to 51%. For the sale of this share to non-controlling shareholders, compensation was received in cash in the amount of KZT 55,279,947 thousand. The book value of the net assets of Kcell JSC (excluding goodwill recognized at the initial acquisition) at the date of sale was KZT 119,205,613 thousand.

On 30 September 2022, Kazakhtelecom JSC (sole owner of all issued and paid-up equity of Khan Tengri Holding B.V. that was the holder of shares in Mobile Telecom-Service LLP) decided to liquidate Khan Tengri Holding B.V. According to the Distribution Act, all assets, including 100% of the stake in Mobile Telecom-Service LLP, were transferred to Kazakhtelecom JSC.

On 26 December 2022, the Company transferred the remaining funds in the bank account in full as Liquidation Proceeds to Kazakhtelecom JSC. The amount of funds received amounted to KZT 1,562,180 thousand. The liquidation of Khan Tengri Holding B.V. ended on 27 December 2022.

## 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.

Summarised consolidated statement of comprehensive income of Kcell JSC for 2022 and 2021 from the acquisition date:

In thousands of tenge	2022	2021
Revenue from contracts with customers	219,002,382	194,080,886
Income from government grants	2,229,406	2,108,241
Cost of sales	(149,370,828)	(138,991,033)
General and administrative expenses	(16,259,344)	(14,137,364)
Impairment of financial assets	(6,265,499)	(2,106,078)
Impairment of non-financial assets	-	(588,658)
Selling expenses	(2,713,999)	(3,105,692)
Reversal of tax and related fines and penalties provision	-	682,820
Finance costs	(9,269,786)	(10,326,302)
Finance income	4,349,947	2,560,723
Net foreign exchange income	(32,355)	402,606
Other income	1,185,572	794,569
Other expenses	(736,966)	(1,296,604)
<b>Profit before tax</b>	<b>42,118,530</b>	<b>30,078,114</b>
Income tax expenses	(12,250,840)	(8,071,206)
<b>Profit for the year</b>	<b>29,867,690</b>	<b>22,006,908</b>
Profit attributable to equity holders of the Parent	15,232,522	15,322,612
Profit attributable to non-controlling interests	14,635,168	6,684,296
Dividends paid to non-controlling interests	-	4,394,500

Summarised consolidated statement of financial position of Kcell JSC as at 31 December 2022 and 2021:

In thousands of tenge	2022	2021
Non-current assets	217,067,822	214,368,308
Current assets	103,311,358	86,413,592
Non-current liabilities	(75,740,005)	(85,572,007)
Current liabilities	(67,646,745)	(68,086,154)
<b>Total equity</b>	<b>176,992,430</b>	<b>147,123,739</b>
<b>Attributable to:</b>		
Equity holders of the Participants	94,539,015	79,305,492
Non-controlling interests	82,453,415	67,818,247

Summarised consolidated cash flow information of Kcell JSC for the years ended 31 December 2022 and 2021:

In thousands of tenge	2022	2021
Operating cash flows	65,928,336	74,056,106
Investing cash flows	(52,463,179)	(12,452,350)
Financing cash flows	(18,370,212)	(33,652,906)
Foreign exchange effect on cash and cash equivalents	(249,271)	428,455
<b>Net increase in cash and cash equivalents</b>	<b>(5,154,326)</b>	<b>28,379,305</b>

## 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.

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 2022 and 2021.



**7. SEGMENT INFORMATION (CONTINUED)**

For the year ended 31 December 2022

In thousands of tenge	Fixed line	Mobile telecommunication services in GSM and LTE standards	Other	Eliminations and adjustments	Group
<b>Revenue from contracts with customer</b>					
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)	-
<b>Total revenue from contracts with customers</b>	<b>271,135,058</b>	<b>407,971,827</b>	<b>3,732,253</b>	<b>(61,001,556)</b>	<b>621,837,582</b>
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
<b>Total</b>	<b>279,217,740</b>	<b>412,547,959</b>	<b>3,732,253</b>	<b>(61,001,556)</b>	<b>634,496,396</b>
<b>Financial results</b>					
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)
<b>Segment profit before tax / (loss before tax)</b>	<b>96,922,361</b>	<b>112,450,208</b>	<b>775,217</b>	<b>(45,698,914)</b>	<b>164,448,872</b>
<b>Operating assets</b>	<b>1,231,669,037</b>	<b>800,777,903</b>	<b>2,349,528</b>	<b>(748,062,653)</b>	<b>1,286,733,815</b>
<b>Operating liabilities</b>	<b>300,556,012</b>	<b>291,337,564</b>	<b>1,460,707</b>	<b>(37,228,291)</b>	<b>556,125,992</b>
<b>Other disclosures</b>					
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 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. At 31 December 2022, assets and liabilities of QazCloud LLP were classified as an assets held for sale.

For the year ended 31 December 2021

In thousands of tenge	Fixed line	Mobile telecommunication services in GSM and LTE standards	Other	Eliminations and adjustments	Group
<b>Revenue from contracts with customer</b>					
Sales to external customers	232,578,232	347,749,151	1,167,837	-	581,495,220
Inter-segment	38,643,063	16,992,770	1,733,903	(57,369,736)	-
<b>Total revenue from contracts with customer</b>	<b>271,221,295</b>	<b>364,741,921</b>	<b>2,901,740</b>	<b>(57,369,736)</b>	<b>581,495,220</b>
Compensation for provision of universal services in rural areas	6,412,945	-	-	-	6,412,945
Income from government grants	1,930,763	4,354,259	-	-	6,285,022
<b>Total</b>	<b>279,565,003</b>	<b>369,096,180</b>	<b>2,901,740</b>	<b>(57,369,736)</b>	<b>594,193,187</b>
<b>Financial results</b>					
Depreciation and amortisation	(38,758,287)	(80,619,313)	(32,971)	1,566,420	(117,844,151)
Finance costs	(25,129,166)	(22,896,207)	-	1,588,900	(46,436,473)
Finance income	4,110,254	3,308,252	-	(1,575,522)	5,842,984
Dividends income	37,484,192	-	-	(37,484,192)	-
Share in profit of associates	-	-	512,364	-	512,364
Impairment losses on non-financial assets	(2,654,397)	(3,347,563)	1	-	(6,001,959)
Impairment losses on financial assets	(632,827)	(2,637,118)	9,543	4,039	(3,256,363)
Income tax expenses	(9,818,899)	(21,241,803)	(53,588)	(172,347)	(31,286,637)
<b>Segment profit before tax / (loss before tax)</b>	<b>86,234,388</b>	<b>85,635,478</b>	<b>700,168</b>	<b>(43,839,611)</b>	<b>128,730,423</b>
<b>Operating assets</b>	<b>794,655,256</b>	<b>749,504,167</b>	<b>5,467,577</b>	<b>(315,041,705)</b>	<b>1,234,585,295</b>
<b>Operating liabilities</b>	<b>315,082,967</b>	<b>296,628,298</b>	<b>1,438,901</b>	<b>(22,742,237)</b>	<b>590,407,929</b>
<b>Other disclosures</b>					
Investments in associates (Note 10)	-	-	3,460,120	-	3,460,120
Capital expenditures	38,636,762	74,950,823	60,533	(1,420)	113,646,698

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.



## 7. SEGMENT INFORMATION (CONTINUED)

### RECONCILIATION OF PROFIT

In thousands of tenge	2022	2021
Segment profit before tax	210,147,786	172,570,034
Other	(45,698,914)	(43,839,611)
<b>Profit of the Group</b>	<b>164,448,872</b>	<b>128,730,423</b>

### RECONCILIATION OF ASSETS

In thousands of tenge	2022	2021
Segment operating assets	2,034,796,468	1,549,627,000
Elimination of the Company's investments in subsidiaries	(699,527,549)	(291,256,203)
Elimination of intra-group receivables and payables	(48,535,104)	(23,785,502)
<b>Total assets of the Group</b>	<b>1,286,733,815</b>	<b>1,234,585,295</b>

### RECONCILIATION OF LIABILITIES

In thousands of tenge	2022	2021
Segment operating liabilities	593,354,283	613,150,166
Elimination of intra-group receivables and payables	(37,228,291)	(22,742,237)
<b>Total liabilities of the Group</b>	<b>556,125,992</b>	<b>590,407,929</b>

## 8. PROPERTY AND EQUIPMENT

Movements of property and equipment in 2022 and 2021 were as follows:

In thousands of tenge	Land	Buildings and constructions	Equipment	Other	Construction in progress	Total
<b>Cost</b>						
<b>At 1 January 2021</b>	<b>3,259,629</b>	<b>85,260,801</b>	<b>742,011,055</b>	<b>19,355,732</b>	<b>67,383,843</b>	<b>917,271,060</b>
Additions	1,618	250,399	23,266,947	825,316	70,536,573	94,880,853
Asset retirement obligation (Note 27)	-	-	1,205,990	-	-	1,205,990
Transfers	-	4,215,650	50,412,085	526,897	(55,154,632)	-
Disposals	(33,438)	(960,382)	(20,203,697)	(226,382)	(21,529)	(21,445,428)
<b>At 31 December 2021</b>	<b>3,227,809</b>	<b>88,766,468</b>	<b>796,692,380</b>	<b>20,481,563</b>	<b>82,744,255</b>	<b>991,912,475</b>
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	-	(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)
<b>At 31 December 2022</b>	<b>3,227,367</b>	<b>85,790,701</b>	<b>822,257,890</b>	<b>22,433,847</b>	<b>142,011,261</b>	<b>1,075,721,066</b>
<b>Accumulated depreciation and impairment</b>						
<b>At 1 January 2021</b>	<b>-</b>	<b>25,388,943</b>	<b>405,434,476</b>	<b>14,250,000</b>	<b>9,150,305</b>	<b>454,223,724</b>
Depreciation charge	-	3,868,538	71,219,221	1,604,877	-	76,692,636
Impairment	-	(95,100)	974,512	11,446	3,055,954	3,946,812
Disposals	-	(449,527)	(18,326,683)	(212,579)	-	(18,988,789)
<b>At 31 December 2021</b>	<b>-</b>	<b>28,712,854</b>	<b>459,301,526</b>	<b>15,653,744</b>	<b>12,206,259</b>	<b>515,874,383</b>
Depreciation charge	-	4,062,886	71,923,023	1,471,163	-	77,457,072
Impairment	-	(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	-	(1,559,448)	-	-	-	(1,559,448)
<b>At 31 December 2022</b>	<b>-</b>	<b>30,214,788</b>	<b>514,718,350</b>	<b>16,901,271</b>	<b>11,895,219</b>	<b>573,729,628</b>
<b>Net book value</b>						
<b>At 31 December 2021</b>	<b>3,227,809</b>	<b>60,053,614</b>	<b>337,390,854</b>	<b>4,827,819</b>	<b>70,537,996</b>	<b>476,038,092</b>
<b>At 31 December 2022</b>	<b>3,227,367</b>	<b>55,575,913</b>	<b>307,539,540</b>	<b>5,532,576</b>	<b>130,116,042</b>	<b>501,991,438</b>

As at 31 December 2022 and 2021, assets under construction represented by equipment for installation for base transmission stations, mobile switch servers and other telecommunication equipment and services works.

During 2022, the building with a carrying value 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. As of 31 December 2022, the fair value of investment property amounted to 2,700,000 thousand tenge (Note 12).

As at 31 December 2022, the gross carrying value of property and equipment which has been fully depreciated and still in use was KZT 478,739,825 thousand (as at 31 December 2021: KZT 436,917,636 thousand).





## 8. PROPERTY AND EQUIPMENT (CONTINUED)

As at 31 December 2022, advances paid for non-current assets in the amount of kzt 3,308,209 thousand mainly represented by advances paid for installation of base stations, construction and delivery of fixed assets (as at 31 december 2021: kzt 3,647,122 thousand). During 2022, the group has recognized impairment loss on its advances paid for non current assets for kzt 510,195 thousand (2021: kzt 111,377 thousand) (note 47).

### IMPAIRMENT TEST

During 2022, the Group recognized impairment loss on equipment of KZT 164,157 thousand and on construction-in-progress of 1,013,226 thousand tenge (2021: impairment loss on property and equipment of KZT 890,858 thousand and impairment loss on construction-in-progress of KZT 3,055,954 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.

## 9. INTANGIBLE ASSETS

Movements of intangible assets for 2022 and 2021 were as follows:

In thousands of tenge	Licenses	Software	Other	Intangible assets under development	Total
<b>Cost</b>					
<b>At 1 January 2021</b>	<b>226,039,966</b>	<b>44,655,920</b>	<b>21,128,003</b>	<b>472,733</b>	<b>292,296,622</b>
Additions	7,260,626	8,165,812	1,145,772	987,645	17,559,855
Disposals	(3,154,844)	(327,080)	(1,847,433)	-	(5,329,357)
Transfers	(240,107)	1,227,752	-	(987,645)	-
<b>At 31 December 2021</b>	<b>229,905,641</b>	<b>53,722,404</b>	<b>20,426,342</b>	<b>472,733</b>	<b>304,527,120</b>
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	-	-
<b>At 31 December 2022</b>	<b>236,778,637</b>	<b>62,201,582</b>	<b>20,614,369</b>	<b>472,733</b>	<b>320,067,321</b>
<b>Accumulated amortisation and impairment</b>					
<b>At 1 January 2021</b>	<b>37,971,380</b>	<b>30,596,771</b>	<b>5,901,858</b>	<b>472,733</b>	<b>74,942,742</b>
Amortisation charge	17,620,372	8,055,489	1,836,288	-	27,512,149
Disposals	(3,142,446)	(326,438)	(1,847,433)	-	(5,316,317)
Impairment	565,793	1,397,968	-	-	1,963,761
<b>At 31 December 2021</b>	<b>53,015,099</b>	<b>39,723,790</b>	<b>5,890,713</b>	<b>472,733</b>	<b>99,102,335</b>
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)
<b>At 31 December 2022</b>	<b>70,908,787</b>	<b>45,783,212</b>	<b>7,761,090</b>	<b>472,733</b>	<b>124,925,822</b>
<b>Net book value</b>					
<b>At 31 December 2021</b>	<b>176,890,542</b>	<b>13,998,614</b>	<b>14,535,629</b>	<b>-</b>	<b>205,424,785</b>
<b>At 31 December 2022</b>	<b>165,869,850</b>	<b>16,418,370</b>	<b>12,853,279</b>	<b>-</b>	<b>195,141,499</b>

Licenses and trademarks, software and other include intangible assets acquired as a result of business combinations.

