



KAZAKHTELECOM

2021

INTEGRATED
ANNUAL REPORT

Offering Infinite Opportunities

Шексіз
мүмкіндіктер
жолымен

Открывая
неограниченные
возможности



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Preface

Please find below the latest integrated report on the activities of Kazakhtelecom JSC (Kazakhtelecom JSC/Company) for 2021, which we are delighted and proud to share with all interested parties. This document, containing financial indicators, strategic benchmarks and business results of the Company, demonstrates our openness to all stakeholders, investors and the public. The report reflects the real state of the Company over the past period in a comprehensive manner, and is based on a vision of development of the entire telecom industry of Kazakhstan as a whole. Reporting of this kind is not only able to satisfy the professional interest of the expert community — it is a real opportunity for the Company to take a more focused look at all its internal processes, thereby providing data driven decision management. For this reason, Kazakhtelecom JSC, like no other, is interested in the appearance of a full and objective review of the financial and business activity of all its structures and divisions.

Should be noticed that after the strong momentum for the development of the telecommunications market, which arose against the backdrop of the climate restrictions in 2020, last year was marked, first and foremost, by an internal restructuring aimed at ensuring prompt decision-making and mobility in business process management. In practice, this means that our approach to management has become more goal-oriented and customer centric than before. We focused on eliminating barriers within our system that to some extent did not allow us to achieve the stated goals at the right time and did not allow us to solve client needs here and now in real time. This restructuring is a fairly time consuming process, as in some cases we have to disassemble a huge chain of inefficient interrelated processes, consisting of fairly "tight units". Each of you understands that a technology company is a multi-tiered and branched system in which it is difficult to divide processes into priority and less important ones, since these processes are often closely interrelated.

However, last year we achieved an effective cross-function and, most importantly, we saw a positive assessment of our efforts on the part of our clients, since our mechanisms worked at very different rates. One of the results of our management reforms was digital products that allowed clients to manage their services independently, without physically interacting with our offices: whereas in 2020 we allowed clients to communicate with us through the introduction of online chat rooms, last year digital channels took on a full-fledged function to provide advisory and legal support to customers requests. Moreover, by improving government regulations, we ensured full online support and signing of contracts in the mobile app for individuals. The client engagement processes and our portal for individuals and legal entities were also transferred to the online environment. Without a doubt, 2021 was held at Kazakhtelecom JSC under the sign of digital activity.

At the same time, we continued to expand the subscriber base and telecommunications infrastructure in the country through the development of new local networks on the basis of the FOCL RS project with the government. We implemented two important initiatives here: we launched a pilot project "Partner in the SNP", which stipulates cooperation with entrepreneurs and provides the right to independently connect the end user to the Internet from the nearest line. In addition, we have launched eQoldau open Internet access points, where the portals are equipped with USB sockets, a system for reading biometric data to identify the user, etc. These terminals make possible to order identification documents, obtain and download any state certificate on the flash card, register for a doctor's turn, purchase any goods and order courier delivery — i.e. they bring absolutely all the digital services available to our urban population to the village. Thus, Kazakhtelecom JSC, without the participation of the state, continues to work on the final elimination of the digital disparity between the rural and urban population.

Herewith, one of the main infrastructure problems is the connection to the fiber-optic Internet — this connection is now really a key technology in providing consumers with high-quality broadband Internet access. However, this is a fairly expensive product from a technological point of view, with large labor costs on laying wired networks to each apartment or household. For this reason, last year the Company was the first in Central Asia and one of the few in the world to launch FWAs for fixed wireless Internet access. This technology provides dedicated networks with a separate radio frequency range of 2,300 MHz (band 40) and provides broadband access services to households in the private sector. This year, we intend to scale our experience of building pilot FWAs across the country, and it should be noted that after a slight upgrade, the FWAs will be ready in the future for migration to 5G technology, which will make possible to increase their capacity.

Last year was also another milestone in the diversification of our business — we cover related industries, issuing new products and services. In particular, recognizing that the life of the population is gradually migrating to digital space, last year we continued to develop the IMedicus online service — digital medical services. To date, more than 120,000 consultations with more than 220 doctors of various profiles have been conducted through this appendix. An example of digital diversification is TV+, which we launched in spring 2021 and provides users with a wide range of both foreign and domestic content. Whereas at the time of launch only Kazakhtelecom subscribers could become users of the platform, today this opportunity is given to all those who want it — more than 200,000 people have already become users of the platform.

Of course, the most important indicators of the Company's performance that we and all stakeholders, together with potential investors, are data on the financial and economic activity of the country's largest telecom operator. You can read them more detailed later in our report. Note only that the Company's revenue and net profit growth trend, which took shape over the past decade, continued. At the same time, Kazakhtelecom JSC JSC, despite the active development of new market segments and the launch of new projects, keeps its debt obligations at a moderate level, making it possible to ensure the financial stability of the asset: in October 2021 the international agency Standard & Poor Global Ratings confirmed the level of BB+ assigned to the Company in its latest report (stable forecast). In December, another Fitch Ratings rating agency also confirmed our Company's rating at the level of BBB- (Stable forecast).

In both cases, the conclusions of international rating structures were based on the Company's high profitability indicators and a moderate level of debt, with a significant amount of free cash flow generated from operating activity. Another important criterion for the success of all our actions for the Company's management is the positive feedback from subscribers — our NPS, the customer loyalty index for the brand of Kazakhtelecom JSC JSC. As follows from the report below, this indicator of the readiness of our subscribers to re-purchase the Company's products and services also shows an annual increase, which attests to the correctness of our chosen development path. We will continue to be governed by the obligations placed on us on the part of shareholders and the public, the real needs of the market for the development of a specific segment of the telecommunications sector, and the requirements on the quality of services and services on the part of the clients of Kazakhtelecom JSC JSC.

Message from the Chairman of the Board of Directors

Dear shareholders, colleagues,
clients and partners,

Kazakhtelecom JSC is currently a leader in the digital industry in Kazakhstan, which plays a major role in solving major challenges of the country's socio-economic development.

The strategy to diversify the core business, expand the network and bring new products and services to the market continued in 2021. The result of all this work has already led to a traditional growth in the Company's key financial and economic indicators over the past few years.

Over the past few years the Company has been successfully developing, creating the conditions for the development of all spheres of life of Kazakhstan society. Kazakhtelecom JSC continues to build local broadband coverage networks in rural areas on the basis of the FOCL RS project independently and in partnership with cellular operators and private service companies.

This year we will significantly expand our presence in the private urban sector by building networks using FWAs. Work will also continue on the implementation of elements of Smart Cities and the creation of 5G coverage zones.

The company has achieved its goals and achieved its plans in almost all areas of its activity, significantly strengthening its position as the country's leading telecommunications operator.

The effectiveness of work in 2021 was confirmed by the indicators of international agencies — in October of last year the international agency Standard & Poor's Global Ratings confirmed the Company's previous credit rating at the level of BB + (forecast "Stable"). According to analysts, the reason for this was high profitability and a moderate level of debt, with a significant amount of free cash flow generated from operating activity. The same indicators contributed to a positive assessment of the Company's performance by another international rating agency, Fitch Ratings, which in December 2021 confirmed the rating of Kazakhtelecom JSC at the level of BBB- (forecast "Stable").

However, the Board of Directors, management and staff of our Company do not intend to stop there.

We will continue to provide the Kazakh market with advanced technologies that will allow us to grow not only the telecom industry, but also our clients. Kazakhtelecom JSC will continue to work on improving the quality of its services, and will strive to develop new market segments and diversify its business. The Company will also motivate its employees to perform as effectively as possible, both through material remuneration corresponding to the contribution of each employee to its success and through the personal and professional development opportunities of each employee.

N. Baidauletov

Chairman of the Board of Directors
of Kazakhtelecom JSC

This year we will significantly expand our presence in the private urban sector by building networks using FWAs. Work will also continue on the implementation of elements of Smart Cities and the creation of 5G coverage zones.



On behalf of the Board of Directors, I would like to express my gratitude to the shareholders, colleagues, partners and clients of Kazakhtelecom JSC for their achievements and good faith in their work.

Message from the Chairman of the Management Board

Dear shareholders, investors,
clients and partners,

In 2021, our company, Kazakhtelecom JSC, again, as in the last decade, achieved all the goals set by its shareholders, while continuing to expand its digital infrastructure and launch new products and services.

By maintaining an effective balance between current operations and investments in the future, we have not only strengthened our positions in traditional segments, but also started successfully developing new market niches for us. Given that our investments in new projects are taking place against the backdrop of the gradual and systematic recovery of the Kazakh economy from the coronavirus pandemic, we are confident that they are in demand and profitable for both the Company and its clients.

Dear friends, the final stage of work on our report was a period of economic and financial uncertainty related to events in Ukraine. Exchange rate volatility, uncertainty over supplies of equipment and raw materials, new sanctions packages put forward by the West and Russia against each other at the end of February and the start of March will affect all areas of the economy in one way or another. The telecom sector cannot be out of these events, if only because its clients and their solvency are, unfortunately, directly affected by these negative trends, however we see this as a challenge rather than a problem. The challenge is to retain both our subscriber base and increasing profitability through cost optimization and new package offers.

I would like to remind you that not so long ago, in 2020, our Company has already faced a similar challenge: the impact

of the disaster and the associated restrictions, when whole industries were idle for months, also seemed potentially catastrophic for the global and Kazakh economies. The fall in income of the population and business of the country in spring 2020 was probably even larger than the effect of the sanctions currently forecast, but at that time we managed to maintain the trend of constant growth in the main indicators of our financial and business activity, which the Company has been demonstrating for a decade. We helped the Kazakh economy and population recover from the shocks, and in 2021 we almost returned to the way of life and living standards that were pre-panic, increasing the income of our shareholders.

This shows that Kazakhtelecom JSC is one of the strongest and stable market structures that can not only develop successfully themselves, but also provide new opportunities for its clients, both in retail and in the business segment. Now communications and information are becoming a new growth point on the global market, and telecommunications is becoming a core industry for the economy of any country — our Company intends to use this general planetary trend in the interests of our clients, in the interests of our partners and in the interests of our shareholders. We have already come to a time when our development will have a revolving, cumulative effect on the whole country.

I believed and believe that all the success of our Company is connected with the immense adaptability of our business model, which makes it possible for Kazakhtelecom JSC to maintain operational stability and effectively respond to time challenges, changes in the lifestyle of people and consumer demand.

Esekeev K.

Chairman of the Management Board of Kazakhtelecom JSC



I will give one specific example: our Company is probably the only structure in Kazakhstan engaged in the construction of Data Centers — at present Kazakhtelecom JSC has accumulated about 500 terabytes of various data on these facilities. They can be used to build various tools and products that make it possible to both prevent negative scenarios in society, medicine, trade and logistics, and

to develop models for the most effective functioning of state institutions and business structures. We already have positive practical experience in the use of big data during the period when the Company's developments allowed medical professionals and the country's authorities to reduce the risk of the spread of coronavirus by evenly distributing the load on the transportation artery and public institutions.

Similarly, by leveraging big data, we can help our businesses build the most effective network of their interactions with consumers of goods, work and services. In this regard, the optimization of the costs of Kazakhstan entrepreneurship through the use of Big Data tools will free up additional funds. They may again be aimed at further modernization of business processes in all sectors of the economy, including through the new developments of Kazakhtelecom JSC: this is the very revolving effect that increases the revenues of our Company and its clients on each new round. However, we need to be proactive in ensuring that this is a continuous process: by offering a single product to the consumer, we need to have practical experience in developing it in the future.

Here I would like to express my deep gratitude to our shareholders, who support the management of the Company in carrying out its extensive investment policy. It is entirely fair to believe that the constant development of the Company is much more profitable than an increase in short-term profits, since only this full-fledged development makes it possible to increase the value and profitability of their shares without "blowing" on the bubble market, which may be bursting due to the slightest negative externalities. The current situation on the markets confirms this — in the event of a fall in the value of the securities of many companies at the end of February 2022, the ordinary shares of Kazakhtelecom JSC were in the price range of about KZT 35,000, although a year ago they were worth KZT 27,000.

Dear shareholders, investors, clients and partners, this indicator, as well as other indicators of our financial and business activity, indicates that the growth of our Company for more than 10 years is truly high-quality and guarantees its stability and stability. I think this is one of the main achievements of our management, and I can take the duty to assure you that this model of development of the Company will help us to successfully overcome all the negative consequences of the current situation and become the foundation for eliminating these negative consequences in other sectors of the Kazakh economy: the financial and economic "health" of our clients is critical to us, so we are ready to become one of the drivers of the development of the national economy.

Last year we have already launched a number of new products and entered completely new markets: all the most important events and decisions made in 2021 are reflected

in the Annual Report, which I am pleased to present to you. Here you will find the main indicators by which the Company's activity is assessed — technical, financial and sectoral indicators, analysis of work in various market segments, project progress, as well as information on the operations of subsidiaries and plans for the upcoming period. Once again, I would like to emphasize that all the tasks we set ourselves for this year were achieved, all the goals were achieved, and at the same time we continued to develop our competencies, including in such areas as Internet of Things, Big Data, system integration, and a number of others.

The financial component of our Company's operations in 2021 was also successful both in terms of revenue and target profitability and in meeting all shareholder return obligations. We have successfully continued to transform Kazakhtelecom JSC into a business ecosystem and strengthened our leadership in the telecom sector — the core part of the business that continues to generate the majority of our revenue. The quality of our services leads to greater customer loyalty, as evidenced by the growing customer base. The actual level of EBITDA/interest expenses and debt/EBITDA indicators in 2021 are better than planned and significantly better than the actual level in 2020, and the Company's moderate debt is now becoming one of the key characteristics of its stability.



Our efforts in this area are confirmed by an independent international assessment: for example, analysts from Standard & Poor Global Ratings confirmed the level of BB+ assigned to the Company in their October report in 2021 (the forecast is stable), highlighting the high level of profitability and a moderate level of debt with a significant amount of free cash flow generated from operating activity.



These same considerations also served as the basis for an assessment of the credit potential of Kazakhtelecom JSC in December 2021 by Fitch Ratings, which confirmed the rating of our Company at the level of BBB- (the forecast is stable), i.e. international analytical structures believe that the country's largest telecom operator has achieved an optimal balance of income and expenses, allowing it not to stop developing at the same time, and to meet all shareholder requests.

I believed and believe that all the success of our Company is connected with the immense adaptability of our business model, which makes it possible for Kazakhtelecom JSC to maintain operational stability and effectively respond to time challenges, changes in the lifestyle of people and consumer demand. We are constantly and rapidly changing the way we interact with our clients, making it as convenient as possible for the consumer of our services — throughout the past year we have improved and supplemented the online network that was deployed during the period of the disaster, and will continue this work in 2022. This example is just a small part of the global business restructuring work that Kazakhtelecom JSC is constantly doing in order to help address global societal challenges in the long term and effectively exploit new growth opportunities, increasing the shareholder value of our asset.

I note that we consistently and consistently shift the focus of our management efforts towards digital, which is reflected in the evolution of the internal organizational structure from functional to product-oriented. We clearly follow the core principles of our new strategy to become a first-choice brand, a digital platform and an effective organization. Our actions in this area attract a positive response from our clients. It is enough to say that by now most of them have completely switched to the use of online tools for interacting with the Company, and the TV + teleplatform we launched last spring, which makes it possible to use it on any gadget, has quickly gathered an audience of 200,000 subscribers. Our products are created using technologies such as the Internet of Things, unique object recognition, cloud storage and data processing, Big Data services — and, looking ahead, I will say that this year, 2022, our product line will be expanded again.

With the launch of the transformation program, we revised approaches to business process management using a flexible agile methodology in management, and now digitalization both within the structure

of Kazakhtelecom JSC and in the market is being implemented through the implementation of the practice of quick solutions and point-oriented focus on a specific result. As a result, the key HR asset involved in the digitalization process (InDigiCo — B2C and B2B teams that directly develop and implement online client routes) becomes a center of digital competence. This allows us to significantly increase the financial effect of implementing the Serpin Transformation Program, which in 2021 amounted to about KZT 6 billion . At the same time, of course, the key to the successful development of Kazakhtelecom JSC is not the technology, but the people who create them, so the Company constantly adheres to the principles of social security of employees, creating all the conditions necessary to unlock their creative potential. This approach to human resources, among other things, becomes the key to the success of Kazakhtelecom JSC in the most difficult times.

In 2022, we will focus on being the best provider of telecommunications services for our subscribers and the best employer in the industry. To do so, we will continue to improve the tariff line for subscribers to meet their qualitative and quantitative needs, and will expand the portfolio of digital services for private and corporate clients. As a good faith, responsible and customer-centric telecom operator, Kazakhtelecom JSC will focus on data integrity and information protection. We will not stop the development of the fourth-generation networks, but at the same time we will actively upgrade the Company's infrastructure with the aim of quickly switching to the launch of the 5G standard, which will help to develop the Internet of Things in the country, make the use of smart cities, AVs, telemedicine a habit — ultimately, to improve the lives of every Kazakhstan citizen.

In conclusion, I would like to express my true thanks to all members of the Board of Directors, Management Board and all Company employees for their integrity, creativity and professionalism. It is our team that gives me confidence that there are no impracticable tasks for our Company, there are no unrealistic goals — and I am sure that we will be able to build a business in new digital segments in the near future, launch new programs on technological transformation of network infrastructure, and bring Kazakhtelecom JSC to a completely new level of quality. With the support of our clients, partners and shareholders, we will be able to achieve all the goals set.

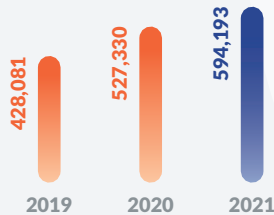
Company in numbers — Key indicators for 2021

GRI 102-7

Financial indicators

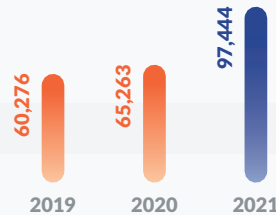
Income from sale of services

594,193

million KZT ↗ 13.2%

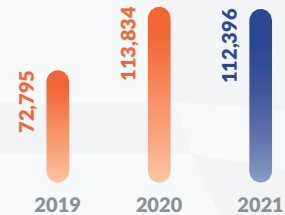
Net profit

97,444

million KZT ↗ 49.3%

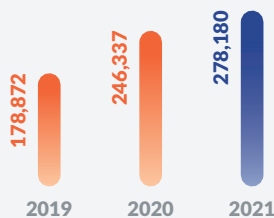
Capital investments

112,396

million KZT ↗ 1.3%

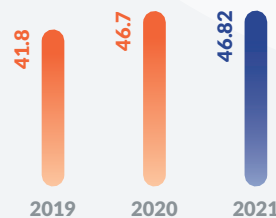
EBITDA

278,180

million KZT ↗ 12.9%

EBITDA margin

46.82

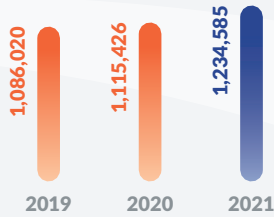
% ↗ 0.12%

Information on assets

Assets, total

1,234,585

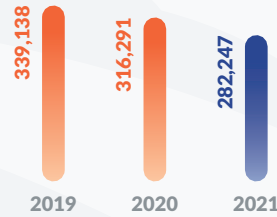
million KZT ↗ 10.7%



Long-term loans

282,247

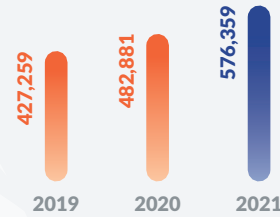
million KZT ↗ 10.8%



Attributable to owners of parent

576,359

million KZT ↗ 19.4%

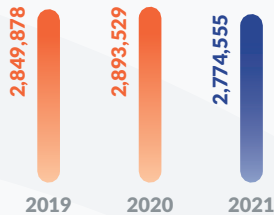


Production indicators

Number of fixed lines

2,774,555

lines ↗ 4.1%



Number of fixed broadband subscribers

1,860,706

subscribers ↗ 1.5%

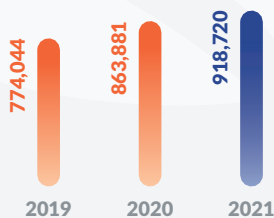


1.5%

Number of Pay TV subscribers

918,720

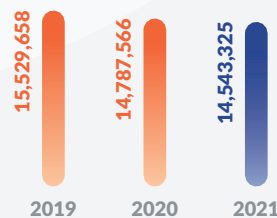
subscribers ↗ 6.3%



Number of mobile subscribers

14,543,325

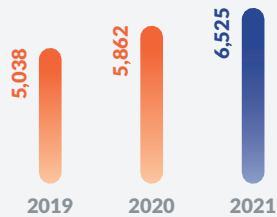
subscribers ↗ 1.7%



ARPU

6,525

KZT ↗ 11.3%



ROACE

13.6

% ↗ 2.1%



Macroeconomic indicators

Consumer price index

12

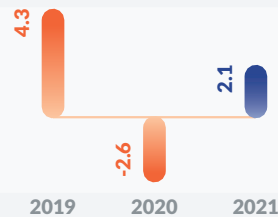
% ↗ 4.5%



GDP growth

2.1

% ↗ 4.7%



4.7% ↗

The exchange rate of KZT to the US dollar, on average for the year

430.4

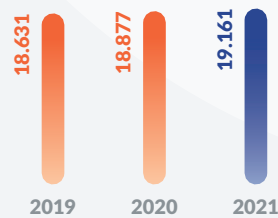
KZT ↗ 4.2%



Population of Kazakhstan, total

19.161

million persons ↗ 1.5%



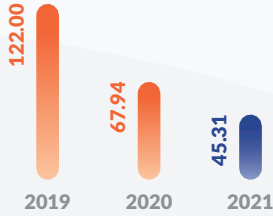
1.5% ↗

CSR indicators

Environmental costs

45.31

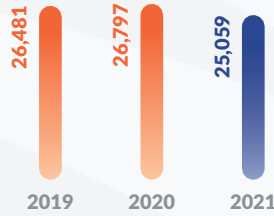
million KZT ↗ 33.3%



Total headcount

25,059

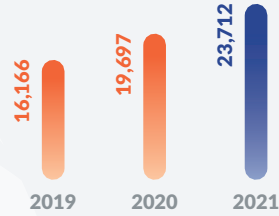
persons ↗ 6.5%



Income per employee

23,712

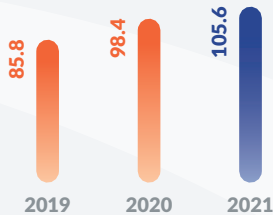
thousand KZT ↗ 20.4%



Payroll fund

105.6

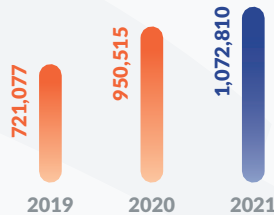
billion KZT ↗ 7.3%



Investments in safe working conditions

1,072,810

thousand KZT ↗ 12.9%

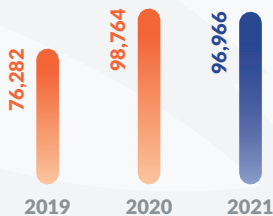


13% ↗

Taxes paid to budgets of all levels

96,966

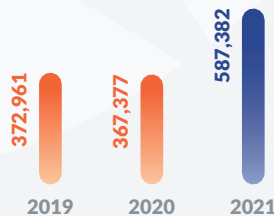
million KZT ↗ 1.8%



Investment in training and development of employees

587,382

thousand KZT ↗ 59.9%



60% ↗

Key events in 2021

01 January

- › 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 JSC subscribers — a digital alternative to a plastic SIM card.
- › At the Digital Almaty 2021 International Forum, Kazakhtelecom JSC has presented technology to ensure compliance with quarantined measures during the period of the disaster.
- › Kazakhtelecom JSC presented Big Data Data Analytics projects.
- › The WhatsApp Business online channel has moved to 24/7 operation.

eSIM

a digital alternative to a plastic SIM card

03 March

- › The Central Regional Directorate of Telecommunications of Kazakhtelecom JSC has connected the first subscribers in the city of Shakhtinsk to the high-speed Internet using GPON technology, which makes possible to provide several services through a single fiber-optic line at once.
- › Kazakhtelecom JSC presented a next-generation TV broadcasting service using IPTV technology, which will allow Kazakhstan people to manage the air in their home and simultaneously view various programs from several gadgets.
- › A new TV platform from Kazakhtelecom JSC TV + in its first week on the market attracted more than 20,000 people.
- › Kazakhtelecom JSC presented audited consolidated financial statements for 2020, according to which revenue increased by 23.8% over 12 months.
- › The team of Kazakhtelecom JSC won the gold of the IFAC Winter Championship.
- › Kazakhtelecom JSC conducted high-speed Internet to the village of Zharly, Karaganda region. The settlement is located 255 km from the regional center, and due to the distance of the village residents have been experiencing difficulties in accessing high-quality Internet for many years.
- › The number of users of the Online Medicine product from Kazakhtelecom JSC was 50,000.

TV+

20,000

subscribers

ONLINE MEDICINE

50,000

users

23,8%

revenue growth as of 12 months 2020

04 April

- › A self-pick-up point for an online hypermarket has opened in the capital Chocomart.kz.
- › Halyk Finance and Freedom Finance assessed Kazakhtelecom JSC's high growth potential.
- › For the first time, high-speed Internet has become available to residents of Abay village, Aktogay district, Karaganda region. Prior to that there was no mobile communications or Internet in this settlement. More than 270 people live in the settlement, for which until recently the main communication channel was a wireless telephone.
- › Specialists of the digital division of Kazakhtelecom JSC will InDigiCo develop IT solutions not only for the parent company, but also for the portfolio enterprises of Samruk-Kazyna National Welfare Fund Joint-Stock Company (hereinafter "Samruk-Kazyna National Welfare Fund").
- › 80 video surveillance cameras with analytics at 40 medical institutions in Karaganda region were installed by the Central Regional Directorate of Kazakhtelecom JSC as part of the "Quartile Monitoring System" project.
- › The population of two villages of the Ulansky district of the East Kazakhstan region — Izgutta Aitykov and Besterek — received free access to high-speed Internet.
- › Since the beginning of this year, Kazakhtelecom JSC has connected 35 apartment complexes of the capital to fiber-optic communications lines using the most modern GPON technology.
- › Kazakhtelecom JSC demonstrated the capabilities of Smart City technology in Zhanaozen to the Governor of Mangistau region in real time.
- › Residents of Zharmukhambet, Karasai district, Almaty region, have been granted access to high-speed Internet.

GPON

35

apartment complexes

80

video surveillance cameras

40

medical institutions

05 May

- › In April 2021, Kazakhstan became the leader in the EAEU and Central Asian countries in the global ranking of mobile Internet speed according to Ookla Speedtest Global Index.

06 June

- › Kazakhtelecom JSC brought domestic cyber to TV+. At the end of May, Kazakhtelecom JSC's TV+ platform, launched this year, hosted the first online webcasts of Russian e-sports competitions.
- › More than 6,000 residents of the remote village of Bestobe, Akmola oblast, obtained access to broadband Internet using FOCL technology.

BROADBAND INTERNET USING FOCL TECHNOLOGY

6,000

residents

07 July

- › Kazakhtelecom JSC is introducing a new mechanism for working with potential and existing clients — together with the keys to its apartments, newcomers are now immediately able to connect to telecommunications services.

08 August

- › The number of requests through online channels exceeded 1.2 million. 42% more customers are served by digital tools than by customer departments.
- › Kazakhtelecom JSC has published consolidated financial statements for the first half of 2021. According to the document, the financial results of the Kazakhtelecom JSC Group (hereinafter the Kazakhtelecom JSC Group/Group) continue to show stable growth. Over the first 6 months, revenue increased by 15% compared to the same period in 2020 and amounted to KZT 282.5 billion (KZT 244.9 billion in the first half of 2020).

282.5

billion KZT

revenue for the first 6 months of 2020

09 September

- › The number of users of the TV+ platform exceeded 200,000 subscribers.
- › Kazakhtelecom JSC has signed a memorandum of cooperation with the Educational Center for Management Personnel of KIMEP University.
- › Over the past 2.5 years, more than 54 thousand entrepreneurs and representatives of the business community have become users of the Kazakhstan business portal ISMET.KZ, developed as part of the digital technology implementation program.
- › QazCloud and Mail.ru Digital have signed a memorandum of intent which provides Kazakhstan's business with access to the cloud platform Mail.ru Cloud Solutions.

ismet.kz

54,000

entrepreneurs

TV+

200,000

subscribers

10 October

- › Kazakhtelecom JSC has put forward an initiative to implement elements of the Smart City in the capital and help the akimat to identify the city environment, as well as to create a portal for the digital dual of Nur-Sultan.
- › Kazakhtelecom JSC, together with the Police Department of the Turkistan region, implemented a project to bring data from video surveillance cameras of schools to the Operational Management Center of the Police Department.
- › The Kazakh infrastructure provider QazCloud LLP has commissioned its own data processing center, which will ensure the efficient operation of all information systems of the Samruk-Kazyna Group of Companies, and will also allow the subsidiary of the Kazakhtelecom JSC Foundation to significantly expand the volume of its clients services.
- › Kazakhtelecom JSC has launched 5G base station in Turkistan.

5G

in Turkistan

11 November

- › Kazakhtelecom JSC is moving into the active phase of the Smart Turkey project, starting to equip the city's utilities and municipal facilities with remote water consumption data with connection to a IoT network built by a major telecom operator.
- › Kazakhtelecom JSC has launched a pilot project "Digital Partner in Rural Areas", which stipulates the development of the Internet and entrepreneurship in rural areas.
- › The international rating agency S&P Global Ratings published a report on the credit rating of Kazakhtelecom JSC at the level of BB+ (Stable forecast), in which it forecast further organic growth in the revenue of Kazakhstan's largest telecom operator in 2021-2022.

BB+

Stable forecast

eQoldau

a network of open access points accessing the world of digital services and e-services

12 December

- › Kazakhtelecom JSC has identified 63 public access points for eQoldau in Turkistan region.
- › Kazakhtelecom JSC and KIMEP University have launched a project to develop the management and professional competencies of their employees.
- › The international rating agency Fitch Ratings confirmed Kazakhtelecom JSC's credit rating at BBB- (Stable forecast).
- › Kazakhtelecom JSC has announced the winners of a creative contest for journalists, which started on 28 June in honor of Media Workers Day.
- › Kazakhtelecom JSC has launched a network of FWAs in Nur-Sultan.

63

eQoldau access points

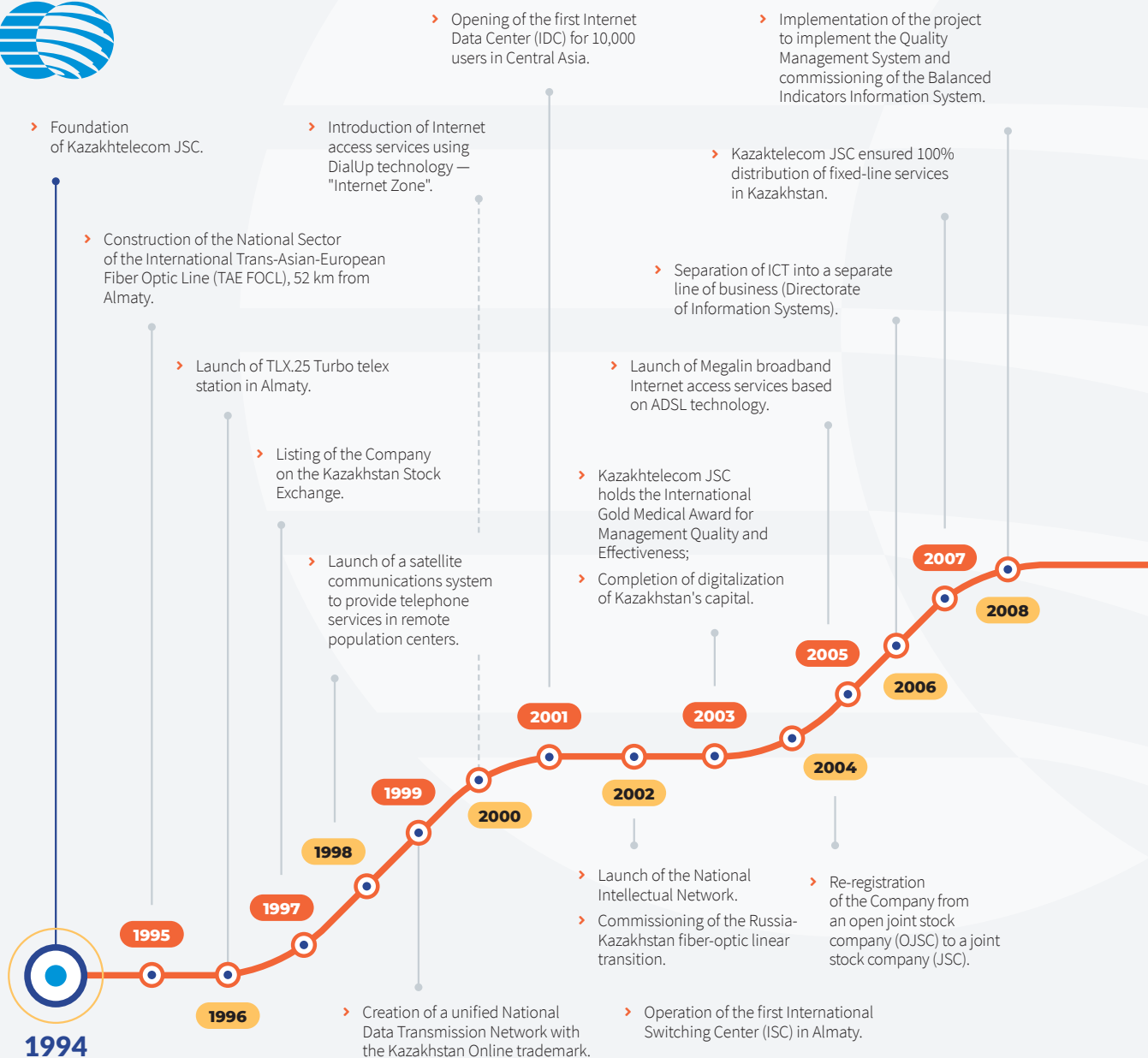
BBB-

Stable forecast

FWA

network

Growth history of Kazakhtelecom Group



- › 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 EAEU 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 Turkey 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.

-
- › 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".
 - › 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.
 - › 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.
 - › 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.
 - › Kazakhtelecom JSC made 100% digitalization of fixed voice networks.
 - › 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.
 - › Launch of IPTV services under the iD TV brand.
 - › Launch of a strategic project on the construction of a universal fiber-optic access network FTTH.
 - › Launch of LTE network (based on ALTEL subsidiary).
 - › Launch of the next generation of DWDR backbone network.
 - › Acquisition of 75% of shares in Kcell JSC.
 - › Construction of FOCL RS.
 - › Creation of an Integrated Network Management Center.

- › The international rating agency Fitch Ratings has raised Kazakhtelecom JSC's credit rating to BBB- (Stable) from BB+ (Positive).
- › 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.
- › The construction of the FOCL RS has been completed. Over the 2 years of the project, 14,380 kilometers of fiber-optic networks have been built across the country.
- › 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.
- › 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.

Results of implementation of DIT focuses in 2021

DATA GOVERNANCE, AS THE BASIS OF DATA MANAGEMENT

- › A unified metadata management/ maintenance center was created in the Company;
- › Loaded data into the "Address register" IS to form a reference directory of the address layer.

CONNECTING PARTNERS AND CUSTOMERS IN 30 MINUTES (TECHNOLOGICAL BREAKTHROUGH)

- › Creating a developer portal for internal and external developers.

WORLD-CLASS IT INFRASTRUCTURE MAINTENANCE AND SUPPORT

- › Infrastructure modernizing and operating processes changing works has begun.



1

About the Company



Short profile

Facts about the Company

Key facts about Kazakhtelecom JSC



Kazakhtelecom JSC is the largest telecommunications company in Kazakhstan.



The main offices are located in Nur-Sultan and Almaty, and regional offices are located in all parts of Kazakhstan.



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.



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.



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

Line of business

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 of Russia.

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:

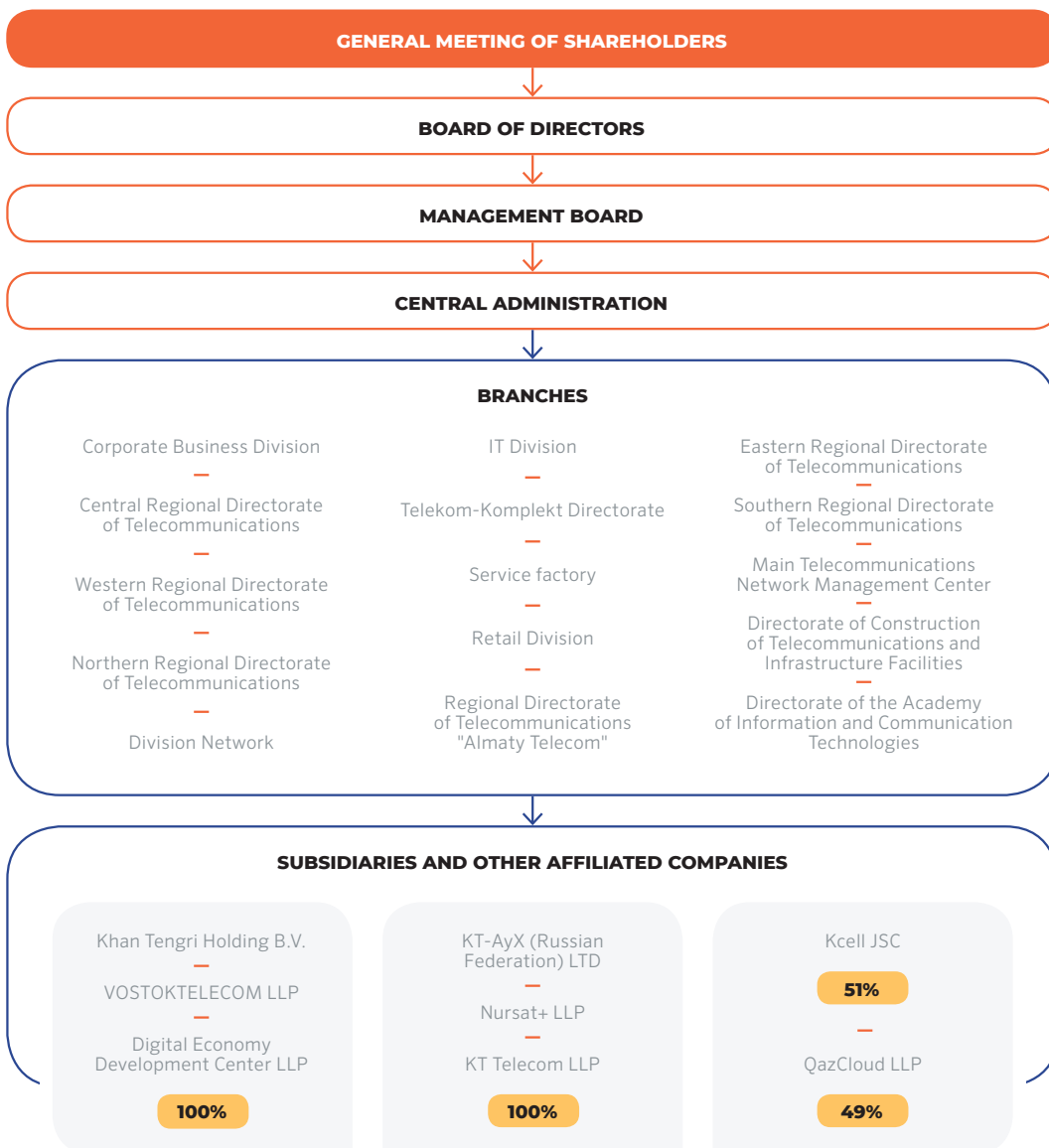
- generating profits from commercial activities and using them for the benefit of shareholders;
- creation of modern telecommunications networks in the Republic of Kazakhstan and their integration into the global telecommunications network;
- provision of all types of telecommunications services to users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

Kazakhtelecom JSC operates as a communications operator of the RK 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, and contact centers.

Organisational structure of Kazakhtelecom JSC



Structure of the Kazakhtelecom JSC Group of Companies

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



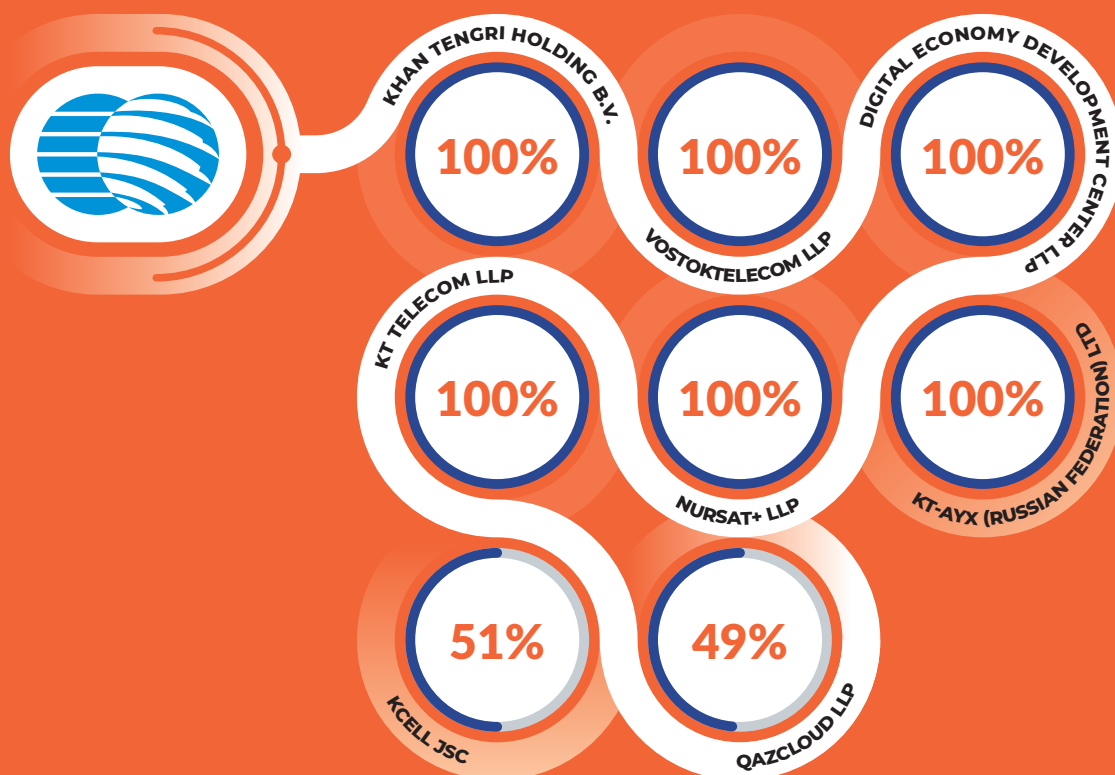
strengthening the position of the Kazakhtelecom JSC Group in the mobile segment of the telecommunications market and contributing to the development of traditional telecommunications services;



launch of new products that supplement the main line of services of Kazakhtelecom JSC;



development of new areas such as e-commerce (Chocomart and Intermarket), digitalization and big data.





MOBILE BUSINESS

- > Leading mobile operators in the telecommunications market of Kazakhstan operating under the brands "Kcell" and "Activ" and "Tele2" and "Altel";
- > Integration with Kazakhtelecom JSC with the expansion of the line of services in the B2B and B2C segments;
- > **Strengths:**
 1. Wide range of services;
 2. Innovation;
 3. Coverage.



NEW BUSINESS OPPORTUNITIES

- > Development of e-commerce through the chocomart.kz goods platform;
- > 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.



DIGITAL KAZAKHSTAN

- > JSC Kcell, 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. part of the Digital Kazakhstan program, the goal of which 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.



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 Nur-Sultan.

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 2021

In 2021, Kcell JSC demonstrated an increase in financial and operating indicators. Total revenue of Kcell JSC increased by 12.3% in 2021. EBITDA, excluding non-recurring items, increased by 11.8 percent during the year due to revenue growth.

These financial indicators provide a solid foundation for the future strengthening of the company's market position and the achievement of the goals set in the company's five-year development strategy, which includes a three-year transformation program containing a radically new commercial strategy, process and cost optimization, and the creation of a flexible organization.

Moreover, due to the focus on user needs and promotion through the main communication channels, the integration of package offers is growing. Kcell JSC also started developing updated subscriber base segmentation and prepared a program to improve client NPS and new marketing campaigns.

One of the most important events for the company was the successful completion of a complex stage of testing of the 5G network. The network is fully operational, and in the near future Kcell JSC will begin deploying a fifth-generation network covering the entire area of the city of Turkistan.

12.3%

revenue growth in 2021

11.8%

EBITDA growth



Khan Tengri Holding B.V.

100%

Khan Tengri Holding B.V. is a management company and owns 100% shares in Mobile Telecom Service LLP, a mobile operator in Kazakhstan providing a full range of mobile services 2G/3G/4G (LTE/LTE Advanced) and providing services under the Tele2 and Alte2 brands.

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

KEY RESULTS FOR 2021

Mobile Telecom-Service LLP (MT-S) is successfully operating, and at the end of 2021 MT-S exceeded its main target financial indicators. Revenue for 2021 increased by 15% compared to 2020, EBITDA increased by 22% by 2020, and efficiency was 54%.

MT-S LLP retains technological leadership in the telecommunications industry in the Republic of Kazakhstan and continues to implement advanced technologies for end users. In 2021, the latest generation of voice VoLTE was commercially launched, and by the end of the year the number of users of this service was **1.5 million**. 2 5G test zones were also launched in Almaty, with download speed reaching **1.5 GB**. In addition, according to the international authoritative rating of Speedtest, MT-S LLP was recognized as the best mobile operator in terms of mobile Internet speed, coverage and mobile network.

In order to achieve the target indicators, MT-S LLP performed various activities during the year, including as part of the Company's 10th anniversary.

Also in 2021, MT-S LLP and Kcell JSC continued to integrate their networks in order to make the most of all potential synergies, while continuing to share best practices in such a way as to facilitate further improvement of technologies and services.

15%

revenue growth in 2021

22%

EBITDA growth

Information and communication services



QazCloud LLP

100%

The Company operates as a single service provider to provide services in the Fund Group. In the reporting period, revenues increased almost 2 times, from KZT 3.4 billion to KZT 6.6 billion.

Range of services:

- › IaaS — Infrastructure as a service;
- › services of the information security operations center, project Cyber Panel;
- › lease of licensed software;
- › IT outsourcing/outstaffing;
- › lease of computer equipment and office equipment;
- › digital transformation;
- › technical support and development of SAP systems;
- › other IT services.

KEY RESULTS FOR 2021

- › In 2021, the QazCloud LLP DPC was officially opened, and the cloud environment for Customers was prepared and tested;
- › The ECIB project for the Fund's portfolio companies has been launched;
- › completion of the ISO 27001 and 27017 international audit.

KT Cloud Lab LLP

100%

The Company is registered in the Innovation Technology Park SEZ, where the Company's Data Center (Tier II) is located. The Company has 3 contact centers in three cities in Kazakhstan — Almaty, Nur-Sultan and Karaganda.

Range of services:

- › provision of services to the National Contact Center;
- › provision of Data center services in the PIT SEZ (DPC);
- › provision of IT outsourcing services.

KEY RESULTS FOR 2021

In 2021, procedures to sell 100% interest in KT Cloud Lab LLP were completed. In November 2021 the company was re-registered.

100%

completion of KT Cloud Lab LLP sales procedures

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.

In 2021, a project to ensure broadband access in the RS with a population of 50-250 people, determined by the industry regulator, was launched. In addition, together with Kazakhtelecom JSC, it provides maintenance services to the network of mobile operator Mobile Telecom-Service LLP.

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 MMTS 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 OLV, 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 2021, the Company continued to develop e-commerce services. Product chocomart.kz:

- › the range matrix of chocomart.kz goods has been increased;
- › the synergetic effect in Kazakhtelecom JSC Group of companies by means of accommodation of the commodity chocomart.kz groups on the website telecom.kz and services of Kazakhtelecom JSC Group of companies on chocomart.kz is enhanced;
- › implementation of a pilot project for ktfitness.kz, online fitness, with access based on the application for the use of the SS, ios and web, and proprietary developed fitness content from 12 videos.

Digital Economy Development Center LLP

100%

In 2021, 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.

From 1 April 2021, the mandatory labeling of other types of tobacco products was launched, and from November 2021, the labeling of footwear products. In 2021, pilot projects were carried out on labeling drugs, alcoholic beverages, dairy products and fats.

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. Organizational measures are currently being taken.

Business portfolio

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.



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 TSS network — services of connection to the system of clockwork network coordination (TSS) of Kazakhtelecom JSC.



PARTNER PROGRAMS

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

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

1

Main categories of services in the wholesale market

2

Services provided to individuals (households)



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.

3

Services provided to legal entities (B2B and B2G)

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.

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.

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.

SHOP

- › Online hypermarket chocomart.

TELEGRAPH SERVICES

- › sending text messages by telegraph.

INTEGRATED OFFERINGS

- › **iD Net.** High-speed Internet access;
- › **iD Phone.** The service is based on GRI 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 RMS music.

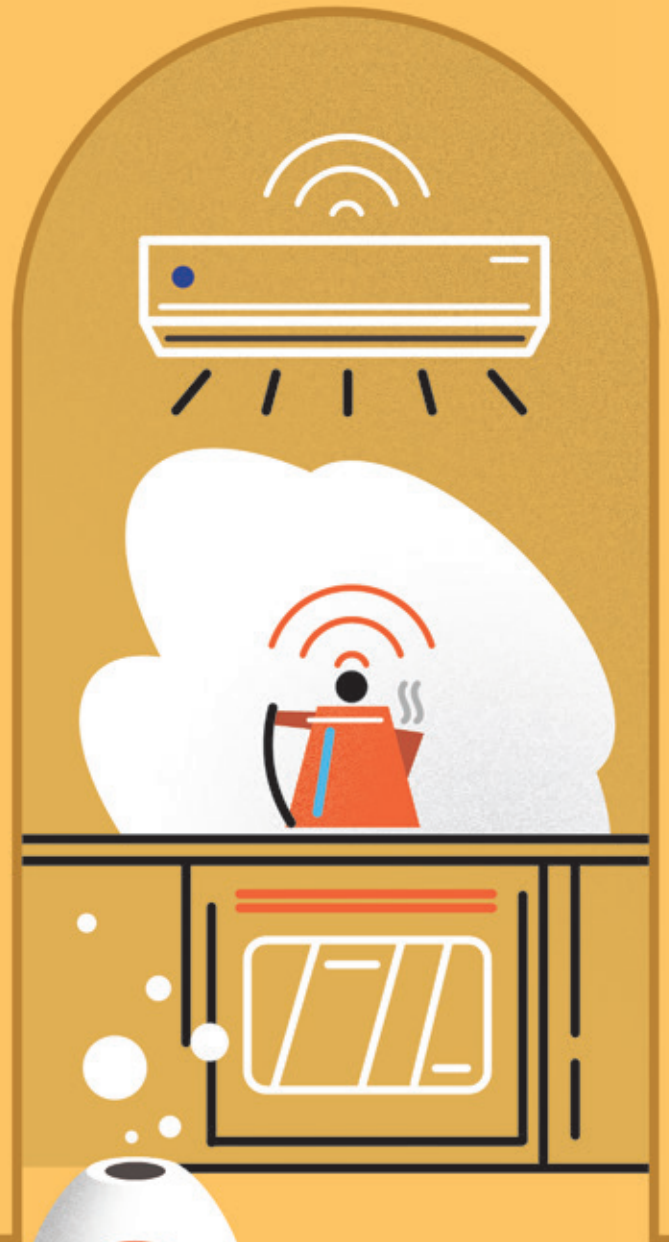
Results of the implementation of the DN focuses in 2021

RESTORING THE AVAILABILITY OF TECHNICAL SERVICES AT THE CTN/RTN LEVEL IN 1 HOUR / 4 HOURS

- › Expanded external bandwidth by 520 Gbps and Cache servers by 594 Gbps;
- › The average time to repair single damages was eliminated to 3 hours;
- › The channel capacity was expanded and optimized (585 additional channels with ~4 Tbit/s bandwidth were organized).

FRR INCREASE

- › Digital customer service channels with feedback were implemented;
- › Customer service centers have been set up in Almaty city, Taldykorgan city;
- › LHS (Linear hardware shop) and DLSC (Digital Line Service Center) units have been merged.



2 Strategic report



Company's development strategy

Mission, vision, values

Mission

Become an irreplaceable and usual part of everyone's life, changing, surprising and exceeding expectations. The key concepts of the Group's Mission are:

"BECOME"

to lay the foundation for the transformation of the Group in accordance with its strategy

"INDISPENSABLE"

compete by providing a unique proposition in the market through leadership in innovations, price, regional coverage and a range of services

"REGULAR"

to ensure convenience, accessibility and stability

"PART OF LIFE"

create an environment of communication, ensure the receipt and exchange of information, knowledge management, entertainment and social focus

"EVERYONE"

to cover all segments, to apply a differentiated approach

"CHANGING"

to build a structure and processes oriented to timely and flexible responses to changes in technology, the market, demand and the competitive situation

"SURPRISING"

to ensure the creation of a unique client experience

"EXCEEDING EXPECTATIONS"

to shape and satisfy needs, to be a leader in innovation

Vision

A leading Kazakh integrated service provider in the information communications 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.

Current global trends in the telecommunications industry

The image and development of the telecommunications industry in the world (including Kazakhstan) is now determined by six key trends:

- 1 increased competition in the market and increasing pressure from players from related industries (banks, digital companies, retail sector players);
- 2 a shift towards simple, intuitive product offerings and digital self-service;
- 3 general internet penetration and shift of preferences towards mobile internet;
- 4 high-growth load from OTT platforms on the network and their involvement in further infrastructure development;
- 5 promotion of 5G mobile networks;
- 6 Impact of the 2020 COVID-19 on consumer demand structure, accelerated digital transformation (ecosystem construction, forced online, etc.).

These trends determine the movement of industry leaders towards the active implementation of new high-performance management models (agile), cost optimisation, including through digitalization of client and internal processes, diversification of operations and participation in ecosystems, and preparation for the next stage of the evolution of network infrastructure.

Strategy KPIs

The main goal of the new strategy is to increase the shareholder value of the Group through an increase in revenues from core activity in related industries, as well as by optimizing the cost base.

SSD 1 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 through:

- › ensuring leadership in monetizing growing traffic using the More For More principle, as well as control over the aggressive pricing policy of competitors in the markets of fixed and mobile communications;
- › creating a portfolio of competitive products that are mutually complementary;
- › development, pricing and sale of products based on advanced customer segmentation methods;
- › optimization of marketing and sales costs.

SSD 2 Digital platform

Many examples from various industries clearly demonstrate the inevitability of digital transformation of the economy: the exit of players with fundamentally new, initially digital operating models is accompanied by a significant increase in pressure on the performance of traditional players. Traditional digitalization leaders are the most resilient to market change, able to adapt quickly to the new market situation.

This trend is particularly visible in the most technologically advanced industries, such as telecommunications, where digital and technology companies accounted for the lion's share of this growth, while the share of telecom players fell by 35%. The decline in the financial performance of telecommunications companies around the world indicates the need for urgent implementation of digital methods of work and analytics to reduce costs and find new sources of income. At the same time, the effect of digital transformation has already been proven — the implementation of this set of measures makes it possible:

- › increase revenue **by 15-20%**;
- › reduce operating costs **by 20-30%**;
- › reduce capital expenditures **by 5-10%**.

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:

- › work on the "Everything Online!" principle, with digitalization of client routes, application of digital sales methods, automation and robotization of auxiliary functions;
- › ensuring leadership in CVM and in-depth analytics using internal expertise, experience and data (both within the Group and for external monetization);
- › digitalization of the network through network function automation and 5G network deployment;
- › development of digital business lines and partnerships to diversify the portfolio and enter related industries.

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 (up to 2022):** achieving digital maturity through optimization and digitalization of client routes and implementation of digital marketing tools;
- › **Second horizon (2023+):** 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.

SSD 3 Effective organization

The key objectives of SSD 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.

The SDD also covers the integration of mobile asset networks within the Group to realize operational and capital cost synergies.

The implementation of the new strategy will make it possible to achieve the following strategic goals in the horizon of 5 years (target state for 2024).

STRATEGIC GOALS OF THE KAZAKHTELECOM GROUP OF COMPANIES ON THE HORIZON OF 5 YEARS



First-choice brand

Maintaining the mobile communications market share at the level

66-68%

fixed line on

73-75%

Reducing the cost of mobile operators for marketing and sales

↳ **15-20%**

Decreased outflow of broadband subscribers in the B2B segment

↳ **15%**



Effective organization

Transfer from copper lines to FTTX

740,000 customers

Migration of rural settlements to wireless networks

2,000 villages



Digital platform

Selling through online channels

30%

Reduced customer service costs

40%

Reduced Marketing Costs*

20%

MAU site and application on level of

30%

Reducing the number of appeals to call centers and physical departments to

30-50%

Improving Customer Satisfaction — NPS Growth

20 pts

Risk assessment when implementing the Strategy

The activities of Kazakhtelecom JSC are exposed to various threats that contribute to the achievement of the Objective. In this regard, in order to ensure preventive risk management measures, potential threats under the SDD were identified, with an indication of the impact and measures to reduce them.

However, Kazakhtelecom JSC does not rule out other threats, including risks not currently known or considered immaterial by Kazakhtelecom JSC.

First choice brand

CHANGES IN LEGISLATION RESULTING IN RESTRICTIONS ON THE COMPANY'S BUSINESS

MITIGATION MEASURES

1. Close cooperation with the authorized communications body. Monitoring of draft laws and regulations, timely notification of interested parties of draft/amendments to laws.
2. Participation in working groups on changes to communications legislation in the authorized body, the TTA, and the NCE. Submission of problem issues to the Roundtable in Parliament, ROSPP, and the Economic Policy Council. Organization of meetings with deputies.

INFLUENCE

Most expected

The growth in subscriber outflow does not exceed 7%.
Decrease in market share by no more than 3%.

Acceptable

No more than 12% growth in subscriber outflow.
Decrease in market share by no more than 10%.

ASSESSMENT IMPACT/PROBABILITY

3/4

ANNIBALIZATION OF REVENUE AT THE GROUP LEVEL AND INTRA-GROUP COMPETITION

MITIGATION MEASURES

1. Establishment of a strategic management unit at the Group level.
2. Creation of balanced KPI at the corporate level for all Group participants.
3. Ensuring the segmentation of client profiles and the performance of business activity of Group members in accordance with it.

ASSESSMENT IMPACT/PROBABILITY

3/3

First choice brand

LAUNCH OF A NEW STAGE OF THE PRICE WAR ON THE TELECOMMUNICATIONS MARKET

MITIGATION MEASURES

1. Creation of a strategic management division at the Group level (approval of tariffs, investment, interaction with the regulator).
2. Creation of balanced KPI at the corporate level for all Group participants.
3. Implementation of management accounting for business units and Group products to assess margins and shareholder value effect.

INFLUENCE

Most expected

Decrease in the Group's revenue by 7-15%.

ASSESSMENT IMPACT/PROBABILITY

3/3

DISRUPTION OF VALUE IN THE TELECOMMUNICATIONS MARKET DURING THE FORCED DEVELOPMENT OF FMS PRODUCTS

MITIGATION MEASURES

1. Creation of a strategic management unit at the Group level (approval of tariffs, investment, interaction with the regulator).
2. Creation of balanced KPI at the corporate level for all Group participants to maintain parameters:
 - › ensuring FMS KPI at the level of ARPU of at least KZT1,050.
 - › the number of SIM cards does not exceed 1.1 million units.
 - › and revenue of at least KZT 13 billion.
3. Implementation of management accounting for business units and Group products to assess margins and shareholder value effect.
4. Search for new growth points in the retail market.

ASSESSMENT IMPACT/PROBABILITY

3/3

**SANCTIONS IMPOSED BY THE REGULATOR
(NATURAL MONOPOLIES REGULATION COMMITTEE
OF THE MINISTRY OF NATIONAL ECONOMY OF
THE REPUBLIC OF KAZAKHSTAN)**

MITIGATION MEASURES

1. Building a position, organizing interaction with the regulator to revise the conditions (limited in time and constant).
2. Search for new growth points in the mobile market.

INFLUENCE

Most expected

Not assessed due to unconditional nature.

Acceptable

Not assessed due to unconditional nature.

ASSESSMENT IMPACT/PROBABILITY

3/3

**DELAYS AND DISRUPTIONS IN MAJOR
INFRASTRUCTURE PROJECTS INVOLVING
THE STATE**

MITIGATION MEASURES

1. Introduction of management accounting to calculate the actual effectiveness and effect on shareholder value.
2. Cooperation with the state body to revise the terms of the project in the event of the identification of material threats to the failure of the projects.
3. Creation of balanced KPI at the corporate level for all project participants.

INFLUENCE

Most expected

Failure to achieve expected effects by 20-30%.

Acceptable

0 Failure to achieve expected effects.

ASSESSMENT IMPACT/PROBABILITY

3/3

Digital platform

LIMITED EXTERNAL REGULATORY FRAMEWORK FOR NEW TECHNOLOGIES

MITIGATION MEASURES

1. Implementation of standards on new technologies.
2. Use of equipment and solutions from leading manufacturers.

INFLUENCE

Most expected

A 3-month shift in the timeframe for implementing new businesses.

Acceptable

A 6-month shift in the timeframe for implementing new businesses.

ASSESSMENT IMPACT/PROBABILITY

3/3

LACK OF RESOURCES TO IMPLEMENT INITIATIVES

MITIGATION MEASURES

1. Recruitment and/or reclassification of employees to implement initiatives.
2. Introduction of new approaches to the digital platform, provision of training.
3. If necessary, ensure certification.

INFLUENCE

Most expected

Provision of resources to implement initiatives of at least 80%.

Acceptable

Provision of resources to implement initiatives of at least 95%.

ASSESSMENT IMPACT/PROBABILITY

3/3

"LACK OF COMPETITIVENESS OF CORPORATE INFORMATION AND COMMUNICATION SERVICES AND SOLUTIONS PORTFOLIO"

MITIGATION MEASURES

1. Development of corporate sales of ICT services by the Company's branches, implementation and promotion of cloud services IaaS, PaaS and SaaS based on data centers, cloud data storage system, development of a long-term strategy to promote ICT services (marketing and promotional events).
2. Attraction of experts to solve the problems of system integration, formation of a strong staff, increase in sales personnel in the segment of major clients.
3. Certification of the Data Centers according to the quality system.
4. Provision of additional consulting services to large enterprises, development and promotion of system integration services and outsourcing.

INFLUENCE

Most expected

No more than 6% reduction in the share of ICT market income.

ASSESSMENT IMPACT/PROBABILITY

4/3

Effective organization

CURRENCY RISK

MITIGATION MEASURES

1. Negotiations on value reduction.
2. Transfer of contracts in KZT and in roubles to foreign rights holders.
3. Diversification of currency positions by storing and placing temporarily free cash funds of the Company in a basket of currencies.

INFLUENCE

Most expected

Increase in potential losses on the realization of currency risk within the Company's risk appetite.

Acceptable

Increase in potential losses when risk is realized within thresholds determined by the Company's management.

ASSESSMENT IMPACT/PROBABILITY

4/3

NON-PERFORMANCE OF OBLIGATIONS BY BANKS TO THE COMPANY

MITIGATION MEASURES

1. To assess the liquidity and capital adequacy of the Banks.
2. To adhere to the corporate standard on treasury operations of Samruk-Kazyna JSC.

INFLUENCE

Most expected

Outstanding obligations of the Banks to the Company up to 25% of the Company's risk appetite.

Acceptable

Non-performance of the Banks "obligations to the Company by 50% of the Company's risk appetite.

ASSESSMENT IMPACT/PROBABILITY

4/3

LIMITED REGULATORY FRAMEWORK FOR THE COMPANY'S INVESTMENT ACTIVITY

MITIGATION MEASURES

1. Systematization of network infrastructure facilities to select optimal technical solutions for use in each specific case.
2. Updating the regulatory framework for the Company's investment activity.

INFLUENCE

Most expected

Lack of projects accepted for implementation that do not meet regulatory requirements.

Acceptable

Availability of projects determined by management and accepted for implementation, secured by compliance with external regulatory requirements.

ASSESSMENT IMPACT/PROBABILITY

3/3

RISK OF LOSS OF KEY QUALIFIED PERSONNEL

MITIGATION MEASURES

1. Building a transparent system of incentives for key personnel/ developing tools to recognize key personnel.
2. Succession planning for key positions.
3. Creation of a target model for training and development of qualified personnel (functional academies, leadership school).

INFLUENCE

Most expected

Staff turnover of key qualified personnel does not exceed 3%.

Acceptable

Staff turnover of key qualified personnel does not exceed 5%.

ASSESSMENT IMPACT/PROBABILITY

3/2

Effective organization

RISING SOCIAL TENSION

MITIGATION MEASURES

1. Performance of explanatory work among personnel on events and changes to the Company.
2. Timely notification of personnel of HR events.
3. Systematic monitoring of the moral and psychological climate.
4. Implementation of regular feedback sessions between the manager and the employee.
5. Clear identification of line managers "areas of responsibility.
6. Improvement of the personnel performance assessment system.
7. Performance of sociological surveys of personnel.

INFLUENCE

Most expected

Social stability rating of at least 73%.

Acceptable

Social stability rating of at least 70%.

ASSESSMENT IMPACT/PROBABILITY

2/4

POTENTIAL NETWORK DISRUPTIONS, DELAYS AND/OR UNDERUTILIZATION OF SYNERGY AS PART OF THE INTEGRATION OF MOBILE OPERATORS

MITIGATION MEASURES

1. Creation of an integration project body in collaboration with the Group's strategic management division.
2. Implementation of management accounting to calculate actual synergies and effect on shareholder value
3. Creation of balanced KPI at the corporate level for all Group participants.

INFLUENCE

Most expected

Failure to achieve expected effects by 1-3%.

ASSESSMENT IMPACT/PROBABILITY

3/3

SERPIN Transformation Program

Message from D.Z. Kereibaev, Managing Director on the modernization program

Dear colleagues,

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.

Secondly, building a culture of change is important. We started listening and hearing each other and involving cross-functional divisions. We began to speak openly about problems that impede the Company's development, raise issues that we had not previously considered relevant, and set up teamwork between divisions, which is extremely important for a large Company.

Thirdly, we have achieved results in developing our client routes and improving our service levels. After the optimization and digitalization of a number of processes, we accelerated the connection of our services. However, we do not intend to stop there and will continue this work. Launched the project "Project in Village", which Kazakhtelecom JSC is currently piloting in Turkistan region, providing more access to the Internet and increasing the level of self-employment of the population through the creation of new workplaces, starting the process of transition to a micro-service architecture and actively leveraging big data capabilities. I would also like to note that the transition to the divisional structure that we have completed significantly simplifies the management of business processes and increases the speed of decision-making.

In summary, I would like to express my true thanks to each employee of the Company, because transformation is not a separate line of business or activity in the Company, but a change in the mind of each employee. We plan to continue our work on solving problems aimed at increasing the loyalty of the Company's clients and to follow the principles of customer centricity.

History of SERPIN

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:

- 1 **MEET MARKET REQUIREMENTS AND EXPECTATIONS**
- 2 **TO MAKE THE COMPANY READY FOR CHANGES AND CHALLENGES**
- 3 **TO IMPROVE AND IMPROVE COMPETITIVENESS**

On the whole, 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

1. Market segmentation and clear proposition for a particular customer category. This approach makes it possible to cover all market participants on the terms of the holding structure of Kazakhtelecom JSC.
2. Microtargeting. Based on the tools for analyzing consumer behavior, it is possible to offer the consumer a point product specifically for their needs.
3. Revenue preservation. In order to keep existing consumers of services and win over competitors, a policy is developed to create service packages that compete with similar offers in the market. In addition, tools for analyzing the prerequisites of failures and early response to possible outflows are being developed to manage outflows. In this case, the client may be offered a more profitable flexible package.
4. Addition of package offers to innovative solutions. Projects in this area are aimed at the development of the IPTV platform and advanced user experience, and the implementation of video streaming. The initiative is being implemented in accordance with the constantly growing need of clients to receive modern telecommunications services.
5. Implementation of new services in cooperation with outside organizations and development of existing lines of business. Given the high potential for interaction with related industries, it is planned to implement such services as video surveillance in Smart Cities and additional services for cash registers.
6. Development of the operating business on a local and international level. The line of business includes working with operators, entering the markets of Europe, Asia and the CIS.

Digital platform

Digitalization is a key driver of the transformation program.

Digital solutions deliver strategy objectives. Under this line of business, it is expected that the necessary digital infrastructure will be created for a successful business, and that the digital management of all the Company's processes will be implemented.

1. Digitalization of client routes. All services are available online: clients can receive a full range of services related to the purchase of products and service support without visiting physical offices or calling contact centers.
2. Implementation of online self-service services. Payment, rate change, invoice status, connection/switching and other services are available on the websites attached by Kazakhtelecom JSC via personal accounts.
3. Digitalization of all types of interactions with potential clients. Detailed information on services and connection terms, independent connection service, marketing promotion, etc.

Effective organization

Continuous and widespread development of infrastructure makes it possible to improve the Company's operating efficiency. Thus, the third strategic area will solve the following tasks:

1. Optimization of infrastructure costs: transition to wireless services in the PSC, deduplication of the subscriber network.
2. Employee performance improvement: centralization, automation, robotic automation and standardisation of work will be the main levers for employee performance improvement. The relevant projects will be implemented in the technical area supporting the functions.
3. Improvement of the organizational structure involves the completion of the transition to a divisional management model and holding structure.
4. Creation of an internal digital InDigiCo factory.

In addition, work on improving the efficiency of the organization stipulates the computerization of budgeting and post-monitoring of investment activity, which will make it possible to effectively manage the Company's operating and investment portfolios.

Work is also underway to change the corporate culture and create a favorable micro-climate in the Company for the successful implementation of all initiatives under the SERPIN transformation program.

SERPIN 2021 results

Last year's SERPIN transformation program in financial terms ensured free cash for the Company in the amount of about KZT 6 billion. This indicator is three 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 100% terms, which ensured that the plan was significantly exceeded.







Key effects of the 2021 digital transformation

IN COMMERCIAL DIVISIONS

1. The first full digital path has been created for retail clients using **GPON** technology.
2. Average connection times for retail customers decreased **by 16%** (from 50 to 42 hours).
3. Over 6 months a new product "**Digital Partner in the Village**" was created.
4. The connection of broadband access services using optical technology (dynamics) in major cities for SME clients was reduced **by 2 times to 24 working hours**.

IN SUPPORT DIVISIONS

1. The Information Technology Division, as the foundation for the development of digitalization, has begun transforming the **IT infrastructure**.
2. The vision and Development Plans of the Company's network architecture have been agreed in order to improve the quality of services that anticipate the exponentially growing needs of corporate and retail clients.

IN THE ENTIRE COMPANY

Implementation of Data Analytics as a tool for generating future revenues and maintaining market leadership positions.

Kazakhtelecom Development Focus 2022

GENERAL FOCUS AREAS

- > to reduce the time needed to connect subscribers within **24 hours**;
- > deepen the cross-functional interaction culture and coordination in the process of further development of digital platforms and redesign of the core of the IT infrastructure;
- > involve more employees in real digital transformation;
- > to bring the key systems — the mobile application **TELECOM.KZ**, the **ISMET.KZ** platform and the mobile application **ISMET.KZ** — to the industrial level;
- > expand the list of fully digital services for B2C and B2B;
- > start earning from **Big Data** both through internal and external monetization.

CORPORATE BUSINESS DIVISION

- > **100%** of IP transactions in online.

"NET" DIVISION

- > reducing the duration of elimination of single damages on the network;
- > increasing the level of FRR (solving a client's task in one application).

RETAIL BUSINESS DIVISION

- > onboarding for **24 hours** at the Moscow Housing and Utilities Service on the GPON;
- > self-service via digital channels at the level of **60%**;
- > **30%** of all sales via digital channels.



IT DIVISION

- > creation of infrastructure of world standards;
- > Big Data development;
- > implementation of an information security ZeroTrust framework.

FINANCIAL AND ECONOMIC AREA

- > monetization of big data;
- > ensuring control over the return of investments.

SERVICE FACTORY

- > automation of SSC processes;
- > implementation of SMART procurement.

EMPLOYEE EXPERIENCE

- > transformation of the learning and development function;
- > creation of a unified ecosystem platform for employees;
- > establishment of a Corporate University.

Values

CREDO

CLIENT

EXCEEDING CLIENT EXPECTATIONS

- › strive to satisfy the needs of external and internal clients accurately and fully;
- › continuously improve the client service based on feedback from the client;
- › to be one step ahead — to anticipate the client's expectations, and to surprisingly surprise them.

ENTREPRENEURSHIP

THE MARKET LEADER'S ENTREPRENEURIAL BRAVENESS

- › take an entrepreneurial initiative: boldly put forward new ideas, be ready to take risks and win;
- › to be ambitious, to strive for achievements;
- › constantly look for new opportunities for business development.

OUTSTANDING DECISIONS

QUALITY OF SOLUTIONS FOR BUSINESS SUCCESS

- › making decisions, taking into account the interests of all parties and all the diversity of factors;
- › use non-standard approaches to problem solving;
- › balance IQ+ EQ+ DQ — make decisions by combining logic, knowledge of new technologies, social and psychological trends of the new world.

C

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O

RESPONSIBILITY

COMMITTED — YOU ARE RESPONSIBLE FOR THE RESULT

- › be personally responsible for the final result;
- › be independent in making decisions;
- › focus on results rather than processes.

DIGITAL CULTURE

DIGITAL COMMUNICATION TECHNOLOGIES IN WORK AND IN LIFE

- › to be open and new and to strive for development;
- › Innovate — Disrupting the business with digital technology;
- › be ready for change.

Sustainability initiatives



Review of regulatory environment

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

(hereinafter the "BC") 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 BC in different ways during 2021.

In accordance with the Law of the Republic of Kazakhstan of 02.01.2021, article 25-1 has been added to the BC, pursuant to which the National Chamber of Entrepreneurs of the Republic of Kazakhstan creates and maintains a register of business partners to provide business entities and other parties with information on the integrity and integrity of business partners. The Law of the Republic of Kazakhstan of 15.11.2021 "On the Introduction of Amendments and Addenda to Certain Legislative Acts of the Republic of Kazakhstan on Issues of State Procurement, Procurement of Subsoil Users and Subjects of Natural Monopolies, Communications, Road Transport, Defense and Science Financing" (enacted from 1 January 2022) added point 13 of article 28 of the BC to the information of an enterprise classified as publicly available information, namely: information on state purchases and purchases of entities of the quasi-public sector, except for organizations included in the structure of the National Bank of the Republic of Kazakhstan and legal entities, fifty percent or more of voting shares (equity interests) owned or managed by the National Bank of the Republic of Kazakhstan, including information on plans, announcements, participants, results, contracts concluded; performance of contractual obligations and payment, as well as information on local content; except for information constituting state secrets in accordance with the laws of the Republic of Kazakhstan on state secrets and/or

containing restricted proprietary information, as determined by the Government of the Republic of Kazakhstan.

The Law of the Republic of Kazakhstan of 27.12.2021 appended chapter 23-1 "State Support for Innovation Activity", which defines the concept and content of innovation activity, establishes the goal, goals and fundamentals of state support for innovation activity. In addition, pursuant to article 241-3 of the BC, the subjects of the innovation system participating in state support of innovation activity include the national institute for development in the area of innovative development and other legal entities, fifty or more percent of the voting shares (equity interests in charter capital) of which are directly or indirectly owned by the state, authorized to implement measures of state support for innovation activity. Article 241-7 of the Civil Code establishes measures of state support for innovation activity.

From January 1, 2023, in accordance with the Law of the Republic of Kazakhstan of 30.12.2021, chapter 7 of the BC will be supplemented with article 83-1 "Register of Mandatory Requirements in the Area of Entrepreneurship". The register of mandatory requirements in the area of entrepreneurship is understood to mean a publicly available database of regulatory acts, broken down by areas of regulation of entrepreneurial activity. For the purposes of this article, regulatory acts shall be understood to mean effective regulatory legal acts, as well as other documents containing the requirements binding on entrepreneurs in accordance with the laws of the Republic of Kazakhstan. The register of requirements includes effective regulatory acts containing mandatory requirements for entrepreneurs in the relevant areas of regulation. The creation and maintenance of a register of requirements shall be performed by the authorized enterprise body on the basis of the Unified System of Legal Information.

In accordance with the Law of the Republic of Kazakhstan of 03.01.2022, a new version of article 193 "State Monopoly and Special Law" comes into effect from 01.07.2022. In this regard, 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 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, including Kcell JSC and Mobile Telecom Service LLP, will be forced to provide other market entities with their telecommunications network, mobile network, PSD and other infrastructure for use, which will be recognized as key capacity on the terms determined by the antimonopoly body.

The Law of the Republic of Kazakhstan "On Communications" (hereinafter the "Law

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.

The Law on Communications was amended by the Law of the Republic of Kazakhstan of 15.11.2021. For example, article 12, which regulates the general provisions on the distribution of the radio-frequency spectrum, identification and assignment (purpose) of strips of frequencies, radio frequencies (radio-frequency channels), it is added with norm in Paragraph 6, pursuant to which individuals and legal entities that have received permission to use the radio-frequency spectrum; those issued for the organization of broadband access to communications services must, no later than two years after the receipt of such permits, ensure the availability of technical infrastructure to provide access to communications services; corresponding minimum quality thresholds, at least thirty percent of the population in each population center in the territory where the permits were issued.

This requirement does not apply to communications operators that have assumed obligations under permits issued by the authorized body to use the radio-frequency spectrum to provide communications services to population centers and/or territories in accordance with part two of point 6 of article 12 of the Communications Law.

The grounds for terminating the effect of the permit to use the radio-frequency spectrum have been added: the lack of technical infrastructure ensuring the conditions for the provision of broadband access to communications services for at least thirty percent of the population in each population center and/or in the territory of use of the issued permit to use the radio-frequency spectrum at the end of two years after its receipt (sub-point 5) of point 8-1 of article 12).

Point 9 of article 12 of the Law on Communications stipulates that the procedure for drafting and issuing a permit to use the radio-frequency spectrum shall be determined by the authorized body.

The main goals of **the Law of the Republic of Kazakhstan "On Natural Monopolies"** are to determine the legal framework, ensure the openness and transparency of the procedures for state regulation of activity in the areas of natural monopolies, ensure the protection of the interests of consumers and natural monopolies, and encourage an increase in the quality of regulated services and satisfaction of demand for them.