During 2022, the Group recognized income from reversal of impairment of intangible assets of KZT 311,331 thousand (31 December 2021: loss of impairment of intangible assets of KZT 1,963,761 thousand). The income was recorded in the consolidated statement of comprehensive income as an operating income.

As at 31 December 2022 the gross carrying value of intangible assets, which have been fully amortized non-financial assets was KZT 69,108,150 thousand (as at 31 December 2021: KZT 68,599,192 thousand).

On 22-23 December 2022 the Group participated 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.

## 10. INVESTMENTS IN ASSOCIATES

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

In thousands of tenge	Primary activities	Country of incorporation	31 December 2022		31 December 2021	
			Carrying amount	Ownership share	Carrying amount	Ownership share
QazCloud LLP	IT services	Kazakhstan	-	-	3,460,120	49%
			-		3,460,120	

Movements in investments in associates for the years 2022 and 2021 are as follows:

In thousands of tenge	QazCloud LLP
<b>At 1 January 2021</b>	<b>2,982,957</b>
Share in profits of associates	512,364
Dividends declared	(35,201)
<b>At 31 December 2021</b>	<b>3,460,120</b>
Share in profits of associates	380,019
Dividends declared	(76,855)
Transfers to assets held for sale	(3,763,284)
<b>At 31 December 2022</b>	<b>-</b>

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. The Group assesses the sale of QazCloud LLP as highly probable.

## 10. INVESTMENTS IN ASSOCIATES (CONTINUED)

Investment in associate of QazCloud LLP was classified as an assets held for sale from 20 September 2022. The Group 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.

During 2022, QazCloud LLP announced and paid dividends to the Group in the amount of KZT 76,855 thousand.

The table below provides a summarized financial information on the Group's investment in QazCloud LLP:

In thousands of tenge	31 December 2022	31 December 2021
Non-current assets	11,088,391	6,934,261
Current assets, including	5,374,394	5,822,194
Cash and cash equivalents	2,062,794	2,490,816
Non-current liabilities, including	(3,517,175)	(1,604,501)
Non-current financial liabilities	-	(99,284)
Current liabilities, including	(5,265,438)	(4,090,485)
Current financial liabilities	(2,989,889)	(2,657,079)
<b>Equity</b>	<b>7,680,172</b>	<b>7,061,469</b>
Transfer to assets held for sale	(3,763,284)	-
Share of the ownership – 49%	-	3,460,120
<b>Carrying amount of the investment of the Group</b>	<b>-</b>	<b>3,460,120</b>

В тыс. тенге	2022	2021
Revenue from contracts with customers	10,047,578	13,423,846
Depreciation and amortization	(2,019,180)	(2,072,460)
Finance income	53,325	42,134
Finance costs	(444,341)	(421,906)
Income tax expense	(25,622)	(261,410)
<b>Profit for the year</b>	<b>775,549</b>	<b>1,045,640</b>
<b>Total comprehensive income</b>	<b>775,549</b>	<b>1,045,640</b>

<b>Share of the Group in profit for the year</b>	<b>380,019</b>	<b>512,364</b>
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## 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 “Khan Tengri Holding B.V.”). On 30 September 2022, Kazakhtelecom JSC (sole owner of all issued and paid-up equity of Khan Tengri Holding B.V.) decided to liquidate Khan Tengri Holding B.V. According to the Distribution Act, all assets, including 100% of the share in Mobile Telecom-Service LLP, were transferred to Kazakhtelecom JSC. Accordingly, goodwill acquired through business combinations of purchase of Khan Tengri Holding B.V. was allocated to 100% of the share in 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. The carrying amount of goodwill allocated to each of CGUs was as follows:

In thousands of tenge	2022	2021
Mobile Telecom-Service LLP	96,205,967	96,205,967
Kcell JSC	53,489,943	53,489,943
IP TV	2,706,335	2,706,335
	152,402,245	152,402,245

The Group performed its annual impairment test in December 2022 and 2021.

### MOBILE TELECOM-SERVICE LLP

The recoverable amount of the Mobile Telecom-Service LLP (further “MTS”) CGU has been determined based on a discounted cash flow model as it was deemed to produce a more reliable result. This valuation method was based on unobservable inputs (discounted cash flows), which represent Level 3 of the fair value hierarchy.

The discount rate of 2022: 16.33% (2021: 21.09%) was calculated on the weighted average cost of capital before taxes. The weighted average cost of capital takes into account both borrowed funds and own equity. Forecasted cash flows till to 2027 were based on five-years business plan of MTS 2023-2027, which assumes current management estimates on potential changes in operating and capital costs. The significant part of those cash flows after 2028 was forecasted by applying expected inflation rate of 2022: 1.5% (2021: 1.5%).

As at 31 December 2022 and 2021 the recoverable amount of goodwill, which was determined based on value in use, exceeded its book value, as such no impairment of MTS goodwill was recognised.

### KCELL JSC

The recoverable amount of the Kcell JSC (further “Kcell”) CGU has been determined based on a discounted cash flow model as it was deemed to produce a more reliable result. This valuation method was based on unobservable inputs (discounted cash flows), which represent Level 3 of the fair value hierarchy.

The discount rate of 2022: 16.33% (2021: 19.56%) was calculated on the weighted average cost of capital before taxes. The weighted average cost of capital takes into account both borrowed funds and own equity. Forecasted cash flows till to 2027 were based on five-years business plan of Kcell JSC 2023-2027, which assumes current management estimates on potential changes in operating and capital costs. The significant part of those cash flows after 2028 was forecasted by applying expected inflation rate of 2022: 1.5% (2021: 1.5%).

As at 31 December 2022 and 2021 the recoverable amount of goodwill, which was determined based on value in use, exceeded its book value, as such no impairment of Kcell JSC goodwill was recognised.





## 11. IMPAIRMENT TESTING (CONTINUED)

### IP TV

The recoverable amount of IP TV CGU has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period.

The pre-tax discount rate applied to the cash flow projections is 14.97% (2021: 16.94%), and cash flows beyond the five-year period are extrapolated using a 1.5% growth rate (2021: 1.5%).

As a result of the analysis, management did not identify an impairment for this CGU as at 31 December 2022.

### KEY ASSUMPTIONS USED IN VALUE IN USE CALCULATIONS

The calculation of value-in-use for IPTV, MTS and Kcell CGUs is most sensitive to the following assumptions:

- Customer base over the forecast period and average revenue per customer with direct impact on revenue growth rates;
- The level of capital investments included in the financial plan;
- EBITDA margin included in the financial plan;
- Growth rate for cash flow extrapolation beyond the forecast period;
- Discount rate.

#### Customer base and average revenue per customer

The customer base and average revenue per customer is important because management of the Group estimates how the unit's position may change over the forecast period against its competitors.

The Group expects to increase IPTV customer base over the forecast period, as the Group plans to use the advantage of Kazakhtelecom JSC infrastructure to increase the market share of Kazakhtelecom JSC.

The Group's management expects an increase in the customer base of mobile segment over the forecast period based on forecasted increase in population. As a result, the Group expects modest increase in revenue of the unit over the entire forecast period.

#### Level of capital investments

The level of capital investments is important in MTS and Kcell CGUs because it defines the ability of the unit to technically maintain its customer base and meet the changing market requirements. The level of investments is determined by the needs of the units in completing the technical integration of the two networks in a timely manner, as well as the need to secure and strengthen the advantages of covering the public demand for communication services and improve network quality.

#### EBITDA margin

EBITDA margin reflects the rate of return included by the unit MTS and Kcell JSC CGUs into its financial plan with consideration of market conditions, competition and other factors. The growing dynamics of this index corresponds to operational growth of the unit and related cost savings.

### Growth rates

Rates are based on published industry research.

### Discount rate

Discount rates represent the current market assessment of the risks specific to CGU, taking into consideration the time value of money and individual risks of the CGU underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the group's investors. The cost of debt is based on the interest-bearing borrowings the group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

### SENSITIVITY TO CHANGES IN ASSUMPTIONS — IP TV

The effect of changes in key assumptions on the recoverable amount is discussed below:

#### Customer base, average revenue per customer and revenue growth rates

Although the management expects that the market share owned by the Group would grow over the forecast period, according to the financial plan, slowing growth of customer base or decrease in the average revenue per customer, leading to a decrease in revenue from current business plan by more than 8.40% (2021: 8.08%), would result in a loss from impairment in IP TV GCU for KZT 82,195 thousand (2021: KZT 59,462 thousand).

#### Level of capital investments

Increase in capital investments by more than 255% (2021: 240%) would result in loss from impairment in IP TV CGU for KZT 16,095 thousand (2021: KZT 2,523 thousand).

#### Growth rates

Management recognises that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. A reduction in the long-term growth rate in IP TV CGU would not result in impairment loss.

#### Discount rate

An increase in discount rate by 23% from 14.97% to 18.42% (2021: increase by 23.56% from 16.33% to 26.62%) would result in impairment loss in IP TV CGU for KZT 152,362 thousand (2021: KZT 47,663 thousand).

## 11. IMPAIRMENT TESTING (CONTINUED)

### SENSITIVITY TO CHANGES IN ASSUMPTIONS — MTS

The effect of changes in key assumptions on the recoverable amount is discussed below:

#### Customer base, average revenue per customer and revenue growth rates

Although the management expects that the market share owned by the Group would grow over the forecast period, according to the financial plan, slowing growth of customer base or decrease in the average revenue per customer, leading to a decrease in revenue from current business plan by more than 16% (2021: 6.67%), would result in a loss from impairment in MTS CGU for KZT 1,065,907 thousand (2021: KZT 389,162 thousand).

#### Level of capital investments

Increase in capital investments by more than 94% (2021: 45%) would result in loss from impairment in MTS CGU for KZT 2,295,209 thousand (2021: KZT 3,481,170 thousand).

#### EBITDA margin

Decrease in EBITDA margin by 16% (2021: by 8%) would result in loss from impairment in MTS CGU for KZT 2,074,865 thousand (2021: KZT 2,210,532 thousand).

#### Growth rates

A reduction in the growth rates in MTS CGU would not result in impairment loss.

#### Discount rate

An increase in discount rate by 82% from 16.33% to 29.72% (2021: by 31% from 21.09% to 27.63%) would result in impairment loss in MTS CGU for KZT 167,873 thousand (2021: KZT 34,820 thousand).

### SENSITIVITY TO CHANGES IN ASSUMPTIONS — KCELL JSC

The effect of changes in key assumptions on the recoverable amount is discussed below:

#### Customer base and average revenue per customer

Although the management expects that the market share of mobile telecommunications owned by the Group would grow over the forecast period, according to the financial plan, slowing growth of customer base or decrease in the average revenue per customer, leading to a decrease in revenue from current business plan by more than 14.10% (2021: 11.87%), would result in a loss from impairment in Kcell CGU for KZT 180,275 thousand (2021: KZT 176,947 thousand).

#### Level of capital investments

Increase in capital investments by more than 93% (2021: 154%) would result in loss from impairment in Kcell CGU for KZT 336,528 thousand (2021: KZT 249,101 thousand).

#### EBITDA margin

Decrease in EBITDA margin by more than 13% (2021: 15%) would result in loss from impairment in Kcell CGU for KZT 4,111,354 thousand (2021: KZT 246,588 thousand).

#### Growth rates

A reduction in the growth rates in Kcell CGU would not result in impairment loss.

#### Discount rate

An increase in discount rate by 88% from 16.33% to 30.70% (2021: by 38.8% from 19.56% to 27.15%) would result in loss from impairment in Kcell CGU for KZT 1,378,723 thousand (2021: KZT 445,014 thousand).

## 12. INVESTMENT PROPERTY

Movements in investment property for the years ended 31 December 2022 and 2021 were as follows:

In thousands of tenge	Buildings and constructions	Total
<b>Cost</b>		
At 1 January 2021	1,264,668	1,264,668
At 31 January 2021	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
<b>Accumulated depreciation and impairment</b>		
At 1 January 2021	1,264,668	1,264,668
At 31 January 2021	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
<b>Carrying amount</b>		
At 31 January 2021	-	-
At 31 December 2022	1,976,652	1,976,652

Investment property as at 31 December 2021 is represented by an office building constructed in order to lease it out to the Government related entities.

The impairment of KZT 1,264,668 thousand represents the write down of the carrying amount of the investment property to its recoverable amount. The recoverable amount was based on analysis of value in use and fair value less costs to sell and estimated to be nil as at 31 December 2022 and 2021, as it is unlikely that the Group will receive reimbursement for its construction costs either through sale of the office building or rental payments. However, these assumptions may change in the future.