According to the Law RK of 02.01.2021 "About modification and additions in some acts of RK concerning restoration of economic growth" Article 25 is supplemented with Paragraph 6-1 according to which subjects of natural monopoly provide information to National chamber of businessmen of RK for creation, maintaining and use of the register of business partner in the order determined by the Government of RK.

It should also be noted that the Law of the Republic of Kazakhstan of 30.12.2021 "On the Introduction of Amendments and Addenda to Certain Legislative Acts of the Republic of Kazakhstan on Issues of Trading, Development of Stock Exchange Trading and Protection of Personal Data" (introduced from 02.03.2022) regarding legislation in the area of personal data and their protection significantly expand the functions of the authorized body. Within the framework of such authorities, the authorized body has the right to adopt a number of subordinate legislative acts on issues of the collection and processing of personal data, which may significantly change the existing procedure for the collection and processing of personal data and access to personal data in state databases.

In addition, in 2021 various general amendments were introduced to certain legislative acts of the Republic of Kazakhstan used in the activity of Kazakhtelecom JSC, such as the Civil Code, the Tax Code, the Code of Administrative Offences, the Law "On the Securities Market", the Law "On Permits and Notifications", and the Law "On Joint Stock Companies".

Global Telecommunications Overview and Development

Main trends in the telecommunications market in 2021

The telecommunications sector is becoming a key segment of the economy, ensuring business processes in all sectors — from finance to agriculture. The industry has become one of the few to benefit from the quarantined limitations of the period of the panemics and the postpandem period:

- › at the end of 2021, the total volume of the communications services market equaled **KZT 1,012.068 billion**, which exceeds the figure for the previous year by **8.6%**;
- › Mobile communications dominate by type of services. Mobile revenue still generates more than half of the total market volume — **54.1%**;
- › income from fixed telephony amounted to **KZT 53.7 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 2021, the market share was about **15.8%**;
- › in 2021, the Pay TV services segment accounted for **4.3%** 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 2021

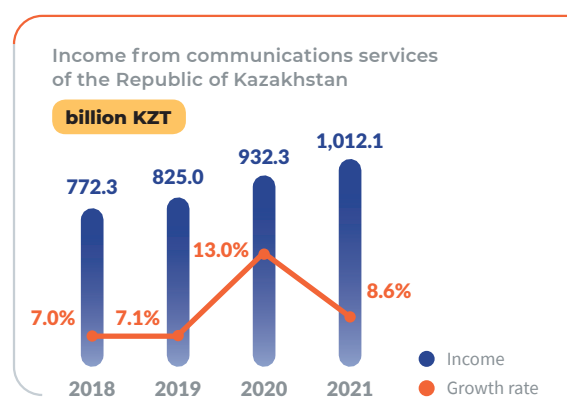
1,012.068

billion KZT

the total volume of the communications services market at the end of 2021

8.6%

the average annual growth rate (CAGR)



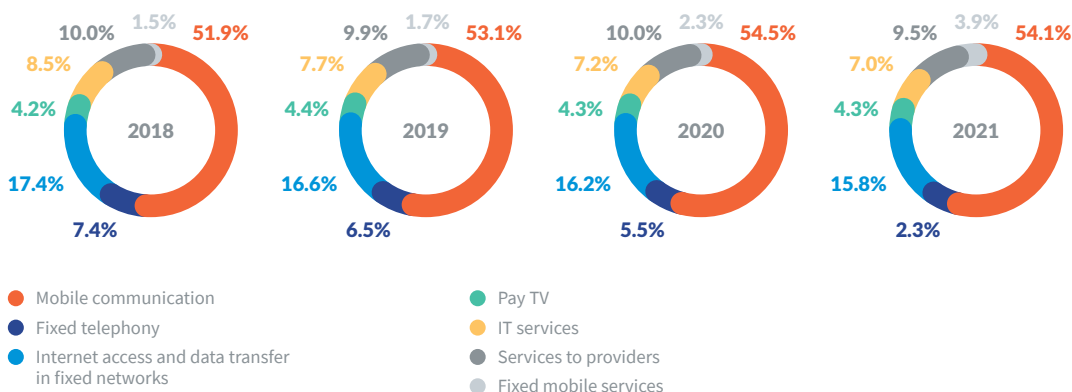
Source: Data of the CC MNE RK, CloudSystems assessment.

In the revenue structure, the key income-generating segments are mobile communications services and data transmission and Internet access services. Their market share in 2021 was **54,1%** and **15,8%**, respectively. The reason for the rapid growth in the volume of traffic in cellular networks is the ever-increasing weight of content, i.e. the size of data transmitted therefrom.

54.1%

share of cellular services in the income structure

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, CloudSystems.

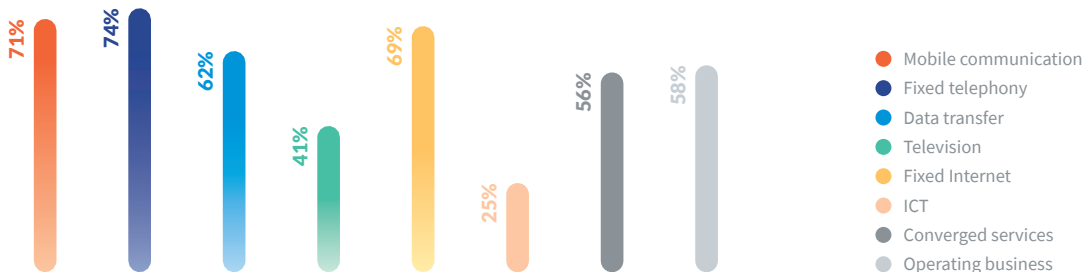
Kazakhtelecom Group's market position

The market share of the Kazakhtelecom Group in 2021 was **66,6%**. 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.

66.6%

the market share of the Kazakhtelecom Group in 2021

Positions of the Kazakhtelecom Group by market segment



Fixed telephony

In the last few years, the market of classic fixed telephony has been in a stage of natural stagnation. Under the influence of mobile and OT substitution, both income from telephone calls is reduced, and subscribers refuse to use fixed telephone lines as such due to their lack of need. This trend continued in 2021. At the end of the year, the volume of the fixed telephony market was **KZT 53.7 billion**.

The volume of long-distance and international telephone services in January-December 2021 was **KZT 18.781 billion**, which is 12.2% less than 2020 in comparable prices.

Mobile communication

Mobile revenues grew by 7,8% in 2021. The market volume reached **KZT 547.5 billion**. Thus, the market has become significantly stronger in the conditions of a panic, a reduction in real communication, and, as a result, an increase in virtual communication between citizens both for domestic and business purposes.

The B2C segment has historically dominated the structure of revenues from mobile communications services. However, in recent years the strategies of all Kazakh operators have been aimed at the development of the corporate sector through comprehensive offerings, access to related markets (fixed communications, IT integration, e-commerce, industrial Internet), and the provision of ready-to-use sectoral solutions.

Income from broadband access services

The fixed broadband segment is mature but continues to grow. In recent years, growth has been subdued, but in 2020-2021 the market has recovered due to the widespread distance of work and the life of citizens under conditions of self-insulation. The demand for higher rates and additional volumes of traffic has increased.

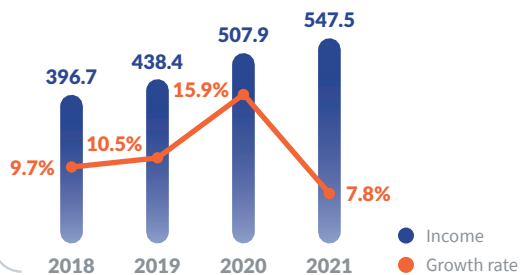
One of the most effective and proven tools of revenue growth in mature markets is bundling of services. In 2021, the leading Internet providers actively augmented package offerings with additional services, including the inclusion of both fixed and mobile telephony in service packages. These measures, while reducing the cost of individual services in the package, have a positive effect on the overall return on Internet access services.

The growth in income was also affected by changes in the policy of Internet providers regarding the provision of subscriber equipment — whereas previously it was transferred to subscribers on a safe and secure basis, in recent years companies have been charging lease payments for its use.

According to estimates, in 2021 the volume of the fixed broadband market was **KZT 125 billion**, which is 12.8% higher than the previous year.

Income from mobile communications services

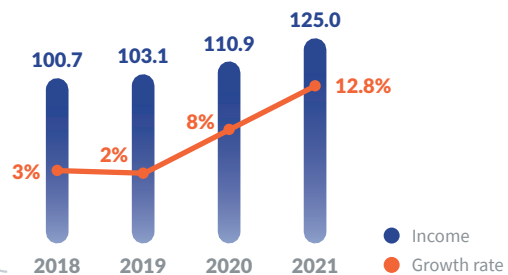
billion KZT



Source: Data of the Constitutional Court of the MNE RK, CloudSystems.

Income from broadband access services in fixed networks

billion KZT

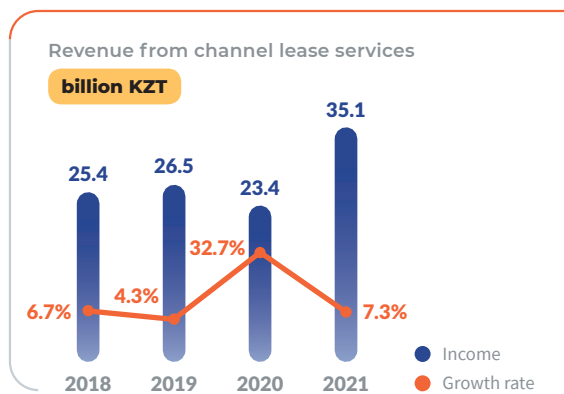


Source: Data of the Constitutional Court of the MNE RK, CloudSystems.

Lease of data transmission channels

Along with growth in revenues from broadband services, the data services segment demonstrated significant growth. In 2021, revenues from the organization of corporate VPN networks increased to **KZT 35.1 billion**, which corresponds to an increase of 7.3% 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.



Source: Data of the Constitutional Court of the MNE RK, CloudSystems.

Pay TV

The role of television not only as a source of information, but also as a means of entertainment has increased under the conditions of self-insulation. For children and adults who have spent most of their time at home and who have experienced significant emotional stress due to restrictive measures, there has been an increase in the need to watch various films, entertainment programs, which has led to a growth in the popularity of online TV offers, connection to the services of a chain of theatre, etc.

To stimulate demand for Pay TV services, operators are actively using new promotion methods, including:

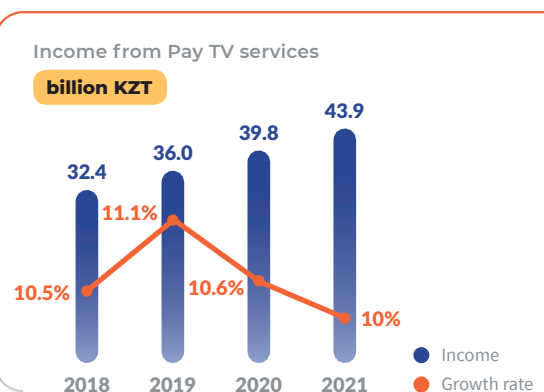
- › loan offers to purchase equipment (first of all, satellite TV sets);
- › integration with retail networks (for example, sale of TV equipment AlmaTV and connection packages in major consumer electronics networks such as Tekhnod, Sulpak, Dream);
- › development of a dealer network (for example, TTK works with regional Internet providers to provide its own Set-top-box to connect to interactive TV);
- › partnership with subscriber device manufacturers (e.g. launch of joint branded application SamsungTV and Alma TV);
- › development of exclusive content (for example, exclusive offers from TV+ in terms of broadcasting UFC matches).

Operators pay special attention to content localization — translation of popular children's channels into Kazakh, launch of Kazakh Kino channels and Kazakh Sitcom TV channel. Kazakh-language content is being actively promoted as part of the OST proposals of toll TV operators (TV 360 from Beeline, TB+ from Kazakhtelecom, AlmaBox from Alma TV). Localization of content is seen by operators as one of the key conditions for promoting services in regions and especially outside major cities.

Revenue dynamics from Pay TV services

Despite the high penetration of Pay TV, revenues from this type of services are growing year on year. In 2021, the volume of the Pay TV market amounted to **KZT 43.9 billion**, an increase of 10.3% compared to the previous year.

As before, the main income from Pay TV services is generated by households — more than 98% of the total amount or **KZT 33.022 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.



Source: Data of the Constitutional Court of the MNE RK, CloudSystems.

Services to communications operators

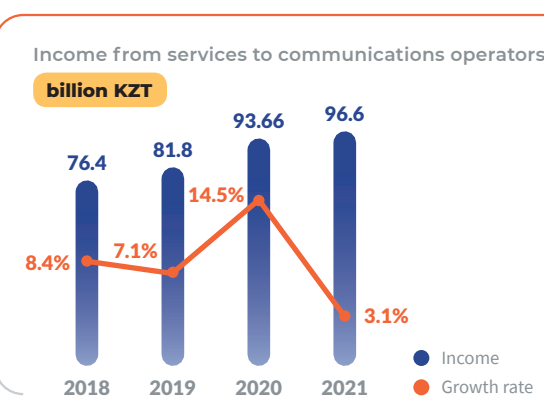
The volume of services provided by operators in the B2O segment in 2021 will equal **KZT 96.6 billion**, an increase of almost 3.1% year-on-year.

Revenue from services provided by operators is generated from the following major segments:

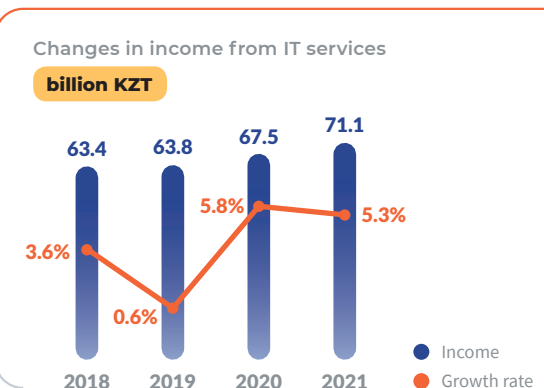
- › connection to the public telecommunications network and the loss of voice traffic;
- › lease of national and international channels;
- › Virtual channel services (IP-VPN);
- › Internet access for operators;
- › transit of voice and data traffic (IP transit).

IT services

In 2021, the volume of the IT market was **KZT 71.1 billion**, an increase of 5.3% compared to 2020.



Source: Data of the CC MNE RK, data of operators, CloudSystems assessment.



Source: Data of the CC MNE RK, data of operators, CloudSystems assessment.

Results of B2C focus in 2021

DIGITAL ONBOARDING IN 24 HOURS

- › Creating and launching a mobile application (88,000 downloads in 2021);
- › The average time to connect services (in hours) by ADSL was reduced by 23,5%, by GPON by 44,4%, in RS by 21,6% (B2C);
- › Create a function to display the installer's location on the map in the personal area and in the mobile application;
- › Implementation of functionality for online formation and signing of contracts and applications via sms-notifications.

DIGITAL SERVICE

- › Launch of the biometrics service;
- › Online channels — a single window operator (in 2021 the number of sales through online channels increased by 33%).



3

Business and Finance Overview



Retail business

In 2021, the Company once again updated its revenue record in the retail segment, which amounted to KZT 128 billion. An increase of 8.1%, or KZT 9.6 billion, was also recorded in 2020. The revenue plan was exceeded by KZT 12.4 billion, or 10 and 7%. The average profitability (ARPU) of a subscriber increased by 9.2%.



1.8%

growth of the broadband Internet subscriber base

In the reporting period, the broadband Internet access subscriber base continued to grow by 1.8%, Pay TV by 6.5% and convergence services by 10.3%.

At the end of 2021 there was a record low total level of overdue and doubtful accounts receivable in the amount of KZT 1.9 billion. Compared to September 2018, when there was the highest peak of overdue and doubtful accounts receivable, the figure was reduced by KZT 4.1 billion, or 64%, and compared to the previous year by KZT 252 million, or 12%.



6.5%

growth of the Pay TV subscriber base

Development of product offerings

In 2021, Kazakhtelecom JSC launched the media service TV+ for commercial use. The official presentation was held with the participation of the Chairman of the Management Board of Samruk-Kazyna JSC and the Minister of Information and Public Development. TV+ was developed on the basis of the new modern hybrid complex IPTV/OTT.

The main advantages of the service are the possibility to manage the air of TV channels (pause, rewinding, etc.), as well as the possibility to use them both on TV sets and on mobile devices. In this regard, the selected programs and channels can be viewed simultaneously from several gadgets.



10.3%

growth of the subscriber base of converged services

The service is provided by a carefully selected content library. In addition to the most rated and popular TV channels, TV+ contains a unique exclusive selection of Kazakhstani content developed specifically for TV+. "Made at KZ" is a large catalogue of national film products, with a total of 2.7 thousand units of content. The film collection includes both rolled hits (films by Nurtas Adambay, Assel Sadvakasova) and historical content for which a contract was concluded with Kazakhfilm (films "Tomris", "Konokrady. Time Roads", "The Road to the Mother"). Much attention is paid to the TV series "Khabar", "Kazakhstan" (series "Barys Generation", "Abysyndar", "Ana kadiri", etc.). Plans include continuing to actively develop the selection up to its own production. The content of "Megogo", "Amediateka", "Start", "More.tv" through integration, is also available to users.

Over the partial year of promotion of TV+, since March 2021 the number of users of the media service has been close to 300,000, of which 175,000 have already purchased the service and 113,000 have already purchased the service during the promotional period.

To enable the promotional period, we developed the simplest possible client path — download

the application, enter the phone number and code from the SMS. The need to link the card appears after the end of the promo period.

The free promotional period for the service is available to users from the very beginning of the service launch. Content provided free of charge in the promotional period contains as much content as possible:

- › 150 TV channels, 65 of which are in an OLD capacity, including national TV channels and all leading foreign content providers such as Viasat, Red Media, Discovery, Setanta, Eurosport, Nickelodeon, etc.;
- › a specially developed selection of Kazakhstani content "Made in KZ";
- › the well-known "Megogo" and "Amediatek" online kinemas integrated into the application.

In addition, in 2021 there was a positive trend towards an improvement in the average connection time, which was achieved through optimization of work-order routes and an improvement in the incentive system for installation personnel.

Social responsibility

Aware of its high social responsibility, Kazakhtelecom JSC continues to implement the policy of available product offers in the retail segment. For example, in 2021 a new unique line of tariff plans was offered to subscribers, which makes it possible to satisfy the needs of a wide range of subscribers for communications services.

The Start tariff plan introduced in 2020, which includes unlimited Internet at 8 Mbit/s (ADSL) and 30 Mbit/s (FTTh), unlimited calls to fixed numbers in the Republic of Kazakhstan, unlimited calls to the numbers of Altel and Tele2 operators, continues. The value of the package is KZT 3,499, including VAT.

Plans and objectives for 2022

In plans for 2022 on retail business to continue to develop media TV+ service in parts of functionality and the content filling. As early as the first half of 2022, users are expecting an improvement in content, namely, the films of the well-known Dutch firms Universal and Paramount will be added to the catalogue. It is also planned to launch a mat migration of iDTV users to TV+, thus enabling the loyal users of Kazakhtelecom JSC to connect a more modern and progressive product.

The main objectives in the retail segment for 2022 are:

- › revenue growth through the implementation of projects using Big Data technologies;
- › increase in sales of paid television services;
- › reduction of the time required to connect services to GPON networks by the end of 2022 to 24 hours through the introduction of automation tools and expansion of the dealer network of installations;
- › continue to actively develop digital service channels.

Corporate business

The Company's revenue in the corporate segment for 2021 amounted to KZT 149 bln 337 mln, net of VAT, broken down by B2B, B2G and B2O segments.

Company's income in the corporate segment



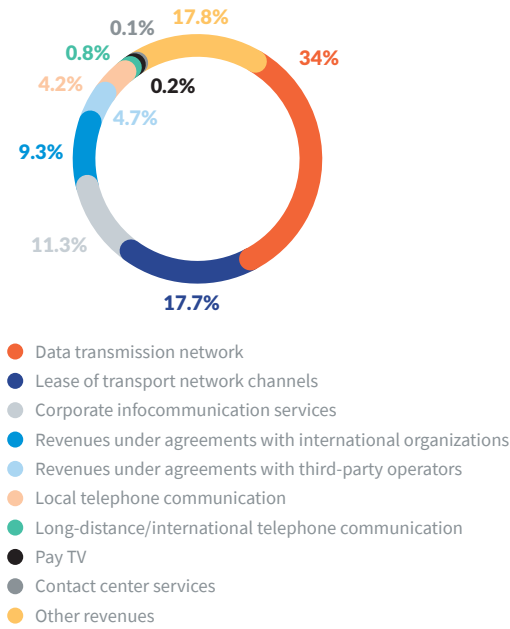
In 2021, the corporate segment focused on such areas as the development of the product line, identification of the most effective digital channels and their development, personalization and digitalization of services, and development of the OFD project.

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 2021 was 209% compared to the previous year, and from new services — 53%.

Despite quarantined restrictions, outflow of services in the corporate segment was reduced by 3.2 thousand (or 4%).

In the structure of income in the corporate segment, the largest share of 33.95% is made up of income from the provision of data transmission network services. The share of income from the lease of transport network channels equals 17.66%, and the share of income under the agreement with international operators equaled 9.29%.

Revenues structure of the Company in the corporate segment



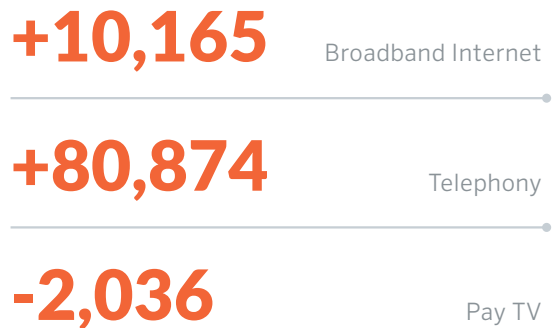
Total volumetric indicators

ports



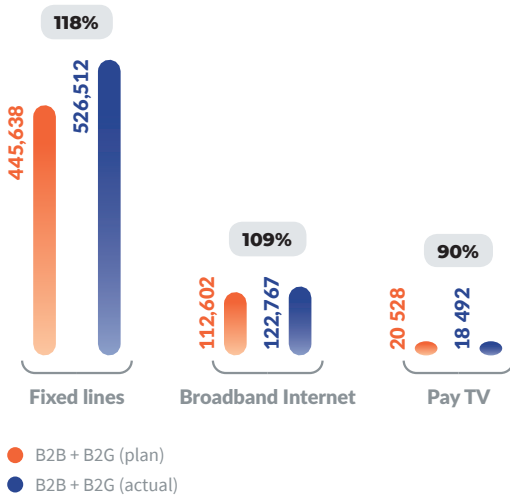
In absolute value

thousand ports



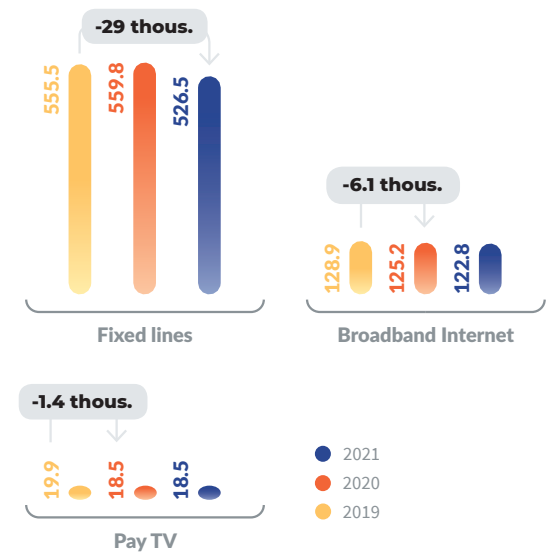
Implementation of the volume plan in the corporate segment for 2021

subscribers



Increase in volumes per B2B/B2G segment

thousand ports



Implementation of the planned volume of **115.4%**, in absolute terms — **89,000 ports**.

B2B's client portfolio at the end of 2021 is more than

87

thousand clients

B2G's client portfolio — more than

16

thousand state-owned enterprises

By the end of 2021, the corporate segment of Kazakhtelecom JSC attracted about

11,900

new clients

more than 3,500
legal entities

7,400
individual entrepreneurs

955
state-owned enterprises

Product line expansion and differentiation

Thanks to an effective understanding of the needs of corporate clients, the Company has developed and implemented a number of new products aimed at increasing the efficiency and efficiency of their operations. Innovation and the possibility to combine with the Company's products already in use are mandatory criteria when developing new products.

In 2021, an information security product was launched to protect the confidential information of subscription AntiDDoS subscribers. This DDoS protection service makes it possible to detect and block attacks aimed at theft or spoofing of site data. The site's vulnerabilities are also actively scanned and traffic to operate them is blocked.

In addition, in 2021 the Company launched Imou Kazakhtelecom, a video surveillance product, as a solution for small and medium-sized businesses. This is a packaged solution for quick video surveillance without connecting additional equipment.

In addition, the Company has developed TV+ B2B, which is intended for legal entities, and makes it possible to connect Smart TV to TV from Kazakhtelecom JSC without additional equipment based on the TV+ platform.

Digitalization

In 2021, 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.

At the end of 2021, more than 34,000 B2B customer requests were processed for one of the most popular online channels of the WhatsApp, which accounted for 25% of all online client requests, of which 40% were processed using chat bots. The transition of customers to digital channels reduced the Contact Center burden by 25%.

34,000

B2B customer requests

were processed for one of the most popular online channels of the WhatsApp

IT IS POSSIBLE TO RECEIVE VARIOUS SERVICES ON THE ISMET.KZ BUSINESS PLATFORM WITHOUT LEAVING THE OFFICE. USERS MAY:

- › to use the convenient process of ordering services of Kazakhtelecom JSC. The possibility to connect broadband data (optics) in digital format (up to the time of installation);
- › 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 electronic documents (contracts, ABC, ESF, etc.);
- › Promote your business;
- › post information on its goods or services;
- › search for partners, clients, contractors, etc.

The introduction of the digital customer journey has increased the number of registered users of the ISMET.KZ platform by 2 times, and allowed the threshold of 63 thousand users to pass, while sales over the year through digital channels rose from 1.2% to 13.2%.

As part of the digital transformation, Kazakhtelecom JSC has launched a pilot project "Digital Partner in Village" in Turkmenistan region. 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.

At the end of 2021, the "Level of loyalty of NPS B2B" fell to 15%. The main reasons for the decrease are the client's dissatisfaction with the quality of services. There was

an active increase in online interactions during the period of the disaster. Sales were transferred online, employees were transferred to remote work, and the transfer of schoolchildren and students to remote learning format created an unprecedented burden on the network.

Incoming and outgoing traffic in the B2X segment increased by 1.5-2 times. Businesses with relatively low speed in the pre-December period today require optical technologies and high speed. For this reason, in 2022 the corporate segment is facing global challenges to transfer the business to improved technical characteristics. In addition, the goals for 2022 are aimed at reducing expenses on paper, logistics, reducing the labor costs of sales and service personnel by transferring service transactions online and digitalizing the process of connecting using fiber-optic communications.

Fiscal data operator

Kazakhtelecom JSC was determined by Resolution of the Government of the Republic of Kazakhstan No. 1393 dated 29 December 2014 to ensure the transfer of information via public telecommunications networks by the fiscal data operator.

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

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. regime to the state revenue authorities for public telecommunications networks" two more fiscal data operators were identified — Transtelecom JSC, Kar-Tel LLP and KazTransCom JSC.

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).

Despite the appearance of new players in the market of fiscal data operators, such as TTK, KazTransCom 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.

The number of active cash registers connections fell by 14,000 in 2021. The reason for the decrease was a change in the situation on the OFD market and strong price competition.

In January 2020, the final stage of the phased introduction of the Nationwide Classification of Economic Activities (NCEA) was completed in accordance with Order of the Minister of Finance of the Republic of Kazakhstan No. 1029 dated 27 November 2018 "On the Approval of the NCEA when taxpayers use cash registers with the Function of Fixation and/or Transfer of Data in Cash Settlements in the Republic of Kazakhstan". This means that all entrepreneurs, regardless of the type of activity and tax regime, have become obligated to switch to the next-generation online cash desks that transfer information on trading operations through the State Treasury Committee (STC) of the Ministry of Finance of the Republic of Kazakhstan.

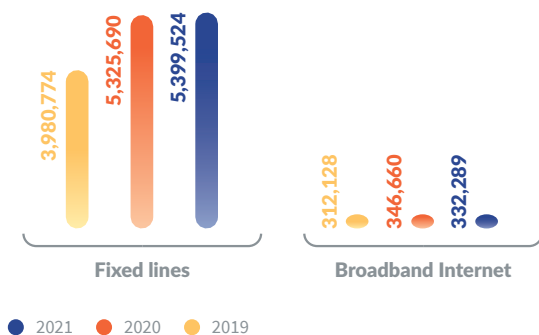
After January 2020, the growth of active cash registers connections was only possible due to the growth of new registered legal entities in the Republic of Kazakhstan and the exit of entrepreneurs from the shadow economy. For the entire duration of the project, the maximum coverage of the client base was set during the implementation of the plan of the STC of the Minister of Finance of the Republic of Kazakhstan, respectively, in 2020.

A new service "Scoring with Banks" was launched in 2021 as part of the development of the OFD project. This is a system for assessing the creditworthiness (credit risks) of an entity, based on numerical statistical methods according to the data of the OFD. The project was implemented as part of a joint service agreement with partners also providing technical support. In 2021, income from the project amounted to about KZT 27 million. The Company aims to retain and retain its client base in a competitive market.

Within the OFD project in 2022 Kazakhtelecom JSC plans:

- › launch of the subscription system for 1, 3, 6 and 12 months with competitive tariffs;
- › 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 services;
- › launch of a free cash registers program;
- › development of software for a business — a commodity accounting system.

Income from the OFD, thousand KZT and number of cash registers



B2O

In 2021, Kazakhtelecom's JSC income from its local operating segment amounted to KZT 43,116 million, against a target of KZT 38,686 million. The plan was achieved by 111.45%, and increased by 5.43% compared to 2020.

Revenue from providing Internet channels to operators amounted to KZT 5.1 bln, while the total throughput capacity of Internet channels for communications operators of the Republic of Kazakhstan was 871,789 Mbit/s, an increase of 23.3% since the start of the year.

The increase in the throughput capacity of Internet channels was caused by active work on attracting outside operators and the sale of additional volumes by Kcell JSC and Mobile Telecom-Service LLP. The growth in the consumption of Internet services by cellular operators is a consequence of the continued growth in the consumption of mobile Internet traffic by end users of mobile operators.

Income from leasing communications channels, including data transmission channels, amounted to KZT 24.5 billion. The throughput capacity of the lines purchased by the communications operators of the Republic of Kazakhstan under the lease of transport channels was 5,186 Mbit/s; for IP VPN services it was 1,364,520 Mbit/s; the growth since the start of the year was 61.1%. The increase in the capacity for the lease of channels is explained by the conclusion of a supplemental agreement with Mobile Telecom-Service LLP on an increase in volumes.

Revenue from voice traffic was KZT 6.99 billion. The volume of transit international traffic at the end of the year was 44,106 thousand minutes.

43,116

million KZT

Kazakhtelecom's JSC income from its local operating segment

B2G

In November 2020, a Memorandum of Mutual Cooperation was signed between the Ministry of Internal Affairs of the Republic of Kazakhstan and Kazakhtelecom JSC to improve the level of public security through the introduction and development of video surveillance systems.

In order to ensure the transfer of video traffic from access video surveillance cameras to video monitoring platforms at the Central Office of the Regional Police Departments of the Ministry of Internal Affairs of the Republic of Kazakhstan, in 2021 the Company successfully implemented the project "Transport for Video Surveillance of the Ministry of Internal Affairs of the Republic of Kazakhstan", under which:

- › work has been performed on installing 10G switches in police departments;
- › 84 high-speed VPN ports were connected in 17 cities of the Republic of Kazakhstan: Taraz, Kokshetau, Schuchinsk, Nur-Sultan, Almaty, Aktobe, Aktau, Atyrau, Ust-Kamenogorsk, Pavlodar, Petropavlovsk, Karaganda, Kzyl-Orda, Uralsk, Taldysk;
- › in the cities of Nur-Sultan, Kokshetau, Schuchinsk and Taraz, integration with the platform of the police department was performed;
- › access to the cloud video surveillance has been removed in 13 other cities and the computerized control system has been installed;
- › a total of 34 000 cameras were connected in 17 cities.

Income under this project in 2021 amounted to KZT 529 million.

529

million KZT

income under the project "Transport for Video Surveillance of the Ministry of Internal Affairs of the Republic of Kazakhstan"

Development projects

In 2021, according to the project "Provision of broadband Internet access to rural population centers of the Republic of Kazakhstan using FOCL technology", OS base stations were connected to 164 population centers with a total capacity of 13,261 Mbit/s.

The following projects were implemented in the international operating segment in 2021:

- the IRU Internet project, under which the expansion of external Internet channels increased by 520 GB/s to 2,100 GB/s at the end of the year, the cost of 1 Mbit/s fell from USD 0.8 to USD 0.52 or 35%;
- a project to modernize the network to provide transit channels in China-Europe. During the implementation of the Transit 20x100G project, additional 5x100G transit channels were organized in the China-Europe direction;
- under the project "Construction of FOCL Uralsk-Ozinka", a new international border joint was organized with the Russian partner Rostelecom, which in turn opens up additional development prospects regarding the acquisition of external Internet channels and the organization of transit nx100 channels.

Project "Provision of broadband access to rural settlements of the Republic of Kazakhstan using the technology of fiber-optic communications lines"

In 2021, Kazakhtelecom JSC established 553 public access points for eQoldau (PPA) in the country's villages as part of the FOCL PPP project. With the help of a digital assistant, residents of settlements can now receive public services and services electronically, perform financial operations, order and purchase goods and services in marketplaces, and much more.

The PPA project aims to:

- reduce the level of digital disparity between the PSC and the city;
- to realize the possibility of receiving services without having to visit the regional center.

PPA is an information terminal with an intuitive interface and reliable communication with the central servers of state bodies to obtain various certificates and documents. Externally similar to a multipass, full-fledged computers are equipped with a touchscreen display, screen keyboards, printer and sound device.

In 2021, a project to construct a FOCL RS was successfully completed, under which Kazakhtelecom JSC connected 837 FOCL and built 14,380 km of FOCL to connect schools and government institutions in rural areas of Kazakhstan to the broadband Internet.

164

population centers

OS base stations were connected

14,380

km of FOCL

were built to connect schools and government institutions in rural areas of Kazakhstan to the broadband Internet

Marketing policy

In 2021, a number of marketing events were planned and implemented in digital and product areas, as well as research and brand positioning.

Digitally, the SERPIN 2021 roadmap provided systematic support for digital channels to increase the share of online customer service. In addition, digital campaigns were held to increase the level of knowledge of clients in support of products, new businesses, share offers, the ISMET.KZ digital platform for entrepreneurs and the Kazakhtelecom Business brand in the corporate segment.

A system marketing policy was implemented for the product line in 2021 in three segments: B2O, B2G, B2B (CCC/SME).

In the B2B and B2O segments:

- › emphasis was placed on maintaining market share, attracting new clients and expertise through the introduction of new products and cases;
- › products and cases on cyber security, traffic transit, and optical infrastructure have been implemented.
- › a number of events were held for representatives of local and international large business and partners, under which memoranda of cooperation were concluded with international companies and companies of the Kazakhstan investment holding company.

In the B2G segment, further strengthening of partnerships in the implementation of socially important state projects on digital transformation (Smart Cities), introduction of the latest technologies and development of innovations (IoT infrastructure), video surveillance systems with monitoring and analytics, both inside and outside the country. The Company took part in a number of events with representatives of government agencies to discuss opportunities for mutually beneficial cooperation and exchange of experience in these areas.

The B2B segment continued its maximum marketing activity. In 2021, in the year of combating the consequences of the coronavirus in Kazakhstan and the world, a marketing activity plan was developed, as part of which various marketing campaigns were held to support small and medium-sized businesses. The campaigns were launched with the provision of a special tariff line for individual entrepreneurs (the "Business Proposal" campaign), and the inclusion of the OFD (the "Connect to the OFD and Win" campaign). An additional bonus for clients was the opportunity to win a prize on the purchase of equipment and educational courses to satisfy business needs.

As part of the Almaty Business 2021 training and acceleration program and the Almaty Business-2025 regional entrepreneurship development program, an event was held jointly with the Family Business Association in Kazakhstan (AFBK), where the Company presented a case study on SME assistance in business development and strengthening through a digital platform and services.

Researches

The research and analysis of the external and internal environment, performed on an ongoing basis, is an integral part of the marketing function. The preparation of analytical materials is based on the systematic collection and detail of data on the corporate segment of the telecommunications market.

The implementation of dashboards in the Qlik Sense information system based on data on the telecommunications market accumulated using the API on the specialized Big Data platform is currently underway.

Active work is underway to research the attitude of market players to the brand of the open digital platform ISMET.KZ and the brand Kazakhtelecom Business as a whole. At the same time, we analyze the key segments of the telecommunications market, such as "young" enterprises (under 5 years old), small and medium-sized business and competitive environment.

In order to understand the situation on the regional telecommunications market, a Regional Certificate is prepared on a quarterly basis, which shows detailed information on the Company's positions in a specific region and local competitors.

Brand positioning

Regular surveys and surveys show the importance of the brand when selecting a telecommunications service provider. In order to further strengthen the brand position in the corporate segment through products, special projects,

the ISMET.KZ digital platform, and to increase knowledge of the Kazakhtelecom Business brand, online and offline marketing promotion was carried out in 2021, aimed at system communication between clients and the brand.

Plans and objectives for 2022

Plans for the corporate business for 2022 include the continuation of the growth trend in Internet traffic consumption. Similar to the previous period, the main growth in income is planned to be achieved through the sale of transit channels in China-Europe, as well as channels to Central Asia:

- 1 sales of new 2x100G transit channels to China-Europe;
- 2 sale of new transit channels to Uzbekistan and Kyrgyzstan, provided the implementation of the project "7x100G Uzbekistan, Kyrgyzstan";
- 3 introduction of the Antifrod system and an increase in the number of voice traffic.

At the end of 2021, the "Level of loyalty of NPS B2B" fell to 15%. The main reasons for the decrease are the client's dissatisfaction with the quality of services. There was an active increase in online interactions during the period of the panopsy. Sales were transferred online, employees were transferred to remote work, and the transfer of schoolchildren and students to remote learning format created an unprecedented burden on the network.

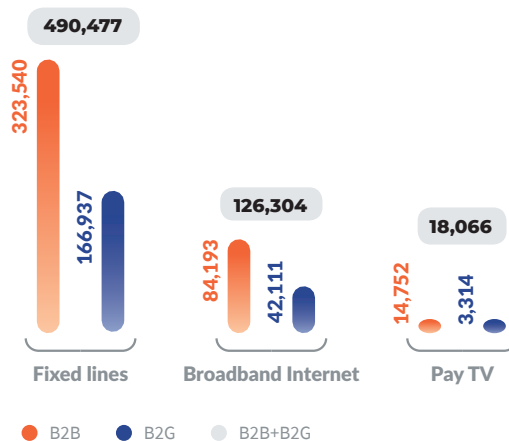
Incoming and outgoing traffic in the B2X segment increased by 1.5-2 times. Businesses with relatively low speed in the pre-December period today require optical technologies and high speed. For this reason, in 2022 the corporate segment is facing global challenges to transfer the business to improved technical characteristics. In addition, the goals for 2022 are aimed at reducing expenses on paper, logistics, reducing the labor costs of sales and service personnel through the translation of service transactions into online format, and also through digitalization of the process of connecting using optics.