## 12. INVESTMENT PROPERTY (CONTINUED)

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. As of 31 December 2022, the fair value of investment property amounted to KZT 2,700,000 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 2022 and 2021, other non-current financial assets comprised:

In thousands of tenge	2022	2021
Long-term trade receivable	4,344,884	4,147,622
Loans to employees	1,731,327	1,854,480
Long-term deposits	642,726	830,526
Cash restricted in use	-	43,243
Other	364,547	375,674
	7,083,484	7,251,545
Less: allowance for expected credit losses	(110,184)	(110,184)
	6,973,300	7,141,361

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

In thousands of tenge	2022	2021
<b>Allowance for expected credit losses at the beginning of the year</b>	<b>(110,184)</b>	-
Charge for the year (Note 47)	-	(110,184)
<b>Allowance for expected credit losses at the end of the year</b>	<b>(110,184)</b>	<b>(110,184)</b>

As at 31 December 2022 and 2021, the Group's other non-current financial assets were denominated in the following currencies:

In thousands of tenge	2022	2021
Tenge	6,973,300	7,098,118
US dollars	-	43,243
	6,973,300	7,141,361

As at 31 December 2022, the long-term accounts receivable represented by special agreements with customers for the purchase of contract phones for KZT 4,344,884 thousand (as at 31 December 2021: KZT 4,147,622 thousand). These long-term accounts receivable were discounted as at market interest rates of 18.1% per annum (2021: 7.5% per annum).

Loans to employees are interest free loans provided for the period from 1 to 15 years. These loans were discounted as at the issue date using market interest rates of 9.6% per annum to 19.1% (2021: from 9.6% to 19.1% per annum). Repayment of long-term loans to employees is made through withholding of amounts due from employees' salaries. Loans are secured by employees' real estate properties.

During 2022, the Group placed several long-term deposits in Halyk Bank of Kazakhstan JSC for the total amount of KZT 908,440 thousand (2021: KZT 1,977,700 thousand) with the maturity date in 2037 and an interest rate of 0.1% per annum (2021: 0.1%). These bank deposits were discounted as at the issue date using market interest rates of 4.1% per annum to 8% (2021: 4.1% per annum to 8%). As a result, the Group has recognized discount in the amount of KZT 609,330 thousand (2021: KZT 1,180,433 thousand). At the placement date, long-term deposits were recognized at its fair value equal to KZT 299,110 thousand (2021: KZT 797,267 thousand). During 2022 the Group withdrew KZT 871,358 thousand from deposits. During 2022 the Group has recognized amortization of discount for KZT 384,448 thousand (2021: KZT 33,259 thousand).

## 14. OTHER NON-CURRENT NON-FINANCIAL ASSETS

As at 31 December 2022 and 2021, other non-current non-financial assets comprised:

In thousands of tenge	2022	2021
Deferred connection cost of operators	6,104,403	4,907,385
Other	520,500	693,618
	6,624,903	5,601,003

## 15. INVENTORIES

As at 31 December 2022 and 2021, inventories comprised:

In thousands of tenge	2022	2021
Goods for resale at lower of cost and net realisable value	10,036,992	8,345,018
Cable materials at cost	1,797,938	1,592,830
Raw and other materials at cost	1,059,764	1,174,480
Fuel at cost	512,807	373,962
Spare parts at cost	449,813	476,464
	13,857,314	11,962,754

During 2022, an amount of KZT 314,205 thousand (2021: KZT 521,450 thousand) was recognized as expenses in respect of inventories recorded at net realizable value. In 2022, 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 2022 and 2021, trade receivables comprised:

In thousands of tenge	2022	2021
Trade receivables	58,301,294	43,125,578
	58,301,294	43,125,578
Less: allowance for expected credit losses	(12,996,108)	(6,252,535)
	45,305,186	36,873,043

## 16. TRADE RECEIVABLES (CONTINUED)

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

In thousands of tenge	2022	2021
<b>Allowance for expected credit losses at the beginning of the year</b>	<b>(6,252,535)</b>	<b>(6,135,606)</b>
Charge for the year (Note 47)	(7,464,288)	(2,971,041)
Write-off for the year	720,715	2,854,112
<b>Allowance for expected credit losses at the end of the year</b>	<b>(12,996,108)</b>	<b>(6,252,535)</b>

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

In thousands of tenge	Current	Days past due						Total
		1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 360 days	Over 360 days	
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)

Below is information as at 31 December 2021 about the credit risk exposure on the Group's trade receivables using a matrix of reserves:

In thousands of tenge	Current	Days past due						Total
		1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 360 days	Over 360 days	
Estimated credit loss rate	0.33%	6.41%	18.96%	21.48%	33.27%	70.72%	100%	
Estimated total gross carrying amount at default	30,226,850	4,261,151	1,452,441	1,031,152	528,807	1,430,581	4,194,596	43,125,578
Allowance for expected credit losses	(100,287)	(273,025)	(275,421)	(221,529)	(175,955)	(1,011,722)	(4,194,596)	(6,252,535)

As at 31 December 2022 and 2021, the Group's trade receivables were denominated in the following currencies:

In thousands of tenge	2022	2021
Tenge	43,123,448	35,252,251
US dollars	1,972,245	1,413,021
Euro	200,812	199,179
Other currencies	8,681	8,592
	45,305,186	36,873,043

## 17. ADVANCES PAID

As at 31 December 2022 and 2021, advances paid comprised:

In thousands of tenge	2022	2021
Advances paid	6,211,957	7,509,687
	6,211,957	7,509,687
Less: allowance for impairment	(5,719)	(9,136)
	6,206,238	7,500,551

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

In thousands of tenge	2022	2021
<b>Allowance for impairment at the beginnings of the year</b>	<b>(9,136)</b>	<b>(37,066)</b>
(Accrual) / Reversal for the year	(103,649)	19,991
Write-off for the year	107,066	7,939
<b>Allowance for impairment at the end of the year</b>	<b>(5,719)</b>	<b>(9,136)</b>

As at 31 December 2022 and 2021, 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 2022 and 2021, other current financial assets comprised:

In thousands of tenge	2022	2021
Bank deposits	3,399,500	11,558,500
Loans to employees (Note 13)	1,235,750	1,245,820
Restricted cash	912,769	912,769
Due from employees	375,093	372,763
Other accounts receivable	3,643,862	2,559,341
	9,566,974	16,649,193
Less: allowance for expected credit losses	(5,192,904)	(5,056,469)
	4,374,070	11,592,724

As at 31 December 2022 and 2021, 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.





## 18. OTHER CURRENT FINANCIAL ASSETS (CONTINUED)

As at 31 December 2021, the Group placed bank deposits with initial maturity of more than 3 (three) months but less than 12 (twelve) months, in tenge in VTB Bank JSC at the interest rate of 9.0% for KZT 3,000,000 thousand, in Sberbank JSC at the interest rate of 9.0% for KZT 3,000,000 thousand, and in USD dollars in Bank RBK JSC at the interest rate of 1.2% for KZT 2,159,000 thousand. The Group withdrew deposits from the banks during 2022 before its maturity for the total amount of KZT 8,305,500 thousand.

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

In thousands of tenge	2022	2021
<b>Allowance for expected credit losses at the beginning of the year</b>	<b>(5,056,469)</b>	<b>(4,901,841)</b>
Charge for the year (Note 47)	(155,468)	(168,526)
Write-off for the year	19,033	13,898
<b>Allowance for expected credit losses at the end of the year</b>	<b>(5,192,904)</b>	<b>(5,056,469)</b>

Below is information as at 31 December 2022 about the credit risk exposure on the Group's loans to employees, due from employees and other receivables using the reserve matrix:

In thousands of tenge	Days past due							Total
	Current	1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 360 days	Over 360 days	
Estimated credit loss rate	7.09%	5.04%	9.06%	10.40%	18.93%	29.87%	100%	
Estimated total gross carrying amount at default	4,497,727	4,306	18,558	5,605	6,903	233,325	488,281	5,254,705
Allowance for expected credit losses	(318,882)	(217)	(1,681)	(583)	(1,307)	(69,684)	(488,281)	(880,635)

Below is information as at 31 December 2021 about the credit risk exposure on the Group's loans to employees, due from employees and other receivables using the reserve matrix:

In thousands of tenge	Days past due							Total
	Current	1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 360 days	Over 360 days	
Estimated credit loss rate	7.28%	4.98%	28.80%	13.52%	29.50%	47.03%	100%	
Estimated total gross carrying amount at default	3,645,929	21,030	500	3,218	3,309	44,611	459,327	4,177,924
Allowance for expected credit losses	(265,298)	(1,048)	(144)	(435)	(976)	(20,979)	(459,327)	(748,207)

As at 31 December 2022 and 2021, other current financial assets were denominated in the following currencies:

In thousands of tenge	2022	2021
Tenge	4,369,873	9,425,976
US dollars	4,197	2,166,748
	4,374,070	11,592,724

## 19. ASSET UNDER REVERSE REPURCHASE AGREEMENTS AND FINANCIAL ASSETS AT AMORTIZED COST

### FINANCIAL ASSETS AT AMORTIZED COST

As at 31 December 2022 financial assets at amortized cost in the amount of KZT 14,832,821 thousand were represented by short-term discount notes of National Bank of the Republic of Kazakhstan ("NBRK") denominated in tenge. In 2022 and 2021, the Group acquired short term discount notes at purchase price KZT 84,163,285 thousand and KZT 140,018,401 thousand, respectively. In 2022 short term discount notes with nominal value in the amount of KZT 69,350,275 thousand and interest income in the amount of KZT 649,725 thousand was redeemed (2021: KZT 158,630,603 thousand of nominal value and interest income of KZT 1,369,397 thousand, respectively).

As at 31 December 2022 and 2021, financial assets at amortised cost comprised of the following:

In thousands of tenge	Maturity date	Yield to maturity	Nominal value	31 December 2022	31 December 2021
NBRK note	25 January 2023	16.46%	15,000,000	14,832,821	-
			15,000,000	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.

### ASSETS UNDER REVERSE REPURCHASE AGREEMENTS

In December 2021 the Group had entered into reverse repurchase agreement with Halyk Finance JSC. The subject of this agreement is coupon Eurobonds (ISIN XS1120709669) and coupon MEUKAM (ISIN KZKD000915) issued by the Ministry of Finance of the Republic of Kazakhstan. The Group has a right to sell or repledge the transferred securities in the absence of default of the counterparty. Fair value of the transferred securities held as collateral under reverse repurchase agreement amounted to KZT 49,999,824 thousand. The agreement matured on 31 March 2022. The redemption of the securities purchased was in 2022 in the amount of KZT 51,172,262 thousand, including interest in the amount of KZT 1,172,438 thousand (presented as part of operating cash flows) and currency of the agreement is tenge.

## 20. OTHER CURRENT NON-FINANCIAL ASSETS

As at 31 December 2022 and 2021, other current non-financial assets comprised:

In thousands of tenge	2022	2021
VAT receivable	4,355,432	6,850,749
Taxes prepaid other than corporate income tax	3,143,939	3,536,444
Deferred connection cost of operators	1,293,116	906,594
Other	3,277,931	2,016,645
	12,070,418	13,310,432



## 21. CASH AND CASH EQUIVALENTS

As at 31 December 2022 and 2021, cash and cash equivalents comprised:

In thousands of tenge	2022	2021
Cash on current bank accounts	146,451,791	97,556,615
Deposits with less than 90 days' maturity from the date of opening	95,672,493	69,547,376
Cash on hand	8,516	14,090
	242,132,800	167,118,081
Less: allowance for expected credit losses	(10,646)	(8,242)
	242,122,154	167,109,839

Cash on current bank accounts earn interest at the rates ranging from 0.1% to 7.25% per annum (2021: from 0.2% to 7.0% per annum).

Short-term bank deposits opened for a period from one day to three months, depending on the Group's current cash needs, as of 31 December 2022 amounted to KZT 95,672,493 thousand with a rate up to 15.60% (as at 31 December 2021: KZT 69,547,376 thousand with a rate of up to 8.90%).

As at 31 December 2022 and 2021, cash and cash equivalents were denominated in the following currencies:

In thousands of tenge	2022	2021
US dollars	149,734,206	104,821,000
Tenge	90,509,732	60,770,210
Euro	1,343,271	1,212,064
Russian roubles	422,368	305,666
Other	112,577	899
	242,122,154	167,109,839

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

In thousands of tenge	2022	2021
<b>Allowance for expected credit losses at the beginning of the year</b>	<b>(8,242)</b>	<b>(3,412)</b>
Charge for the year (Note 47)	(2,404)	(4,830)
<b>Allowance for expected credit losses at the end of the year</b>	<b>(10,646)</b>	<b>(8,242)</b>

## 22. EQUITY

### AUTHORISED AND ISSUED SHARES

	Number of shares		In thousands of tenge		Total issued shares
	Common shares	Preferred non-voting shares	Common shares	Preferred non-voting shares	
<b>At 31 December 2020</b>	<b>10,922,876</b>	<b>1,213,653</b>	<b>10,922,876</b>	<b>1,213,653</b>	<b>12,136,529</b>
<b>At 31 December 2021</b>	<b>10,922,876</b>	<b>1,213,653</b>	<b>10,922,876</b>	<b>1,213,653</b>	<b>12,136,529</b>
<b>At 31 December 2022</b>	<b>10,922,876</b>	<b>1,213,653</b>	<b>10,922,876</b>	<b>1,213,653</b>	<b>12,136,529</b>

### TREASURY SHARES

	Number of shares		In thousands of tenge		Total issued shares
	Common shares	Preferred non-voting shares	Common shares	Preferred non-voting shares	
<b>At 31 December 2020</b>	<b>216,852</b>	<b>914,868</b>	<b>3,052,617</b>	<b>4,012,997</b>	<b>7,065,614</b>
Treasury shares reacquired	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-
<b>At 31 December 2021</b>	<b>216,852</b>	<b>914,868</b>	<b>3,052,617</b>	<b>4,012,997</b>	<b>7,065,614</b>
Treasury shares reacquired	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-
<b>At 31 December 2022</b>	<b>216,852</b>	<b>914,868</b>	<b>3,052,617</b>	<b>4,012,997</b>	<b>7,065,614</b>

### SHARES ISSUED LESS REACQUIRED SHARES

As at 31 December 2022 and 2021, number of common and preferred shares issued net of reacquired shares was 10,706,024 and 298,785 shares, respectively.