THE MAIN OBJECTIVES FOR 2022 ARE:

1. Active efforts to retain and increase existing volumes of Internet channels and prevent early termination of contracts.
2. Increase in the share of presence on the local B2O market and conclusion of new beneficial contracts with second-tier communications operators.
3. Meeting the volume needs of mobile operators.
4. Performance of measures to maintain the volume of international traffic from the networks of cellular operators by providing discounts on popular international lines.

Planned volumes

thousand ports



Innovation business and projects

Implementation of 5G technology



Kazakhtelecom JSC is actively testing and successfully implementing 5G technologies in the Republic of Kazakhstan. In 2021, the Protocol of the Interdepartmental Commission on Radio Frequency of the Republic of Kazakhstan, chaired by Prime Minister of the Republic of Kazakhstan No. 17-04/07-1000 of 31.08.2021, was approved. Under this Protocol, Kazakhtelecom JSC launched its own 5G spot in Astana Hub in Nur-Sultan and in the central square of Shymkent. In October 2021, the Company also launched a 5G spot in Rixos Turkey.

All of the above hot spot were launched for testing and demonstration of eMBB (mobile 5G) and were deployed in the C-group in the most recommended and popular radio frequency range in the world. The company ensured the integration of 5G NR base station into the existing LTE network, i.e. the 5G pilot network is deployed in NSA (Non-Standalone) mode using the existing core of the LTE network.

Launch of Fixed Wireless Access



In 2021, Kazakhtelecom JSC launched the FWAs network in Shymkent for fixed wireless Internet access. To launch the network, the Company used the following key technical solutions:

1. A separate range of radio frequency (band 40) to prevent interference is the weakening of the signal due to the overlapping of radio wave with each other;
2. LTE as an access ensures the highest efficiency (bit/Beta) of using radio frequency in the range (band 40) compared to other wireless access technologies;
3. A SIM-based approach makes it possible to manage services flexibly;
4. IP breakout provides a dedicated PGW connection to the Internet for FWAs;
5. The 4T4R base stations used provide a large network capacity for fixed FWAs and allow aggregation of several carriers in the future;
6. In the Core domain, a technical solution is used with network function virtual based on NFVi infrastructure, i.e. all Core elements are implemented as VNF;
7. The subscriber access domain uses specialized CPE (1T2R) terminals for a fixed wireless connection. A network has been launched in certain regions in the cities of Shymkent, Nur-Sultan (South-East), Almaty (Algabass) and Kosshy;
8. Rollout of the FWAs network in Nur-Sultan and Almaty has also started.

Information security



Kazakhtelecom JSC intentionally began preparations for the organization of its own ECIB and the receipt of an ECIB license. In 2021, all necessary information security certificates were received in accordance with the qualification requirements:

- › GIAC Reverse Engineering Malware (reverse engineering);
- › EC-Council CHFI (investigation of computer security incidents);
- › EC-Council Ethical Hacker;
- › RedHat Certified System Administrator Exam.

The Company has undergone audits of Samruk-Kazyna JSC and NSC RK to provide information security services. Kazakhtelecom JSC also obtained official permission to provide information security services, thereby confirming its competence. At this stage, a product is being prepared for critical infrastructure in our country.

Cloud video surveillance



To date, more than 34,000 video cameras in 17 cities of the Republic of Kazakhstan have been installed on the platform of Kazakhtelecom JSC. Integration of Kazakhtelecom's JSC cloud video surveillance system in the operational management centers of the Ministry of Internal Affairs of the Republic of Kazakhstan has been completed. As part of the integration, the Company has performed the following tasks:

1. Video traffic from 34,000 approach video cameras was brought out in stages during 2021 in 17 major cities of the Republic of Kazakhstan. Video cameras are installed on the entrance group and inside the entrances of apartment buildings. Video flows are transferred to the regional operational centers of the Police Departments in each city;
2. Video traffic from all approach video cameras to the National Center of the Ministry of Internal Affairs of the Republic of Kazakhstan in the city of Nur-Sultan has been ensured. In total, video traffic from 17,000 entrances is transferred to the Central Department of the Ministry of Internal Affairs of the Republic of Kazakhstan;
3. A productive and reliable optical network infrastructure has been organized for the Ministry of Internal Affairs of the Republic of Kazakhstan at the level of 10 Gbit/with the aim of transferring video flows to the Central Department of the Ministry of Internal Affairs of the Republic of Kazakhstan. For this purpose, the FOCL was built before the Central Department of the Ministry of Internal Affairs of the Republic of Kazakhstan (where there was no technical capability) and the IP network applied was organized using switches and routers;
4. 13 computerized workstations were organized at the Central Department of the Ministry of Internal Affairs of the Republic of Kazakhstan in the cities where this was necessary, with access to the cloud video surveillance platform of Kazakhtelecom JSC to monitor video flows online and video archive.

Working with content providers



VIDEO SURVEILLANCE SYSTEMS IN PUBLIC PLACES OF NUR-SULTAN

In 2021, the Corporate Business Division successfully developed new client video surveillance projects. A particularly topical topic was "Public security", where in the cities of our country 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 prompt monitoring of the work of various city services. These systems make it possible to monitor the situation in public places and monitor the work of the municipal services responsible for removal of snow, waste collection, etc.

Today, urban video surveillance systems are an integral priority component of the smart city ecosystem, striving to be as safe and comfortable as possible for its residents. For example, Nur-Sultan has implemented projects to install video surveillance systems in public places at 118 sites.

In December 2020, the Akimat of Nur-Sultan and Kazakhtelecom JSC concluded a Memorandum on the implementation of this project. As part of the Memorandum, a full pre-project inspection was performed and a project was developed to equip a video surveillance system for all healthcare facilities with a total of 1 877 cameras connected to the cloud video surveillance platform, with additional backup on local video servers at each facility.

Having access to video surveillance cameras of the facilities of the institution, the Healthcare Department has the opportunity to promptly monitor situations at healthcare facilities, which leads to an increase in security for visitors to institutions.

These projects made it possible to demonstrate the Company's ability to implement large-scale urban video surveillance projects and are successful cases for further copying in other regions of the country, since for state clients one of the important triggers when making a decision is the availability of implemented cases in the Republic of Kazakhstan.

In 2021, the Company in total expanded its local content provider cash servers by more than 1 200 GB/s of traffic. During the period of total traffic growth, the Company implemented a number of initiatives to optimize access to content:

1. An additional cluster of caches of one of the largest CDN operators has been organized. As a result, access of broadband internet subscribers to such web resources and content as: Adobe, Apple, Amazon.com, BC, Steam, IBM, GitHub, L'Oréal, Microsoft, NASA, Nintendo, NVIDIA, Sony, Uranium, Red Hat, Reuters, Ys;
2. Additional clusters of Google caches in Almaty and Nur-Sultan with a total capacity of 400 Gbit/s have been expanded. In this way, access to mainly Youtube video content is optimized, as a result 89% of video views take place in the following quality: Traffic is consumed from the distributed CDN network in 12 cities in Kazakhstan;
3. Additional clusters of Facebook/Meta caches have been organized in Almaty and Pavlodar with a total capacity of 600 Gbit/s. For example, the Company optimized access to Facebook, Instore, IGTV/Reels content for the southern and northern regions of Kazakhstan;
4. Kazakhstan has built the first 80 Gbit/s cash cluster in Kazakhstan;
5. The first cluster of one of the largest CDN operators with a total capacity of 40 GB/s was built. Work is already underway to further expand it by 2 times.

As a result of 2021, more than 2.5 Tbit/s were installed from Google, Facebook, Cloud flare, Akamai, Yandex, Stream, etc. Direct screening (connection) makes it possible to qualitatively improve access to content and products from Microsoft, such as Microsoft Teams, Microsoft Office 365 and Microsoft Azure services. In future, the Company plans to improve its access to Microsoft Group gaming products, including delays (pings) for Kazakhstan gamers.

Information technology

Last year, the ICT industry demonstrated positive performance, demonstrating growth in all areas. From 2020, demand for the services of the Company's commercial data centers remained high. Cloud services also remained the most popular. The total share of revenue in the ICT sector in 2021 was KZT17.4 billion, an increase of 57% compared to 2020.

Revenue drivers continue to be infrastructure lease services, placement of client equipment and servers in the network of Kazakhtelecom Data Centers and a number of cloud services, such as the virtual Data Center (VDC) and security services.

Income from ICT services of Kazakhtelecom JSC

million KZT



Approved Income plan for ICT services in 2021 was completed on

105% (+816)

million KZT

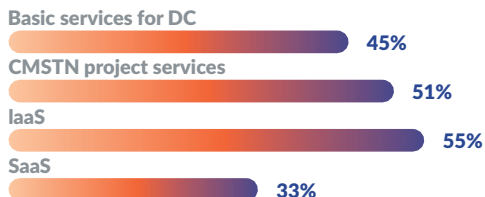
Growth in revenue from ICT services in 2021 amounted to

+57% (+6,324)

million KZT

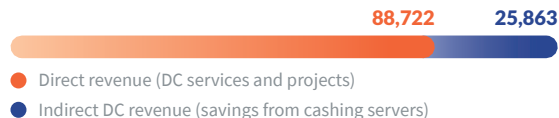
Average margin of ICT services

~51%



Investment in data center (DC) for the period 2010-2021 paid off by

2.6 times



Total: Income from CD sellings — KZT 114 585 million
Total: Investment projects in CD — KZT 44 420 million

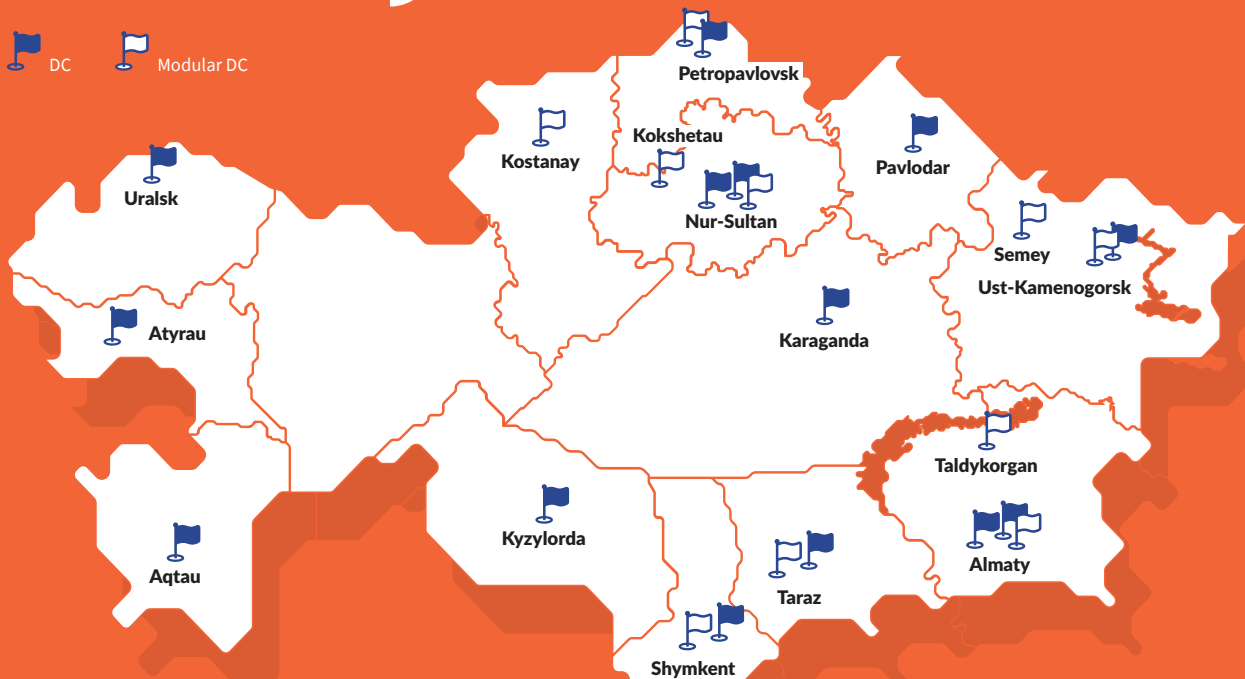
Development of a network of data centers

2021 allowed the Company to expand its development horizons and strengthen its position as a leading player in the information storage market. Back in 2020, the accelerated adoption of remote models of interaction and work, as well as the introduction of a full range of technologies allowing the public sector and companies to work in the new environment, showed the importance of having a high-quality and reliable infrastructure, including in terms of storing and processing large amounts of data.

Kazakhtelecom JSC currently has the largest network of 25 Data Centers across the country and offers about 50 different services for the business, from server lease to IT outsourcing. The data centers of the telecom operator holding the largest share of the data storage and processing market are chosen by state companies, large domestic and foreign business. Kazakhtelecom Data Centre also has the infrastructure of such giants as Google, Facebook, Akamai, Youtube, Megogo, Wargaming, etc.

DATA CENTERS

 DC
  Modular DC



25

Dana centers

~1,500

stances

98%

current utilization

OUTLOOK FOR 2022-2023:

Launching CD cloud TIER II/III in Almaty for 126 stances.

Expanding CD in Akkol for 106 stances.

Developing of cloud services on the vertical resources basement across Kazakhtelecom JSC and partnership solutions.

One of the strategically important areas last year was the launch of a new modular DPC in Almaty with a capacity of 168 seats with a total area of 180 m². It consists of several finished structures, which were installed and completed at the construction site. In addition, the Data Center uses a convenient control and monitoring system: the racks are installed in separate boxes with a large physical capacity of 50 units, as opposed to the standard capacity of 42 units.

In order to ensure safety and efficiency of operation, a modern air conditioning system is used in the modular DPC, which makes it possible to reduce electricity consumption costs. External power supply to the DPC is provided from different sections of the same distribution substation along two independent lines. Two diesel generators have been installed for backup power supply to the Data Center. In order to ensure their reliability, a system of automatic inclusion of provisions is stipulated.

Thus, the increased capacity of the data center (3.3 MW) and the high level of protection, and therefore the increased level of fault tolerance, make it possible for companies and entrepreneurs in Almaty to quickly implement digital projects at virtual facilities without overpaying the long-distance data transmission channel.

In view of the needs of clients, the Company provides the opportunity to use the resources of this data center not only to host physical equipment, but also to lease virtual infrastructure (the "Virtual Data Center (VDC)"), thereby focusing on the development of virtual and cloud services.

It is important to note that another 100-seat data center in Kosshi, Akmola oblast, was also launched in 2021. This center ensures the efficient operation of all information systems of the Samruk-Kazyna Group of Companies, and also allows Kazakhtelecom JSC to significantly expand the volume of its clients "services. The technological specifics of the new data center will significantly reduce the occurrence of unforeseen failures in the data center infrastructure, thereby ensuring the security of information systems and increasing the quality of service.

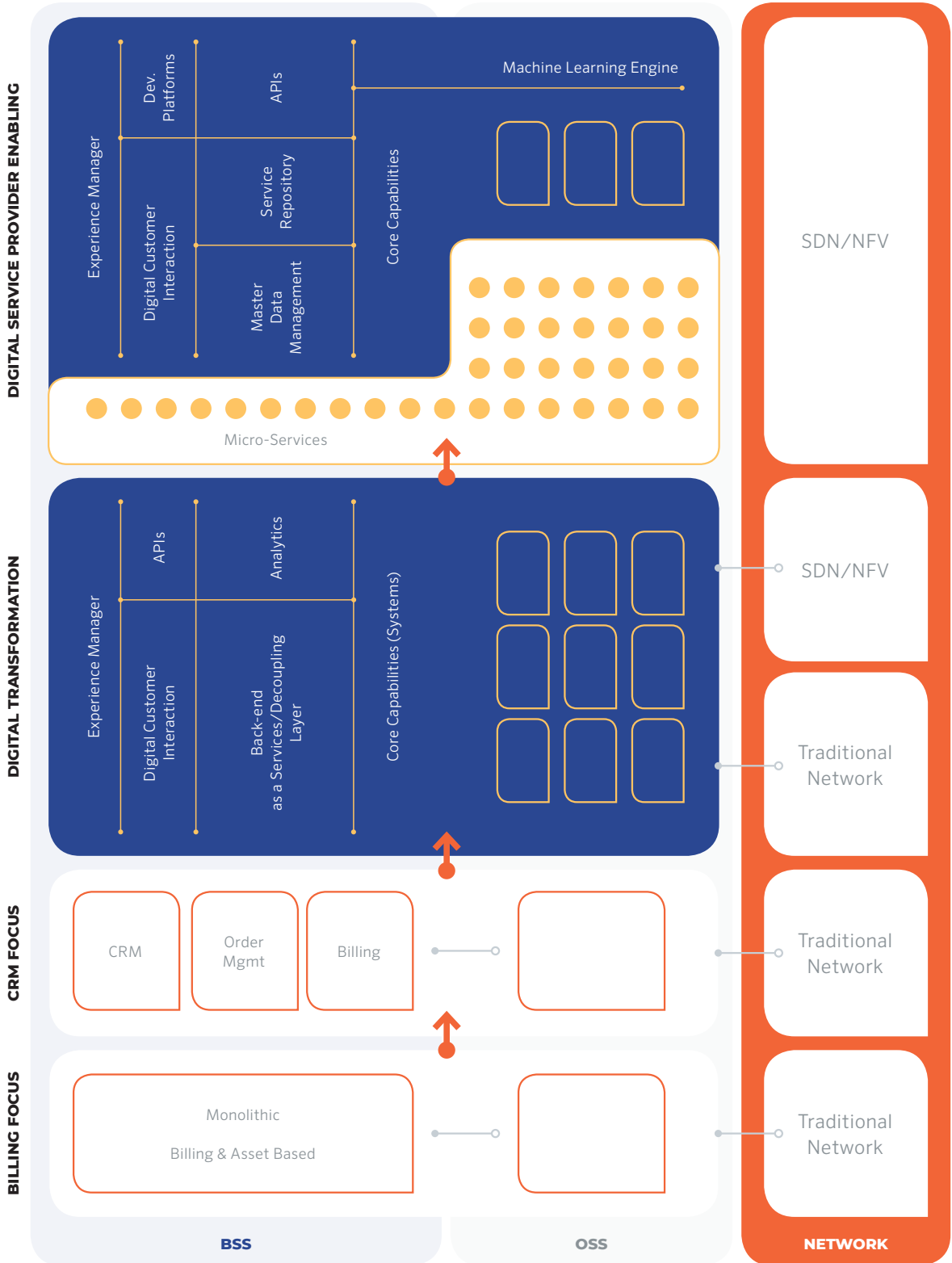
Kazakhtelecom JSC does not stop at the results achieved and plans to continue developing in this area. This year plans to modernize the existing Data Center in Akkol with an expansion of its capacity to 106 desks, and also to perform preliminary work to resolve a number of issues on the further construction of the TIER4 modular data center in Nur-Sultan.

Infrastructure and IT architecture development

2021 was a busy year for the Company's IT business. The panemics have had a huge impact on the development of digital trends, accelerating their growth and forcing business. Over the past two years, the Company has fundamentally changed its client relations formats, and has introduced new digital solutions, which increasingly required a flexible and scalable IT infrastructure from the IT department of Kazakhtelecom JSC, which is the foundation for any digital transformation.

One of the important results of the past year was the transition to a micro-service IT architecture and the implementation of the Development and Operation (DevOps) practice. The recommendations of the international non-profit organization TeleManagement Forum (TM Forum) were used as the basis for the changes and transition to the micro-service architecture, bringing together nearly all the world's telecom operators, providers, system integrators, suppliers of equipment and software. Today this figure is 775 companies from 195 countries.

Transformation stages



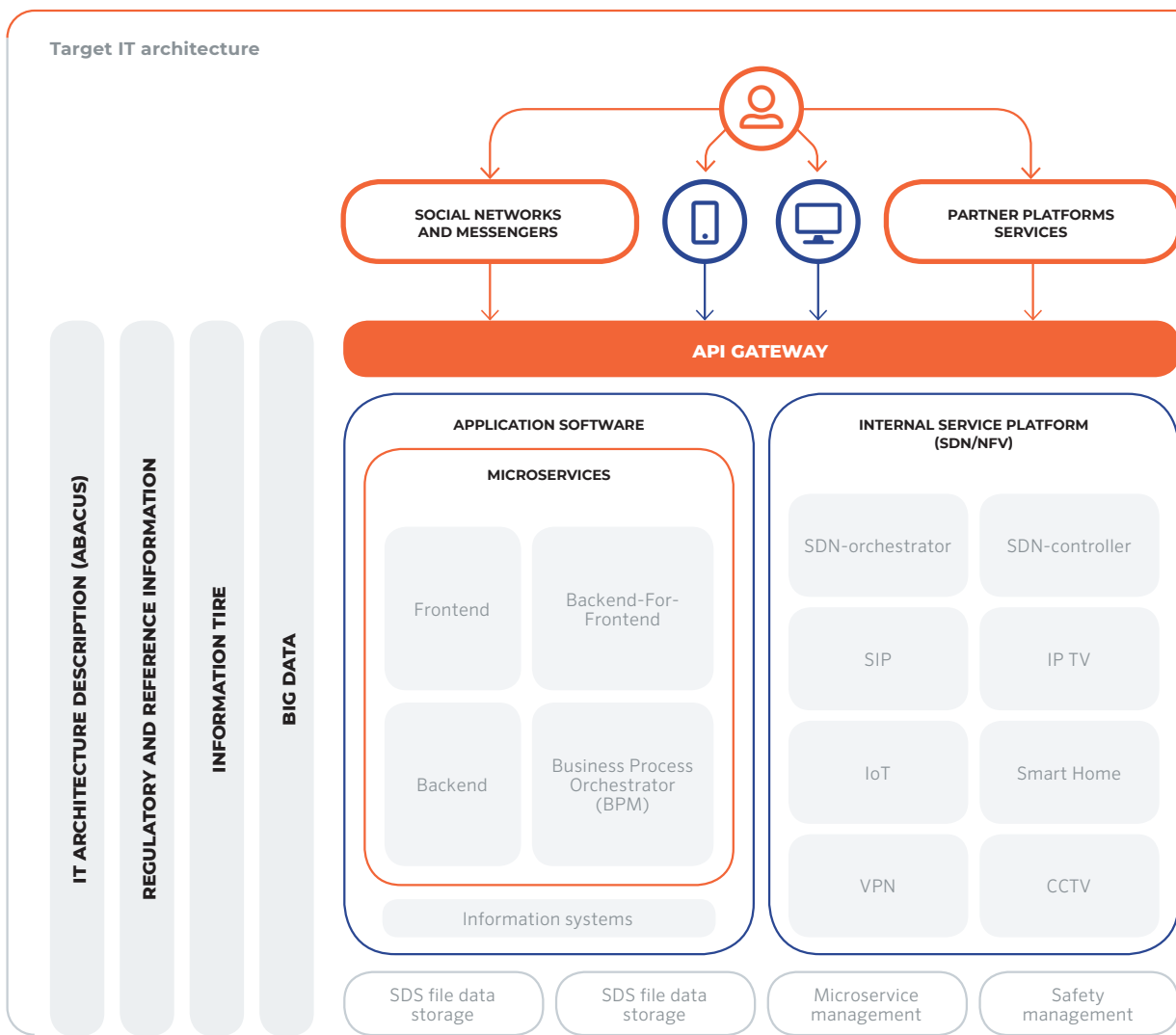
The application of the TM Forum methodology and standards allows the Company to increase business efficiency through the optimization of business processes, as well as to transition to a more efficient IT architecture by transferring the entire IT landscape of the Company, including equipment, software and information systems, to a single ABACUS system. This system is a software package used to model the Company's IT architecture. All changes to the Kazakhtelecom IT environment are now displayed online in the ABACUS system.

In this way, centralized and continuous development of digital architecture makes it easier to interact not only within the Company, but also to apply to work with clients, developing new digital service channels.

A number of meetings with leading global experts were also held to further modernize the Company's IT architecture. We note separately the consulting company Detecon, which is a subsidiary of T-Systems International, the key brand of Deutsche Telekom, and the international consulting company McKinsey & Company, which specializes in strategic management. In future, Kazakhtelecom JSC plans to adopt their practices and experience in this area.

All the Company's initiatives are aimed at a phased transition to a micro-service IT architecture. In 2021, 15 of 43 information systems were transferred to micro-services. This process will continue. The work performed will allow the Company to accelerate the release of new

Target IT architecture



products and services in digital format, improve their quality, and also to more actively respond to client needs in accordance with the new time to market requirements.

Whereas previously development took three to six months, now only three to six weeks will be required with the transition to a micro-service architecture. Accordingly, the time for new services and services to enter the market is reduced. In other words, the Company can quickly implement business ideas and put them into full-scale operation.

In order to apply best practices and ensure the support and operation of IT resources at the level of world

standards, the IT function of Kazakhtelecom JSC is now facing the strategically important task of certification for compliance with the ISO/IEC 20000 international standard.

This is the first international standard to manage the quality of IT services. This certificate will make it possible to obtain an independent assessment of the quality of provision of services and services used by the Company from global practices. This year, IT plans to implement IT service management standards and change existing processes in accordance with the requirements of this standard. It is planned to complete the audit process and obtain international certification in 2023.

Transition to a divisional management structure and key IT focus areas

One of the most important events of 2021 for the Company's IT department is the integration of all structural IT divisions into the IT Division (hereinafter the ITD), and also the creation of a Data Factory on the basis of the Division. This initiative made it possible to improve the structure of the Company and determine a further Work Development Plan, including in the area of Big Data.

It is important to note that the volume of data accumulated by Kazakhtelecom JSC is growing rapidly, and only the proper use and analysis of these data allow the Company to gain a great competitive advantage in the market.

The creation of the Data Factory at Kazakhtelecom JSC has become a strategically important project and the main focus of ITS development for the upcoming period. Today, this

function processes a large volume of information, and on the basis of analytics it builds behavioral hypotheses that will be used in future to provide clients with the opportunity to choose personalized services and products.

In addition, as part of the current digital transformation program, the Company's IT function is also focused on such priority tasks as technological breakthrough, maintenance, world-class support of IT infrastructure and implementation of the ZeroTrust concept, including several information security technologies and processes. The implementation of these focus areas will significantly accelerate internal processes, ensuring the necessary level of reliability and flexibility. The ultimate goal of the Company is to achieve a level of quality in which both clients and employees are satisfied.

Digitalization of client routes B2B and B2C segments

In 2021, Kazakhtelecom IT continued to improve digital service for retail and corporate clients through the telecom.kz and ISMET.KZ portals.

For example, in order to service clients of the B2B corporate segment, the ISMET.KZ portal implemented the functionality of submitting requests to eliminate damages for authorized

and unauthorized users. Thanks to the new functionality, the Company's clients can promptly submit service requests for repairing damages, monitor their performance status online, and accurately geo-position of the monter, who is also responsible for repairing damages.

As part of the performance of the B2B segment's focus tasks, a personal account was implemented on the ISMET.KZ portal, through which entrepreneurs from rural areas of the country can apply for partnership with Kazakhtelecom JSC, enter into digital contracts online, issue orders for the development of technical specifications and deploy the network in population centers at their location.

In addition, a new functionality for corporate clients "I Want the Internet" was implemented on the portal in 2021. The Company's clients can now check the availability of the technical possibility to connect the Internet service to the required address, select services from the recommended tariff plans, perform an automated service order, conclude contracts or supplemental agreements online, obtain order statuses on a timely basis, select the date of installation work, and track the exact geo-position of the monter responsible for technical work.

Another result of last year's work is the integration of the ISMET.KZ platform with the platform of the OFD fiscal data operator. Together with colleagues from the Corporate Business Division, work was performed to ensure the functionality of electronic document flow for the clients of the OFD through SSO and an increase in the number of clients on the digital channel.

As part of the work on upgrading the ISMET.KZ mobile application, the main functionality of the web version of the portal was transferred to the application, and the possibility of registering the cash register integrated with the OFD system was implemented. To date, the mobile application has developed functionality for accepting all types of requests and applications from clients of Kazakhtelecom JSC.

It should be noted that last year a number of innovations were also implemented for clients of the B2C retail segment on the portal telecom.kz. In particular, the process of registration and authorization of portal users has been simplified to the maximum extent possible, the interface of the menu and settings of the user account has been updated, the functionality of connecting/turning off additional services and services in one click has been expanded, such as TV+ and Telemedicine, and the view of extended information on offers and names of tariff plans has been expanded.

At the same time, new types of requests from the Company's clients have been digitized. Online subscribers can now assess the quality of provision of basic services and submit an application for withdrawal of a particular service. The possibility to go through the NPS survey directly in your mobile and web versions of the portal has also been developed.

In addition, through the use of big data accumulated by the Company, a mechanism for NPS survey of users of Kazakhtelecom JSC has been launched through SMS newsletters. This tool allows employees of the retail and corporate business to independently supplement the Q&A structure of the questionnaire.

As part of the launch of the new TV+ service and public access points eQoldau the Company's IT specialists also developed landing pages on Kazakhtelecom JSC corporate portals.

The main achievement of the previous year was the integration of the telecom.kz and ISMET.KZ portals with state authorities and the Ministry of Digital Development, Innovations and Aerospace Industry of the Republic of Kazakhstan, the State Database "Individuals", and the Ministry of Justice of the Republic of Kazakhstan.

Plans and objectives for 2022

This year, the IT department plans to continue work on improving client routes through digital channels and services on the Company's corporate portals. To do so, additional focus areas and tasks for the upcoming period have been determined.

Infrastructure and network development

In 2021, as part of the implementation of investment projects for the technical development and support of telecommunications networks, Kazakhtelecom JSC continued to work in the following main areas of development of telecommunications networks:

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

As a result, the following indicators were achieved:

Transport network:

- › the total capacity of external Internet channels has been increased from 1,580 Gbit/s to 2,100 Gbit/s;
- › a new DWDM transit network has been built to pass channels to Russia-China with a capacity of 20 x 100 Gbit/s and expand the border crossings of the RF — RK, RK — China;
- › organized 2*100 Gbit/s of the Europe-China transit channel;
- › a connection between DWDR Uralsk — Bolshaya Chernigovka of the Russian Federation and the operator VEON 5*100 Gbit/s has been organized;
- › The DWDR backbone network has been expanded to meet the needs of broadband broadband services at 30*100 Gbit/s of channels from central hubs to the data center in Almaty and from ALDE to the data center in Shymkent at 18*100 Gbit/s and 20*10 Gbit/s of channels;
- › The zone transport network of DWDR in Karaganda oblast has been expanded to connect new optical access network hubs to 6*10 Gbit/s in the Karaganda-Saran, Karaganda-Shakhtinsk, Karaganda-Abay sections.

Data transmission network:

- › The the backbone data transmission network has been extended to 383 100G ports, 149 40G ports, 130 10G ports and 30 1G ports;
- › the SDN network in Nur-Sultan has been built, and the planned migration of access level equipment to the SDN network in the cities of Aktau and Uralsk has been performed;
- › the infrastructure for cash servers has been built in Nur-Sultan, Pavlodar, Almaty, and the port throughput capacity of the Car servers has been increased from 2,260 Gbit/s to 2,854 Gbit/s (from 1,937 Gbit/s to 2,505 Gbit/s in terms of the throughput capacity of server equipment);
- › The BNGMX backbone network (Stage 1) in Shymkent, Pavlodar has been expanded;
- › ASBR equipment in Nur-Sultan, Almaty, additional ASBR equipment in Nur-Sultan, Aktobe, was upgraded;
- › the Mobile Backhaul network has been expanded to provide port capacity for operator connections;
- › connected 8*100 Gbit/s from external Internet channels;
- › the first PTX10008 flatcars have been put into operation in Nur-Sultan, Almaty and Aktobe.

Access network:

- › FTTH networks have been built covering 1,178 apartment buildings, including 122 and 87 in Nur-Sultan, 104 in Almaty, 26 in Turkmenistan, 96 in Kentau, 140 in Shymkent, 247 in Abay, 263 in Saran, 285 in Shakhtinsk, and 2 in Zhanau-33,
- › The GPON network was expanded to 1,376 ports.

Implementation and development of the IPTV service:

- › a new IPTV/OTT Platform (under the TV+ trademark) developed by LifStream Ltd. with an external interface of 40 Gbit/s has been put into commercial operation in Almaty;
- › multiple expansion of the external interface of the TV+ Platform to 120 Gbit/s.

Switching networks:

- › decommissioning of the ICC in the city of Aktobe, with the transfer of international relations to SSW in the cities of Nur-Sultan and Almaty;
- › decommissioning the ALDE in the city of Aktobe with the transition of long-distance relations to the regional SSW;
- › work is being completed to dispose of the ALDE in Almaty and Uralsk;
- › SSW SoftX-3000 was optimized by combining two SSW into one centralized SSW.
- › implementation of the copper deduplication and migration project to FTTx has begun — more than 17.5 thousand subscribers have been transferred.

Plans and objectives for 2022

Transport network:

- › organization of transit channels to Russia-Uzbekistan with a capacity of 2*100 Gbit/s;
- › expansion of DWDR equipment to organize lines on the backbone network in accordance with projects to expand the ISDP;
- › switching from the decommissioned DWDR ALU equipment to the new DWDR HWT transit network.

Access network:

- › expansion of the fiber-optic access network in 14 cities of the Republic of Kazakhstan and in Nur-Sultan, Almaty and Shymkent;
- › replacement of obsolete G-PON OLT equipment in Almaty and Karaganda;
- › construction of optical access networks using XG-PON/NG-PON2 equipment under development projects and for the gradual replacement of obsolete equipment;
- › the use of FWAs is planned for the network with no wired infrastructure for the organization of broadband access services.

Data transmission network:

- › migration of services to the new SDN network in Almaty and Nur-Sultan;
- › modernization of the city network of Turkmenistan, stipulating a comprehensive upgrade of obsolete equipment with the organization of the SC-level network with the installation of equipment of the service border and aggregation equipment;
- › expansion of the equipment of the service border (BNG) of the backbone data transmission network (stage 2) in the cities of Atyrau, Ust-Kamenogorsk, Kokshetau and Aktobe;
- › migration to the new IP/MPLS core platform based on PTX10008 devices in Nur-Sultan, Almaty, and Aktobe to ensure further operation of the network at the current level (without critical failures and in constant regular mode);
- › organization of infrastructure for the cash servers of the MDPC in Almaty (800 Gbit/s);
- › upgrade of the network part of the TV+ platform and migration of services from the Netris platform;
- › upgrade of the MBH network to connect mobile banking operators (stage 1).

Switching networks:

- › transfer of the ALDE function to the NGN network in the cities of Karaganda, Zhezkazgan, Kyzylorda, Kokshetau, Petropavlovsk, Aktau and Atyrau. To continue the optimization of local computerized banking systems, including a reduction in the installed capacity as subscribers outflow and their migration to other technologies;
- › in 2023, completion of the transition of the long-distance/international communications network to the NGN network, with the decommissioning of ICC-1 and ICC-2;
- › completion of optimization of NGN SoftX-3000 equipment (decommissioning of two SSWs);
- › completion of the decommissioning of the ALDE in Almaty, Uralsk, transfer of the ALDE function to the NGN network in Karaganda, Zhezkazgan, Kyzylorda, Kokshetau, Petropavlovsk, Aktau and Atyrau;
- › provision of SORM functionality to 30 C & C08 switching systems;
- › Expansion of the SORM Monitoring Center on the vehicle network for connection and certification of 30 C & C08 switching systems.

Implementation and development of the IPTV service:

- › expansion of the content delivery network: purchase of 2 routers, 4 server equipment in Aktobe, installation of a back-up platform in Nur-Sultan, and further expansion of the platform in Almaty.

Financial performance

Management Report on Financial and Business Performance

In 2021, the Company achieved positive results in implementing the Long-Term Strategy. Based on the results of Kazakhtelecom's JSC work for 2021:

1

the number of fixed lines in the Kazakhtelecom network was **2,774,555**, or 96% by 2020. The decrease in the number of fixed lines is explained by the refusal of users to use fixed telephony services in favor of mobile communications, which corresponds to global trends;

3

the number of Pay TV subscribers equaled **918,720 points**, or 106% compared to the actual date of last year, including **815,572 points** for iDTV;

2

the number of broadband subscribers equaled **1,860,706 ports**, or 102% by the date of 2020;

4

the number of mobile subscribers was **14,543,325**, or 98% by 2020.

Consolidated income from the sale of services amounted to

594,193

million KZT

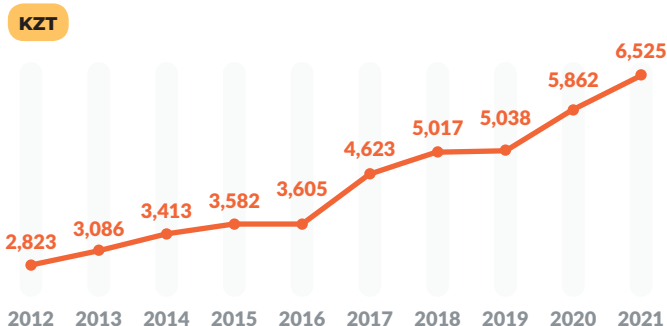
The consolidated net profit amounted to

97,444

million KZT

EBITDA for 2021 amounted to KZT 278,180 million. EBITDA margin was 46.82% as a result of the operational excellence and cost optimisation strategy. Consolidated operating expenses (cost and expenses of the period) for the Kazakhtelecom Group in the reporting period equaled KZT 430,606 million.