### PREFERRED SHARES

Holders of preferred shares are entitled to receive annual cumulative dividends in the amount of KZT 300 per share, and at least the amount of dividends per share paid to holders of ordinary shares. Payment of dividends on preferred shares does not require a resolution of the shareholders' meeting of Kazakhtelecom JSC. The discounted value of future cash flows of annual cumulative dividends represents a financial liability as of 31 December 2022 in the amount of KZT 814,868 thousand (as of 31 December 2021: KZT 814,868 thousand). This obligation is reflected as a debt component of preferred shares as part of long-term liabilities.



## 22. EQUITY (CONTINUED)

### DIVIDENDS

The preferred shares earn a non-discretionary dividend of 300 tenge 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 2022 (at 31 December 2021: KZT 89,636 thousand) and are recorded as interest expenses in the consolidated statement of comprehensive income (Note 39).

On the basis of the decision made at the annual shareholders general meeting of Kazakhtelecom JSC on 30 April 2022, the Company declared dividends on preferred shares based on 2021 results in the amount of KZT 983,119 thousand and dividends on common shares in the amount of KZT 38,438,802 thousand (2021: KZT 427,525 thousand and KZT 18,530,843 thousand, respectively). The dividends accrued on common shares were paid during 2022. As of 31 December 2022, dividends per share (common and preferred) amounted to KZT 3,590.39 (as of 31 December 2021: KZT 1,730.88 per common and preferred share).

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

In thousands of tenge	2022	2021
<b>Dividends payable at the beginning of the year</b>	<b>17,573</b>	<b>17,577</b>
Dividends declared on common shares to equity holders of the parent	38,438,802	18,530,843
Dividends declared on common shares to non-controlling interests	-	4,394,500
Dividends declared on preferred shares in excess of the obligatory amount	983,119	427,525
Interest on debt component of preferred shares (Note 39)	89,636	89,636
Offsetting	-	(1,386,421)
Dividends paid to equity holders of the parent	(39,511,557)	(17,661,587)
Dividends paid to non-controlling interests	-	(4,394,500)
<b>Dividends payable at the end of the year (Note 29)</b>	<b>17,573</b>	<b>17,573</b>

For the year ended 31 December 2022 the Group paid withholding tax on dividends in the amount of KZT 909 thousand (2021: KZT 3,191 thousand).

### OTHER TRANSACTIONS WITH OWNERS

In accordance with the decision of Samruk-Kazyna JSC, in 2018-2021 Kazakhtelecom JSC engaged independent consultants to perform IPO of Kazakhtelecom JSC. In accordance with the decision of the Management Board of Samruk Kazyna JSC, these expenses have to be reimbursed by Samruk-Kazyna JSC. Thus, in 2021 both parties concluded an agreement on reimbursement of expenses. The total amount of expenses to be reimbursed amounted to KZT 1,310,411 thousand, excluding VAT. Part of the expenses was reimbursed by offsetting with dividends payable for KZT 1,386,421 thousand, including VAT (KZT 1,237,876 thousand, excluding VAT). The remaining part of KZT 72,535 thousand was entirely received in cash in 2021.

### 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 2022 and 2021.

### FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve is used to record 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 Parent (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	2022	2021
<b>Net profit</b>	<b>114,117,977</b>	<b>90,759,490</b>
Interest on preferred shares (Note 39)	89,636	89,636
<b>Net profit for calculating of basic and diluted earnings per share</b>	<b>114,207,613</b>	<b>90,849,126</b>
Weighted average number of common and preferred shares for calculation of basic and diluted earnings per share	11,004,809	11,004,809
<b>Basic and diluted earnings per share, tenge</b>	<b>10,377.97</b>	<b>8,255.40</b>

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.



## 22. EQUITY (CONTINUED)

### EARNINGS PER SHARE (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	2022	2021
Total assets	1,286,733,815	1,234,585,295
Less: intangible assets, including goodwill	347,543,744	357,827,030
Less: total liabilities	556,125,992	590,407,929
Less: preferred shares issued net of reacquired shares	298,785	298,785
<b>Net assets for calculation of cost of ordinary share in accordance with listing requirements of KASE</b>	<b>382,765,294</b>	<b>286,051,551</b>
Number of ordinary shares	10,706,024	10,706,024
<b>Cost of ordinary share, calculated in accordance with listing requirements of KASE (in tenge)</b>	<b>35,752</b>	<b>26,719</b>

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 2022, this indicator amounted to 3,727 tenge (as at 31 December 2021: 3,727 tenge).

## 23. BORROWINGS

As at 31 December 2022 and 2021, borrowings comprised:

In thousands of tenge	Weighted average effective interest rate	2022	Weighted average effective interest rate	2021
Borrowings with a fixed interest rate of 7.12% to 12.90% per annum	10.99%	125,061,369	10.90%	157,690,590
Bonds with a fixed interest rate of 11.84% to 11.86% per annum	11.86%	122,815,508	11.85%	158,100,718
		247,876,877		315,791,308

Borrowings are repayable as follows:

In thousands of tenge	2022	2021
<b>Current portion of borrowings</b>	<b>25,018,246</b>	<b>33,544,325</b>
Maturity between 1 and 2 years	110,270,990	24,453,132
Maturity between 2 and 5 years	101,977,816	239,849,225
Maturity over 5 years	10,609,825	17,944,626
<b>Total non-current portion of borrowings</b>	<b>222,858,631</b>	<b>282,246,983</b>
<b>Total borrowings</b>	<b>247,876,877</b>	<b>315,791,308</b>

As of 31 December 2022 and December 2021, loans represented by the following:

Borrowings	Maturity date	Currency	Effective interest rate	2022	2021
Halyk Bank of Kazakhstan JSC	21 May 2027	Tenge	12.20%	47,508,167	58,057,949
First Heartland Jusan Bank JSC	10 November 2024	Tenge	12.90%	40,209,056	39,870,617
Development Bank of Kazakhstan JSC (Note 46)	30 June 2032	Tenge	7.95%-8.41%	21,470,046	23,611,713
Development Bank of Kazakhstan JSC (Note 46)	19 December 2024	Tenge	7.12%-9.30%	8,839,409	16,039,080
VTB Bank JSC	15 October 2023	Tenge	11.90%	5,001,538	7,006,228
Bank of China Kazakhstan JSC	1 June 2024	Tenge	10.70%	2,033,153	13,105,003
<b>Total</b>				<b>125,061,369</b>	<b>157,690,590</b>

As at 31 December 2022 and 2021 the Group's borrowings have fixed interest rates.

##### Halyk Bank of Kazakhstan JSC (with maturity date – 21 May 2027)

During 2022, the Group made repayment of principal amount for KZT 10,428,192 thousand and interest amount for KZT 6,331,832 thousand under the credit line agreements concluded with the Halyk Bank JSC with the maturity in 21 May 2027 (2021: KZT 10,428,192 thousand and KZT 7,546,064 thousand, respectively).

##### First Heartland Jusan Bank JSC (with maturity date – 10 November 2024)

On 10 November 2021, the Group's subsidiary, Kcell JSC, and First Heartland Jusan Bank JSC signed a credit line agreement in the amount of KZT 60,500,000 thousand. On 11 November 2021 two tranches were received from First Heartland Jusan Bank JSC in the amount of KZT 22,000,000 thousand and KZT 12,000,000 thousand with an interest rate of 11% per annum and 10.7% per annum, respectively. Additionally, on 25 November 2021, third tranche was received from First Heartland Jusan Bank JSC in the amount of KZT 6,500,000 thousand with an interest rate of 11% per annum, with a maturity until 10 November 2024. At the date of initial recognition, the loan was recognized at fair value based on expected cash outflows at a market rate observable for similar instruments of 12.9% at the time the loan was issued. On initial recognition of all three tranches total discount in the amount of KZT 1,260,102 thousand was recognised within equity in 'Non-controlling interest' part. During 2022, the Group made repayment of interest amount for KZT 4,506,175 thousand.

##### Development Bank of Kazakhstan JSC (with maturity date – 30 June 2032)

During 2022, the Group made repayment of principal amount for KZT 2,133,333 thousand and interest amount for KZT 1,651,723 thousand under the credit line agreements concluded with the Development Bank of Kazakhstan JSC with the maturity in June 2032 (2021: KZT 2,133,332 thousand and KZT 1,814,734 thousand, respectively).



## 23. BORROWINGS (CONTINUED)

### Development Bank of Kazakhstan JSC (with maturity date – 19 December 2024)

During 2022, the Group made repayment of principal amount for KZT 7,111,566 thousand and interest amount for KZT 1,047,811 thousand under the credit line agreements concluded with the Development Bank of Kazakhstan JSC with the maturity in December 2024 (2021: KZT 7,425,363 thousand and KZT 1,813,732 thousand, respectively).

### Bank of China Kazakhstan JSC (with maturity date – 1 June 2024)

During 2019 and 2020, the Group obtained loan in the amount of KZT 5,000,000 thousand and KZT 6,000,000 thousand, respectively, within credit line agreement with Bank of China Kazakhstan JSC with a repayment period of 36 months and a fixed interest rate of 10.5% per annum. On 14 October 2020 the Group has signed addendum to loan agreement with Bank of China to decrease interest rate from 10.5% to 10.3% per annum under credit line agreement. The change in the interest rate does not represent a substantial modification as in accordance with IFRS 9 and thus, it did not lead to the derecognition of the original liability.

On 2 June 2021 the Group obtained additional tranche in the amount of KZT 2,000,000 thousand from Bank of China JSC within the same credit line agreement. During 2022, the Group made repayment of principal amount for KZT 11,000,000 thousand and interest repayment for KZT 1,026,854 thousand (2021: interest repayment for KZT 1,253,453 thousand).

### VTB Bank JSC (with maturity date – 15 October 2023)

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 2022, the Group made repayment of principal amount for KZT 2,000,000 thousand and interest amount for KZT 574,868 thousand (2021: interest repayment for KZT 721,718 thousand).

As of 31 December 2022 and 2021, debt securities issued represented by the following:

Bonds	Maturity date	Currency	Effective interest rate	2022 год	2021 год
Local bonds of Kazakhtelecom JSC (KZTKb3)	19 June 2026	Tenge	11.86%	80,243,841	80,225,718
Local bonds of Kazakhtelecom JSC (KTCB.1024 and KTCB2.1024) (Note 45)	1 November 2024	Tenge	11.84%	42,571,667	77,875,000
				122,815,508	158,100,718

### Local bonds of Kazakhtelecom JSC (KZTKb3)

On 19 June 2019, the Group placed bonds on the Kazakhstan Stock Exchange JSC 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 2022, the Group has repaid interest for KZT 9,200,001 thousand (2021: interest repayment for KZT 9,200,001 thousand).

### Local bonds of Kazakhtelecom JSC (KTCB.1024 and KTCB2.1024)

On 6 November and 12 December 2018, the Group made a listing of coupon 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.

In accordance with the terms of the bonds sale agreements concluded with the Parent, the Group is obliged to provide collateral represented by shares of Kcell JSC sufficient to cover the total amount of the agreements before 31 December 2019 or the primary/secondary public offering of shares of Kazakhtelecom JSC on the stock market, depending on what comes last. On 18 August 2020, 150 million shares or 75% of shares of Kcell JSC were pledged to the Parent as a collateral for the bonds of the Group.

On 10 December 2020, the Group early redeemed local bonds with the maturity till 1 November 2024 in the amount of KZT 25,000,000 thousand from Parent company.