Changes in ARPU



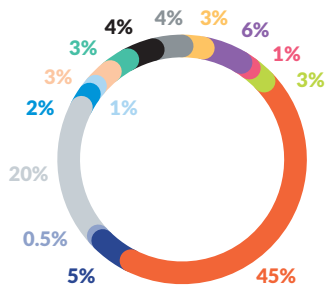
6,525

KZT

ARPU (average revenue per subscriber)

Financial overview

Revenue structure across Kazakhtelecom Group



594,193

million KZT

consolidated income from the sale of services for Kazakhtelecom JSC for 2021

- Data transmission network
- Local telephony communications
- Rental of transport network channels
- Mobile communication
- Agreements with international operators
- Intercity, international telephone communication
- Corporate infocommunication services
- Revenue under agreements with communication operators connected to the network of Kazakhtelecom JSC
- Other
- Revenue from the provision of converged services (FMS/FMC)
- Pay TV
- Revenue from sales of goods
- Services of the Fiscal Data Operator (FDO)
- Conversations with subscribers of third-party operator, including cellular communication operators

INCOME IS THE LARGEST IN 2021:

From the services of the data transmission network, the share in the total revenue structure of Kazakhtelecom JSC equaled

45.1%

From corporate information and communication services

3%

From mobile communications, the share in the total revenue structure was

19.9%

Pay TV, share in the total revenue structure

3%

Income from the sale of goods, the share in the total structure of income equaled

6.4%

Conversations with external operators subscribers, including mobile operators, share in the total revenue structure

2.7%

From the provision of local telephone services, the share in the total income structure was

4.7%

Under agreements with communications operators, the share in the total structure of income equaled

2.5%

Income from the provision of converged services (FMS/FMC), the share in the total structure of income was

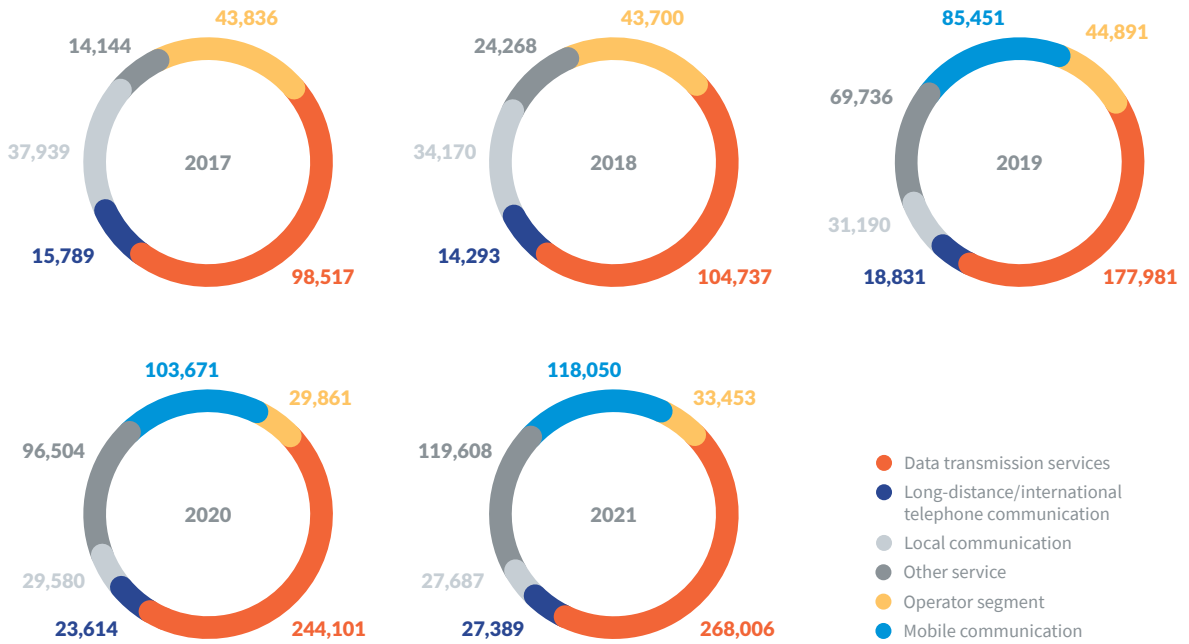
3.7%

Under agreements with international operators, the share in the total structure of income equaled

2.4%

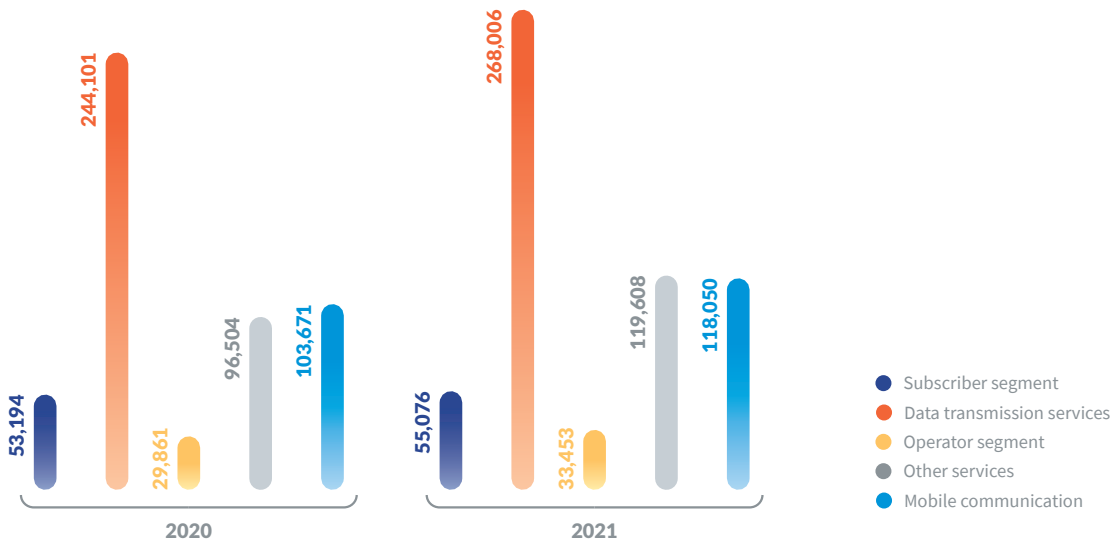
Dynamics of the most significant income items for 5 years

million KZT



Changes in income structure in 2021 relative to 2020

million KZT



Overview of Financial Position

1.2

↗ 11%
trillion KZT

the Company's assets

590.4

↘ 1%
billion KZT

the amount of liabilities

In terms of liabilities, **68%** are non-current liabilities and **32%** are short-term liabilities.

306.7

↗ 65%
billion KZT

current assets

Their share in assets was **25%**. Growth was primarily driven by an increase in cash — by 77% to **KZT 167.1 billion**.

+17.4

↗ 10%
billion KZT

short-term liabilities

Increase due to an increase in trade payables — by 37%, or **KZT 20.2 billion**.

927.9

↘ 0.2%
billion KZT

non-current assets

The decrease was mainly due to a reduction in right-of-use assets by 11%, which at the end of the year amounted to **KZT 70.9 billion**. 51% of non-current assets are accounted for by fixed assets, which grew by **3%** over the year.

-23.9

↘ 6%
billion KZT

long-term liabilities

The decrease is due to a reduction in the long-term part of loans (by 11%, or by KZT 34 billion) and the long-term part of lease obligations (by 20%, or by KZT 12.6 billion).

644.2

↗ 24%
billion KZT

the Company's capital

The share of capital in assets was **52%**, which attests to the fairly stable financial position of the Company.

157.7

↘ 13%
billion KZT

the Company's loans

The key lenders are Halyk Bank of Kazakhstan JSC and First Heart July Bank JSC. Financing is provided through open credit lines.

158.1

↘ 13%
billion KZT

the amount of debt bonds issued

Results of the EX focus in 2021

INCREASE THE EFFECTIVENESS OF THE DIGITAL TRANSFORMATION TEAM

- › The Digital Transformation Team Motivation Program was developed and approved;
- › 135 employees were trained on "Data Vizualization".

INCREASE THE LEVEL OF EMPLOYEE ENGAGEMENT IN THE DIGITAL TRANSFORMATION OF THE COMPANY

- › The first digital marathon of Kazakhtelecom JSC was held;
- › The role model and competency model of the digital transformation team were developed and approved.

DIGITAL EX (EMPLOYEE EXPERIENCE)

- › Technical specifications were developed and handed over to the responsible executors for the implementation of work on the automation of business processes.



4

Sustainability Report



Sustainability management

Management approach

Kazakhtelecom's JSC approach to sustainable development management is based on the alignment of the Company's strategic development priorities and activities with the fundamental principles of corporate responsibility and sustainable development, national and regional development, and is aimed at:

- › compliance with regulatory and legal requirements;
- › effective management of sustainability risks;
- › consistent application of industry best practices and recommendations of international sustainability standards;
- › increasing stakeholder engagement to effectively address the most significant sustainability issues.

One of the fundamental areas of Kazakhtelecom's JSC Strategy to 2024 is the improvement of the sustainability system.

The mission of Kazakhtelecom JSC in the area of sustainable development is to make a positive contribution to the socio-economic development of the regions of presence, following the principles of environmental and social responsibility, in order to maintain and increase the opportunities of future generations, meeting the needs of the present.

The Company is active in the area of sustainable development, which covers three main principles:

1

strategic integration — sustainability principles are embedded into the Strategy (mission, values and strategic goals);

2

operational integration — all corporate decisions are taken by the Company's management based on criteria of compliance with sustainability principles and goals;

3

cultural integration is implemented as part of training, the placement of articles on the Company's corporate portal, and also within the framework of the Code of Business Ethics.

Kazakhtelecom's approach to prioritizing sustainability activities is based on analysis of key sustainability risks faced by the business and interaction with internal and external stakeholders to identify environmental, social and management issues (ESG) that are critical for the Company's stakeholders and activities. This process allows the Company to prioritize its efforts and facilitate progress in those areas where it may have the greatest impact.

Kazakhtelecom JSC continues to improve its corporate sustainability management practices by developing and implementing internal sustainability policies and integrating sustainability principles into its corporate governance system.

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

- › Sustainability policy;
- › Environmental policy;
- › Health and safety policy;
- › Sustainability guidelines;

- › Anti-fraud policy;
- › Whistleblowing policy;
- › Human resources policy;
- › Code of Business Ethics;
- › Corporate Governance Code;
- › Sustainability reference model for portfolio companies of Samruk-Kazyna JSC;
- › Procurement management standard of Samruk-Kazyna JSC;
- › ISO 14001, ISO 26000, ISO 9001, ISO 45001.

The Sustainable Development Guidelines (hereinafter the "Guidelines") are the fundamental document for improving the Company's operations in this area.

Sustainability management structure

Kazakhtelecom JSC improved its approach to sustainable development management in 2021. The functions of the Corporate Governance Service, which oversees sustainable development issues, were expanded, and a supervising person from among the Company's top management was appointed, in order to further strengthen sustainable practise.

The dedicated division shall perform a full-scale inventory of existing policies, procedures and internal controls of the Company, as well as legislative requirements in the area of sustainable development. A dedicated unit identifies sustainability risks for further risk management. The unit also ensures communication with local communities on project implementation issues and is responsible for sustainability disclosures within its competencies.

In accordance with the Guidelines, the Board of Directors and the Human Resources, Compensation and Social Committee perform strategic management and control over the implementation of the sustainability system at Kazakhtelecom JSC.

The Chairman of the Management Board and the General Directors of the Company's branches are responsible for monitoring, timely implementation of the Sustainability Initiatives Programme, implementation of sustainability

principles, and reliable disclosure of information.

The Managing Director of Kazakhtelecom JSC, who oversees the sustainability area, ensures coordination of sustainability measures.

The Compliance Controller/Chief Compliance Officer is responsible for the internal communication process in respect of ethical principles. The Head of the Public Relations Service ensures external communications, including public relations.

Certain sustainability issues are also managed by relevant departments responsible for HR, Health and Safety. The work of the divisions is coordinated as part of direct interaction with the Central Office of the Company.

Kazakhtelecom is working to integrate sustainability principles into all business processes and strives to build mutually beneficial relations with all stakeholders. Sustainability issues integrated into the Company's Strategy are an integral part of the Company's Strategy and a long-term platform for building the business 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.

The Sustainability Strategy reflects the intention of Kazakhtelecom JSC to make the most contribution in those areas of environmental protection in which the Company has a greater influence and potential impact.

ESG PRIORITIES

Environment

- › reduced use of natural resources
- › energy efficiency



Society

- › training and development of personnel
- › increase in the level of employee engagement
- › occupational safety and safety
- › reduction of digital disparity



Governance

- › shareholders` rights
- › best corporate governance practices
- › fair remuneration



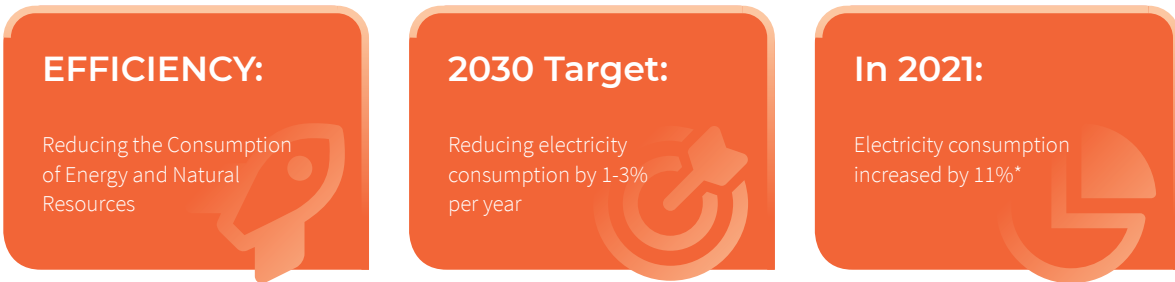
In 2021, the Action Plan of Kazakhtelecom JSC for obtaining the ESG rating for 2022-2023 was developed and approved. **The Plan includes the following measures and initiatives:**

- › Climate disclosures in accordance with the world's leading GRI Standards determining the procedure for disclosing information on sustainable development;
- › preparation of the ESG rating;
- › awareness of the Company's responsible persons of the main areas of decarbonisation and the ESG system.

ESG Strategic Goals

Environment

One of the main resources used by Kazakhtelecom is electricity. It is in this area that the Company sees the greatest opportunity to contribute to the fight against climate change.



* In 2021, the amount of electricity consumed increased by 11% compared to 2020 as a result of Centralized management system of telecommunication networks-2 (CMSTN-2) project implementation, the change of facilities from liquid fuel heating to electric heating, and an increase in the customer load on the data center.

Society

Kazakhtelecom JSC is not only the leading communications provider in Kazakhstan, but also a major employer creating jobs throughout the country. The Company recognizes its impact on both the standard of living of employees and residents in the regions of presence.

The Company strives to improve the well-being of its employees. In order to determine the level of engagement, an annual study of the rating (index) of social stability is conducted and measures are taken to increase it. In an effort to promote quality development, Kazakhtelecom JSC is implementing projects aimed at improving the quality of life of people and reducing digital disparity.



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.

<p>EFFICIENCY:</p> <p>Corporate Governance Rating</p> 	<p>2030 Target:</p> <p>Maintenaning at AA level</p> 	<p>In 2021:</p> <p>BBB</p> 
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Risk-oriented approach to sustainable development

Kazakhtelecom JSC analyzes key opportunities and risks in terms of sustainability components. In 2021, COVID-19 was high on the list of current threats. The impact of ESG factors on both internal and external stakeholders was extended.

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

Strengths

<p>ECONOMIC ASPECT</p> <ul style="list-style-type: none"> > Innovations and technological progress; > Local economic growth. 	<p>SOCIAL ASPECT</p> <ul style="list-style-type: none"> > Dynamic development of society; > Growth of urbanization. 	<p>ENVIRONMENTAL ASPECT</p> <ul style="list-style-type: none"> > Increasing the importance of issues of environmental pollution and depletion of natural resources.
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Weaknesses

ECONOMIC ASPECT

- > Slowdown in global economic growth;
- > Potential for political instability;
- > Possible economic crisis associated with with the panemics.

SOCIAL ASPECT

- > Growing dissatisfaction among people due to technological problems in providing ICT services;
- > Increasing competition.

ENVIRONMENTAL ASPECT

- > Depletion of natural resources;
- > Climate change;
- > Environmental pollution;
- > Global consumption growth.



Opportunities

ECONOMIC ASPECT

- > Increase in market coverage;
- > Development of new technologies for business and the state;
- > Growing demand for ICT services due to the pandemic.

SOCIAL ASPECT

- > "Smart city" technology solutions;
- > Advantages of using cloud storage technologies for the population;
- > Improving the level of education and medical care through ICT technologies.

ENVIRONMENTAL ASPECT

- > Implementation of sustainable development principles;
- > Greening of industries.



Risks

ECONOMIC ASPECT

- > Changes in the state management structure;
- > Political tension, cyber attacks.

SOCIAL ASPECT

- > Pandemics;
- > Social vulnerable problems associated with strikes.

ENVIRONMENTAL ASPECT

- > Growth of local environmental problems;
- > More stringent environmental regulations.

The sustainable development initiatives program

When determining sustainability initiatives, we considered a wide range of topics that require attention, including the Company's development strategy and business model, and significant topics from the standpoint of sustainable development not only for the Company, but also for stakeholders.

The Company identified the following sustainability initiatives:

-  ensuring economic efficiency and financial stability;
-  improving the effectiveness of the corporate management system;
-  improving efficiency through the Digital Transformation program;
-  development of human resources as part of their contribution to sustainable development;
-  high ethical standards and anti-corruption;
-  socially responsible partnership;
-  reduced injuries and improved safety culture;
-  reduction of the environmental impact of the Company's operations.

In 2021, the Sustainable development initiatives program for 2021 was completed.

Report on Sustainable development initiatives program for 2021

ECONOMIC SPHERE

ENSURING ECONOMIC EFFICIENCY AND FINANCIAL STABILITY

ACTIVITY

- > Increase in revenues
- > Cost reduction

PROGRESS REPORT

According to the audited financial statements for 2021, consolidated income from the sale of services under Kazakhtelecom JSC amounted to KZT 594,193 million. Revenue increased by 13% year on year.

According to the audited financial statements for 2021, consolidated operating expenses for Kazakhtelecom JSC amounted to KZT 430,606 million. Compared to the previous year, revenue increased by 11%.

INCREASING THE EFFICIENCY OF THE CORPORATE GOVERNANCE SYSTEM

ACTIVITY

- > Ensuring risk-based sustainable development
- > Keeping a rating of effectiveness of the internal control system

PROGRESS REPORT

In 2021, the independent audit company PwC carried out a diagnostics of the corporate governance of Kazakhtelecom JSC. Based on the results of the measures taken, the overall rating in the section "Risk management, internal control and audit" has been increased from BB to BBB.

INCREASING THE EFFICIENCY THROUGH THE DIGITAL TRANSFORMATION PROGRAM

ACTIVITY

- › Development of the product portfolio and digital platforms

PROGRESS REPORT

In 2021, as part of the Digital Transformation:

- › Full digital process of connecting services has been implemented;
- › The mobile application MVP has been launched;
- › CRM 2.0 implementation stage completed;
- › ISMET.KZ and telecom.kz. personal accounts have been upgraded.

ACTIVITY

- › Ensure effective client interactions and improve customer experience

PROGRESS REPORT

The NPS for 2021 was 7%. In 2021, 929K requests were received in the messaging system, which is 52% more than in the service network (610K).

The number of requests to the client center 160 decreased by 27% to 3.3 million calls.

Since August 2021, the Retail Directorate has implemented a transactional service quality assessment system for Front Line operators.

ACTIVITY

- › Digitalization of customer promotion, sales and service channels

PROGRESS REPORT

In order to implement the KPI "Digitalization of Client Routes", the following measures were taken in 2021:

1. Development of an online WhatsApp channel;
2. Launch of a mobile application;
3. Social medileadership;
4. Implementation of the functionality for submitting requests in the Personal Cabinet and Mobile Application;
5. Implementation of the First Call Resolution (FCR) indicator to assess the work of CP 160 operators;
6. Digital onboarding for 24 hours;
7. Digital services:
 - › via the WhatsApp online channel;
 - › through self-service tools in the Mobile Application and Personal Cabinet;
 - › via a new TV+ product;
 - › through the Lideneration channel.

Share of B2B digital sales in 2021 — 13.2%.

According to factor analysis, SAC grew by 23% in 2021 compared to 2019 due to fewer new individual accounts (14% impact) and increased digitalization costs and installation dealers (8% impact).

Report on Sustainable development initiatives program for 2021 (continued)

SOCIAL SPHERE

IMPROVING OF HUMAN RESOURCES AS PART OF THEIR CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

ACTIVITY

- › Employee training

PROGRESS REPORT

The average annual number of hours spent on training one employee of the Kazakhtelecom:

- › in 2019 — 47.30 hours;
- › in 2020 — 52.60 hours;
- › in 2021 — 68.80 hours.

ACTIVITY

- › Increase in average salary

PROGRESS REPORT

Regulations on additional remuneration of employees of Kazakhtelecom JSC branches for exceeding the EBITDA (Profit Sharing Plan) plan have been developed and approved.

ACTIVITY

- › Organization of preventive measures with coverage of the provisions of the laws of the Republic of Kazakhstan and the existing Anti-Corruption Policies

PROGRESS REPORT

In 2021, five training competitions on competence of the Company's anti-corruption, conflict of interest, and Code of Conduct requirements were organised, involving approximately 1200 workers. Participants examined internal documents in the form of a specially built online game (gamification), with subsequent testing and determination of the winners on a voluntary and competitive basis.

The Anti-Corruption Policy has been read and signed by 100% of the Company's workers.

SOCIALLY RESPONSIBLE PARTNERSHIP

ACTIVITY

- › The initiative is aimed at promoting the employment of redundant employees to optimize staffing/headcount

PROGRESS REPORT

Order of the 01.02.2022. No. 12 approved the Program for Promoting the Employment of Discharged Employees at Kazakhtelecom JSC for 2022-2024. As part of this program, appropriate work is being performed with the personnel being released. There were no complaints from the employees being released.

ACTIVITY

- › Maintaining a social stability rating that is no lower than last year. Identification of areas for development, creation of an action plan, implementation of activities. Approval of the action plan for work on emergency zones for 2021

PROGRESS REPORT

In 2020, the Center for Social Interaction and Communications developed a new methodology with continuity in the main indices and the process of collecting and processing sociological information, based on fundamentally new external conditions caused by COVID-19. The integral indicator of social stability at Kazakhtelecom JSC for 2021 was 74%, which according to the ranking scale classifies it as a stable developing company.

Taking into account the recommendations of the Center for Social Interaction and Communications, the Company has approved the Action Plan on Work on Emergency Zones for 2022 (Order of 05.03.2022. № 45). A quarterly report on the implementation of this plan is provided to Samruk-Kazyna JSC.

REDUCING INJURIES AND IMPROVING SAFETY CULTURE

ACTIVITY

- › Implementation of software to digitalize OHS processes

PROGRESS REPORT

Developed and implemented HSE Telecom software to digitalize OHS processes.

ACTIVITY

- › Implementation of the Zero Injury Action Plan

PROGRESS REPORT

Reports on the implementation of the Zero Injury Action Plan are prepared on a quarterly basis, with subsequent submission to the Board of Directors of Kazakhtelecom JSC. In 2021, there were 6 accidents with a severe level of production severity — 5.

ACTIVITY

- › Implementation of the Action Plan for the transition from the international standard OHSAS 18001:2007 to the standard ISO 45001:2018

PROGRESS REPORT

Implementation of approved procedures in accordance with ISO 45001:2018. The plan was implemented by 100%. The national certification body issued the Company a certificate of compliance with ISO 45001:2018 requirements.

ACTIVITY

- › Implementation of the OHS Internal Control Plan

PROGRESS REPORT

Performance of OHS audits at 19 regional divisions of the Company's branches.

EMPLOYEE WELL-BEING AND HEALTH

ACTIVITY

- › A program has been developed to support physical health through sports events. Promoting healthy lifestyles

PROGRESS REPORT

As part of social partnership, trade unions and the Company hold sports and recreation events.

ACTIVITY

- › Vaccination of employees against a coronavirus disease has been organized

PROGRESS REPORT

The Company has achieved collective immunities — 88%.

Report on Sustainable development initiatives program for 2021 (continued)

ENVIRONMENTAL**REDUCTION OF THE COMPANY'S ENVIRONMENTAL IMPACT****ACTIVITY**

- › Transition of autonomous heating systems from diesel fuel to gas/central heating

PROGRESS REPORT

In 2021, one diesel boiler station transferred to central heating (Akmola region), 2 boiler stations — from diesel to gas (Kostanay region).

ACTIVITY

- › The Energy Transition Plan was developed as part of strategic planning in accordance with the instruction of the Chairman of the Management Board of Samruk-Kazyna JSC

PROGRESS REPORT

On 12 December 2021, Decision No. 57/348 of the Management Board approved the Action Plan for the Transition of Kazakhtelecom JSC to Low-Carbon Development 2030.

REDUCTION OF THE COMPANY'S ENVIRONMENTAL IMPACT**ACTIVITY**

- › Transfer for disposal of written off telecommunications and cable scrap

PROGRESS REPORT

In 2021, the following waste were transferred for disposal to individuals:

1. scrap copper-containing cable in the amount of 71.88 tons;
 2. ash and ash wastes — 125 tons;
 3. sold equipment — 128,024 units.
- Transferred to landfill — 135 tons.

Priority Sustainable development goals

First-choice brand



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



SDG 17

Strengthen the means of implementation and revitalize the global partnership for sustainable development



SDG 11

Make cities and human settlements inclusive, safe, resilient, and sustainable

Digital platform



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



SDG 12

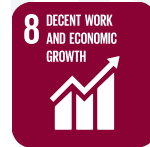
Ensure sustainable consumption and production patterns



SDG 10

Reduce inequality within and among countries

Effective organization



SDG 8

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



SDG 4

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



SDG 9

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

Contribution to the UN Sustainable Development Goals

**SDG 4**

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

ENGAGEMENTS, INITIATIVES AND ACTIVITIES

- CDN for online education — a product based on the Blockchain infrastructure has been developed to localize educational traffic.
- The process of online education in the Republic of Kazakhstan was organized during the Padnemics.
- Implementation of internship/further employment/adaptation programs for promising graduates and development of young specialists.
- Ensuring constant professional development of employees.

RELEVANT SDG OBJECTIVES

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

ENGAGEMENTS, INITIATIVES AND ACTIVITIES

- Sustainability webinars have been held for all Company employees and subsidiaries. Training materials have been sent.
- The online course "Sustainable Development and Environmental Literacy" has been developed and is available on the distance education portal.

**SDG 8**

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

RELEVANT SDG OBJECTIVES

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

ENGAGEMENTS, INITIATIVES AND ACTIVITIES

- 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.

RELEVANT SDG OBJECTIVES

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

ENGAGEMENTS, INITIATIVES AND ACTIVITIES

- Implementation of the Zero Injury Action Plan.
- Completion of an external audit for compliance with the requirements of international standard OHSAS 18001.
- Performance of current OHS measures.
- Prompt response to incidents and emergency prevention, analysis, monitoring and control of risks in the area of production safety.
- Implementation of programs to improve the social and living conditions of employees, ensure compliance with high standards of working conditions, and performance of periodic medical examinations.
- Provision of social support to employees, including under the Collective Agreement.



SDG 9

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

RELEVANT SDG OBJECTIVES

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

ENGAGEMENTS, INITIATIVES AND ACTIVITIES

- › The project "Provision of broadband access to rural population centers of the Republic of Kazakhstan using the technology of fiber-optic communications lines" is aimed at expanding access to telecommunications networks and broadband access services for government agencies and budgetary organizations in rural settlements.
- › Participation in the project "250+" to provide rural settlements with a population of 250 people with broadband mobile Internet.
- › The start of the village internetization project is the Digital Partner in the Village, in which any Kazakhstani entrepreneur can take part.
- › The Internet from Kazakhtelecom JSC develops telemedicine in remote villages.
- › Kazakhtelecom JSC has deployed a free access zone to 5G on the street of Turkmenistan.
- › More than 300 schools in the Turkestan region have been connected to the video surveillance system with data output to the Central Office of Internal Affairs.
- › Kazakhtelecom JSC has entered the active stage of implementing the Smart Turkey project and has begun to connect the public utilities facilities of Turkmenistan to its IoT network.
- › The launch of the first point of public access of the eQoldau in Turkmenistan oblast, thanks to which residents have another tool for accessing the world of digital services and e-services.



SDG 10

Reduce inequality within and among countries

RELEVANT SDG OBJECTIVES

- 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

ENGAGEMENTS, INITIATIVES AND ACTIVITIES

Reduce digital disparity by providing access to the Internet in all regions of the country:

- › Projects "Provision of broadband access to rural population centers of the Republic of Kazakhstan using fiber-optic communication lines", "250+", "Digital Partner in Village", eQoldau, Smart Turkey, telemedicine, ISMET.KZ, FWAs.

Contribution to the UN Sustainable Development Goals (continued)



SDG 11

Make cities and human settlements inclusive, safe, resilient, and sustainable

RELEVANT SDG OBJECTIVES

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

ENGAGEMENTS, INITIATIVES AND ACTIVITIES

- › Implementation of projects and new products IoT (Internet of Things), Smart city, video analytics, broadband digital card, etc.



SDG 12

Ensure sustainable consumption and production patterns

RELEVANT SDG OBJECTIVES

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

ENGAGEMENTS, INITIATIVES AND ACTIVITIES

- › Concepts for the development and operation of the power supply systems and climate technologies of the telecommunications networks of Kazakhtelecom JSC.
- › The Plan for achieving the long-term goals of environmental management stipulates an annual reduction in electricity consumption by 1-3%.
- › Kazakhtelecom transition plan to low-carbon development by 2030.

RELEVANT SDG OBJECTIVES

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

ENGAGEMENTS, INITIATIVES AND ACTIVITIES

- › Implementation of sustainable development principles and values.
- › Implementation of the Sustainability Initiatives Programme.
- › Issue of annual sustainability report in accordance with GRI requirements.
- › Implementation of the Action Plan to obtain the ESG rating up to 2023.



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

RELEVANT SDG OBJECTIVES

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

ENGAGEMENTS, INITIATIVES AND ACTIVITIES

- › Remediation of land after the construction of networks.
- › Development of a draft environmental impact assessment and receipt of sanitary, epidemiological and environmental reports.



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

RELEVANT SDG OBJECTIVES

16.5 Significantly reduce corruption and bribery in all its forms

ENGAGEMENTS, INITIATIVES AND ACTIVITIES

- › Strict compliance with the provisions of the Code of Ethics, Anti-Corruption Policy, Conflict of Interest Policy, Whistleblowing Policy.
- › Building a compliance culture and raising the level of knowledge in the area of combating corruption, ethical compliance through training, games, webinars, etc.



SDG 17

Strengthen the means of implementation and revitalize the global partnership for sustainable development

RELEVANT SDG OBJECTIVES

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

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

ENGAGEMENTS, INITIATIVES AND ACTIVITIES

- › Interaction with legislative and executive authorities, civil society institutions, local communities and business communities.
- › Participation in international and national associations.
- › Membership in working groups, relevant committees of state structures and associations, which makes it possible for the Company to participate in the formation of legislative and other commercial initiatives.

Stakeholder engagement

One of the main factors for the stable and successful development of the Company is high-quality interaction with interested parties. The interests and requirements of interested parties have a great influence on the formation of the Company's strategic goals and their implementation. An important element in building long-term relations with stakeholders is the principles of respect and consideration of the interests, opinions and preferences of stakeholders, timely and regular notification of stakeholders, and responsible performance of the obligations taken.

In accordance with best practices in stakeholder engagement (AA1000, GRI), the principle of "inclusion" is used to build effective interaction. This principle takes into account and takes into account the interests of all interested parties at all stages of the Company's business management process. The principle of "inclusion" is based on three main principles of interaction:

- > **"materiality"** (the correct assessment of the significance of problems for stakeholders and organizations);
- > **"completeness"** (understanding of the materiality of the consequences of the Company's activity);
- > **"response"** (demonstration of an adequate response).

Following each principle guarantees comprehensive, mutually beneficial and effective interaction with stakeholders.

The Company's stakeholder engagement is based on careful analysis and identification of stakeholder groups. The identification of stakeholder groups is based on:

-
- 1 **Direct interaction during the implementation of business processes with a specific group.**

 - 2 **Determination of the level of influence on the resolution of key issues of the Company's operations.**

 - 3 **Determination of the level of importance (contribution) of the group in the Company's activity.**

Next are key stakeholder groups, their interests and contributions.



Shareholders

STAKEHOLDER 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.

STAKEHOLDER 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

STAKEHOLDER 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.

STAKEHOLDER 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.



Subsidiaries

STAKEHOLDER INTERESTS

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

STAKEHOLDER 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

STAKEHOLDER INTERESTS

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

STAKEHOLDER 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, whistleblowing hotline.

Stakeholder engagement (continued)



Partners

STAKEHOLDER INTERESTS

- › commercial interests.

STAKEHOLDER 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

STAKEHOLDER INTERESTS

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

STAKEHOLDER 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

STAKEHOLDER INTERESTS

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

STAKEHOLDER 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

STAKEHOLDER INTERESTS

- › informing the public about the Company's activities.

STAKEHOLDER INPUT

- › constructive cooperation;
- › positive public opinion.

COMMUNICATION MECHANISMS

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



International organizations

STAKEHOLDER 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.

STAKEHOLDER INPUT

- > international grants;
- > opportunities for future development.

COMMUNICATION MECHANISMS

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



Local communities

STAKEHOLDER INTERESTS

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

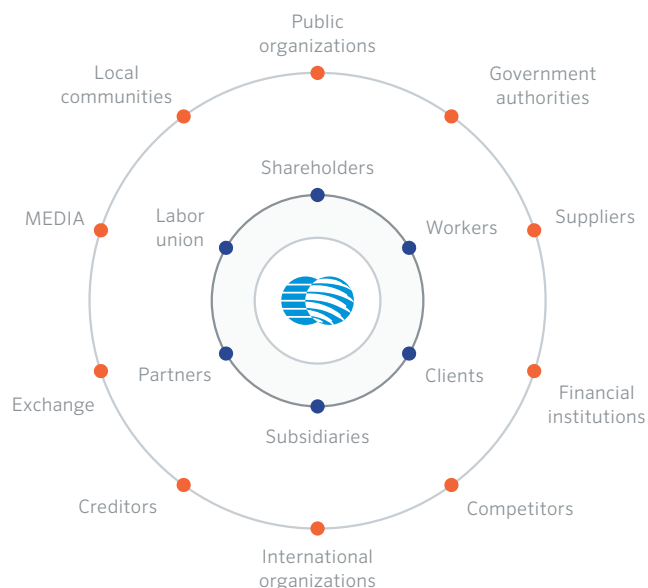
STAKEHOLDER INPUT

- > local support.

COMMUNICATION MECHANISMS

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

Stakeholder map



- Far range of stakeholders
- Close range of stakeholders

The Stakeholder Map, which is approved annually by the Board of Directors of the Company, is intended for systematization and visualization of information on the Company's environment in order to develop methods of interaction with each stakeholder group. The Company distinguishes between two groups of stakeholders:

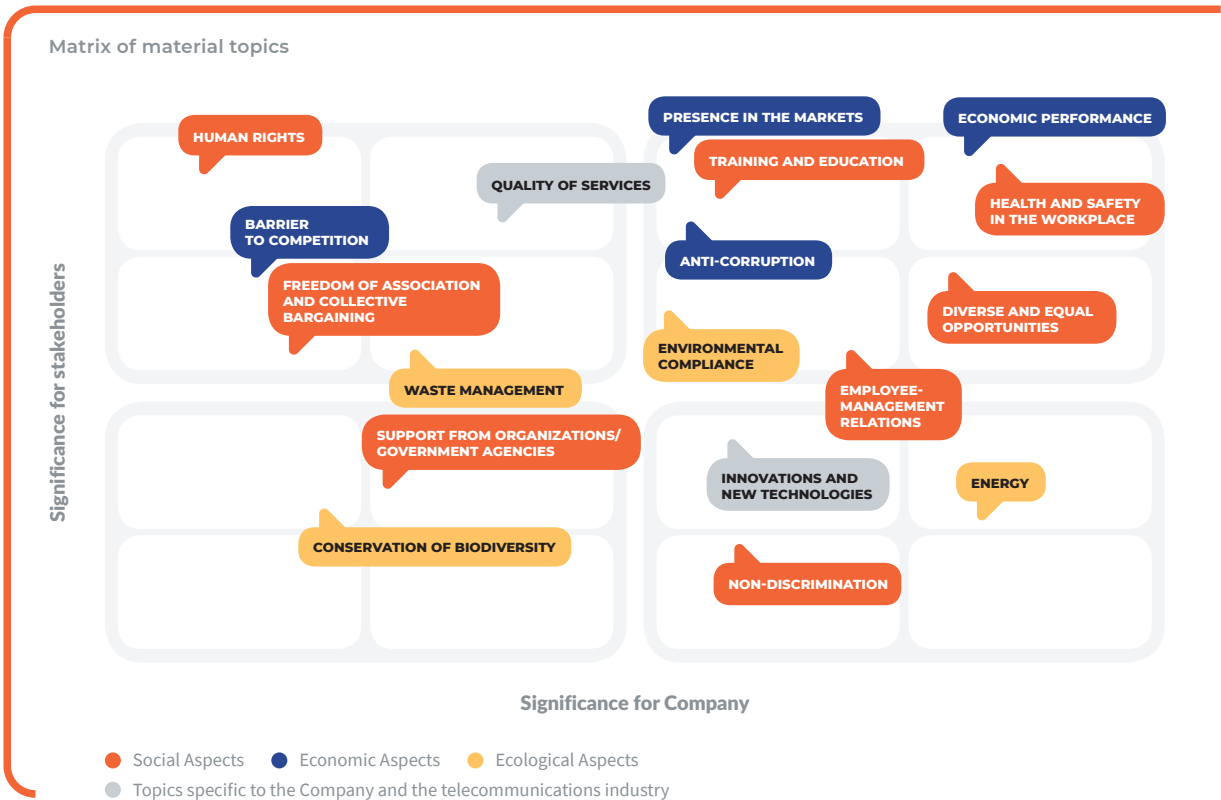
- > **the immediate circle** (area of close influence) includes groups of interested parties that have a material influence on the decisions taken by the Company or are affected by these decisions;
- > **a long-range** (area of indirect influence) includes groups of interested parties that have less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

Materiality analysis

As part of the analysis of interested parties, significant topics and issues are identified and ranked (both for the Company and for interested parties).

Identification of material topics and issues enables constructive stakeholder engagement based on a clear understanding of their priorities; as a result of the joint work of Company management and representatives of interested parties, a "materiality matrix" is created. It

provides a visual representation of sustainability topics that are material to the Company and its stakeholders. Based on GRI recommendations and stakeholder questionnaire, the Company's materiality matrix includes topics those rated above four for the Company and stakeholders. If necessary, the threshold may be revised based on the results of joint consultations with the Company's experts and management to ensure more complete disclosure of information.



SOCIAL ASPECTS

1. Human rights.
2. Freedom of association and collective bargaining.
3. Training and education.
4. Health and safety in the workplace.
5. Diverse and equal opportunities.
6. Employee-management relations.
7. Support from organizations/government agencies.
8. Non-discrimination.

ECOLOGICAL ASPECTS

1. Environmental compliance.
2. Waste management.
3. Conservation of biodiversity.
4. Energy.

ECONOMIC ASPECTS

1. Presence in the markets.
2. Economic performance.
3. Anti-corruption.

TOPICS SPECIFIC TO THE COMPANY AND THE TELECOMMUNICATIONS INDUSTRY

1. Quality of services.
2. Innovations and new technologies.

Plans for 2022 and the medium term

1. Ensuring digitalization of technological processes (implementation of power equipment accounting and monitoring systems);
2. Implementation of the action plan for the transition to low-carbon development to 2030;
3. Improving the effectiveness of the Digital Transformation program;
4. Participation in the social development of regions through social and charitable programs.

Social responsibility

Kazakhtelecom JSC takes a responsible approach to the issues of the social security of its employees and is oriented to their needs and needs, contributing to the creation of favorable working conditions. The Company focuses on improving the quality of life of the population in its places of presence through social and educational programs, transparency of operations, and reduction of negative environmental impacts.

Human resources management

Approaches to human resources management

Human capital is the main factor in increasing the shareholder value of Kazakhtelecom JSC and the main competitive advantage in the rapidly changing telecommunications industry. For this reason, the Company pays great attention to building an effective human resources policy that facilitates the achievement of the Company's strategic goals and objectives, and is also oriented towards creating comfortable working conditions for employees.

The Company builds relations with employees in strict compliance with the requirements of the labor legislation of the Republic of Kazakhstan and the principles of social partnership aimed at achieving consistency of interests, social stability and general well-being. The Company strives for long-term relations with employees.

Kazakhtelecom JSC uses transparent and open HR management procedures, including hiring (appointment), promotion (career development), development (training/professional development), performance evaluation and employee incentives.

For the Company, training of personnel is a vital investment in the development of employees, the recoupment of which indirectly facilitates the achievement of the main goals and tasks facing the organization.