During 2022, the Group has bought out part of the bonds ahead of schedule amount for KZT 34,000,000 thousand and interest for KZT 9,048,583 thousand (2021: interest repayment for KZT 8,625,000 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 2022 and 31 December 2021, 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	Equipment	Total
<b>Cost</b>			
<b>At 1 January 2021</b>	<b>60,846,301</b>	<b>42,848,491</b>	<b>103,694,792</b>
Additions	4,072,579	-	4,072,579
Modifications	1,795,233	-	1,795,233
Cancellation	(1,179,162)	-	(1,179,162)
<b>At 31 December 2021</b>	<b>65,534,951</b>	<b>42,848,491</b>	<b>108,383,442</b>
Additions	3,099,088	211,757	3,310,845
Modifications	786,573	2,035,434	2,822,007
Cancellation	(884,365)	-	(884,365)
<b>At 31 December 2022</b>	<b>68,536,247</b>	<b>45,095,682</b>	<b>113,631,929</b>
<b>Accumulated depreciation</b>			
<b>At 1 January 2021</b>	<b>16,569,720</b>	<b>7,430,654</b>	<b>24,000,374</b>
Depreciation charge	10,451,786	3,187,580	13,639,366
Cancellation	(105,364)	-	(105,364)
<b>At 31 December 2021</b>	<b>26,916,142</b>	<b>10,618,234</b>	<b>37,534,376</b>
Depreciation charge	4,495,171	8,493,289	12,988,460
Cancellation	(185,712)	-	(185,712)
<b>At 31 December 2022</b>	<b>31,225,601</b>	<b>19,111,523</b>	<b>50,337,124</b>
<b>Net book value</b>			
<b>At 31 December 2021</b>	<b>38,618,809</b>	<b>32,230,257</b>	<b>70,849,066</b>
<b>At 31 December 2022</b>	<b>37,310,646</b>	<b>25,984,159</b>	<b>63,294,805</b>



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

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

In thousands of tenge	31 December 2022	31 December 2021
<b>At the beginning of the year</b>	<b>49,151,576</b>	<b>59,110,635</b>
Additions (Note 47)	3,310,845	4,072,579
Modifications (Note 47)	2,822,007	1,795,233
Cancellation (Note 47)	(698,653)	(754,362)
Interest expenses (Note 39)	5,716,000	7,469,004
Payment of interest part (Note 47)	(5,716,000)	(7,469,004)
Payment of principal part (Note 47)	(13,759,891)	(15,072,509)
<b>At the end of the year</b>	<b>40,825,884</b>	<b>49,151,576</b>

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

In thousands of tenge	31 December 2022	31 December 2021
Non-current portion of liabilities	28,360,505	33,810,098
Current portion of lease liabilities	12,465,379	15,341,478

The following are the amounts recognised in profit or loss:

In thousands of tenge	31 December 2022	31 December 2021
Depreciation expense of right-of-use assets	12,988,460	13,639,366
Interest expense on lease liabilities (Note 39)	5,716,000	7,469,004
Expense relating to short-term leases and leases of low-value assets (included in cost of sales) (Note 35)	1,133,982	1,007,372
Expense relating to short-term leases (included in general and administrative expenses) (Note 36)	221,786	241,174
	20,060,228	22,356,916

The Group had total cash outflows for leases of KZT 20,831,659 thousand in 2022, including cash outflow of KZT 1,355,768 thousand related to leases of low-value assets and short-term leases (2021: KZT 23,790,059 thousand and KZT 1,248,546 thousand, respectively). The Group also had non-cash additions to right-of-use assets and lease liabilities of KZT 3,310,845 thousand in 2022 (2021: KZT 4,072,579 thousand).

## 25. EMPLOYEE BENEFIT 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. These expenses are recorded in the period when they were incurred.

### EMPLOYEE BENEFIT OBLIGATIONS

As at 31 December 2022 and 2021, the total employee benefit obligations of the Group comprised the following:

In thousands of tenge	2022	2021
Present value of defined benefit pension plan obligation	17,508,382	22,685,554
Present value of obligations for other long-term payments	742,004	689,610
	18,250,386	23,375,164

A defined benefit pension plan provides for the fulfilment of obligations under the state 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 2022 and 2021:

In thousands of tenge	2022	2021
<b>Total liability at the beginning of the year</b>	<b>22,685,554</b>	<b>16,688,944</b>
Current service cost	833,583	569,878
Past service cost	(9,646,346)	-
Interest expenses	1,745,547	1,326,771
Benefits paid during the year	(1,457,974)	(2,730,146)
Actuarial losses recognized during the year within other comprehensive income	3,348,018	6,830,107
<b>Total liability at the end of the year</b>	<b>17,508,382</b>	<b>22,685,554</b>
Liability payable within one year	(1,471,855)	(1,425,479)
<b>Liability payable after one year</b>	<b>16,036,527</b>	<b>21,260,075</b>

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 2022 and 2021:

In thousands of tenge	2022	2021
<b>Total liability at the beginning of the year</b>	<b>689,610</b>	<b>727,200</b>
Current service cost	43,184	52,375
Previous years service cost	53,576	-
Interest expenses	51,972	57,812
Benefits paid during the year	(71,745)	(85,975)
Actuarial income recognized during the year in profit and loss	(24,593)	(61,802)
<b>Total liability at the end of the year</b>	<b>742,004</b>	<b>689,610</b>
Liability payable within one year	(91,002)	(100,963)
<b>Liability payable after one year</b>	<b>651,002</b>	<b>588,647</b>



## 25. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

### EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

Gain from changes of previous years service cost recognized in 2022 resulted primarily from changes in collective agreement amended in February 2022 (2021: actuarial losses resulted primarily from changes in the assumptions relating to the discount rate and from historical adjustments). Cost of current service, changes in previous years service cost, interest expenses and actuarial losses in the total amount of KZT (6,943,077) thousand were recorded in cost of sales and general and administrative expenses within personnel costs (2021: KZT 1,945,034 thousand) (Notes 38 and 39).

Actuarial losses recognized in 2022 within other comprehensive income were equal to KZT 3,348,018 thousand (2021: actuarial losses, net of income tax, of KZT 6,302,871 thousand).

There were no unrecognised actuarial losses or past service costs.

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:

In thousands of tenge	2022	2021
Discount rate	9.92%	7.95%
The expected rate of future annual minimum salary increases	9.00%	8.10%

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

Sensitivity level	Discount rate		The expected rate of future annual minimum salary increases	
	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)

A quantitative sensitivity analysis for significant assumptions as at 31 December 2021, was as follows:

Sensitivity level	Discount rate		The expected rate of future annual minimum salary increases	
	Growth by 0.5%	Reduction by 0.5%	Growth by 1%	Reduction by 1%
Impact on defined benefit plan obligations, in thousands tenge	(1,178,236)	1,459,647	1,653,978	(1,557,960)

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 2022 and 2021, non-current contract liabilities comprised:

In thousands of tenge	2022	2021
Contract liabilities from operators	4,047,586	4,766,404
Contract liabilities for connection of subscribers	426,653	544,722
Other contract liabilities	3,079,966	2,876,996
	7,554,205	8,188,122

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

In thousands of tenge	2022	2021
<b>Contract liabilities as at 1 January</b>	<b>30,068,781</b>	<b>24,944,812</b>
Deferred during the year	287,690,513	232,019,257
Recognised as revenue during the year	(283,462,982)	(226,895,288)
<b>Total contract liabilities as at 31 December</b>	<b>34,296,312</b>	<b>30,068,781</b>
Current portion (Note 30)	26,742,107	21,880,659
Non-current portion	7,554,205	8,188,122

## 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 2022 and 2021 were as follows:

In thousands of tenge	2022	2021
<b>Provision for asset retirement obligation as at 1 January</b>	<b>10,284,324</b>	<b>8,480,576</b>
Amortization of discount (Note 39)	610,541	597,758
Change in estimate (Note 8)	(1,352,105)	1,205,990
<b>Provision for asset retirement obligation as at 31 December</b>	<b>9,542,760</b>	<b>10,284,324</b>
Current portion (Note 31)	2,947,595	2,868,319
Non-current portion	6,595,165	7,416,005

## 28. TRADE PAYABLES

As at 31 December 2022 and 2021, trade payables comprised:

In thousands of tenge	2022	2021
Trade payables for supply of property and equipment	56,524,594	46,945,570
Trade payables for services rendered	46,382,181	27,284,558
Trade payables for inventory received	1,925,479	870,483
	104,832,254	75,100,611

As at 31 December 2022 and 2021, trade payables were interest-free.

## 28. TRADE PAYABLES (CONTINUED)

As at 31 December 2022 and 2021, trade payables were mainly denominated in the following currencies:

In thousands of tenge	2022	2021
Tenge	98,267,568	56,541,166
US dollars	3,137,656	16,879,626
Euro	3,035,534	1,478,207
Russian rubles	384,720	194,828
Other	6,776	6,784
	104,832,254	75,100,611

## 29. OTHER CURRENT FINANCIAL LIABILITIES

As at 31 December 2022 and 2021, other current financial liabilities comprised:

In thousands of tenge	2022	2021
Payable to employees	24,352,049	19,363,782
Dividends payable (Note 22)	17,573	17,573
Other	3,247,259	570,730
	27,616,881	19,952,085

As at 31 December 2022 and 2021, other current financial liabilities were not interest bearing and the balances were mainly denominated in tenge.

## 30. CURRENT CONTRACT LIABILITIES

As at 31 December 2022 and 2021, current contract liabilities comprised:

In thousands of tenge	2022	2021
Advances received	24,597,725	19,697,210
Contract liabilities from operators	1,678,156	1,674,654
Contract liabilities for connection of subscribers	261,527	312,099
Other contract liabilities	85,025	82,586
Other	119,674	114,110
	26,742,107	21,880,659

Advances received represents the prepayment for the services of the Group like telecommunications services, internet services, IP-TV by customers. The customers can be divided to three major groups: individuals, private firms and legal firms under government sector.

## 31. OTHER CURRENT NON-FINANCIAL LIABILITIES

As at 31 December 2022 and 2021, other current non-financial liabilities comprised:

In thousands of tenge	2022	2021
<b>Provisions</b>		
Legal claims on contractual obligation and penalties	3,684,675	3,684,675
Asset retirement obligation (Note 27)	2,947,595	2,868,319
Accrual of provisions for tax risks	1,910,312	3,842,611
	8,542,582	10,395,605
<b>Other non-financial liabilities</b>		
Taxes payable other than income tax	4,249,869	2,745,141
Payable to pension funds	1,009,829	712,895
Other	703,727	425,390
	5,963,425	3,883,426
	14,506,007	14,279,031

Movements in tax provisions for the years ended 31 December 2022 and 2021 were as follows:

In thousands of tenge	2022	2021
<b>Provision as at 1 January</b>	<b>3,842,611</b>	<b>1,616,063</b>
Accrual of provisions for tax risks	1,019,959	2,226,548
Use of provision	(822,012)	-
Reversal of fines and penalties provision	(2,130,246)	-
<b>Provision as at 31 December</b>	<b>1,910,312</b>	<b>3,842,611</b>

During 2021, the Group accrued tax provision for KZT 2,226,548 thousand, KZT 1,055,681 thousand of which relates to conducted tax review by representatives of the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan (Note 48) and KZT 1,170,867 thousand relates to conducted tax review performed by independent tax specialists.

During 2022 the Group accrued a provision for corporate income tax and withholding tax in the amount of KZT 1,019,959 thousand and recovered KZT 1,896,577 thousand based on the own tax review for 2021, as well as for the 3rd quarter of 2022. The Company has analyzed and reflected in the financial statements those risks that the Company cannot eliminate or reduce to a significant extent.

In 2022, on the basis of the Protocol on the results of the monitoring conducted within the framework of the pilot project on horizontal monitoring of Kazakhtelecom JSC for the period from 2016-2020 dated 05/17/2022 and the Tax Audit Act dated 12/23/2022 No. 520, taxes were recognized against the previously created reserve in the amount of KZT 822,012 thousand. Due to the completion of the documentary tax audit, the balance of the unused reserve in the amount of KZT 233,669 thousand was written off.



### 31. OTHER CURRENT NON-FINANCIAL LIABILITIES (CONTINUED)

Movements in provisions for legal claims on contractual obligation and penalties for the years ended 31 December 2022 and 2021 were as follows:

In thousands of tenge	2022	2021
<b>Provision as at 1 January</b>	<b>3,684,675</b>	<b>4,385,679</b>
Reversal of fines and penalties provision	-	(682,820)
Reversal of other provision	-	(18,184)
<b>Provision as at 31 December</b>	<b>3,684,675</b>	<b>3,684,675</b>

In 2020 the Group accrued certain amount of provision related to legal claims on contractual obligation and fines and penalties that Management considers as probable in the amount of KZT 3,684,675 thousand tenge and KZT 701,004 thousand, respectively (Note 48).

Portion of provision of fines and penalties in the amount of KZT 682,820 thousand was reversed in 2021 due to finalization of custom audit (Note 48).

### 32. GOVERNMENT GRANTS

As at 31 December 2022 and 2021, government grants comprised:

In thousands of tenge	2022	2021
<b>Government grants as at 1 January</b>	<b>18,798,488</b>	-
Received during the period	14,391,376	25,083,510
Released to the statement of profit or loss	(6,331,898)	(6,285,022)
<b>Government grants as at 31 December</b>	<b>26,857,966</b>	<b>18,798,488</b>
Current portion	6,167,493	4,202,083
Non-current portion	20,690,473	14,596,405

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 2021 and 2022 in the amount of KZT 13,571,431 thousand and KZT 14,391,376 thousand, respectively, 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 2022 the balance of government grants was equal to 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 6,331,898 thousand.

As of 31 December 2022 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:

In thousands of tenge	For the year ended 31 December 2022			
	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

In thousands of tenge	For the year ended 31 December 2021			
	Fixed line	Mobile	Прочие	Итого
Data transfer services	123,740,238	160,025,192	14,013	283,779,443
Rendering of fixed line and wireless phone services	36,408,258	127,891,407	-	164,299,665
Sale of equipment and mobile devices	6,744	37,999,601	-	38,006,345
Interconnect	15,856,166	13,318,623	-	29,174,789
Rent of channels	3,009,668	-	-	3,009,668
Other	53,557,159	8,514,327	1,153,824	63,225,310
	232,578,233	347,749,150	1,167,837	581,495,220
Services transferred over time	232,571,489	309,749,549	1,167,837	543,488,875
Goods transferred at a point of time	6,744	37,999,601	-	38,006,345
	232,578,233	347,749,150	1,167,837	581,495,220
B2C*	122,030,130	294,464,846	992,996	417,487,972
B2B**	39,135,832	27,859,795	174,841	67,170,468
B2O***	18,449,109	25,173,331	-	43,622,440
B2G****	52,963,162	251,178	-	53,214,340
	232,578,233	347,749,150	1,167,837	581,495,220

\* 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

In 2017, the regulatory documents on subsidy were amended. In particular, under the Resolution of the Government of the Republic of Kazakhstan No. 238 dated 2 May 2017, new tender rules for the identification of universal services operators were approved, including the calculation of the subsidy rates and the procedure for the authorised body to assign the obligation to provide universal services to telecom operators, requirements for telecoms operators to provide universal communications services, a list of universal communications services and the recognition of certain decisions which have lost their force, of the Government of the Republic of Kazakhstan.

The tender for the identification of universal services operator was conducted in September 2022 and based on the results of the tender Kazakhtelecom JSC was selected as the universal services operator. As at 31 December 2022 there were no unfulfilled conditions or contingencies attached to these subsidies.

The compensation received for the year ended 31 December 2022 was equal to KZT 6,326,916 thousand (2021: KZT 6,412,945 thousand).

### 35. COST OF SALES

Cost of sales for the years ended 31 December comprised:

In thousands of tenge	2022	2021
Depreciation and amortization	112,252,977	111,995,228
Personnel costs (Note 38)	102,695,145	86,709,615
Cost of SIM-card, scratch card and handsets	40,760,854	34,511,790
Interconnect	29,941,817	30,002,086
Repair and maintenance	21,368,503	22,657,762
Fees for radiofrequencies use	18,684,797	17,032,520
Electricity	12,201,887	10,367,857
Rent of channels	9,454,585	9,576,912
Fee to provide telecom services	8,932,534	7,937,629
Inventories	6,511,029	5,946,359
Content	5,486,641	6,544,992
Fees for the usage of license software	3,303,201	3,545,055
Security and safety	3,122,944	3,296,045
Utilities	2,156,791	2,602,614
Labelling costs	1,859,154	1,874,790
Business trip expenses	1,715,207	1,290,262
Short-term leases and leases of low-value assets (Note 24)	1,133,982	1,007,372
Insurance	995,354	961,921
Costs of hiring consultants	974,860	924,271
Satellite communication services	795,778	799,349
Network sharing agreement	582,961	814,643
Emergency expenses	103,442	1,003,104
Other	14,135,591	6,600,431
	399,170,034	368,002,607

### 36. GENERAL AND ADMINISTRATIVE EXPENSES

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

In thousands of tenge	2022	2021
Personnel costs (Note 38)	22,064,056	20,933,606
Taxes other than corporate income tax	7,944,097	7,444,303
Depreciation and amortization	6,396,266	5,848,923
Consulting services	1,589,259	5,808,933
Social activities	1,396,638	642,660
Business trips	777,428	593,516
Trainings	642,475	430,248
Inventories	506,214	361,277
Bank fees	458,947	230,099
Repair and maintenance expenses	319,344	747,285
Write-down of inventories to net realizable value (Note 15)	314,205	521,450
Personnel outsources expenses	262,592	832,488
Short-term lease expenses (Note 24)	221,786	241,174
Insurance	187,431	220,943
Security and safety	116,529	148,762
Collectors services	-	284,271
Other	961,517	3,632,167
	44,158,784	48,922,105

### 37. SELLING EXPENSES

Selling expenses for the years ended 31 December comprised:

In thousands of tenge	2022	2021
Marketing and advertising	9,953,872	8,959,743
Amortization of cost to obtain a contract	4,245,766	3,568,740
Other	2,709,089	1,152,757
	16,908,727	13,681,240

### 38. PERSONNEL EXPENSES

Personnel expenses for the years ended 31 December comprised:

In thousands of tenge	2022	2021
Payroll	119,067,416	96,389,163
Payroll related taxes	12,634,862	9,309,024
Employee benefits (Note 25)	(6,943,077)	1,945,034
	124,759,201	107,643,221





### 38. PERSONNEL EXPENSES (CONTINUED)

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

In thousands of tenge	2022	2021
Cost of sales (Note 35)	102,695,145	86,709,615
General and administrative expenses (Note 36)	22,064,056	20,933,606
	124,759,201	107,643,221

### 39. (FINANCE COSTS) / FINANCE INCOME

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

In thousands of tenge	2022	2021
<b>Finance costs</b>		
Interest expense on loans (Note 47)	(31,724,945)	(36,617,616)
Interest expense on lease liabilities (Note 24)	(5,716,000)	(7,469,004)
Discounting of long-term loans to employees	(1,170,102)	(110,649)
Discounting of other non-current financial assets	(633,068)	(1,356,558)
Unwinding of discount (provision for asset retirement obligation) (Note 27)	(610,541)	(597,758)
Unwinding of discount on long-term borrowings (Note 47)	(421,562)	-
Interest on debt component of preferred shares (Note 22)	(89,636)	(89,636)
Other costs	(103,693)	(195,252)
	(40,469,547)	(46,436,473)
<b>Finance income</b>		
Interest income on deposits	8,322,955	2,672,065
Interest income on financial assets at amortised cost	4,167,327	1,058,200
Interest income on cash balances	1,841,974	910,686
Unwinding of discount on long-term loans to employees	720,411	818,676
Unwinding of discount on long-term accounts receivable	445,401	162,137
Other income	479,886	221,220
	15,977,954	5,842,984

### 40. NET FOREIGN EXCHANGE GAIN

On 20 August 2015, the National Bank and the Government of the Republic of Kazakhstan announced the transition to “free floating exchange rate of tenge” and cancelation of the currency corridor. As a result, Kazakhstani tenge significantly devalued against US dollar and other major currencies approximately by 90%. Subsequently, the exchange rate of tenge to US dollar significantly fluctuated in accordance with the market conditions. During 2022, the exchange rate increased by 7,57% from 426.03 KZT per US Dollar to 460.93 KZT per US Dollar (during 2021, the exchange rate increased by 3.06% from 413.36 KZT per US Dollar to 426.03 KZT per US Dollar). Net foreign exchange gain for the year ended 31 December 2022 was KZT 7,901,638 thousand (net foreign exchange gain for the year ended 31 December 2021 was KZT 2,259,417 thousand).

### 41. INCOME FROM COMPENSATION FROM TELIA AND TURKCELL

On 20 May 2021, Kazakhtelecom JSC, Telia Company A. B. and Turkcell İletişim Hizmetleri A. Ş. settled out of court within the framework of arbitration proceedings initiated by Kazakhtelecom JSC in 2019 at the London Court of International Arbitration on claims related to violation of certain guarantees contained in the Contract for the Purchase of Shares of Kcell JSC dated 12 December 2018.

At the conclusion of negotiations, Telia Company A. B. and Turkcell İletişim Hizmetleri A.Ş. committed to repay compensation to Kazakhtelecom JSC in the amount of USD 22,000 thousand, equivalent to KZT 9,386,963 thousand. In May 2021, the Group received amount of compensation in full.

### 42. OTHER OPERATING INCOME/(EXPENSES)

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

In thousands of tenge	2022	2021
<b>Other operating income</b>		
Income from damages (Note 48)	11,368,772	-
Rental income	1,786,562	1,645,395
Fines and penalties	1,105,628	378,858
Income from liabilities write-off	764,932	266,905
Reimbursement of utilities expenses	139,508	141,975
Services for the provision of secure communication channels	-	115,308
Other	1,887,321	1,701,146
	17,052,723	4,249,587
<b>Other operating expenses</b>		
Utilities expenses	(520,164)	(495,641)
Rental expenses	(434)	(10,369)
Write-off of inventories (Note 48)	(553,000)	-
Other	(248,420)	(492,527)
	(1,322,018)	(998,537)

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 Satybaldy 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 12,733,024 thousand, 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 Satybaldy 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.

## 42. OTHER OPERATING INCOME/(EXPENSES) (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.

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.

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

## 43. INCOME TAX EXPENSES

Income tax expenses for the years ended 31 December comprised:

In thousands of tenge	2022	2021
Current corporate income tax expenses	39,878,423	33,297,458
Adjustments in respect of income tax of previous year	(709,158)	(1,136,840)
Deferred income tax benefit	(3,473,538)	(873,981)
	35,695,727	31,286,637

The Group and its subsidiaries except for KT-IX LLC are subject to taxation in the Republic of Kazakhstan. KT-IX LLC is subject to taxation in the Russian Federation. Tax rate for the Group and subsidiaries except for subsidiaries stated above was 20% in 2022 and 2021. A reconciliation of income tax expenses applicable to profit before taxation at the statutory rate of 20% (2021: 20%), with the current corporate income tax expenses for the years ended 31 December is out below:

In thousands of tenge	2022	2021
<b>Profit before taxation</b>	<b>164,448,872</b>	<b>128,730,423</b>
<b>Income tax at statutory income tax rate of 20%</b>	<b>32,889,774</b>	<b>25,746,085</b>
Adjustments in respect of deferred income tax of previous year	2,103,971	2,110,967
Changes in unrecognized tax loss carry forward	(1,530,000)	1,530,000
Impairment of non-financial assets	180,448	1,200,392
Tax provision expenses	(178,453)	445,310
Reimbursement of expenses related to IPO	-	262,082
(Non-taxable income) / on-deductible expenses related to employee benefits obligations	(1,893,763)	243,710
Share in profit of associates	(76,004)	(102,473)
Recognition of tax loss carry forward	1,804,000	(192,000)
Adjustments in respect of income tax of previous year	(709,158)	(1,136,840)
Non-deductible expenses	3,104,912	1,179,404
<b>Total income tax expenses</b>	<b>35,695,727</b>	<b>31,286,637</b>

As at 31 December 2022, 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:

In thousands of tenge	Consolidated statement of financial position		Consolidated statement of comprehensive income		As part of other comprehensive loss	
	31 December 2022	31 December 2021	2022 год	2021 год	2022 год	2021 год
<b>Deferred tax assets</b>						
Property and equipment	3,220,475	6,976,577	(3,756,102)	(5,193,942)	-	-
Deferred services	5,248,087	5,088,426	159,661	568,008	-	-
Government grants	5,371,953	3,759,698	1,612,255	3,759,698	-	-
Reserves on employee bonuses	3,352,474	2,488,757	863,717	28,236	-	-
Asset retirement obligation reserves	1,908,874	2,056,865	(147,991)	393,863	-	-
Tax loss carry forward	8,486	1,887,152	(1,878,666)	202,536	-	-
Employee benefit obligations	2,588,383	1,551,305	649,572	(306,606)	387,506	527,236
Lease liabilities	1,132,732	1,185,390	(52,658)	321,202	-	-
Accrued provisions for unused vacations	843,101	834,007	9,094	80,763	-	-
Allowance for expected credit losses	1,253,765	528,638	725,127	(98,737)	-	-
Intangible assets	96,306	258,912	(162,606)	77,606	-	-
Trademark payment obligation	-	-	-	(372,258)	-	-
Other	1,274,023	1,120,466	153,557	(76,177)	-	-
Less: unrecognized tax assets	-	(1,530,000)	1,530,000	(1,530,000)	-	-
Less: deferred tax assets less deferred tax liabilities	(24,827,896)	(25,546,023)	718,127	298,071	-	-
<b>Deferred tax assets</b>	<b>1,470,763</b>	<b>660,170</b>	<b>423,087</b>	<b>(1,847,737)</b>	<b>387,506</b>	<b>527,236</b>
<b>Deferred tax liabilities</b>						
Property and equipment	28,471,199	29,929,543	(1,458,344)	(762,293)	-	-
Intangible assets	27,154,373	29,706,769	(2,552,396)	(2,552,396)	-	-
Other	723,455	481,293	242,162	294,900	-	-
Less: deferred tax assets less deferred tax liabilities	(24,827,896)	(25,546,023)	718,127	298,071	-	-
<b>Deferred tax liabilities</b>	<b>31,521,131</b>	<b>34,571,582</b>	<b>(3,050,451)</b>	<b>(2,721,718)</b>	<b>-</b>	<b>-</b>
<b>Deferred income tax benefit</b>	<b>-</b>	<b>-</b>	<b>3,473,538</b>	<b>873,981</b>	<b>387,506</b>	<b>527,236</b>



### 43. INCOME TAX EXPENSES (CONTINUED)

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

In thousands of tenge	2022	2021
Deferred tax assets	1,470,763	660,170
Deferred tax liabilities	(31,521,131)	(34,571,582)
<b>Net deferred tax liabilities</b>	<b>(30,050,368)</b>	<b>(33,911,412)</b>
<b>Reconciliation of deferred tax liabilities, net</b>		
<b>Balance at 1 January</b>	<b>(33,911,412)</b>	<b>(35,312,629)</b>
Income tax benefit for the reporting period – origination and recovery of temporary differences	3,473,538	873,981
Less: deferred tax recognised within other comprehensive loss	387,506	527,236
<b>Balance at 31 December</b>	<b>(30,050,368)</b>	<b>(33,911,412)</b>

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 2022, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised was equal to KZT 13,026,150 thousand (as at 31 December 2021: KZT 13,713,293 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.

### 44. DISPOSAL GROUP

#### KT CLOUD LAB LLP

On 17 June 2021, the Group concluded an agreement on sale of KT Cloud Lab LLP. At 31 December 2020, assets and liabilities of KT Cloud Lab LLP were classified as an assets held for sale and liabilities directly associated with the assets held for sale and were equal to KZT 18,872,008 thousand and KZT 895,217 thousand.

In accordance with the agreement, payments shall be made in 3 tranches (the first tranche in the amount of 30% of the purchase price within 30 days after agreement signing date, the second tranche in the amount of 35% of the purchase price within 12 months after signing date and the third tranche in the amount of 35% of the purchase price within 24 months after signing date).

On 14 July 2021, the buyer made the first tranche under the purchase agreement in the amount of 30% of the purchase price. The buyer's intention to exercise his right to early repurchase the remaining stake in KT Cloud Lab LLP allowed the Group to recognize the disposal of KT Cloud Lab LLP from the moment of receipt of the first tranche and to recognize the payment arrears from the winner of the tender in full.