Key performance indicators of the HR Policy of Kazakhtelecom JSC



Employee Experience Strategy

On 21 July 2021, the Minutes of the meeting of the Board of Directors approved the Employee Experience Strategy (hereinafter — EX) of Kazakhtelecom JSC, which describes key strategic initiatives in the area of human resources management at the Company.

The strategy of EX Kazakhtelecom is a high-level document, the development of which was preceded by a changed reality and the perception of what is happening through the concept of COVID-19 in telecommunications and technology companies.

Each strategic initiative is filled with specific projects that should form the basis for the operations of the Company's HR structure.

The flexible organizational structure, as well as the corporate culture, ability to quickly change priorities, review products, and direct resources to more promising areas are the result of the implementation of the EX Strategy by Kazakhtelecom JSC. The Company determines approaches and strategic initiatives within the EX line of business, putting personnel in the spotlight.

The EX strategy development directions



Headcount and structure

As part of the Company's strategy to improve operating efficiency, one of its goals was to transition to a divisional management structure in accordance with global best business management practices. The transition to the target structure was carried out over five years in two stages:

- > **Stage 1** — consolidation of regional directorates into regional directorates;
- > **Stage 2** — creation of divisions in key areas: corporate business, retail business, network, IT and support functions.

At the same time, a transition to centralized division management is stipulated in all regions, while maintaining the geographical location of employees "workplaces.

The main advantages of the divisional management structure are:

1. speed of decision-making within individual business lines by eliminating unnecessary administrative links;
2. single responsibility for the result: previously the responsibility was distributed between the administrative and functional managers, which caused internal contradictions;
3. a clear and transparent result for all employees of the division — from commerce to accounting and administrative employees;

4. the possibility to form an individual regional structure for each area;
5. reduction of local administrative management — only functional managers remain in the regions;
6. transition to a modern management model based on international best practice.

Thus, the number of branches on the basis of which the following divisions were created has been optimized:

1 **RETAIL DIVISION**

2 **CORPORATE BUSINESS DIVISION**

3 **DIVISION NETWORK**

4 **ITD**



At the end of 2021, Kazakhtelecom JSC had

20,934

employees

including 1,359 administrative and management personnel

Headcount at 31.12.2021, persons

Branch/CA	Headcount	
	In total	including OPM
Central Office	285	285
Retail Business Division	2,845	102
Corporate Business Division	1,209	125
Merger Division "Network"	13,335	183
IT Division	610	139
Service factory	2,260	485
TelecomComplect Directory	267	20
Information and Communication Technologies Academy Directory	79	7
Telecommunications and Infrastructure Construction Directory	44	13
Total	20,934	1,359

21,582

employees

the total number of employees of Kazakhtelecom JSC for 2021

10.4%

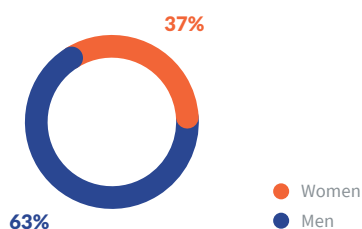
employee turnover in 2021

During the year, 3,149 people left the Company. 1,962 employees were hired, which is 9.8% of the actual headcount at the end of the year.

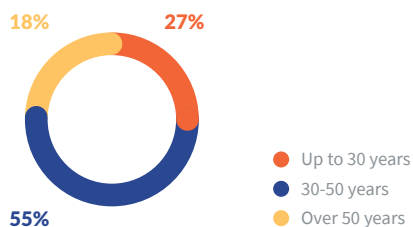
Personnel structure at the end of 2021, persons

Indicator	Total	including by gender		including by age group		
		male	female	under 30 years	30-50 years	over 50 years
Total number of employees, total	21,582	13,605	7,977	5,758	11,933	3,891
The Management Board	9	9	0	0	7	2
Office and management personnel	1,429	461	968	209	909	311
In management positions	291	138	153	4	227	60
Experts	1,138	323	815	205	682	251
Production personnel	20,153	14,661	5,492	5,470	10,298	4,385
In management positions	1,043	804	239	27	605	411
Experts	11,583	6,975	4,608	3,443	6,579	1,561
Workers	7,527	6,882	645	2,000	3,114	2,413
Number of employees who left in 2021	3,149	2,206	943	1,427	1,172	550
Number of employees engaged in 2021	1,962	1,245	717			

Gender structure of employees at the end of 2021



Breakdown of employees by age group at the end of 2021



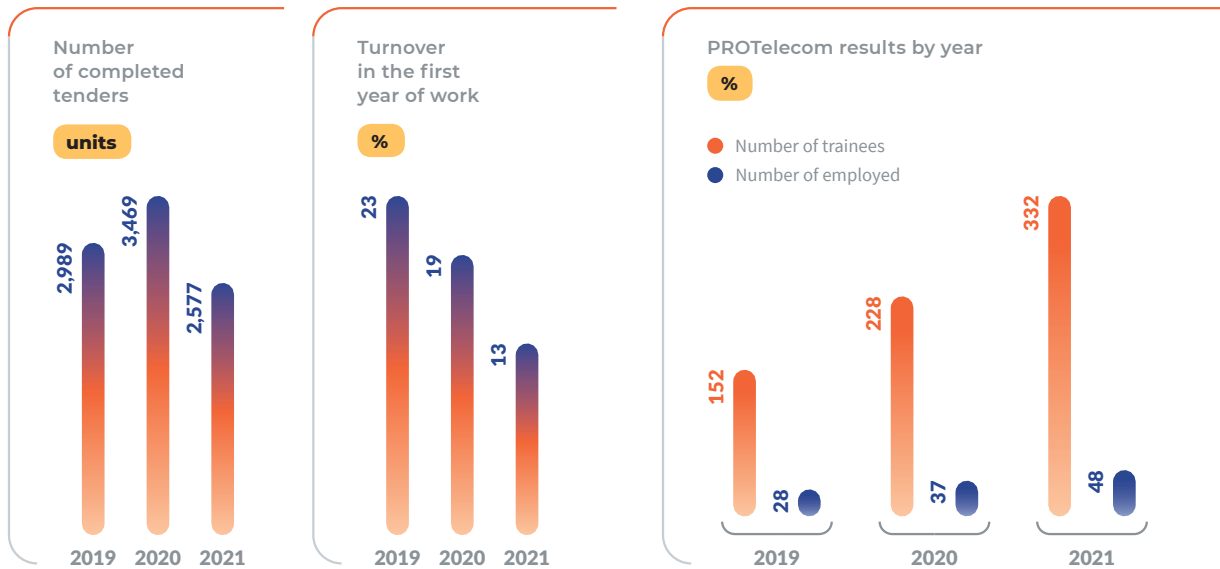
Recruitment and adaptation of personnel

Recruitment and adaptation of personnel continued in 2021 in remote format. In general, there have been no significant changes in the recruitment and adaptation process. Three years ago the recruiting function was centralized and unified for all divisions and branches of the Company. Recruitment of specialists for vacancies is performed from Almaty for all regions.

Recruiters and clients practice audio/video interviews with candidates. Candidates are also fully tested online. The entire process, from the hiring of a recruitment application to the employee's entry into work, is automated. In 2021, **2 577 vacancies** were completed. The decrease in turnover in the first year of work resulted in a reduction in the number of leaves and vacancies.

Principles of the recruitment process:

1. Recruitment planning based on business needs;
2. Clear and transparent selection criteria based on the requirements to the position and the Competence Model;
3. Transparent tender procedures;



4. Professionalism, personal qualities of the candidate and his/her compliance with the qualification requirements and competencies for the position;
5. Reasonableness of decisions taken based on the meritocracy principle;
6. Use of candidates evaluation methods that are relevant for each position, making it possible to make objective decisions when hiring personnel;
7. Non-discrimination, professional, open and respectful attitude towards all candidates;
8. Compliance with laws of the Republic of Kazakhstan;
9. Rational use of resources for attracting and recruiting personnel.

Kazakhtelecom JSC has been implementing an internship program for young **PROTelecom** specialists for the fourth year. More than **700 students** have taken internships in the Company's structural divisions, more than 120 of them have been hired and are now successfully continuing their career in the Group, contributing not only to the development of the largest communications operator, but also to the Russian telecommunications sector as a whole.

All information on tenders and the start of the internship program is posted on the corporate website.

Remuneration and motivation

The incentive system adopted by Kazakhtelecom JSC ensures a clear link between the remuneration of employees and their performance, including the implemented system of personnel performance assessment.

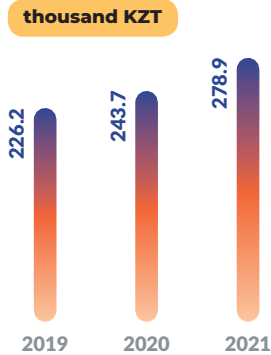
Kazakhtelecom JSC has a Hay Group grading system. Unified approaches to wages, supplements, premiums, current and non-recurring bonuses, differentiation of grade/category of position with the use of an inter-grade coefficient.

The creation of a cost-effective system of remuneration necessary to attract, retain and motivate employees is a priority task of the Company. The focus is on the total income of employees, which includes, in addition to wages and bonuses, benefits and intangible incentives.

During the reporting period the Company made the following material compensation approaches:

- › Unified incentive programs (UIPs) in B2C and B2B segments;
- › unified piece-by-piece payment systems for installation of telecommunications services in the B2B and B2C segments;

Growth in average monthly salary of employees of Kazakhtelecom JSC



- › uniform rules for compensation payments, reimbursement of expenses on relocation and payment of housing lease of Kazakhtelecom JSC;
- › uniform rules for a one-time incentive award for the implementation of the "Key Projects", taking into account the economic effect obtained;
- › a uniform approach to salary based on grades for Company employees.

The Company monitors non-discrimination on any grounds and ensures a fair and equal approach to remuneration. The average salary of women compared to the average salary of men was **107.5%** in 2021.

Personnel assessment system

The performance management system consists in setting clear, measurable goals and objectives for the relevant period in the form of key performance indicators (KPI), on the achievement of which the remuneration received depends. An Individual Development Plan (IDP) system has also been introduced, which gives each employee the opportunity to focus on developing his/her knowledge and skills, improve his/her personal performance and effectiveness.

The assessment of the performance of employees makes it possible to determine the requirements on the work results, skills, knowledge and competencies of employees in order to achieve the Company's strategic goals.

The personnel assessment system of Kazakhtelecom JSC is based on the following principles:

1. Interaction of remuneration with the performance of tasks that meet the interests of the Company;
2. Simplicity and transparency of remuneration principles;
3. Dependence of the amount of remuneration on the Company's operating results and the performance of employees.

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

The responsibility of employees for the achievement of results in the main lines of business and control over their achievement of strategic goals, objectives and initiatives is determined. At the same time, the Company monitors compliance with the balance sheet of financial and non-financial KPI. Compliance with the obligation to monitor and assess the achievement of planned KPI on a regular basis (quarterly/annual), including the performance of factor analysis and the development of recommendations.

The performance planning and evaluation cycle is aimed at continuous management of the performance of employees during the current calendar year. The main condition for payment of performance bonuses for the reporting period is the availability of consolidated final profits for the reporting period, calculated taking into account the planned amount for payment of remuneration.

Number of employees trained by hours



● Software ● OPM

As part of cooperation initiatives with educational institutions, Memorandum of Cooperation with Kazakh-British Technical University, Nazarbayev University and KIMEP University were concluded in 2021. In 2021, 20 employees went to the KIMEP University to study under the Executive MBA program, and 10 to Nazarbayev University.

Kazakhtelecom JSC assesses the effectiveness of the training process based on the Kirkpatrick model. The assessment for the first level is based on the survey "Assessment of Employee Training Performance: Responses of Students to the Training Program". The second level of "Analysis" is assessed based on the results of testing of trainees.

Talent management and talent pool

In accordance with the HR Management Strategy, Kazakhtelecom JSC is implementing the Talent Management project, the goal of which is to form and prepare a talent pool as the main internal source of replacement of key positions.

This project is an instrument for identifying and retaining talented employees with a high professional level. As part of this project, there is a Leadership School, a program where reserves undergo phased training in developing management and leadership competencies. The Leadership School has developed a comprehensive Programme of training in the fundamentals of management skills, including a set of training events to develop universal management competencies and the leadership qualities of reserves.

The first stage of the Leadership School was held, consisting of four training modules. In addition, a training program "Strategy and Business Management", consisting of five modules, "Fundamentals of Sustainable Development and Corporate Social Responsibility", "Strategic Management and Transformation Planning", "Corporate Finance, Strategic Income Management and Management Accounting", "Entrepreneurial Thinking and Innovation Marketing", and "Change and Innovation Management Strategy", was developed and implemented for 2019-2020.

The Advanced Mini MBA training program has been developed and implemented for the graduates of the Leadership School; it is an intensive seven-month program aimed at developing the practical skills of the talent pool, as well as professional development in operational and strategic management, corporate finance and management, marketing, statistics and accounting.

In 2021, the Rules on the formation of the personnel pool of Kazakhtelecom JSC were updated, with the criterion of dividing employees into HiPo and HiPro.



of employees from the talent pool were appointed to key vacancies

Development of corporate culture

The cultural transformation project has been successfully implemented in Kazakhtelecom for several years. Diagnostics of the current state of corporate culture has been performed, a value model has been developed and a program has been created to implement the target image of corporate culture — the Success culture.

In 2021, the following measures were taken to develop the Company's corporate culture:

- › in the first quarter of 2021, a session entitled "Corporate Culture" was held with the Moscow School of Management "Skolkovo" for senior managers and managers of Kazakhtelecom JSC;
- › by decision of the Management Board of Kazakhtelecom JSC, Corporate Culture Management Rules of Kazakhtelecom JSC No. 133 of 13.05.2021 were approved;
- › in the fourth quarter, a session was held on the topic "Identification and/or revision of the target corporate culture, leadership model and set of values of the Company";
- › gap analysis performed;
- › Addressors of corporate values of CREDO have been appointed from among the members of the Management Board of the Company;
- › implementation of the CREDO — the way to a culture of success in the NRDT;
- › implementation of the CREDO — the way to a culture of success in ARDT.

Social policy

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.
- › 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 organisation 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 benefit to a retired employee.

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

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):

Number of employees taking and returning from maternity/dads leave by gender, persons

Indicator	2019		2020		2021	
	M	F	M	F	M	F
Persons taking leave	23	739	19	803	22	878
Return to work after vacation	5	489	18	428	9	437

The minimum notice period for material changes in the organization's activity under the Labor Code of the Republic of Kazakhstan is 4 weeks (30 calendar days), and 45 calendar days under the Collective Agreement.

The Company currently provides social support to more than 10,000 pensioners. Each year they will be provided with targeted charitable assistance, and meetings will be held for the professional holiday of the linkers and for the Day of the Elderly.

The Company currently provides social support to more than

10,000

pensioners

Social stability

On Issues of Social and Employment Relations, in order to Perform Informational and Explanatory Work among Employees on Issues of Labor Legislation and Remuneration in the Branches of Kazakhtelecom JSC, Schedules of Meetings between Managers and Employees, with the Participation of Trade Unions and the Ombudsman, have been approved. On a regular basis, the Members of the Management Board hold online conferences to provide feedback on the identified problem issues.

In the event of social and labor conflicts, the Company establishes special Commissions to carefully consider complaints/complaints, and management visits the site with the involvement of local trade unions and the Ombudsman. Based on the results of the work of the commission and meetings of management with employees, measures are developed to resolve problem issues.

The Samruk-Kazyna Group of Companies performs annual monitoring of the social situation at production facilities. In order 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 2021, the Center for Social Interaction and Communications developed a new methodology with continuity in the main indices and the process of collecting and processing sociological information based on fundamentally new external conditions caused by COVID-19.

↘ 4%

74%

the total social stability indicator of Kazakhtelecom JSC for 2021

↘ 2%

81%

engagement index in Kazakhtelecom JSC in 2021

94%

of respondents according, the employer has created all the necessary working conditions

↘ 4%

83%

the social stability index

The total **social stability indicator** of Kazakhtelecom JSC for 2021 was 74%, which according to the ranking scale classifies it as a stable developing company.

The aggregate SRS is integrated from three indices: Engagement Index, Social Wellbeing Index and Social Security Index.

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. Overall, for the entire research period since 2013, the level of involvement in the Company has fluctuated by 37-83%, where the indicators of the last two years are the highest. For example, the Participation Index in Kazakhtelecom JSC in 2021 was 81%, having decreased by only 2% since last year, thereby maintaining its position in a favorable rank-scale zone.

According to 94% of respondents, the employer has created all the necessary working conditions both during 2021 and during quarantined conditions. Moreover, for all the Company's branches the number of respondents holding the same opinion exceeds 90%.

The Company's fairness, trust and loyalty were also highly appreciated by employees. No issues were identified in respect of key indicators related to the understanding of instructions and relations between 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). Overall, the social stability index has fluctuated since 2013 from the lowest level of 57% in 2013 to the highest level of 87% in 2020. Despite a 4% decline in the social stability index in 2021, the current indicator (83%) retained its position in a favorable zone.

Respondents noted a lack of tension between colleagues and management (87%), as well as a low probability of the appearance of open threats — meetings and strikes (5%).

Based on the analysis of the results of the SRS for 2021, 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, in order 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 2022.

Social support for employees

As part of the current social package, social support is provided to the Company's employees and pensioners under the Kazakhtelecom JSC Collective Agreement concluded on a tripartite basis with sectoral 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 2021, the Company implemented the following measures to provide social support to employees:

- > approval of the Social Support Program for employees of Kazakhtelecom JSC (large families, families with special children and families adopting more than two children);
- > the Regulations on Intangible Incentives for Employees of Kazakhtelecom JSC have been approved;
- > a system for monitoring the physical health of Company employees has been developed and implemented;
- > sports events to support the physical health of employees are held together with trade unions in accordance with the approved schedule.

In March 2020, in order to prevent its spread among employees of Kazakhtelecom JSC, COVID-19 has been organised as a remote form of work for employees, with the exception

of employees whose presence is mandatory in the workplace due to their work functions. The distance work format has been retained for the following categories of employees:

- > pension and pre-retirement age (people over 55 years old);
- > with severe chronic illnesses;
- > pregnancy women, large mothers, single mothers raising a child under the age of fourteen (handicapped children under the age of eighteen) and other persons raising this category of children without a mother;
- > women with a child under the age of three and junior children (up to the 4th grade).

The percentage of Company employees transferred to the distance work format was 50% (more than 10,000 employees). Starting from 1 May 2021, the Company has implemented a remote format of work on an ongoing basis. The number of such transferred employees was more than 200 for the Company.

The Order of Kazakhtelecom JSC On the Working Conditions of Personnel in Connection with Restrictive Quartile Measures has abolished the secondment of employees outside the Republic of Kazakhstan and the holding of mass events (holiday, concert, cultural, sporting events, conferences, forums, exhibitions, etc.).

In addition, as part of social support for employees, the Company has decided to pay 100% of the average monthly salary (without taking into account the length of service of the Company) to employees with a diagnosis of COVID-19 and virus-virus had been retained until 1 August 2021.

88%

collective resistance to COVID-19

17,726

employees who have been vaccination

With the start of mass vaccination in the Republic of Kazakhstan, the Company has established cooperation with local health authorities to ensure the vaccination of employees and the organization of field vaccination points in the Company's offices in order to achieve collective immunities.

For each stage of the vaccination, employees were granted one day of rest on the basis of a written request from the employee, if supporting documents are available, with the subsequent execution of the relevant order.

By the end of 2021, the Company had achieved collective resistance to COVID-19 and accounted for 88% of the Company's total, which is 17,726 employees who have been vaccination.

Plans for 2022 and the medium term

In order to support and improve housing conditions, the Company plans to consider the possibility of issuing interest-free loans in 2022, taking into account the social status of the employee, with priority provision of loans to production personnel, low-income families and large families. It is also planned to organize training of the children of employees from among production staff at higher education institutions, and to organize summer leisure in the cities of Nur-Sultan and Almaty on IT skills for the children of Company employees.

Occupational and occupational safety

Management approaches

Kazakhtelecom JSC sees human life and health as the highest value and is directly responsible for ensuring safe working conditions. Creating healthy working conditions for its employees and minimizing risks associated with production activity are one of the key areas of the Company's Development Strategy.

The Company strives to comply with global best practices, to strictly comply with national and international requirements, and to constantly improve the Health and Safety Management System (HSE).

Kazakhtelecom's OHS priorities are:

- 1 relevant compliance with and application of the Labour Code of the Republic of Kazakhstan;
- 2 provision of safe working conditions and workplaces;
- 3 use of modern technologies and best practices in occupational safety and safety;
- 4 introduction of modern means and methods of preventing occupational injuries and occupational diseases.

Kazakhtelecom recognizes the importance of early prevention or mitigation of adverse health and safety impacts for employees, contractors and the public. The Company has a health and safety management system that ensures constant methodological guidance, analysis and monitoring of the state of health and safety.

Kazakhtelecom's JSC Occupational Safety and Safety Policy is the fundamental OHS document. The Policy includes twenty basic principles and applies to all employees and contractors of the Company.

Internal documented information in the areas of occupational health, safety and environmental protection and industrial safety, pursuant to which the system for managing occupational safety and industrial safety of Kazakhtelecom JSC is in effect, consists of:

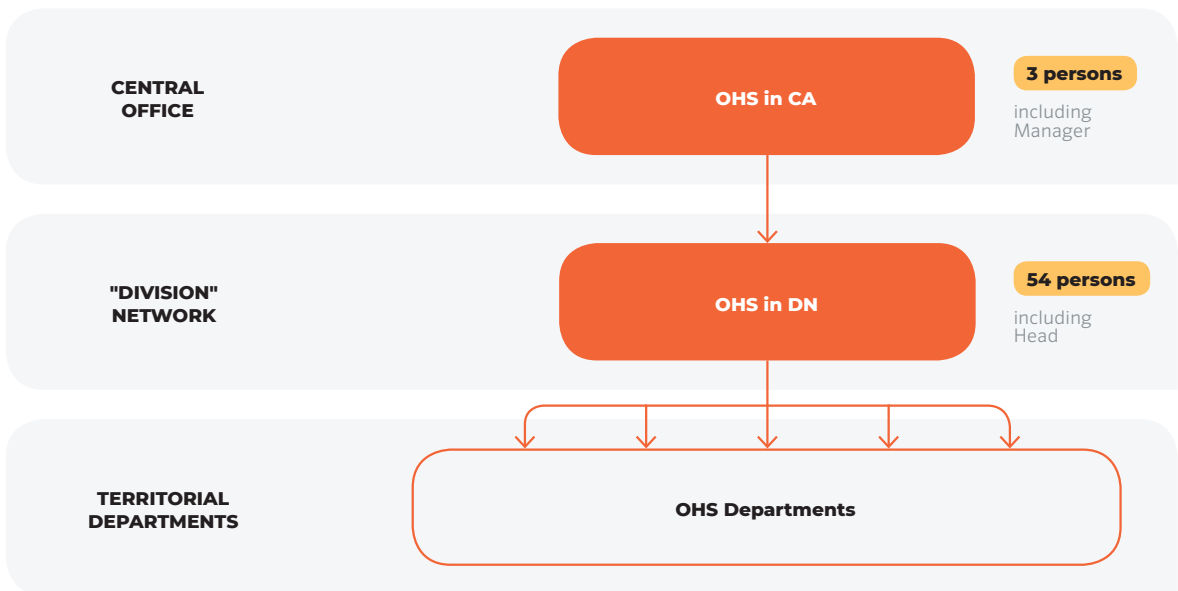
- › Collection of instructions on safety and labor protection by types of work ;

- › Collection of instructions on safety and labor protection by professions of the Center for maintenance of local networks of branches of Kazakhtelecom JSC;
- › Standard "Technical requirements and specifications for special clothing and personal protective equipment";
- › Approved forms of statistical reporting on OHS;
- › Rules for periodic mandatory medical examinations;
- › Rules for the production of work in conditions of increased danger according to work permits;
- › Standard Fire safety rules at Kazakhtelecom JSC;
- › Rules of occupational and occupational safety when working remotely.

Governance structure and tools

A special functional division of the Company's central administration, the Health and Safety Service (H&SS), responsible for coordination and day-to-day management of all organisational OHS work at Kazakhtelecom JSC.

Organizational structure of the OHS in Kazakhtelecom JSC



As part of the Internal Control Plan for Occupational Safety and Safety, the Central Administration's Health and Safety Service conducts meetings and discussions on occupational safety and working conditions. The main functions of the Occupational Safety and Safety Service are:

- › organize training and testing of employees' knowledge;
- › ensure timely and objective investigation of accidents and other health damage to the Company's employees, pursuant to the procedure established by the effective labor legislation of the Republic of Kazakhstan;
- › suspends or restricts the activity of facilities, performance of work with increased danger, machinery and mechanisms in the event of the appearance of a threat to the life and health of employees;
- › issue instructions to the directors of the structural divisions of the Company and other regional divisions of the Company's branches on taking measures to eliminate identified violations of occupational safety, industrial safety and fire safety;
- › coordinates and interacts in the area of occupational safety and safety with the state authorities and with the public association "Sectoral Professional Union of Information and Communications Employees";

- › together with the structural divisions of the branch of the Company, certification of production facilities according to working conditions in accordance with the procedure established by the effective legislation of the Republic of Kazakhstan;
- › conduct introductory trainings with new entrants in accordance with the approved program.

Employees of Kazakhtelecom JSC are actively involved in the development, implementation and assessment of the OHS management system. At all branches and the central administration, production safety and occupational safety boards have been created, which organise on a permanent basis the joint efforts of the employer and employees to ensure compliance with occupational safety requirements, prevent occupational injuries and occupational diseases, and organise checks of working conditions and occupational safety at work by technical labor inspectors.

In 2021, the HSE Framework and the Қауіпсіз еңбек Roadmap for 2022-2026 were submitted for the consideration of the Management Board of Kazakhtelecom JSC in order to build the Company's OHS management system based on leading international standards and promoting the development of a safe labor culture, reduction of accidents, achievement of zero injuries and training of managers at all levels.

Compliance of the management system with international standards

Health and safety management systems complying with international standards are being widely implemented within the Company. Kazakhtelecom JSC has implemented an Integrated Management System in accordance with international standards ISO 9001, ISO 14001 and OHSAS 18001.

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 OHSAS 18001.

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 OHSAS 18001-2008 and an increase in its effectiveness.

In 2021, the documentation was analyzed in terms of its compliance with the requirements of ISO 45001:2018 and ISO 14001:2015 to the documented information of the occupational health, safety and environmental management systems.

Risk assessment

The process of managing key risks in the area of OHS is an integral part of both the corporate risk management system and the Company's health and safety management system. Unacceptable hazards and risks are assessed in accordance with the approved documented procedure "Identification of hazards, environmental aspects and risk assessment. Procedure for determining management measures".

In 2021, the Register of Significant Hazards and Unacceptable Risks was approved in accordance with the requirements "Identification of Hazards, Environmental Aspects and Risk Assessment". Analysis and assessment of the probability and impact of risks is performed, and risk minimization measures are reviewed taking into account the current situation.

The Company identifies and assesses project risks and adverse impacts on the health and safety of population groups in their places of presence, and develops protective, preventive and risk mitigation measures commensurate with impacts and risks. Kazakhtelecom collaborates with relevant authorities and other stakeholders, as necessary, on mitigation measures and plans.

The procedure for identifying hazards and assessing risks takes into account the day-to-day activities of all personnel, the behavior of an individual and his/her abilities, the hazards identified near or outside the work area, infrastructure, equipment and materials, and technological processes. Risk management measures have been identified and are being implemented.

The Health and Safety Service of the Central Office analyzed the data on the issued instructions on taking measures to eliminate the identified Health and Safety, Safety and Fire Safety violations for 2020-2021, with a description of corrective measures, and sent them to the branches.

In order 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.

In the Company's Risk Register, occupational injury is defined as one of the main risks. For this risk, the Company has prepared a list of measures aimed at preventing the realization of the risk and reducing the consequences of its implementation.

Prevention of occupational injury

Kazakhtelecom JSC holds regular meetings to analyse the causes of accidents and develop measures to prevent them.

Based on the results of the analysis of work-related injuries and accidents, information letters are prepared and sent to branches with a list of measures to prevent and prevent

accidents. The circumstances and reasons for the incidents are also discussed with employees in all divisions, together with an unscheduled safety briefing.

In order to ensure health and safety, an annual Zero Injury Plan is being implemented. The report on implementation of the plan is considered by the Board of directors quarterly.

Injury rate at Kazakhtelecom

For all employees	2019	2020	2021
Total fatalities	0	0	0
Fatality frequency rate	0	0	0
Total high-impact occupational injury (excluding fatalities)	0	0	0
High impact injury frequency rate (excluding fatalities)	0	0	0
Total number of recorded occupational injuries	2	4	6
Occupational injury rate	0.1	0.2	0.3

In 2021, the Company had six accidents, of which five were heavy accidents. In the Company the cases of occupational diseases and also incidents and incidents in 2021 are not recorded.

Main causes of injuries:

- › improper organization of safe work by responsible managers;

- › improper internal health and safety controls;
- › violation by the affected persons of the Instructions on Occupational and Occupational Safety during the Performance of Work;
- › lack of adequate collective and personal protective equipment.

Training and development of safe work

The Company's operations comply with OHS requirements. Comprehensive measures to prevent accidents and accidents are being taken on an ongoing basis. Kazakhtelecom JSC performs systematic work to improve its safety culture to the level of international best practices and to increase the level of conscious compliance with occupational safety requirements by employees and managers at all levels.

Kazakhtelecom JSC holds annual trainings for employees on occupational safety and safety, industrial safety, fire safety and technical minimization, and safety when working on electrical installations, both at outside training organizations and at workplaces. In 2021, 14,465 employees were trained, which is in line with the target number of trained employees.

14,465

employees

were trained in 2021

TRAINING ON HEALTH AND SAFETY, FIRE SAFETY, SAFETY IN 2021

9,629

employees

Occupational Health and Safety

1

employees

NEBOSH IGC

1,601

employees

Industrial safety requirements

0

employees

IOSH Managing Safe

855

employees

The minimum level of fire safety

0

employees

Traffic safety management, technical inspection of vehicles

0

employees

Training of people without medical education

398

employees

Rules of safety at DPL when working at height and high-climb work

0

employees

Driving Safety

2,380

employees

Traffic rules of the Republic of Kazakhstan.
Road safety fundamentals

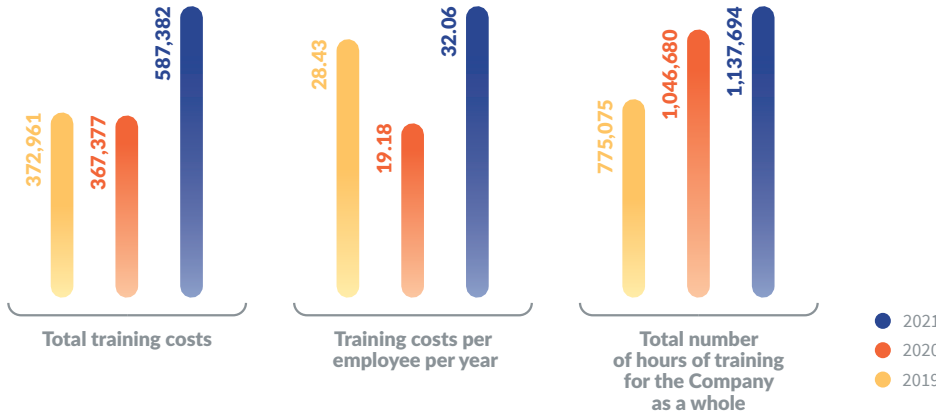
0

employees

Driving Safety in Winter

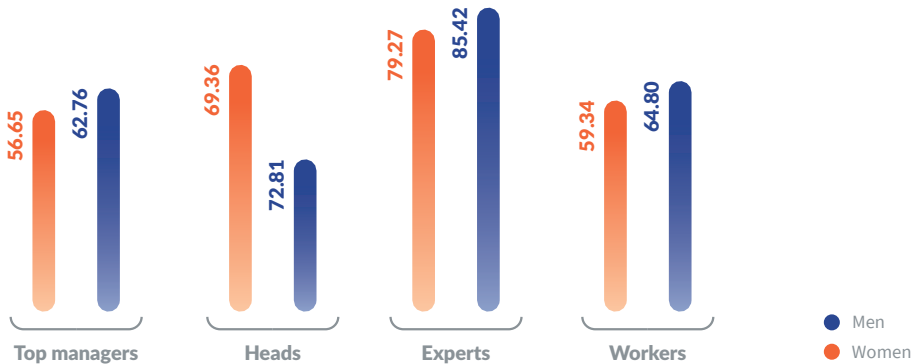
Expenses of the Kazakhtelecom Group of Companies on training of employees

thousand KZT



Number of hours spent on training one employee of Kazakhtelecom JSC in 2021

per hour



A master class on "International best practices in occupational health and safety management" was held during the reporting period to improve the qualifications of employees of the Company's branches "safety and occupational safety services. In 2021, as part of the Project to improve the efficiency of the HSE management system, the Head of the Health and Safety Service of the central administration received NEBOSH IGC training. Training under the program "Internal Audit of Integrated Management Systems" was conducted for key employees of OHS. The Company has created a training video on occupational safety and safety.

As part of the implementation of Kazakhtelecom's JSC strategy for the SERPIN transformation program in the area of digital transformation, HSE Telecom software was put into commercial operation at the Company's branches.

As part of the implementation of software for digitalization of OHS processes, the following modules were developed:

- › the system for issuing electronic work permits for work of high danger;
- › system for issuing electronic work permits for work in electrical units;
- › a system for registering OHS instructions using a mobile phone to photocopy the violation and send it to the responsible head of work to eliminate it.

Investments in industrial and occupational safety

In 2021, total investments in this area amounted to

million KZT

1,072

Investments in industrial and occupational safety, million KZT

Name	2019	2020	2021	Change, %
Health and Safety	463	463	480	4
Health protection	153	149	172	12
Personal protective equipment	84	96	113	18

Prevention of occupational diseases and health protection

Kazakhtelecom pays special attention to the health of employees. For example, the social benefits of employees include full medical insurance, as well as health and resort programs for employees, the terms of which are stipulated by collective agreements. Preliminary, regular and extraordinary medical examinations of employees are held on a regular basis. Upon the results of the medical check-up, employees are sent for an in-depth preventive check-up, if necessary. Employees who have not undergone a medical check-up are not permitted to perform work.

In accordance with the requirements of the Labor Code of the Republic of Kazakhstan, employees of the Group's contracting organizations engaged in work related to increased danger, machinery and mechanisms also undergo mandatory pre-and post-shift medical examinations.

The number of employees of Kazakhtelecom JSC undergoing the statutory periodic medical check-up in 2021 was 13,209 (according to the final reports provided), which is 100% of the total number of employees subject to the statutory periodic medical check-up.

13,209

employees

undergoing the statutory periodic medical check-up in 2021

Taking care of personnel in the conditions of the Panemics

With the start of the COVID-19 disaster, the Company implemented social support measures for employees, which made it possible to protect the Company's offices and production facilities from the spread of the virus. In particular, the Company performed active work to promote vaccination:

- 1 the Action Plan on organizing and preparing for voluntary vaccination of Company employees against coronavirus infection COVID-19 has been approved;
- 2 information materials on the prevention of COVID-19 and the benefits of vaccination have been published on internal communication channels;
- 3 training on "Prevention of COVID-19";
- 4 preparation of revaccination measures from COVID-19.

Other measures in the reporting period include:

- 1 organization of an initial inspection of employees through the Ashyq platform;
- 2 restriction of the holding of contact events and participation of Company employees in them;
- 3 personal protection of staff;
- 4 changes in employee work and rest regimes;
- 5 restriction of access to facilities of persons who are not employees of the Company.

By the end of 2021, the Company had achieved collective resistance to COVID-19 and accounted for 88% of the Company's total, which is 17,726 employees who have been vaccination. Kazakhtelecom JSC ensures and is responsible for maintaining the confidentiality of medical data of employees in accordance with the internal health and safety rules.

Organization of work with increased danger

In order to ensure production and fire safety at the sites of Kazakhtelecom JSC, in 2021 employees were trained in occupational and occupational safety, industrial safety, fire and technical minimization, and safety when working at electrical installations, both in external training organizations and at work places.

A number of 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.

In order 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 addition, in 2021 the Company implemented a wide range of measures and initiatives to manage health and safety issues:

- › **10,130 employees** are provided with the necessary special clothing, shoes and personal protective equipment (PPE);
- › control over compliance with uniform requirements on the insulation of hazardous energy sources during the performance of maintenance or repair work on the Company's equipment;
- › assessment of occupational safety risks, prevention and prevention of occupational injuries;
- › Regular meetings with employees on a quarterly basis on OHS and environmental issues;

- › training of **14,465 employees** in occupational safety and safety, fire safety measures to the extent of the minimum fire safety and industrial safety;
- › **1,601 employees** of the Company have undergone training and retraining on industrial safety issues;
- › 84 fire and technical classes, 16 fire and technical exercises, 56 fire safety trainings, and **855 employees** were trained to the extent of the fire and technical minimum.

Based on the results of implementing industrial safety programs, in 2021 employees of the Company's Branches Safety and Occupational Safety Services were awarded certificates of honor and letters of gratitude to Kazakhtelecom.

Management of industrial and occupational safety at contracting organizations

Compliance by contractors performing work on the Company's sites with environmental protection requirements, production safety standards and standards is a mandatory rule. As regards the management of OHS aspects, suppliers of goods, work and services and contractors are subject to requirements in accordance with the corporate standard on production safety. Compliance

with OHS requirements is monitored by contractors independently.

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.

Plans for 2022 and the medium term

1. Introduction of zero injury rates to corporate KPI.
2. Analysis of the frequency and nature of hazardous conditions to be identified, hazardous actions, and potentially dangerous Near-Miss situations and the adequacy of corrective measures taken.
3. Increased requirements for contractors on industrial safety issues.

Environmental protection

Management approach

In 2021, a new Environmental Code of the Republic of Kazakhstan was approved and introduced to ensure environmental safety, implement the best available technologies, take preventive measures to prevent negative environmental impact, and increase liability for violation of the requirements of environmental legislation of the Republic of Kazakhstan.

Telecommunications has relatively little impact on the environment compared to other industries. Kazakhtelecom recognizes its responsibility for the environmental impact, health, safety and quality of life of the population and takes all necessary measures to ensure environmental safety, preserve the natural environment, use natural resources rationally and minimize environmental impact in order to achieve sustainable development.

To manage the environmental aspect, the Company has created an environmental management system (EMS), which is an integral part of the system of corporate governance and an important part of the system of management of non-financial risks. The Company is certified to comply with ISO 14001 and is constantly improving the EMS.

Internal environmental regulations of Kazakhtelecom JSC:

- › Environmental policy;
 - › Action plan on the transition of Kazakhtelecom JSC to low-carbon development by 2030;
 - › Documented procedure for identifying hazards, environmental aspects and risk assessment;
 - › 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;
 - › Documented procedure for management of production and consumption waste;
 - › Documented emergency readiness and response procedure.
- Kazakhtelecom JSC has determined the following priority areas of environmental development in accordance with the Strategy and Environmental Policy of the Company:
- › reduction of air emissions;
 - › use of environmentally friendly information transfer technologies;
 - › accounting of environmental risks and possible environmental impacts during the performance of operations;
 - › reduction of specific energy consumption during the provision of telecommunications services through the use of renewable energy sources in the structure of energy consumption and the implementation of energy-saving and resource-saving technologies at the Company's facilities;
 - › implementation of green, environmentally friendly, waste-free and energy-saving production technologies that have minimal environmental burden;
 - › reduction in the amount of household and production waste;
 - › creation of an environmentally friendly environment, including through landscaping and landscaping of the areas occupied by the Company;
 - › increasing the competence and awareness of the role of Company employees in resolving environmental issues.