On 20 October 2021, the buyer repaid the remaining part of the purchase price ahead of the repayment schedule.

Net assets of KT Cloud Lab LL are presented as follows:

In thousands of tenge	Дата выбытия	31 December 2021
<b>Assets</b>		
Property and equipment		525,792
Intangible assets		483,934
Other non-current financial assets		77,431
Inventories		8,546
Trade receivables		916,395
Other current non-financial assets		22,958
Other current financial assets		164,340
Advanced paid		15,819
Cash and cash equivalents		447,868
<b>Assets held for sale</b>		<b>2,663,083</b>
<b>Liabilities</b>		
Deferred tax liabilities		11,099
Trade payables		146,423
Other current financial liabilities		199,715
Contract liabilities		63
Other current non-financial liabilities		444,965
<b>Liabilities directly associated with the assets held for sale</b>		<b>802,265</b>
<b>Net assets directly associated with the disposal group</b>		<b>1,860,818</b>

During 2021, the Group has recognized loss from disposal of the subsidiary in the consolidated statement of comprehensive income for KZT 425,818 thousand.

Following is a schedule of consideration received from the disposal of KT Cloud Lab LLP:

In thousands of tenge	2021
Cash consideration received	1,435,000
Less: cash disposed	(447,868)
<b>Total cash consideration received</b>	<b>987,132</b>

## 45. NON-CASH TRANSACTIONS

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

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

In 2022, the Group paid an amount of KZT 46,945,570 thousand for property and equipment purchased in prior year (2021: KZT 34,791,317 thousand). Property and equipment in the amount of KZT 56,524,594 thousand was purchased in 2022 but not paid as at 31 December 2022 (2021: KZT 46,945,570 thousand).

In 2022, the Group withhold from the salary of employees the amount of previously issued loans for KZT 1,206,379 thousand (2021: KZT 1,632,947 thousand).

## 46. 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 2022, the Group recognized a provision for expected credit loss in the amount of KZT 294,214 thousand in respect of receivables from related parties.

Sales and purchases with related parties during the years ended 31 December 2022 and 2021 and the balances with related parties at 31 December 2022 and 2021 were as follows:

In thousands of tenge	2022	2021
<b>Sales of goods and services</b>		
Parent	13,275	22,762
Parent-controlled entities	2,963,506	1,972,355
Associate (Qaz Cloud LLP)	1,161,487	1,007,919
Government-related entities	53,041,835	54,090,034
<b>Purchases of goods and services</b>		
Parent-controlled entities	2,631,988	3,841,442
Associate (Qaz Cloud LLP)	1,773,632	1,563,631
Government-related entities	277,973	264,391
<b>Interest accrued on borrowings and bonds</b>		
Entities under state control (Development Bank of Kazakhstan JSC)	2,603,095	3,401,926
Average interest rate on borrowings	8,02%	8,09%
Parent*	7,745,250	8,625,000
Average interest rate on bonds	11,85%	11,84%

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

In thousands of tenge	2022	2021
<b>Cash and cash equivalents</b>		
Entities under state control (Development Bank of Kazakhstan JSC)	31	229
<b>Borrowings and bonds (Note 23)</b>		
Entities under state control (Development Bank of Kazakhstan JSC)	30,309,455	39,650,793
Parent*	42,571,667	77,875,000
<b>Trade receivables</b>		
Parent	1,229	1,521
Parent-controlled entities	566,382	378,563
Associate (Qaz Cloud LLP) (Note 10)	222,479	130,273
Government-related entities	7,833,829	8,970,497
<b>Trade payables</b>		
Parent	59	59
Parent-controlled entities	234,945	1,069,641
Associate (Qaz Cloud LLP) (Note 10)	863,154	423,755
Government-related entities	1,643,367	1,676,754
<b>Other non-current assets</b>		
Long-term loans to key management personnel	-	11,655

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

## COMPENSATION TO KEY MANAGEMENT PERSONNEL

For the years ended 31 December 2022 and 2021, the total compensation to key management personnel included in the accompanying consolidated statement of comprehensive income under general and administrative expenses was KZT 3,594,862 thousand and KZT 3,051,642 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.

As disclosed in Note 32 and 34, the Government of the Republic of Kazakhstan provides the Group with certain compensation for the provision of universal services in rural areas and government grants.

## 47. 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 2022, comprise accrued/(reversed) allowance for expected credit loss for trade receivables in amount of KZT 7,464,288 thousand (Note 16), other current financial assets in amount of KZT 155,468 thousand (Note 18), cash and cash equivalents in amount of KZT 2,404 thousand (Note 21) (2021: other non-current financial assets in amount of KZT 110,184 thousand, trade receivables in amount of KZT 2,971,041 thousand, other current financial assets in amount of KZT 168,526 thousand, cash and cash equivalents in amount of KZT 4,830 thousand and trade receivables of KT Cloud Lab LLP (before disposal) in amount of KZT 1,782 thousand).





## 47. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (CONTINUED)

### IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS

Impairment losses on non-financial assets for the year ended 31 December 2022, comprise accrued/(reversed) allowance for impairment for advances paid for non-current assets for KZT 510,195 thousand (Note 8), advances paid for current assets for KZT 103,649 thousand (Note 17), impairment of property and equipment for KZT 1,176,363 thousand (Note 8) and reversal of impairment of intangible assets for KZT (311,331) thousand (Note 9) (2021: advances paid for non-current assets for KZT 111,377 thousand, advances paid for current assets for KZT (19,991) thousand, impairment of property and equipment for KZT 3,946,812 thousand and impairment of intangible assets for KZT 1,963,761 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 2022 and 2021, 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.

In thousands of tenge	2022		2021	
	Increase/ (decrease) in exchange rate	Effect on profit before tax	Increase/ (decrease) in exchange rate	Effect on profit before tax
US dollars	21%	32,688,318	13%	12,599,504
	-21%	(32,688,318)	-10%	(9,691,926)

### 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.



## 47. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (CONTINUED)

### FINANCIAL INSTRUMENTS AND CASH DEPOSITS (CONTINUED)

In thousands of tenge	Rating 2022	Rating 2021	Cash balance		Balance on deposit accounts	
			2022	2021	2022	2021
JSC "Halyk Bank of Kazakhstan"	BB+/stable/ BBB-, kzAA	BB+/ stable /BBB-, kzAA	134,827,224	74,754,897	81,489,820	34,752,026
JSC "Citibank Kazakhstan"	A+/ stable /A+	A+/ stable /A+	7,498,826	174,505	37,530	1,040
JSC "Bank "Bank RBK"	B2+/positive/	B+/ stable /	2,336,823	-	-	-
Electronic money	-	-	994,814	-	-	-
JSC "Bank CenterCredit"	B+/ stable, kzBBB-	B/ stable, kzBBB-	311,568	51,091	-	-
JSC "Kaspi Bank"	BB-/positive, Ba1,kzA	BB-/positive, kzA	225,382	65,733	-	-
PJSC "Sberbank of Russia"/	-	Baa3/ stable	125,509	188,971	-	-
JSC "Altyn Bank" (DB JSC "Halyk Bank of Kazakhstan")	BBB-/ stable, kzAA+	BBB-/ stable, kzAA+	72,383	772,040	7,025,890	20,000,400
PJSC "Bank Uralsib"	-	-	26,697	-	-	-
Credit Suisse (Schweiz) AG	A-	A+	12,266	1,838,596	-	-
DB Sberbank JSC/ Bereke bank JSC	-	BBB-/ stable, kzAA+	4,978	44,131	-	3,793,910
JSC "First Heartland Jýsan Bank"	B+/positive, kzBB+	B/ stable, kzBB+	2,611	19,657,548	19,253	11,000,000
TO JSC VTB Bank (Kazakhstan)	-	BB+/ stable, kzAA	1,177	103	-	-
JSC "Bank Freedom Finance Kazakhstan"	B-/positive	-	739	-	-	-
JSC Kazpost	Baa3/ stable	-	83	-	7,100,000	-
JSC "Development Bank of Kazakhstan"	BBB/ stable / BBB, kzAAA	BBB-/ stable / BBB, kzAAA	31	229	-	-
JSC DB "Bank of China in Kazakhstan"	BBB+/ stable , kzAAA	BBB+/ stable, kzAAA	23	465	-	-
JSC "ForteBank"	BB-/ stable/ BB-, kzA-	BBB+/ stable / BBB+, kzAA	11	-	-	-
JSC DB Alfa-Bank	-	BB/ stable / BB-, kzA+	-	64	-	-
<b>Total</b>			<b>146,441,145</b>	<b>97,548,373</b>	<b>95,672,493</b>	<b>69,547,376</b>

### 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 30% of borrowings and leases should mature in the next 12 month period, Approximately 17% of the Group's debt will mature in less than one year at 31 December 2022 (31 December 2021: 13%) 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
<b>At 31 December 2022</b>						
Borrowings	49,541,166	8,418,364	39,444,127	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
	<b>129,460,864</b>	<b>26,471,181</b>	<b>67,305,694</b>	<b>310,070,915</b>	<b>41,520,721</b>	<b>574,829,375</b>
<b>At 31 December 2021</b>						
Borrowings	74,259,126	9,820,160	57,049,596	314,513,423	17,348,143	472,990,448
Lease liabilities	-	4,986,740	14,145,911	49,582,402	13,021,976	81,737,029
Trade payables	57,253,546	7,437,264	10,409,801	-	-	75,100,611
Other financial liabilities	-	570,730	-	707	-	571,437
	<b>131,512,672</b>	<b>22,814,894</b>	<b>81,605,308</b>	<b>364,096,532</b>	<b>30,370,119</b>	<b>649,780,880</b>

### 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 2022 and 2021. 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.

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

In thousands of tenge	31 December 2022	31 December 2021
Interest-bearing loans and borrowings	247,876,877	315,791,308
Lease liabilities	40,825,884	49,151,576
<b>Net debt</b>	<b>288,702,761</b>	<b>364,942,884</b>
Total equity, including non-controlling interests	730,607,823	644,177,366
<b>Debt-equity ratio</b>	<b>0.40</b>	<b>0.57</b>



## 47. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (CONTINUED)

### 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 2022 was as follows:

In thousands of tenge	Date of valuation	Fair value measurement using			Total
		Price quotations on active markets (Level 1)	Significant observable in-puts (Level 2)	Significant unobservable in-puts (Level 3)	
<b>Assets for which fair values are disclosed</b>					
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
<b>Liabilities for which fair values are disclosed</b>					
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

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 2021 was as follows:

In thousands of tenge	Date of valuation	Fair value measurement using			Total
		Price quotations on active markets (Level 1)	Significant observable in-puts (Level 2)	Significant unobservable in-puts (Level 3)	
<b>Assets for which fair values are disclosed</b>					
Assets under reverse repurchase agreements	31 December 2021	-	49,999,824	-	49,999,824
Other non-current financial assets	31 December 2021	-	-	6,752,172	6,752,172
Other current financial assets	31 December 2021	-	-	11,592,724	11,592,724
Trade receivables	31 December 2021	-	-	36,873,043	36,873,043
<b>Liabilities for which fair values are disclosed</b>					
Borrowings	31 December 2021	-	-	319,483,880	319,483,880
Other non-current financial liabilities	31 December 2021	-	-	707	707
Other current financial liabilities	31 December 2021	-	-	19,952,085	19,952,085
Trade payables	31 December 2021	-	-	75,100,611	75,100,611

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 2022	Fair value 2022	Unrecog-nised gain/(loss) 2022	Carrying amount 2021	Fair value 2021	Unrecognised gain/(loss) 2021
<b>Financial assets</b>						
Cash and cash equivalents	242,122,154	242,122,154	-	167,109,839	167,109,839	-
Other non-current financial assets	6,973,300	6,629,229	(344,071)	7,141,361	6,752,172	(389,189)
Financial assets carried at amortised cost	14,832,821	14,896,830	64,009	-	-	-
Other current financial assets	4,374,070	4,374,070	-	11,592,724	11,592,724	-
Assets under reverse repurchase agreements	-	-	-	49,999,824	49,999,824	-
Trade receivables	45,305,186	45,305,186	-	36,873,043	36,873,043	-
<b>Financial liabilities</b>						
Borrowings	247,876,877	243,775,351	4,101,526	315,791,308	319,483,880	(3,692,572)
Other non-current financial liabilities	414	414	-	707	707	-
Other current financial liabilities	27,616,881	27,616,881	-	19,952,085	19,952,085	-
Trade payables	104,832,254	104,832,254	-	75,100,611	75,100,611	-
<b>Total unrecognised change in unrealised fair value</b>			<b>3,821,464</b>		<b>(4,081,761)</b>	<b>(4,081,761)</b>

### 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.

## 47. 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 2022 were as follows:

In thousands of tenge	1 January 2022	Principal obtained	Additions	Modifications	Cancellation of leases	Reclassifi-cation	Repayment of principal	Interest expense (Note 39)	Interest paid	Discount	31 December 2022
Borrowings: long term	282,246,983	-	-	-	-	(59,809,914)	-	-	-	421,562	222,858,631
Borrowings: short term	33,544,325	-	-	-	-	59,809,914	(66,673,091)	31,724,945	(33,387,847)	-	25,018,246
Lease liabilities: long term	33,810,098	-	3,310,845	2,822,007	(698,653)	(10,883,792)	-	-	-	-	28,360,505
Lease liabilities: short term	15,341,478	-	-	-	-	10,883,792	(13,759,891)	5,716,000	(5,716,000)	-	12,465,379
<b>Total</b>	<b>364,942,884</b>		<b>3,310,845</b>	<b>2,822,007</b>	<b>(698,653)</b>	<b>-</b>	<b>(80,432,982)</b>	<b>37,440,945</b>	<b>(39,103,847)</b>	<b>421,562</b>	<b>288,702,761</b>

Changes in liabilities due to financial activities for 2021 were as follows:

In thousands of tenge	1 January 2021	Principal obtained	Additions	Modifications	Cancellation of leases	Reclassifi-cation	Repayment of principal	Interest expense (Note 39)	Interest paid	Discount	Other	31 December 2021
Borrowings: long term	316,290,589	62,500,000	-	-	-	(95,283,504)	-	-	-	(1,260,102)	-	282,246,983
Borrowings: short term	46,111,485	-	-	-	-	95,283,504	(107,240,887)	36,617,616	(37,192,373)	-	(35,020)	33,544,325
Lease liabilities: long term	42,461,444	-	4,072,579	1,795,233	(754,362)	(13,764,796)	-	-	-	-	-	33,810,098
Lease liabilities: short term	16,649,191	-	-	-	-	13,764,796	(15,072,509)	7,469,004	(7,469,004)	-	-	15,341,478
<b>Total</b>	<b>421,512,709</b>	<b>62,500,000</b>	<b>4,072,579</b>	<b>1,795,233</b>	<b>(754,362)</b>	<b>-</b>	<b>(122,313,396)</b>	<b>44,086,620</b>	<b>(44,661,377)</b>	<b>(1,260,102)</b>	<b>(35,020)</b>	<b>364,942,884</b>

## 48. 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 42), which represent the theft of inventory (goods for resale) and damage to stores, which was recognized as part of other operating expenses.