Governance structure and tools

Environmental protection is managed at two levels. In the central administration and at the branch level, work is coordinated by a division responsible for occupational health and safety issues.

The environmental management system is part of the IMS, certified for compliance with ISO 14001:2015 Environmental Management System. Requirements and application

guidelines "and covers all areas of the Company's production activity.

The Chief Strategic Management Officer is responsible for the overall organization, coordination and effectiveness of work on the identification of risks, environmental aspects and risk assessment for the Company.

Investments in environmental protection measures

Kazakhtelecom strictly complies with the requirements of the environmental legislation of the Republic of Kazakhstan and constantly implements a number of measures aimed at reducing the negative impact on the environment. The Company's environmental protection expenses consist of several parts:

- › environmental payments for emissions of pollutants into the air, content of pollutants during wastewater discharge, disposal of production and consumption waste;

- › investments in the development of draft standards for maximum acceptable emissions of harmful substances into the atmosphere and the receipt of permits for emissions of pollutants into the atmosphere, and the development of environmental impact assessment projects.

No violations of environmental legislation were recorded in 2021. No non-financial sanctions and other administrative penalties were imposed during the reporting year for violation of environmental standards.

Environmental protection costs in 2021

45,313

thousand KZT

38,212 thousand KZT

Development of ESIA projects, draft emission standards and performance of production environmental monitoring, confirmation of categories

7,101 thousand KZT

Payments for issues

GHGs

Kazakhtelecom supports Kazakhstan's participation in global efforts to reduce greenhouse gas emissions and recognizes the importance of measures to prevent global climate change and takes measures to reduce greenhouse gas emissions in **Scope 1** and **Scope 2**.

In 2021, an Action Plan for the transition of Kazakhtelecom JSC to low-carbon development up to 2030 was developed and approved. The Plan includes measures and initiatives to achieve the strategic goal of reducing energy consumption by 1.5% per year, increasing the investment appeal and shareholder value of the Company, and reducing the Company's carbon footprint by 13% by 2030.

The Company regularly monitors greenhouse gas (GHG) emissions, quantifies the amount of direct emissions from facilities controlled by Kazakhtelecom JSC, and also indirect emissions related to the purchase of electricity.

In 2021, the Company's total direct emissions (Scope 1) were 27,702 thousand tonnes of CO₂ equivalent, and indirect emissions (Scope 2) were 221,577 thousand tonnes of CO₂ equivalent.

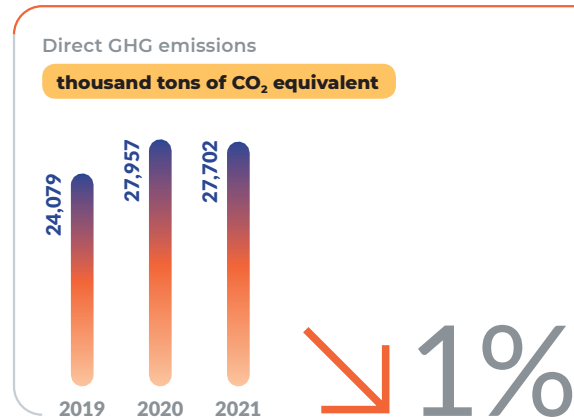
In 2021, Kazakhtelecom implemented several low-carbon development initiatives, one of which was the transition to low-carbon energy sources (gas).

Energy efficiency

Energy consumption and energy efficiency have a direct impact on environmental performance. The specifics of the activities of Kazakhtelecom JSC involve a large amount of energy consumption.

In accordance with the Strategy and Environmental Policy, the Company has determined the following priority areas of energy efficiency development:

- › reduction of specific energy consumption during the provision of telecommunications services through the use of renewable energy sources in the structure of energy consumption and the implementation of energy-saving and resource-saving technologies at the Company's facilities;



In an effort to reduce energy consumption, in the reporting year the Company transferred one diesel boiler station to central heating (Nur-Sultan), and two boiler stations from diesel fuel to gas (Kostanay region).

Kazakhtelecom continues to switch the fleet to gas as motor fuel. To date, more than 30% of Kazakhtelecom's car fleet has been converted to gas.

In addition, the Company has joined urban landscaping to contribute to the improvement of the environment and to raise public awareness of climate change issues.

- › implementation of green, environmentally friendly, waste-free and energy-saving production technologies that have minimal environmental burden.

Kazakhtelecom JSC uses direct non-renewable energy sources for its own needs, namely gasoline, diesel fuel, coal, natural gas.

Direct use of energy, GJ

Type of fuel	2019	2020	2021	2022 forecast	Change 2020-2021, %
Gasoline	151,558	165,043	136,640	130,278	-17%
Diesel fuel	86,530	86,400	83,584	82,586	-3%
Coal	19,968	25,064	23,348	20,930	-7%
Gas	115,625	144,298	141,099	141,879	-2%
Total	373,681	420,805	384,671	375,673	-9%

In 2021, direct use of fuel resources totaled **384,671 GJ**, which is 9% lower than the 2020 figure. A decrease was seen for all types of fuel.

The Company's divisions regularly hold events aimed at ensuring the rational use of heat and energy resources:

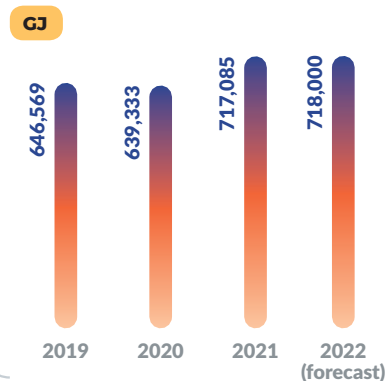
- › elimination of heat losses by heating buildings as part of measures to prepare the Company's facilities for the heating season;
- › maintenance of autonomous heating systems;
- › measures on the disposal of real estate as part of the project "Optimization of real estate management".

Electricity consumption in 2021 was 717,085 GJ. In 2021, the volume of electricity consumed increased by 11% compared to 2020 as a result of Centralized management system of telecommunication networks-2 project implementation, the change of facilities from liquid fuel heating to electric heating, and an increase in the customer load on the data center.

Air emissions

Kazakhtelecom JSC also strives to reduce the negative impact of the Company's activity on air quality by constantly implementing technological improvements, thereby reducing emissions of harmful substances. To this end, the Company uses environmentally friendly and energy-efficient production technologies to reduce air emissions.

Electricity consumption



The Company currently heats 254 properties using autonomous heating systems, including 108 diesel fuel, 108 gas heating and 38 solid fuel. In 2021, two facilities were transferred from diesel fuel to gas, and one facility was transferred from diesel fuel to central heating. This leads to a reduction in the use of diesel fuel, which in turn has a positive effect on the environment.

In 2021, the total emissions of pollutants into the air did not exceed the established standards.

Control over emissions of harmful substances into the air is an important factor in the performance of the enterprise's environmental activity.



For the operation of autonomous heating systems and diesel generator units in accordance with environmental legislation, draft maximum allowable emissions are being developed and quarterly environmental production monitoring is being performed.

Water resources

Kazakhtelecom does not have a significant impact on water intake, but seeks to reduce water use.

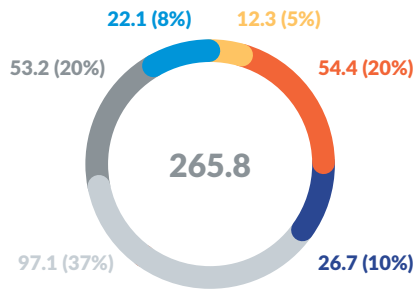
Water from the networks of water supply organizations is mainly used to supply water to the Company's divisions. Water intake is made from two source sources: underground water (wells) and surface water (rivers, lake, sea), which are protected by the Ministry of Ecology, Geology and Natural Resources.

In general, water intake of the Company's divisions in 2021 was 391,913 m³ per year. Water intake of an organization is less than 5% of the average annual volume of all water bodies, and therefore does not have a significant effect on water sources.

The Company's divisions annually carry out measures aimed at ensuring the rational use of water resources, efficient consumption of drinking water, elimination of leaks on water supply networks by replacing dilapidated sections of water pipelines, and repair of facilities on water supply networks. In addition, water intake indicators were affected by measures to dispose of real estate as part of the "Optimisation of Property Management" project.

Air emissions structure in 2021

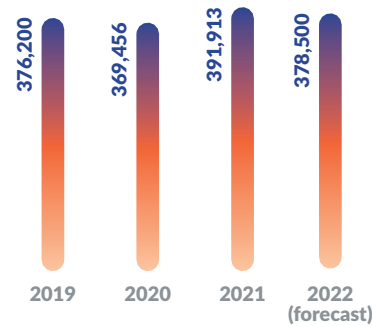
tonnes



- NO₂ emissions
- SO₂ emissions
- CO emissions
- Dust
- NO emissions
- Other emissions

Water consumption

m³



Water is not re-used by the Company's divisions in the production process of providing telecommunications services. The Company uses water only for sanitary and household needs. Installed water metering devices are in technical working order.

Waste management

Waste management is one of the main aspects of environmental planning and management at the Company.

Waste management is the activity of planning, implementing, monitoring and analyzing measures to handle production and consumption waste. In 2021, the Company approved the Production and Consumption Waste Management Program (the Program). The Program aims to improve the efficiency of procedures for assessing changes in the volume and composition of wastes, with the aim of developing an operational waste minimization policy using economic or other mechanisms to make positive changes to production and consumption patterns.

According to the program, waste for recycling is transferred to outside organizations. Wastes related to unsafe types, such as chemical sources of current or wastes containing wastes, are transferred for disposal to specialized organizations. In execution of the Environmental Code of the Republic of Kazakhstan and the Company's internal documented procedures, the Service Factory collects products and materials that have lost their consumer qualities (waste) as a result of physical or moral wear and tear, which make up the bulk of Kazakhtelecom's JSC waste.

The main goals and objectives of the Service factory are to support the Company in waste management,

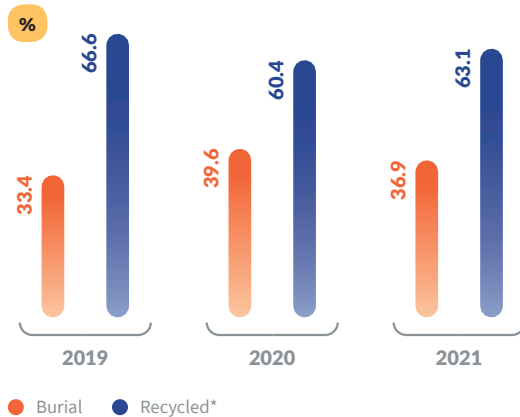
to implement new projects to improve and optimize business processes in the area of waste management, and to gradually reduce the amount of waste produced at enterprises.

In 2021, Kazakhtelecom entered into a contract with the Service Factory to collect the following types of waste of the Company:

- › electronic and electrical equipment (climate machinery, household appliances, electricity meters, backup power sources (DGU, DGA, mini-power plants), uninterrupted power sources, EPM equipment, transformer substations, power tool, etc.);
- › chemical sources of current (batteries of various types);
- › H (hydrargyrum) containing waste (LP);
- › waste oil (waste oil from gas processing plants, vehicles, transformer substations, etc.);
- › waste paper (paper);
- › packaging (all types of packaging material).

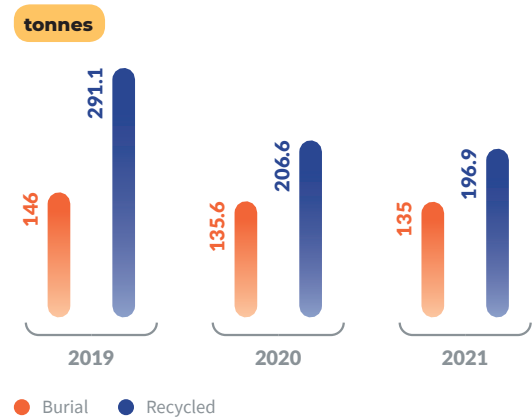
Municipal waste shall be removed by a specialized organization licensed to remove and dispose of waste. Telecommunications and office equipment shall be written off and transferred for recycling and processing on the basis of the Standard of the Organization "Rules for Dismantling and Recycling of Written Off Telecommunications Equipment".

Ratio of waste disposed of and recycled by Kazakhtelecom JSC



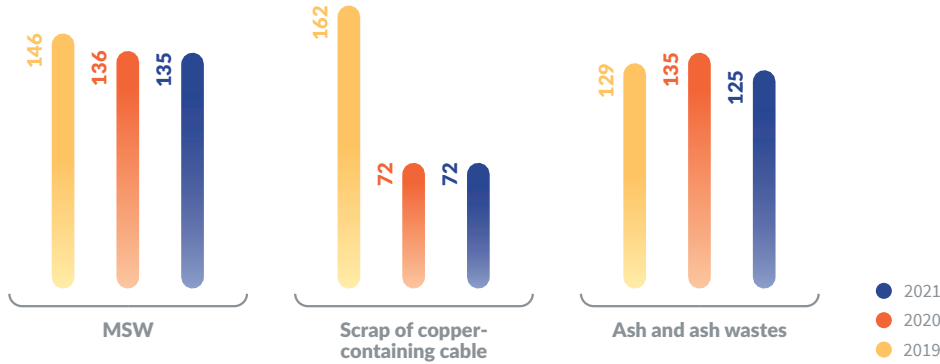
* This percentage does not include waste that was expressed in unit measurement and recycled.

Dynamics of waste disposed of and recycled by Kazakhtelecom JSC



Changes in the accounting of Kazakhtelecom JSC wastes

tonnes



In 2021, 108,024 items of telecommunications equipment (PCM, CM, client, digital equipment (STB, CDMA terminals, modems, routers, multimeters, modules, control boards, terminals and other equipment) and office equipment) were transferred for utilization.

Written off equipment, cables and office equipment are transferred to a specialized organization licensed to collect, store and dispose of non-ferrous metals and ferrous metals. If acceptable, the operating service makes a decision on the further use of part of the equipment as spare parts.

Biodiversity impacts

The Company understands the importance of conservation of biodiversity in the region of its presence and makes efforts to study the state of flora and faunas on the territory of its infrastructure facilities. The Company's activities do not create a threat to the existence of protected flora and faunas.

One of the tasks facing Kazakhtelecom under the Environmental Policy is to determine the level of impact of the Company's infrastructure facilities on its habitats, plants and protected animal species and to prepare preventive biodiversity protection measures.

In 2021, no construction and other types of work were performed in the habitats of protected flora and faunas and in protected natural areas.

Kazakhtelecom JSC takes the following measures to prevent and mitigate the negative impact of construction in the right of way on the surface environment:

- › the use of existing utilities routes and transport corridors, which makes it possible to place new infrastructure facilities of Kazakhtelecom JSC without affecting key natural areas;
- › site restoration on disturbed land plots using local plant species.

The following control and preventive measures are taken to minimize the impact of birds on infrastructure facilities:

- › location of infrastructure outside key biotops;
- › prevention of cumulative impact of the sensors located on existing towers or other stationary facilities, stipulating the structural and electrical capabilities of connecting future additional users when designing new towers;
- › dismantling of unused towers.

Managing potential biodiversity impacts



It is important to note that Kazakhtelecom JSC complies with the requirements of the laws of the Republic of Kazakhstan as regards the Environmental Code and provides for the proper assessment of the territory in terms of potential environmental damage, and performs remedial measures. Kazakhtelecom's projects include measures to eliminate environmental damage, such as site restoration and environmental impact assessment. The site restoration plans include, among other things, information on the wildlife and floriculture of the site.

Plans for 2022 and the medium term

1. Prevention of an increase in energy efficiency indicators;
2. Reduction of fossil fuel consumption in transportation;
3. Implementation of the Green Office program;
4. Starting from 2022, accounting for and sale of wastes in the weight category;
5. Since 2023 carrying out monitoring on a biodiversity (the observation analysis of a biodiversity with the description of influence once a year).

Socio-economic contribution

Management approach

Social activity is an important component of corporate social responsibility of the business and one of the key indicators of sustainable development of Kazakhtelecom JSC.

In 2021, Kazakhtelecom continued to improve its approach to the system of managing relations with local communities and external communications at various corporate levels. In order to further develop this practice, a dedicated unit was created that oversees sustainability issues and is responsible for interaction with local communities on project implementation issues.

The Company's relations with local communities are governed by the provisions of the Corporate Governance Code and international standards, such as the UN Sustainable Development Goals, the Global Reporting Initiative (GRI), IFC and EBRD Environmental and Social Standards, the UN Principles of Responsible Investment, etc.

In 2021, key changes were introduced to Kazakhtelecom JSC's policy on managing the full cycle of investment activity in the following areas:

- › interaction with subsidiaries and associates on issues of investment activity and project approval levels;
- › Lean start-up principles in planning and budgeting "New Business" projects;
- › increasing the responsibility of Sponsors (mini-CEO) for project results/cascading responsibility to the Client and the Project Manager;
- › increasing control over monitoring of project implementation and post-monitoring of project performance.

Kazakhtelecom JSC recognizes its responsibility and strives to ensure that the investments made contribute to the development of the production and economic base in the regions of presence, conservation of the natural environment and the exercise of the right to work. The Company supports national economic development programs that include elements of environmental, social and governance principles and sustainability plans.

Creating economic value for stakeholders

As part of the social aspect of sustainable development, Kazakhtelecom JSC focuses on improving the quality of life of the population in places of presence through social and educational programs, transparency of operations, and reducing the negative impact on the environment.

Kazakhtelecom JSC takes a responsible approach to conducting efficient and profitable business, and acknowledges the importance of its participation in the sustainable development of its regions of presence. The Company contributes through its core activities and socio-economic investments in the regions of presence.

The Company operates in all regions of Kazakhstan and is a major employer and taxpayer. 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.

By implementing the Development Strategy and continuing to make regular contributions to local labor markets, Kazakhtelecom JSC brings significant economic benefits to local communities. Thus, direct economic value is created from the Company's core activity, which generates 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.

Qlang Online Courses

In cooperation with Kazakhtelecom, Qlang, an online school in Kazakhstan, continued its work on a social project on free English language training for children of medical professionals on the front line for the treatment of coronavirus patients, which was launched in 2020. All the children of Kazakhstani healthcare professionals who wish to take a free English course online on the platform www.med.qlang.kz.

The Qlang Online School courses involve both self-study of interactive tasks on the platform at any time convenient

for the child, and sessions with experienced and qualified teachers with the most appropriate schedule for each child. It is also possible to practice communication in English in a conversational online club, and after completing the course obtain a certificate of completion from Qlang online school.

Kazakhtelecom JSC was not only a technical partner of the project, but also committed to paying for the work of the teachers who will provide online training for the children.

Regional development

EQoldau is an effective tool in the fight against "digital disparity".

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 similar to 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 Selskers 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 Azamattarfa arnalfan ykimet/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.

The creation of the eQoldau became possible after the completion last year of Kazakhtelecom's JSC largest project on the construction of FOCL SNP.

Sponsorship activities

Kazakhtelecom JSC takes care of the socio-economic development of the regions of presence and the state as a whole, recognizing that their high development rates are one of the key factors contributing to the achievement of the Company's goals in the area of sustainable development in the long term. In its regions of presence, the Company strives to achieve and maintain the status of the best employer and the best partner, both in its business activity and in cooperation with government and management bodies, educational, non-profit and public institutions, corporate clients, consumers and society as a whole.

Kazakhtelecom's activities in this area include:

- > participation in the production and economic development of the regions of presence, including through the implementation of projects to create new telecommunications infrastructure and jobs;
- > participation in the social development of regions through social and charity programs;
- > assistance in the development of the educational system through the organization of training of young specialists, the creation of partnerships with specialized secondary-specialized and higher educational institutions, and the organization of practices and internships for students in the Organization;
- > support in the development of the sports and recreation movement, including the development of children's and youth sports and physical training;
- > wide coverage of communications services to the public, with a high level of network quality, competitive tariffs and speed;
- > development of a mobile network with a phased construction of an integrated operator in accordance with the Company's strategic development plans and on the basis of mutually beneficial cooperation with the regions of the Republic of Kazakhstan.

Digital Almaty 2021 support for digitalization

Kazakhtelecom JSC acted as the General Partner of the Digital Almaty 2021 Forum, where it presented a number of projects on digitalization of the economy.

Digital Almaty is one of the key platforms for forming and discussing the global and regional digital agenda, challenges, solutions and policies for digitalization worldwide.

The purpose of the forum is to provide a platform for regional and global dialogue to discuss the digital agenda in the COVID-19 environment, new digital transformation strategies and trends in the latest technologies in the period of the disaster.

Digital Bridge support

With the support of Kazakhtelecom JSC and BTS Digital, Tengizchevroil and Transtelecom, a Digital Bridge forum was held in Nur-Sultan. The main topics of the business program are: development of the venture market, experience in scaling IT products abroad, digital inclusion, online education, women in IT, development of the GameDev industry, etc.

Digital Bridge has been a platform for sharing ideas in IT since 2018, and for the third time brought together technology entrepreneurs, venture investors, business angels, government officials, IT specialists, bloggers and the media. At the forum, participants in Kazakhstan's digital ecosystem and foreign experts discuss the results of the country's digitalization, generate new ideas and initiatives on the development of digital technologies and innovations.

Responsible investments

Kazakhtelecom JSC updated and approved by the Board of Directors the Policy of the Group of Companies of Kazakhtelecom JSC on managing the full cycle of investment activity.

In order to achieve sustainable development, the Company introduced the concept of green investments. These projects have additional strategic points when prioritizing projects in the capital investment portfolio.

Green investment projects include capital investment projects with a long-term effect on the achievement of sustainable development goals, ensuring

the minimization of impacts on biological and physical natural systems, the optimal use of limited resources, the minimization, processing and destruction of waste, and the use of environmentally friendly, energy and material-saving technologies (green technologies).

In order to develop responsible investment practices involving the assessment of environmental, social and good corporate governance factors as part of investment analysis and when making investment decisions, the Company adheres to the following key principles of sustainable development directly related to investments:

3,718

government bodies and budgetary institutions

unites a project to provide broadband access to rural settlements of the Republic of Kazakhstan

- › introduction of high ethical standards and establishment of a trust-based corporate culture;
- › investing in human capital and gaining competitive knowledge; enhancing reputation, brand and transparency;
- › improving financial stability;
- › support responsible procurement and integration of ESG principles into investment activities;
- › creation and maintenance of a health and safety culture;
- › ensuring environmental sustainability.

At the end of 2021, one of the key projects of Kazakhtelecom JSC, which is of high importance for society and the economy, is the project "Provision of broadband access to rural population centers of the Republic of Kazakhstan using fiber-optic line technology".

164

population centers

were connected to OS base stations with a total capacity of 13,261 Mbit/s

The project is aimed at expanding access to telecommunications networks and broadband access services for government agencies and budgetary organizations in rural settlements in order to reduce the level of disparity between cities and villages in access to broadband access services. The project will impact 2.4 million people, bringing together around 3,718 government bodies and budgetary institutions in 1,249 villages. This figure reflects about fifty percent of the 7.75 million residents of the regions (districts) that will be connected to the high-speed broadband network. The level of environmental impact is defined as minimal.

Over the period 2018-2020, 837 rural settlements of the Republic of Kazakhstan were connected to telecommunications networks using FOCL technology and 2,505 state institutions and budgetary organizations in rural settlements were connected to the broadband access services of Kazakhtelecom JSC.

In 2021, OS base stations were connected in 164 population centers with a total capacity of 13,261 Mbit/s.

Innovation

Innovative technologies play an important role in achieving the Company's strategic goals, as they have a direct effect on their implementation. Innovation and digital

transformation improve governance, minimize risk, promote ESG principles and achieve SDGs.

Equipping utilities and municipal facilities with remote water consumption data transmission devices as part of the Smart Turkey project

The company has launched the Smart Turkey project, which is based on the remote transfer of water consumption data with connection to the IoT network. The project is aimed at ensuring remote monitoring and reading of meters, transparency and prompt response to a surge in resource

consumption, ensuring the safety of residents of the city and prevention of unauthorized opening of hatches thanks to the Smart Hatch solution, monitoring and control of water consumption during watering work, and monitoring of soil wetness.

Organization of broadband access based on FWAs

Kazakhstan is the first country in Central Asia and one of the first in the world to launch a fully dedicated **FWAs** network thanks to Kazakhtelecom JSC. For deployment, base stations were used that provide a large network capacity for fixed subscribers. In the reporting year, the Company launched the FWAs network in Nur-Sultan, a microdistrict in the South-East. The base stations have

already been installed in the Shymkent urban and private sector and in Almaty and Kosshy.

The Company is actively implementing **5G** technologies in Kazakhstan. Hotspots launched to test and display 5G mobile devices are already installed in cities such as Nur-Sultan, Almaty, Turkmenistan and Shymkent.

Digitalization

Digitalization is an important element in achieving such goals as optimizing and automating the Company's business processes. The information technologies implemented by the Company are aimed at developing such areas as data management, customer service, partnership and management.

The Company has a center of digital HR competencies for **InDigiCo**, the main function of which is the development of digital products. Several teams were created within the division, which include both Company employees and specialists involved. They are scrummers, product owners, developers, IT architects, designers, testers, etc.

Key digitalization projects

Kazakhtelecom JSC is actively working to ensure access to the network of residents of remote villages and villages. Thus, thanks to Internet access, such areas as education, business, medicine, culture and sports are reaching a new level. These areas are actively developing in rural areas and have a direct

effect on the daily life of the population. Residents interact with government authorities and other agencies, not by visiting cities, but directly from home online, promptly receive the necessary information, communicate on social networks, learn from remote sources and actively conduct business.

Socio-economic effect of digitalization in villages and villages



Education

Thanks to information technology, employees improve their professional qualifications through online training, as well as schoolchildren and students, they have the opportunity to take various courses, seminars and participate in intellectual competitions.



Medicine

Due to serious difficulties in obtaining qualified medical advice, a telemedicine platform has been developed on which patients can access quality services online at any convenient time.



Culture

The appearance of broadband access in six villages of Osakarovsky district made it possible to develop the sphere of culture, library business, and also to reformat the work of libraries. The creation of official pages of the library in social networks with information adapted for young people, various news on the activity of the institution, announcements of events and presentations will lead to an increase in attention to this area.



Sport

The introduction of the Internet had an effect on the activity of the McTaaraal football club from Atakent village. The club's matches are aired on Youtube, attracting more fans.



Business

More and more entrepreneurs are developing their business online, since in our time this is a key element in the search for potential clients. Today's current professions include SMM managers, business account managers, targeting specialists, visual experts. These positions require constant and high-speed Internet access.

Zhanaozen and Akkol — digital cities of Kazakhstan

Kazakhtelecom offers Smart City technologies in Zhanaozen covering all key areas of the city's life. Monitoring of COVID-19 distribution risks, citizens "safety, localization of online conferences for schoolchildren, mechanisms for managing the urban environment through data analytics, management and collection of data from all utilities facilities, public

transport management, and many other elements are integrated into a single platform through which management can be performed. The introduction of Smart City technologies makes it possible to optimize the work of city services and improve the living standards of residents. This project has already been successfully implemented in Akkol.

Digital Partner in village

The goal of this project is to involve private entrepreneurs in the provision of Internet services to rural communities. In addition, partners have the opportunity to earn money together with the operator.

The project will quickly eliminate the digital disparity between rural and urban areas, providing the rural population with high-speed Internet, and will also provide new vectors for business development and stimulate the development of entrepreneurship in rural areas.

Any Kazakhstani entrepreneur can take part in the project by completing an application on the **ISMET.KZ** digital platform.

Online WhatsApp

The online WhatsApp channel has become the most popular, and for clients it is time saving, ease and convenience. More than 60 000 requests from the online WhatsApp channel are received and processed on

a monthly basis, which is an indicator of the effectiveness of interaction and an increase in customer satisfaction. In addition, this year the channel was put into 24/7 operation.

eSIM

In 2021, a new service — the eSIM card — became available to Kazakhtelecom JSC's clients. This is a microchip that allows the client to use all services of a mobile operator without using a SIM card. This initiative is useful for

consumers, device manufacturers and communications operators, since it is an alternative to gadgets with two SIM cards and allows up to five eSIM profiles to be held on one device and to switch between them as necessary.

Mobile Business service

On the basis of Kcell networks, the Mobile Business service was launched, which allows businesses to work anywhere in the country and have access to their own information

network without changing access parameters, while maintaining the protection of digital protocols.

Quartile Monitoring System

The goal of this project is to reduce the risk of the spread of COVID-19 in medical institutions. Built-in video analytics makes it possible to recognize persons who do not comply with social distance rules or do not wear their masks properly.

In the fight against the spread of konavirus, all medical institutions in the Karaganda region have anti-virus surveillance cameras that make it possible to promptly respond and identify violators of the quartile regime and those who disregard protective equipment.

Procurement practices

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 procurement system is being developed at the Fund level. Together with the Fund, Category-based Procurement Management Strategies are being developed.

The Company's 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.

In order to increase local content in purchased goods, a local import substitution project office has been created on the basis of the Directorate of Telecom Komplekt to work with the instructions of the authorized bodies on issues of procurement and import substitution, and the Central Project Office of Samruk-Kazyna JSC. The Authorized Procurement Body of the Fund shall also establish target KPI on an annual basis to increase the share of local content in purchased goods, work and services.

Purchases were made
in 2021

purchases

4,108

6,430 contracts with 2,312
suppliers were concluded
worth

billion KZT

70.5

OF WHICH:

2.5

billion KZT

for intercompany cooperation

2.8

billion KZT

request for price proposals

11

billion KZT

from one source

46.1

billion KZT

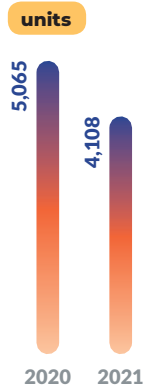
open tender/open tender for downgrading

8.1

billion KZT

tender through competitive negotiations

Number of purchases for 2020-2021



Purchase amount for 2020-2021



Suppliers are assessed and audited for social and environmental criteria by the Foundation. In 2021, the Telecom Komplekt Directorate sent a list of TRU categories for inclusion in the TRU classification purchased from prequalified suppliers to pass the qualification selection process.

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.



Purchases from SMEs

Total purchases from SMEs in 2021

24.9

billion KZT

Share of SMEs in the total volume of purchases

35%

Development of local content

Kazakhtelecom pays special attention to working with local suppliers, giving them preference when purchasing goods and services. The Company implements state policy on the development of the national economy and local substance.

Following the results of 2021 the share of local content in purchases on tovaramao Kazakhtelecom made **27%**, on works and services — **87%**.

Share of local content in purchases of goods



Membership of associations

As part of improving the sustainability of its operations, the Company takes part in the implementation of the tasks of various associations at the national and international levels, developing long-term cooperation. Kazakhtelecom JSC is committed to an open, constructive dialogue and responsible interaction with the state authorities, business and the Companies, and is governed by the norms of legislation and high standards of corporate and business ethics.

Key areas of cooperation: development of the telecommunications market, development and improvement of legislation and the regulatory framework, initiation and implementation of joint projects, promotion of key sustainability initiatives for the industry and regions.

The Company operates in international and national associations indicated below, working with various special-purpose groups:

1

The Association for the Development of Blockchain and the Data Center Industry in Kazakhstan

is a voluntary association of legal entities established for the purposes of developing and promoting blockchain and the Data Center industry in the Republic of Kazakhstan, representing the interests of companies developing these technologies in the state authorities, quasi-public sector, Russian business and internationally. The association is currently the country's leading center of expertise in the use of blockchain technology and the development of the Data Center industry;

2

The Association for the Development of Competition and Commodity Markets

is a non-profit organization established in 2016 with the aim of promoting the protection of legitimate rights and interests of members, developing competition and entrepreneurship, improving antimonopoly legislation, and raising the level of legal awareness of companies and creating a competitive culture in the Republic of Kazakhstan;

3

The Union of Machine-Building Companies of Kazakhstan

was created to consolidate Russian enterprises for the effective development of the country's machine-building industry. assistance in solving systemic problems of the industry, cooperation between enterprises, representation of their interests when interacting with government bodies and other organizations; participation in work on improving legislation, regulatory sphere and technical regulation, participation in the work of expert and working groups, commissions, and also the performance of other functions contributing to the success of the activity of Russian machine-building enterprises. The Union currently comprises more than 616 participants;

4

The International Telecommunications Union (ITU)

is a specialized agency of the United Nations in the field of information and communications technology (ITU). Founded in 1865 to facilitate the establishment of international connections in communications networks, ISE distributes the global radio spectrum and satellite orbits, develops technical standards that ensure the seamless interaction of networks and technologies, and strives to expand access to ITU in poorly serviced communities around the world. Every time you make a call from a mobile phone, enter the Internet or send an e-mail message, you benefit from the work of ISE;

Plans for 2022 and the medium term

In 2022, the Company intends to strengthen partnerships with local communities in various ways. This will include modernization of infrastructure facilities, sponsorship of educational and cultural projects, and assistance to socially vulnerable segments of the population. Monitoring of the share of local content in the procurement of goods, work and services will also continue.

5

The Association of Legal Entities National Telecommunications Association of Kazakhstan

was founded on 27 December 2002. NTA is the only telecommunications association that unites all mobile operators, all backbone operators and Tier 1 providers. The activity of INTA is aimed at the development of the telecommunications market by eliminating administrative barriers, and the possibility to influence the regulatory and legal framework and other regulatory and legal acts governing the organizational and production activity of telecommunications companies;

6

The National Chamber of Entrepreneurs of the Republic of Kazakhstan Atameken

is a non-profit organization. Atameken was established to strengthen the negotiating power of business with the Government of the Republic of Kazakhstan and state authorities. The Chamber of Entrepreneurs represents the interests of small, medium-sized and large businesses, covering all areas of entrepreneurship, including domestic and foreign trade. The main task of Atameken is to protect the rights and interests of business and to ensure the wide coverage and involvement of all entrepreneurs in the process of creating legislative and other regulatory rules for the work of business. In 2020, Kazakhtelecom JSC signed an agreement on participation in the work of Telecom Infra Project (TIP). TIP is a telecommunications community launched in February 2016 that develops the infrastructure underlying the global network. The mission of TIP is to accelerate the pace of innovation in the next generation of telecommunications networks by developing, building, testing and implementing open and segmented network solutions based on standards. Our Company was the first in the Central Asian region and the second in the CIS to join a global initiative uniting the innovative activities of leading ITU companies in the world. Currently, TIP has more than 500 participants. As part of the community's work, projects have been developed in the areas of radio access, transport and package core technologies. Kazakhtelecom has identified the OpenRAN 5G NR radio access project and Open Optical & Package Transport as priority areas.

7

Regional communications community. RCC

is an international organization with the functions of the CIS intergovernmental coordination body in the field of electric and postal communications, and also has the status of an observer in the International Telecommunications Union (ITU) and the World Postal Union (WPU), as well as interacts with international and regional organizations, and actively participates in conferences and forums;

Results of the implementation of innovation focus in 2021

NETWORK/INFRASTRUCTURE EFFICIENCY

- › Expansion of vCGNAT to increase free IP address space (225,573 subscribers were transferred to the A10 vCGNAT complex in Almaty, releasing more than 7,500 public IP addresses);
- › Expansion of Cache servers by +1,120 Gbitps (up to 2,681 Gbitps);
- › Launch of Telco Cloud in the cities of Almaty, Nur-Sultan;
- › FWA construction started in the cities of Almaty, Nur-Sultan and Shymkent.

TIME TO MARKET WITHIN 3 MONTHS

- › Developed a process for launching/ delivering the Company's products to end customers;
- › The main sales channel is determined — telecom.kz.



5 Corporate governance report



Corporate governance system

An effective management structure is the basis of the Company's corporate governance, which implies respect of the rights and interests of all parties interested in the activity of the joint-stock company and facilitates its successful operations, including the growth of its reputation and the maintenance of financial stability and profitability.

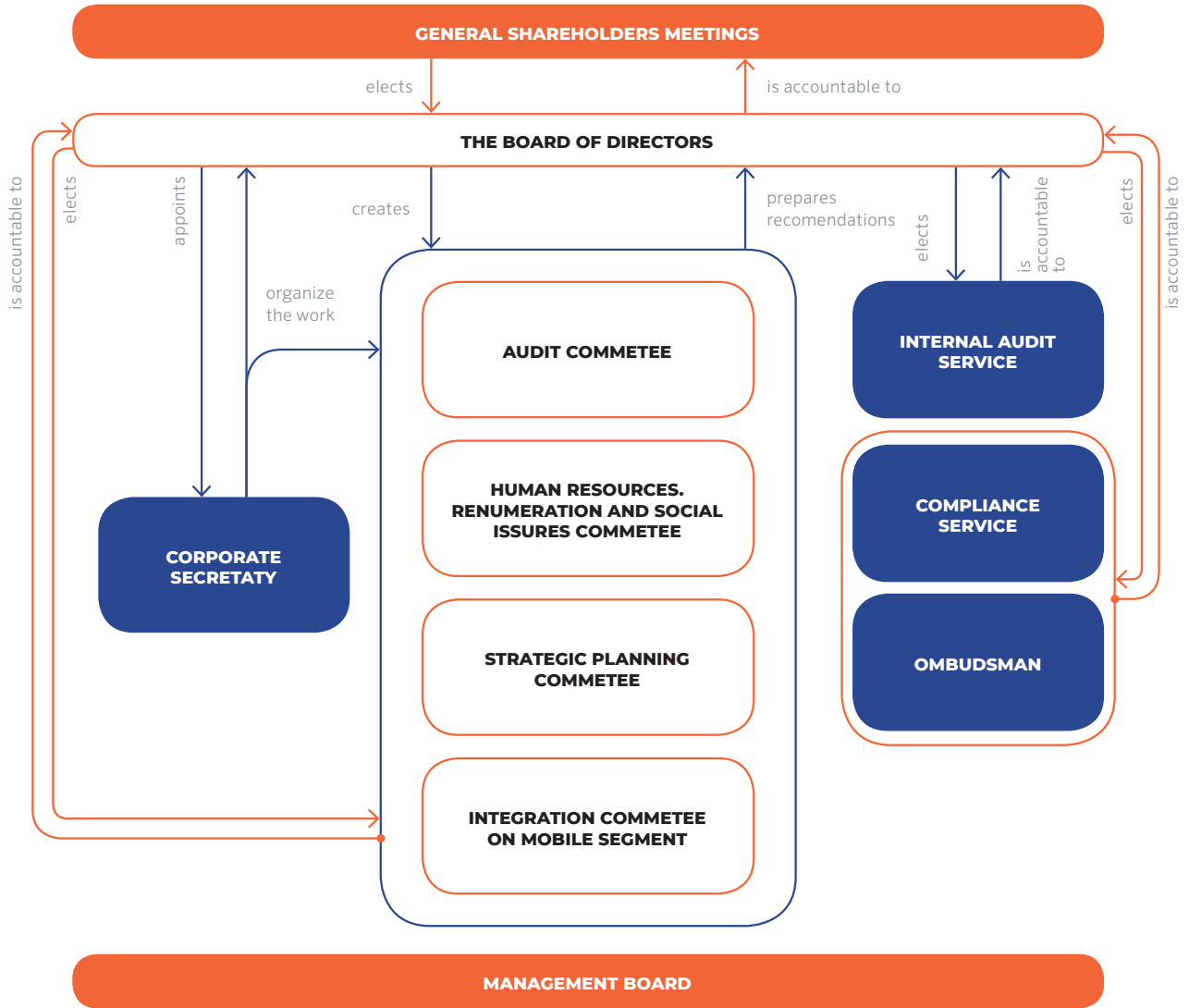
The main principles of corporate governance are sustainable development, shareholders rights and fair treatment of them, the effectiveness of the Board of Directors, and transparency. Compliance with these principles and provisions of the Corporate Governance Code is covered annually in a report to the Board of Directors prepared by the Corporate Secretary.