## 48. COMMITMENTS AND CONTINGENCIES (CONTINUED)

### EVENTS IN UKRAINE AND THE CORONAVIRUS PANDEMIC

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 February 24, 2022. On 23 February 2022, the exchange rate of tenge against the US dollar began to weaken sharply. On December 6, 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 and the coronavirus pandemic 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 and the coronavirus pandemic will have only a limited impact on business in the future.

### CAPITAL COMMITMENTS

The Group generally enters into contracts for the completion of construction projects and purchase of telecommunication equipment. As at 31 December 2022, the Group had contractual obligations in the total amount of KZT 49,774,593 thousand, including VAT (31 December 2021: KZT 45,138,707 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. In addition, management believes that international agreements, under which the Group works with non-residents residing in International Telecommunication Union, and which provide for certain tax exemptions, have a priority over national tax legislation. 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 50-80% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of the Republic of Kazakhstan multiplied by 1,25. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review.

Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 31 December 2022. Management believes that as at 31 December 2021 its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these consolidated financial statements.

### Tax risks assessment

In the period from August 2021 to February 2022, Kazakhtelecom JSC carried out a tax review of historical data for the period from 2016 to 2020 in the format of a tax audit. The review was conducted by representatives of the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan, within the framework of the project "Horizontal Monitoring", which assumes in the future a new type of interaction between the taxpayer and the tax authority for the purposes of control and correctness of tax calculation.

Based on the results of the review, a register of tax risks was formed for a total amount of KZT 2,637,804 thousand, which at the time of the release of the financial statements for 2021 is advisory in nature.

The Group believes that it has correctly interpreted the tax legislation and intends to appeal against potential additional charges. Nevertheless, taking into account the statistics of appeals, as well as the controversial situation regarding the taxation of non-residents that is taking place in the tax environment at the moment, the Group ranked the register of tax risks according to the degree of probability and decided as of 31 December 2021 to create a reserve in the amount of KZT 1,055,681 thousand, as well as declare tax risks as contingent liabilities in the amount of KZT 1,487,574 thousand (Note 31).

In May 2022, the Protocol on the results of the tax review of historical data for the period from 2016 to 2020, according to which the amount of identified tax risks amounted to KZT 1,245,611 thousand, was agreed and signed, taxes were accrued and paid in full.

In November 2022, the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan began a comprehensive documentary audit, according to the results of which additional taxes and penalties were accrued in the amount of KZT 153,720 thousand, this obligation was also accrued and paid in full.

### 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.



## 48. COMMITMENTS AND CONTINGENCIES (CONTINUED)

### NEW TECHNICAL REGULATIONS

Order No. 85 of the Committee of the National Security dated 27 July 2021 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 2 August 2021 and came into force on 2 August 2022. 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.

As of 31 December 2022 the Group partially implemented modernization and expansion of license and port capacity for the total amount of KZT 4,612,223 thousand. The Group plans to complete expansion in full till 2025 and expect that total amount of capital expenditures in respect to modernization and expansion will be equaled to KZT 8,025,115 thousand.

### CUSTOMS INSPECTION

On 13 September 2019, the Customs Control Department ("CCD") of Almaty issued an order on initiation of custom audit in relation to Kcell's operation for the period 2014-2019, CCD examines Kcell's tax reporting documents for the purpose of the revealing of violations on incorrect determination of the customs value of goods and its incorrect classification, Custom audit is related to the revealing of violations of customs regulations, incorrect determination of the customs value of goods, and if violations are identified, Kcell may be brought to administrative penalty and be liable to pay appropriate customs charges, including import VAT and late payment fees, On 15 October 2020 the Customs Control Department issued the notice to postpone the customs inspection of Kcell for an indefinite period. According to the report, Kcell JSC added VAT in the amount of KZT 39,354 thousand and a fine for late payment in the amount of KZT 18,152 thousand. The preliminary report was reviewed by Kcell JSC.

On 29 April 2021 CCD sent a formal letter regarding the on-site customs audit performed and a notice of audit findings, instructing Kcell to pay KZT 57,506 thousand and to amend the customs declarations, In pursuance of the notice, Kcell paid additional tax charge and late payment penalty and amended the customs declarations.

On 28 May 2021, Kcell sent a letter to the customs authority informing about fulfillment of the requirements stated in the notice. During 2021, Kcell reversed unutilized part of provision in the amount of KZT 682,820 thousand (Note 31).

### 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, Kcell 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 Amdocs's performance of contractual obligations were not consistent with the terms of the Supply Agreement and Kcell's requirements, Moreover, there was delay in delivery and implementation of the OLC (On-line charging) system, In May 2020, Kcell notified the Supplier of its withdrawal from the technical support agreement as well, Amdocs did not agree with the Kcell's reasoning for termination of the Supply Agreement and withdrawal from the technical support agreement.

The contractual relationships between Kcell and Amdocs are governed by and construed in accordance with Swedish law, and any dispute, controversy or claim arising out of that relationship should ultimately be settled in arbitration in Stockholm in accordance with the Rules of the Arbitration Institute of the Stockholm Chamber of Commerce ("International Arbitration").

On 18 December 2020, Kcell applied to International Arbitration with a request to initiate arbitration proceedings against Amdocs, The total amount of Kcell's asserted claims equalled to approximately EUR 25,792 thousand (equivalent to KZT 12,823,267 thousand).

Kcell's request for arbitration was registered with the Arbitration Institute of the Stockholm Chamber of Commerce (hereinafter – "SCC") in December 2020, On 29 December 2020, SCC sent a notice to the Amdocs companies of commencement of arbitration and set a deadline for responding to the request for arbitration.

On 26 January 2021 the response from Amdocs JSC was received and Amdocs agreed to consider the dispute in SCC, In addition, Amdocs had submitted the counterclaim, at this point in the preliminary amount of USD 13,886 thousand (equivalent to KZT 6,046,350 thousand) and unpaid fees for extra work L2 and other out of scope service the amount of which was not calculated, and payment related to allegedly Kcell's delays in OLC and Phase 1 – the amount was not calculated.

On 16 and 23 April 2021 organizational sessions of arbitration tribunal were held, as a result of which the parties managed to agree on the procedural rules and schedule, It is planned that consideration of the case on the merits will take place during 5-16 September 2022, and the tribunal's decision will be granted in December 2022.

In accordance with the procedural timetable, the next stage of the proceedings, Kcell claimed below extended relief (90% increase of the initial amount):

1. To declare that Kcell's partial termination of the Delivery Contract by notice dated 22 November 2018 was valid and effective;
2. To order the Respondents to pay – jointly and severally – USD 59,773 thousand (equivalent to KZT 26,001,255 thousand) and to order payment of the pre-award and post-award interest on the above amounts and reimburse the Claimant its legal and other costs in relation to these proceedings.

On 5 November 2021, Amdocs filed extended counterclaims in the amount of USD 17,697 thousand (equivalent to KZT 7,699,056 thousand), plus interest applicable under Swedish law (8% per annum; from the date of incurrance of the obligation the dates may differ, depending on stated claims), including reimbursement of costs incurred by Amdocs in connection with the arbitration proceedings (fees to arbitrators, legal consultants and other costs incurred):

1. To invalidate the partial termination of the Delivery Contract (Contract) initiated by Kcell to recognize such termination as a breach of the Contract terms; to recognize that Kcell is liable for damage associated with such a breach;
2. Reimbursement of the arbitration fees paid by Amdocs from the date of the judgement until the date when the amount claimed is received in full, pursuant to Section 6 of the Swedish Interest Act and reimbursement of fees paid by Amdocs to their legal consultants and other costs associated with the arbitration from the date of the judgement until the date when the amount claimed is received in full, pursuant to Section 6 of the Swedish Interest Act.

Kcell planned to provide response to the above counterclaims by 15 February 2022, In connection with the introduced state of emergency in Kazakhstan in January 2022. Kcell applied for an extension of the deadline to respond to Amdocs's counterclaims, The deadline was extended till 1 March 2022.





## 48. COMMITMENTS AND CONTINGENCIES (CONTINUED)

### ARBITRATION AGAINST AMDOCS COMPANIES (CONTINUED)

On 1 March 2022, Kcell filed a response to Amdocs's stated extended counterclaims and declined all claims submitted by the defendant. Kcell has also filed the additional claim, according to which shall the Tribunal decide that Company is not entitled for contract price reduction, then Kcell claims the right for compensation of funds in the amount of 16 million USD (equivalent to 7,920 million tenge), overpaid for the supplied solution(BSS). The correspondent expert report with the estimate of supplied solution was prepared by the independent financial expert and submitted by Kcell to the Tribunal.

Amdocs response to Kcell claims was received on 24 May 2022. Amdocs made no new claims, confirmed the previously filed claims and agreed with Kcell that the Supply Agreement can be considered as a contract in US dollars and that any claims under it can only be expressed in US dollars.

On 21 June 2022, Kcell sent the final document with additional arguments and evidence (including testimony and responses to the arguments listed in Amdocs document dated 24 May 2022).

Kcell received a document from Amdocs on 15 July 2022 containing the final counterclaim amounts. In addition to the previously announced figures, Amdocs is claiming the payment of a 400 000 USD invoice dated 4 May 2018 under Additional Agreement 3 for the "Final delivery to UAT 20%" stage. So, before the hearing in September, Amdocs's claims amount to 18 million USD (equivalent to 8,657 million tenge) plus % (calculated at the rate of 8% according to the Swedish Interest Act. Depending on the date of obligation, it will be calculated and confirmed based on the hearing outcomes and stated in the arbitration award).

In-person hearings to consider mutual claims between Kcell JSC and Amdocs-Kazakhstan LLP and Amdocs Software Solutions LLC connected to the Supply Agreement were held from 5 to 16 September 2022 in Stockholm (Sweden). During the hearing, Kcell has made the following proposals, which were supported by Amdocs and the tribunal:

- If the tribunal satisfies, fully or partially, the claims of both parties, the offset principle will be applied;
- If the tribunal satisfies the claims filed in tenge, apply the exchange rate as of the date of the arbitration award and state those amounts in US dollars in the tribunal's decision.

At the request of the parties and with the Tribunal's approval, the date of filing of final claims by the parties was postponed to 31 October 2022, and the date of filing documents for the recovery of costs related to the arbitration proceedings was postponed to 11 November 2022.

In December 2022, the Tribunal requested additional time to prepare a decision, citing the technical complexity of the case.

On 14 March 2023 Tribunal announced decision on arbitration against Amdocs and concluded on the following:

- The total amount of satisfied claims of Amdocs was 8,306,827 USD dollars (equivalent KZT 3,721,874 thousand as of the date of the court decision);
- Claims of Kcell against Amdocs was dissatisfied.

At year ended 31 December 2022 and 2021, the Group has accrued provision for arbitration against Amdocs in the amount of KZT 3,684,675 thousand (31 December 2021: KZT 3,684,675 thousand) (Note 31). The Management will use the provision to repay the claims to Amdocs.

### 5G SERVICES

In December 2022, an open auction was held for the 5G 3600-3700 MHz and 3700-3800 MHz radio frequency bands, following which a consortium consisting of Mobile Telecom Service LLP (under the Tele 2 and Altel brands) and Kcell JSC (under the Kcell and Asset brands) was determined the winner.

### 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 12,733,024 thousand (Note 42), 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.

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.

## 49. EVENTS AFTER THE REPORTING DATE

On 25 January 2023 the Group acquired NBRK notes in the amount of KZT 14,812,080 thousand with maturity date on 22 February 2023. On 22 February 2023 the Group additionally acquired NBRK notes in the amount of KZT 19,732,660 thousand with maturity date on 22 March 2023.

On 20 March 2023 the Group made a payment for 5G frequencies in the amount of KZT 34,323,069 thousand.

On 3 March 2023 Group 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 4,590,010 thousand. The parties signed a contract for the purchase and sale on 20 March 2023. On 28 March 2023 the Group received full amount of payment.