Analysis for 2021 showed that the activities of Kazakhtelecom JSC and its corporate practices demonstrate full compliance with the principles and provisions of the Corporate Governance Code. A report on

the compliance of Kazakhtelecom JSC with the principles and provisions of the Corporate Governance Code for 2021 is given in Appendix 6 of the Report.

Kazakhtelecom JSC corporate governance system consists of a set of processes ensuring the management and control over the operations of the joint-stock company, as well as a system of relations between the executive body, the Board of Directors, shareholders and stakeholders. The competencies of the bodies and the decision-making procedure are defined and set forth in the Charter of Kazakhtelecom JSC.

Corporate governance structure of Kazakhtelecom JSC



Capital structure

The authorized capital of Kazakhtelecom JSC amounts to KZT 12,136,529 thousand and consists of 10,922,876 ordinary shares and 1,213,653 privileged shares. The par value of one share is KZT 1,000. The part of privileged shares of Kazakhtelecom JSC from the total number of issued shares is 10%.

The ordinary and privileged shares of Kazakhtelecom JSC were included in the official list of Kazakhstan Stock Exchange JSC (the "Exchange") in "A" category from 16 October 1997, and from 1 September 2008 were transferred to the first category of the official list of the Exchange.

At present both ordinary and privileged shares of the Company are included in the "Premium" category of the official list of Kazakhstan Stock Exchange JSC and are traded on the main market of the exchange.

On 28 April 2006 the state shareholding in Kazakhtelecom JSC was transferred to Kazakhstan

Holding Company for Management of State Assets Samruk-Kazyna JSC, created in accordance with the Resolution No. 117 of the Government of the Republic of Kazakhstan of 23 February 2006 for the effective management of the state interests of a number of major companies in Kazakhstan. By Resolution of the Government of the Republic of Kazakhstan No. 962 dated 17 October 2008 "On Measures to Implement Decree of the President of the Republic of Kazakhstan No. 669 dated 13 October 2008", Samruk-Kazyna JSC was created through the merger of the joint-stock companies Kazyna Sustainable Development Fund and Samruk Kazakhstan Holding. The Fund is currently the Company's largest shareholder.

In July 2018, SKYLINE INVESTMENT COMPANY S.A. became the new major shareholder of Kazakhtelecom JSC.

There were no changes in the composition of major shareholders in 2021.

Owners of ordinary shares in Kazakhtelecom JSC as at 1 January 2022

Shareholders	Number of shares	Share, %*
Samruk-Kazyna JSC	5,570,668	51.00%
Skyline Investment Company S. A.	2,671,481	24.46%
Depository receipts (nominee holder — BNY Mellon)	1,046,150	9.58%
Other shareholders with less than 5%**	1,634,577	14.96%
Total authorised ordinary shares	10,922,876	100%

* The share was calculated based on the total number of ordinary shares placed

** Including shares repurchased by Kazakhtelecom

As of January 01, 2022, members of the Management Board, the Board of Directors of the Company do not own ordinary shares of Kazakhtelecom JSC, there is no cross ownership of shares.

As of 31 December 2021, the value of ordinary shares in Kazakhtelecom JSC (ISIN KZ0009093241) on Kazakhstan Stock Exchange JSC was 35,800,00 KZT, and the value of privileged shares in Kazakhtelecom JSC (ISIN KZ0009094645) was 25,750,00 KZT.

Value of shares

KZT*



* closing price on the last trading day of the year

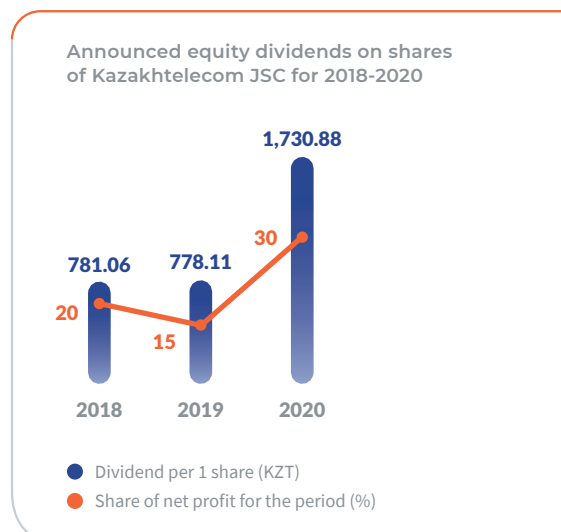
Dividend policy

The goal of the dividend policy of Kazakhtelecom JSC is to ensure a balance of interests of the Company and Shareholders, predictability and transparency of the approach when determining the size of dividends, conditions and procedure for their payment.

The main principles of the Company's dividend policy are the principle of ensuring the guaranteed payment of dividends on the entire shareholding in circulation and the principle of ensuring the financing of the Company's operations, including the financing of new types of activity and investment projects to be implemented using the funds of the Company.

The size of dividends payable depends on the financial and economic position of Kazakhtelecom JSC, determined based on the indicators of financial stability and liquidity.

The amount 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 Meeting of Shareholders (Minutes No. 49 of 18.01.2013), as amended by decision of the extraordinary General Meeting of Shareholders Kazakhtelecom JSC No. 51 of 27 December



2013. The final decision on the size of dividends shall be taken by the General Meeting of Shareholders.

In 2021, according to the decision of the Annual General Meeting of Shareholders (Minutes No. 70 of 30 April 2021), 30% of the consolidated profit for 2020 attributable to owners of the parent company was used to pay dividends.

General Meeting of Shareholders

Shareholders' rights and compliance with them are important principles of corporate governance of Kazakhtelecom JSC. The Company applies the same treatment to all shareholders, including minority shareholders, regardless of their share of ownership, and communicates information equally.

In 2021 three General Meeting of Shareholders were held (22 February, 30 April and 12 August). The list of key issues considered includes the approval of the annual financial statements for 2020, the procedure for distributing net profits for 2020, the election of the Board of Directors of Kazakhtelecom JSC, and the introduction of amendments to the Remuneration Policy for independent members of the Board of Directors of Kazakhtelecom JSC.

Disclosure

Kazakhtelecom JSC discloses information in accordance with the laws of the Republic of Kazakhstan "On the 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.

Information on the composition of the management body and executive body of the Company, on corporate events, on the composition of major shareholders, upcoming general meetings of shareholders and their results, on the issue of securities, as well as financial statements and other information in the interests of shareholders and investors is published on the internet resources of Kazakhstan Stock Exchange JSC (kase.kz), Astana International Exchange Ltd. (aix.kz) and JSC Information and Accounting Center (dfo.kz).

In addition, for the wider coverage of shareholders and interested parties, information is disclosed on the Company's website.

Management bodies:

- › the supreme body — the General Meeting of Shareholders;
- › 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 liable to the General Meeting of Shareholders. The detailed role and functions of each body of the Company are set forth in the Law On Joint Stock Companies, the Charter and other internal documents of the Company.

The Internal Audit Service is a body responsible for monitoring the Company's financial and business activity, assessing internal control, risk management and execution of corporate governance documents, and advising on the improvement of the Company's operations.

Information policy

The information policy of Kazakhtelecom JSC was developed in accordance with the laws of the Republic of Kazakhstan, the Charter and Corporate Governance Code of Kazakhtelecom JSC and the business development strategy up to 2025.

The purpose of the information policy is to form the expected positive opinion on the Company in order to build long-term, loyal relations with interested parties. The Policy is implemented through the generation of unique informational grounds on the Company's activity for distribution through various communication channels and the transfer of up-to-date information to the target audience. Each communication has a goal: to reach the target audience in an accessible and comprehensible form.

The Policy determines the main principles and specific requirements on the information provided by the Company on its operations to 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.

At the same time, the policy imposes requirements on the protection of insider, official, commercial information, and also on information classified by legislation as personal data.

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.

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 Meeting of Shareholders.

Roles of Board 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.

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

Members of the Board of Directors shall be elected by the annual General Meeting of Shareholders and re-elected 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:

1. Individual Shareholders;
2. Persons proposed (recommended) for election to the Board of Directors as shareholder representatives;
3. 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 9 members, 4 of whom are independent. The current composition of the Board of Directors was elected by the annual meeting of shareholders on 30 April 2021.

Key competencies of members of the Board of Directors:

- › **Baidauletov Nurzhan Talipovich** — management of the Board of Directors, telecommunications, strategy, implementation of decisions of a major shareholder;
- › **Yessekeyev Kuanyshbek Bakytbekovich** — telecommunications, strategy, business planning;
- › **Alimov Abay Savitovich** — legal issues, strategy;
- › **Kussainov Yerulan Aytashovich** — strategy, HR and financial issues;
- › **Saudabayev Serik Bolatovich** — strategy, legal issues, telecommunications, implementation of decisions of a major shareholder;
- › **Independent directors:** Buyanov Alexey Nikolayevich, Zaika Dmitriy Alexandrovich, Naizabekov Timur Kurmangaziyevich, Alexander van Gleich are specialists in the areas of finance, marketing, telecommunications, strategic management, human resources, etc. Within the framework of the activity of the Board of Directors and its committees, they exercise a wide range of authorities.

Baidauletov Nurzhan Talipovich

Chairman of the Board of Directors,
Representative of the shareholder
of Samruk-Kazyna JSC (5,570,668
ordinary (voting) shares)

Date of birth

1 September 1960

Citizenship

Republic of Kazakhstan



Date of first election to the Board of Directors:

08.05.2012

Date of current election to the Board of Directors:

30.04.2021

Ownership of shares: does not own

Education

- 09.1977–06.1986: Moscow Institute of Rail Transport
Specialization: Management of Rail Transportation
Processes;
- 2017–2019: International IOD Director Certification
Program of the UK Institute of Directors.

Place of work and positions held in organizations over the past five years

- 27.11.2008–01.06.2014: Samruk-Kazyna JSC — Managing
Director;
- 02.06.2014–17.04.2016: Samruk-Kazyna JSC — Chief Asset
Management Officer;
- 17.04.2016 — present: Samruk-Kazyna JSC —
Representative of Samruk-Kazyna JSC on the Board
of Directors of Kazakhtelecom JSC, NC Kazakhstan
Temir Zholy JSC (since 4.12.2018), Qazaq Air JSC (until
1.04.2019), Air Astana JSC (since 31.05.2019).

Saudabayev Serik Bolatovich

Member of the Board of Directors, Representative of the shareholder of Samruk-Kazyna JSC (5,570,668 ordinary (voting) shares)

Date of birth

8 December 1977

Citizenship

Republic of Kazakhstan



Date of first election to the Board of Directors:

12.07.2010

Date of current election to the Board of Directors:

30.04.2021

Ownership of shares: does not own

Education

- › 1995–1999: Abay Almaty State University majoring in law;
- › 2004–2006: T. Ryskulov Kazakh Economical University, majoring in Economics.

Place of work and positions held in organizations over the past five years

- › 17.06.2010–10.05.2014: Samruk-Kazyna JSC — Director of Communications Assets Management;
- › 11.05.2014–10.07.2016: Samruk-Kazyna JSC — Deputy Chief Asset Management Officer;
- › 11.07.2016–01.05.2018: Samruk-Kazyna JSC — Director of Communications Directorate;
- › 02.05.2018–12.04.2021: Samruk-Kazyna JSC — Head of Communications, Asset Management Directorate;
- › 12.04.2021–08.2021: Samruk-Kazyna JSC — Director of the Communications Directorate, member of the Board of Directors of Kazpost JSC (13.08.2010-01.04.2014, from 26.10.2016 to the present), member of the Supervisory Board of QazCloud LLP (with 07.11.2019), member of the Board of Directors of Kcell JSC (with 26.02.2021);
- › 09.2021 — present: Chairman of the Management Board of Kazpost JSC.

Yessekeyev Kuanyshbek Bakytbekovich

Member of the Board of Directors —
Chairman of the Management Board
of Kazakhtelecom JSC

Date of birth

10 June 1975

Citizenship

Republic of Kazakhstan



Date of first election to the Board of Directors:

16.12.2006

Date of current election to the Board of Directors:

30.04.2021

Ownership of shares: does not own

Education

- › 1991–1995: Al-Farabi Kazakh State University, majoring in Applied Mathematics, PhD in Mathematics;
- › 2001–2002: Kazakh State Management Academy, majoring in Management;
- › 2015–2017: Hust Business School, London, GB, majoring in Finance 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, 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.

Alimov Abay Savitovich

Member of the Board of Directors, Representative of the shareholder — Skyline Investment Company

Date of birth

29 October 1975

Citizenship

Republic of Kazakhstan



Date of first election to the Board of Directors:

19.11.2018

Date of current election to the Board of Directors:

30.04.2021

Ownership of shares: does not own

Education

- › 1993-1997: Al-Farabi Kazakh State National University, majoring in Law;
- › 1998-2000: Kazakh National Academy of Management named after T. Ryskulov, majoring in Finance and Credit.

Place of work and positions held in organizations over the past five years

- › 03.2010–12.2015: Oil Holding Company PetroKazakhstan — Director of Legal Issues;
- › 08.2016–12.2017: CYPRUS LLP — Managing Director;
- › 01.2018 — present: Parasat Advisory Group LLP — Managing Director;
- › 05.2018 — present: Skyline Investment Company — Representative.

Kussainov Yerulan Aytashovich

Member of the Board of Directors, Representative of the shareholder — Skyline Investment Company

Date of birth

28 January 1976

Citizenship

Republic of Kazakhstan



Date of first election to the Board of Directors:

30.05.2018

Date of current election to the Board of Directors:

30.04.2021

Ownership of shares: does not own

Education

- > 1993–1996: Karaganda Banking College of the Kazakh State Academy of Management, majoring in Banking;
- > 2001–2005: O. A. Baikonurov Zhezkazgan University, majoring in Finance and Credit;
- > 2012–2013: Y. Komensky University (Prague, Czech Republic), Master of Business Administration.

Place of work and positions held in organizations over the past five years

- > 08.2006–12.2013: Temirbank JSC — Advisor to the Chairman of the Management Board, Managing Director, Member of the Management Board, Director of the Branch, Managing Director — Member of the Management Board, Deputy Chairman of the Management Board — Member of the Management Board;
- > 07.2014–10.2014: Samruk-Kazyna Invest LLP — Deputy General Director;
- > 04.2016–07.2017: Kazkommertsbank — Executive Director, member of the Management Board, Managing Director;
- > 12.2014 — present: Damina Educational Center LLP — General Director; Member of the Board of Directors of Khan Tengri Holding B.V. (c 02.08.2019), Member of the Supervisory Board of Mobile Telecom-Services LLP (c 09.08.2019), Member of the Supervisory Board of Digital Economy Development Center LLP.

Buyanov Alexei Nikolaevich

Independent Director

Date of birth

15 August 1969

Citizenship

Russian Federation



Date of first election to the Board of Directors:

30.06.2015

Date of current election to the Board of Directors:

30.04.2021

Ownership of shares:

does not own

Independence criteria: Meets the criteria specified in subclause 20) of Article 1 of the Law of the Republic of Kazakhstan "On Joint Stock Companies"

Education

- > 1986–1992: Moscow Institute of Physics and Technology (MFTI), majoring in Applied Mathematics and Physics, qualification: physical engineer.

Place of work and positions held in organizations over the past five years

- > 2014–2016: Managing Director of Redline Capital Management, Member of the Exchange Board of Moscow Exchange OJSC;
- > 01.2016 — present: Investment company Bengala Investments SA — Director; Chairman of the Board of Directors of JSC Kcell (c 25.01.2019).

Alexander van Gleich

Independent Director

Date of birth

16 June 1967

Citizenship

Germany



Date of first election to the Board of Directors:

30.04.2021

Date of current election to the Board of Directors:

30.04.2021

Ownership of shares: does not own

Independence criteria: Meets the criteria specified in subclause 20) of Article 1 of the Law of the Republic of Kazakhstan "On Joint Stock Companies"

Education

- > 1985–1987: Dresdner Bank Hamburg, training Banker in the German dual education system;
- > 1987–1994: University of Bonn, Germany, Faculty of Economics and Law, Master of Economics.

Place of work and positions held in organizations over the past five years

- > 08.2014–07.2017: Financial Director Allianz Insurance (Russia);
- > 03.2018 — present: Member of the Board of Directors of Global Development, Nur-Sultan, Kazakhstan;
- > 06.2020 — present: Member of the Board of Directors of Uzpromstroibank, Tashkent, Uzbekistan.

Zaika Dmitriy Alexandrovich

Independent Director

Date of birth

27 April 1975

Citizenship

Republic of Kazakhstan



Date of first election to the Board of Directors:

30.06.2015

Date of current election to the Board of Directors:

30.04.2021

Ownership of shares:

does not own

Independence criteria: Meets the criteria specified in subclause 20) of Article 1 of the Law of the Republic of Kazakhstan "On Joint Stock Companies"

Education

> 1992–1998: Almaty Institute of Energy and Communications, specialization: Radio engineering, qualification: radio engineer;

> 2003–2005: Kazakh State University of Economics, major: Financial Management, qualification: Economist (diploma cum laude).

Place of work and positions held in organizations over the past five years

> 29.08.2011 — present: Khimpharm JSC — Independent Director;

> 20.04.2012–15.08.2016: ALTEL — Independent Director.

Naizabekov Timur Kurmangazievich

Independent Director

Date of birth

21 April 1983

Citizenship

Republic of Kazakhstan



Date of first election to the Board of Directors:

30.05.2018

Date of current election to the Board of Directors:

30.04.2021

Ownership of shares: does not own

Independence criteria: Meets the criteria specified in subclause 20) of Article 1 of the Law of the Republic of Kazakhstan "On Joint Stock Companies"

Education

- › 2000–2004: KazNU named after al-Farabi, Bachelor of Mathematics and Information Systems in Business (Hons);
- › 2005–2007: University of International Business, Master of Finance (Hons);
- › 2014–2015: University College London (UCL) (Hons).

Place of work and positions held in organizations over the past five years

- › 10.2012–07.2014: National Investment Corporation — Managing Director, Member of the Management Board/ Advisor to the Chairman of the Management Board;
- › 09.2014–09.2015: Union Bancaire Privee (UK) — Financial Analyst/European Stock Markets;
- › 09.2015–04.2016: Commercial RE LLP — Chief Financial Officer, General Director;
- › 05.2016–06.2016: BP Service LLP — Chairman of the Board of Directors;
- › 04.2016–08.2017: Kazkommerce Securities JSC — member of the Board of Directors, independent director, Chairman of the HR Remuneration Committee, Strategic Development Committee;
- › 08.2016–12.2016: BTA Securities JSC (renamed Fincraft Investment House JSC) — member of the Board of Directors, independent director;
- › 04.2016–09.2017: Estate Management Company JSC — Chairman of the Management Board, member of the Board of Directors, member of the Internal Audit Committee, Strategic Planning, Human Resources and Compensation Committee;
- › 10.2017–02.2018: Facility Management Group LLP — Advisor to the General Director;
- › 03.2020 — present: Central Asian Energy Corporation JSC, member of the Board of Directors.

Assessment of the Board of Directors

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.

In 2021, the performance of the members of the Board of Directors was evaluated by PricewaterhouseCoopers consultants who noted the strong composition of the Board of Directors of Kazakhtelecom JSC.

According to PricewaterhouseCoopers, the rating for the Performance of the Board of Directors and Executive Body increased from BB in 2018 to BBB in 2021.

Independence of the Board 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 44%.

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 2021, the Company's independent directors met the independence criteria in full.

Conflict of interest management

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.

There was no conflict of interest in the work of the Board of Directors in 2021.

Improving the professional competence of members of the Board of Directors

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 taking into account 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 2021, no training of the Board of Directors members took place due to the scandality.

Activity of the Board of Directors

In 2021, due to the coronavirus, meetings of the Board of Directors were held online using existing video conference platforms.

During the year, 15 meetings of the Board of Directors (11 formal and 4 distance meetings) were held, at which 125 issues were considered.

Key decisions in 2021 were the approval of Kazakhtelecom JSC's Business Plan for 2022-2026, the parameters of the Group's investment activity, the approval of maps of long-term key performance indicators and methods for calculating them, and the resolution of issues related to the operation of subsidiaries. Reports of the Management Board on the implementation of the Development Plan, occupational safety and safety, implementation of strategic projects, risks, implementation of the Strategy, and the activity of mobile operators were also regularly heard.

Committees of the Board of Directors

There were four committees on the Board of Directors: Audit, Human Resources, Remuneration and Social Issues, Strategic Planning and the Mobile Integration Committee.

Audit Committee

The Audit Committee of the Board of Directors of Kazakhtelecom JSC was created by decision of the Board of Directors in 2006 and is a consulting and advisory body of the Board of Directors of Kazakhtelecom JSC, and operates in accordance with the Regulations on the Audit Committee.

Composition of the Audit Committee in 2021

The current members of the Audit Committee of the Board of Directors of Kazakhtelecom JSC were approved by the Board of Directors on 4 May 2021.

Chairman of the Committee:

- › Timur Kurmangazievich Naizabekov — independent director;

Committee members*:

- › Buyanov Alexey Nikolayevich — independent director;
- › Alexander van Gleich — independent director (elected to the Board of Directors 30.04.2021);
- › Zaika Dmitriy Alexandrovich is an independent director.

In accordance with the Corporate Governance Code of Kazakhtelecom JSC, the Audit Committee consists wholly of independent directors who meet the criteria for recognizing the independence of directors stipulated by sub-point 20) of article 1 of the Law of the Republic of Kazakhstan On Joint Stock Companies.

In accordance with the Regulations on the Audit Committee, the Chairman of the Committee was invited to present information on the items on the agenda:

- › members of the Board of Directors;
- › Head of Internal Audit;
- › representatives of the external auditor of Ernst & Young LLP;
- › Company employees (top management, heads of structural divisions, specialists) and employees of subsidiaries.

Activity in 2021

The Audit Committee meets regularly in person at least quarterly, and holds extraordinary meetings as necessary.

In 2021, **10 face-to-face meetings** were held at which **27 issues** were considered and the relevant recommendations given to the Board of Directors of the Company, including issues of the activity 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 2021 Work Plan.

Participation in meetings of the Audit Committee in 2021

Members of the Board of Directors	Percentage of participation
Naizabekov T. K.	100%
Garrett Martin Johnston/Alexander van Gleich	100%
Buyanov A. N.	100%
Zaika D. A.	100%

HR, Compensation and Social Committee

The Human Resources, Compensation 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.

* Until 30 April 2021, the AC comprised independent director Garrett Martin Johnston.

The members of the Human Resources, Compensation and Social Issues Committee of the Board of Directors of Kazakhtelecom JSC were determined on 4 May 2021*

Chairman of the Committee:

- › Buyanov Alexey Nikolayevich is an independent director.

Committee members*:

- › Kussainov Yerulan Aytashovich — member of the Board of Directors;
- › Saudabayev Serik Bolatovich — member of the Board of Directors;
- › Zaika Dmitry Alexandrovich — independent director;
- › Alexander van Gleich — independent director;
- › Timur Kurmangazievich Naizabekov — independent director.

In accordance with the Regulations on the Human Resources, Compensation 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.

Activity in 2021

In 2021, the Human Resources, Compensation and Social Issues Committee held **12 face-to-face meetings** at which **55 issues** were considered, and provided the relevant recommendations to the Board of Directors of the Company. Among other things, these are issues of a social nature (increase in wages to employees of branches), changes in the structure of the central administration, election of employees to the Management Board of the Company, appointment of first managers of subsidiaries, approval of KPI to management personnel, remuneration, human resources management, and other issues.

Participation in meetings of the Human Resources, Compensation and Social Issues Committee in 2021

Members of the Board of Directors	Percentage of participation
Buyanov A.N.	100%
Zaika D.A.	100%
Saudabayev S. B. / Kereibayev D. Z.	100%
Garrett M. Johnston / Alexander van Gleich	100%
Kussainov Y. A.	100%
Naizabekov T. K.	100%

Strategic Planning Committee

The Strategic Planning Committee of the Board of Directors of Kazakhtelecom JSC was established by decision of the Board of Directors in 2010. The Strategic Planning Committee is a consulting and advisory body of the Board of Directors and operates in accordance with the Regulations on the Strategic Planning Committee.

* Until 30 April 2021, the CPSE included independent director Garrett Martin Johnston. During the period from 16 March to 30 April 2021, KKVSV included Dairen Zhumagalievich Kereibayev, elected to the Board of Directors by decision of the VOSA of 22 February 2021.

Members of the Strategic Planning Committee of the Board of Directors of Kazakhtelecom JSC, approved on 4 May 2021*

Chairman of the Committee:

- › Zaika Dmitry Alexandrovich is an independent director.

Members of the Committee:

- › Alexander van Gleich — independent director;
- › Buyanov Alexey Nikolayevich — independent director;
- › Timur Kurmangazievich Naizabekov — independent director;
- › Kussainov Yerulan Aytashovich — member of the Board of Directors;

- › Saudabayev Serik Bolatovich — member of the Board of Directors;
- › Alimov Abay Savitovich — member of the Board of Directors.

The Chairman of the Committee was invited to the meetings as observers, speakers, and to provide information on items on the agenda:

- › members of the Board of Directors and Management Board;
- › management and other employees of the Company, as well as subsidiaries;
- › representatives of consulting companies.

Activity in 2021

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 **9 face-to-face meetings** in 2021 at which **26 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 Strategic Planning Committee in 2021

Members of the Board of Directors	Percentage of participation
Zaika D. A.	100%
Buyanov A. N.	100%
Johnston G. M. / Alexander van Gleich	100%
Nizabekov T. K.	100%
Alimov A. S.	100%
Kussainov Y. A.	100%
Saudabayev S. B.	100%

Mobile Integration Committee

The Integration Committee of the Board of Directors of Kazakhtelecom JSC on the mobile segment was established by decision of the Board of Directors in 2019 and was a consulting and advisory body of the Board of Directors, performed its activities in accordance with the Regulations On the Integration Committee of the Board of Directors of Kazakhtelecom JSC on the mobile segment.

The Integration Committee was created during the integration of the technological infrastructures of the mobile operators of Kazakhtelecom JSC.

* Until 30 April 2021, the IAASB included independent director Garrett Martin Johnston. During the period from 16 March to 30 April 2021, KSP included Dairen Zhumagalievich Kereibayev, elected to the Board of Directors by decision of the VOSA of 22 February 2021.

Members of the Integration Committee

Chairman of the Committee:

- › Buyanov Alexey Nikolayevich is an independent director.

Members of the Committee:

- › Zaika Dmitry Alexandrovich — independent director;
- › Kussainov Yerulan Aytashovich — Member of the Board of Directors;

- › Alexander Vladimirovich Lezgovko — Chief Technical Officer of Kazakhtelecom JSC;
- › Timur Telmanovich Khudaiberdiev — Chief Business Support and Support Director of Kazakhtelecom JSC;
- › Lian Natalia Valerievna — Managing Director, External Assets Management, Kazakhtelecom JSC;
- › Sergei Fedorovich Konkov — General Director of Mobile Telecom-Service LLP;
- › Yuri Evgenievich Kharlamov — Chairman of the Management Board of Kcell JSC.

Activity in 2021

The Integration Committee held **3 meetings** in 2021. They discussed **6 issues**, including the approval of an updated integration master plan taking into account the change in the procurement timeframe for integration, and considered the results of the launch of MOCN and other important issues on the integration of the technological infrastructure of mobile operators.

In accordance with the instructions of the Board of Directors of Kazakhtelecom JSC, in summer 2021 the Management Board on Synergies of the Management Board of Kazakhtelecom JSC was created to consider

integration issues, and therefore the Integration Committee was abolished by decision of the Board of Directors of Kazakhtelecom JSC of 21.07.2021, minutes No. 8.

Participation of members of the Board of Directors in the meetings of the Integration Committee in 2021

Members of the Board of Directors	Percentage of participation
Buyanov A. N.	100%
Zaika D. A.	67%
Kussainov Y. A.	100%

Remuneration of the Board of Directors

Annual fixed remuneration and remuneration for participation of independent directors in each formal meeting of the Committee of the Board of Directors in 2021 are determined in accordance with the decisions of the General Shareholders Meeting of Kazakhtelecom JSC.

The annual fixed fee for an independent director is:

- › 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 16,650,000 (sixteen million six hundred fifty thousand) KZT and additional remuneration for membership/chairing of Committees of the Board of Directors of the Company in the amount

of 4,000,000 (four million) KZT 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 16,000,000 (sixteen million) KZT after withholding taxes and other mandatory contributions in accordance with the laws of the Republic of Kazakhstan.

The total remuneration paid to the members of the Board of Directors of the Company who are resident amounts to **KZT 70,792 thousand** in 2021. The total remuneration paid to the members of the Board of Directors of the non-resident Company in 2021 equals **USD 161,989**.

The total total remuneration paid to the members of the Board of Directors of the Company in 2021 is **KZT 139,918 thousand**.

Corporate Secretary

The Corporate Secretary reports to the Board of Directors in his/her activities and performs his/her activities in accordance with the laws of the Republic of Kazakhstan, the Charter, the Corporate Governance Code and other internal documents, as well as the decisions of the General Shareholders Meeting and the Board of Directors.

As part of his/her activity, the Corporate Secretary supervises the preparation and holding of General Meetings of Shareholders and meetings of the Board of Directors, organizes document management and ensures the document flow of the Board of Directors, ensures the convocation of meetings of the Board of Directors, keeps minutes of these meetings, and provides the members of the Board of Directors with the necessary information.

The Corporate Secretary of Kazakhtelecom JSC, B. K. Abdykalykov, holds state awards and a sectoral title of "Yzdik Bailanysh". 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 in order 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 Meeting of Shareholders and the Board of Directors.

The Management Board consists of 9 members — the Chairman of the Management Board and other persons elected by the Board of Directors.

In 2021, the following were elected to the Management Board of the Company:

- › Almat Bolatovich Karamanov, Chief Corporate Segment Director, General Director of the Corporate Business Division, a branch of Kazakhtelecom JSC;
- › Erekeshev Bolat Erlanovich Chief Technical Officer — General Director of the Network Division, a branch of Kazakhtelecom JSC.

Yessekeyev Kuanyshbek Bakytbekovich

Member of the Board of Directors,
Chairman of the Management
Board of Kazakhtelecom JSC

Date of birth

10 June 1975

Citizenship

Republic of Kazakhstan



First elected to the Management Board of Kazakhtelecom JSC: 15.03.2010
Date of current election to the Management Board of Kazakhtelecom JSC: 06.02.2019

Ownership of the Company's shares, shares of suppliers and competitors: no

Education: higher education. Candidate of Mathematical Sciences

- › 1991–1995: Al-Farabi Kazakh State University, major: Applied Mathematics, PhD in Mathematics;
- › 2001–2002: Kazakh State Academy of Management, major: Management;
- › 2015–2017: Hult Business School, London, GB, major: 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.

Uzbekov Askhat Arkhatovich

Member of the Management Board of Kazakhtelecom JSC, Chief Financial Officer of Kazakhtelecom JSC

Date of birth

18 June 1980

Citizenship

Republic of Kazakhstan



First elected to the Management Board of Kazakhtelecom JSC: 27.09.2016
Date of current election to the Management Board of Kazakhtelecom JSC: 14.03.2017

Ownership of the Company's shares, shares of suppliers and competitors: no

Education: higher education

- › 1996–2000: Turan University, majoring in International Economics.

Place of work and positions held in organizations over the past five years

- › 02.2012–12.2014: KMG EP International, Chief Financial Officer;
- › 01.2015 — present: Kazakhtelecom JSC, Managing Director — Chief Treasurer, Managing Director — Financial Controller, Chief Financial Officer.

Part-time work and membership in the Boards of Directors of other organizations

- › Member of the Supervisory Board of Digital Economy Development Center LLP.

Makhanbetazhiyev Batyr Apenovich

Member of the Management
Board of Kazakhtelecom JSC,
Chief Strategic Officer
of Kazakhtelecom JSC

Date of birth

12 March 1972

Citizenship

Republic of Kazakhstan



**First elected to the Management Board
of Kazakhtelecom JSC:** 07.06.2010
**Date of current election to the Management Board
of Kazakhtelecom JSC:** 17.03.2017

**Ownership of the Company's shares, shares of suppliers
and competitors:** no

Education: higher education

- > 1989–1994: Lomonosov Moscow State University, major: Economic Cybernetics, qualification: Economist-Mathematics;
- > 2015–2017: Hust Business School, London, GB, specialization: Finance, degree: Executive MBA.

Place of work and positions held in organizations over the past five years

- > 04.2010 — present: Kazakhtelecom JSC — Chief Administrative Officer, Chief Strategic Officer of Kazakhtelecom JSC.

Part-time work and membership in the Boards of Directors of other organizations

- > no.

Mukhtarovich Marat Abdildabekov

Member of the Management Board of Kazakhtelecom JSC, Chief Information Officer of Kazakhtelecom JSC

Date of birth

13 October 1967

Citizenship

Republic of Kazakhstan



First elected to the Management Board of Kazakhtelecom JSC: 08.06.2007
Date of current election to the Management Board of Kazakhtelecom JSC: 14.03.2017

Ownership of the Company's shares, shares of suppliers and competitors: no

Education: higher education

- › 1984–1991: S. M. Kirov Kazakh State University, majoring in Mechanics and Applied Mathematics.

Place of work and positions held in organizations over the past five years

- › 05.2007 — present: Kazakhtelecom JSC — Vice-President — Chief Information Technology Officer, Chief Information Technology Officer of Kazakhtelecom JSC.

Part-time work and membership in the Boards of Directors of other organizations

- › Chairman of the Supervisory Board of KT Cloud Lab LLP, Member of the Supervisory Board of QazCloud LLP.

Karamanov Almat Bolatovich

Member of the Management Board of Kazakhtelecom JSC, Chief Corporate Segment Director — General Director of the Corporate Business Division — branch of Kazakhtelecom JSC

Date of birth

23 January 1984

Citizenship

Republic of Kazakhstan



First elected to the Management Board of Kazakhtelecom JSC: 01.06.2021
Date of current election to the Management Board of Kazakhtelecom JSC: 01.06.2021

Ownership of the Company's shares, shares of suppliers and competitors: no

Education: higher education

- › 2001–2005: T. Ryskulov Kazakh University of Economics, major: Economics;
- › 2005–2007: MBA of the Kazakh University of Economics named after T. Ryskulov, specialization: Analytics;
- › 2012–2014: Yan Komensky University and RCFA Academy, major: General and Strategic Management.

Place of work and positions held in organizations over the past five years

- › 01.12.2017–01.07.2018: Kazakhtelecom JSC, Telecom Komplekt Directorate — branch of Kazakhtelecom JSC, Deputy General Director/Production Director;
- › 01.07.2018–31.05.2019: Kazakhtelecom JSC — Director of the Administrative Shared Service Center of the Service Factory, a branch of Kazakhtelecom JSC;
- › 01.06.2019–31.05.2021: Kazakhtelecom JSC — General Director of the Service Factory, a branch of Kazakhtelecom JSC;
- › 01.06.2021 — present: Kazakhtelecom JSC — Chief Corporate Segment Director — General Director of the Corporate Business Division, a branch of Kazakhtelecom JSC.

Part-time work and membership in the Boards of Directors of other organizations

- › no.

Erekeshiev Bolat Erlanovich

Member of the Management Board of Kazakhtelecom JSC, Chief Technical Officer — General Director of the Division Network Association, a branch of Kazakhtelecom JSC

Date of birth

02 January 1962

Citizenship

Republic of Kazakhstan



First elected to the Management Board of Kazakhtelecom JSC: 01.06.2021
Date of current election to the Management Board of Kazakhtelecom JSC: 01.06.2021

Ownership of the Company's shares, shares of suppliers and competitors: no

Education: higher education

- > 1983–1988: Leningrad Electrical Engineering Institute of Communications, majoring in Automatic Electrical Communication.

Place of work and positions held in organizations over the past five years

- > 02.2005–06.2021: Managing Director of Kazakhtelecom JSC — General Director of the ULS;
- > 06.2021 — present: Kazakhtelecom JSC — Chief Technical Officer — General Director of the Division Network, a branch of Kazakhtelecom JSC.

Part-time work and membership in the Boards of Directors of other organizations

- > no.

Pogrebitsky Igor Evgenyevich

Member of the Management Board of Kazakhtelecom JSC, Chief Retail Director — General Director of the Retail Business Division — branch of Kazakhtelecom JSC

Date of birth

19 May 1978

Citizenship

Republic of Kazakhstan



First elected to the Management Board of Kazakhtelecom JSC: 29.03.2019

Ownership of the Company's shares, shares of suppliers and competitors: no

Education: higher education

- > 1995–2000: State North Kazakhstan University, majoring in Radio Engineering.

Place of work and positions held in organizations over the past five years

- > 01.2009–01.2018: Kcell JSC — Head of the regional branch; Division — branch of Kazakhtelecom JSC, Chief Retail Segment — General Director of the Retail Division — branch of Kazakhtelecom JSC.
- > 01.2018 — present: Kazakhtelecom JSC — Sales Director of the Retail Division of Kazakhtelecom JSC, Chief Retail Director — General Director of the Retail

Part-time work and membership in the Boards of Directors of other organizations

- > Member of the Supervisory Board of NURSAT+ LLP.

Meirmanov Nurlan Kemalovich

Member of the Management Board of Kazakhtelecom JSC, Chief Innovation Officer

Date of birth

03 August 1972

Citizenship

Republic of Kazakhstan



First elected to the Management Board of Kazakhtelecom JSC: 02.05.2019

Ownership of the Company's shares, shares of suppliers and competitors: no

Education: higher education

- › 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

- › Chairman of the Supervisory Board of NURSAT+ LLP.

Khudaiberdiyev Timur Telmanovich

Member of the Management Board, Chief Director for Business Support and Support — General Director of the Directorate of Telecom Komplekt, a branch of Kazakhtelecom JSC

Date of birth

25 March 1981

Citizenship

Republic of Kazakhstan



First elected to the Management Board of Kazakhtelecom JSC: 01.05.2021

Ownership of the Company's shares, shares of suppliers and competitors: no

Education: higher education

- › 1998-2002: Academy of the Ministry of Internal Affairs of the Republic of Kazakhstan, major: Lawyer.

Place of work and positions held in organizations over the past five years

- › 03.2011–04.2014: Branch of OA Temirbank — Deputy Director of the Branch;
- › 01.2015–02.2016: JHCSB JSC — Head of NPL;
- › 02.2016–03.2017: Qazag Financial Group JSC — Executive Director and Member of the Supervisory Board of Global Building Contract LLP;
- › 04.2017 — present: Kazakhtelecom JSC — General Director of Telecom Komplekt Branch, Managing Director of Kazakhtelecom JSC, Chief Director of Business Support and Support — General Director of Telecom Komplekt Branch.

Part-time work and membership in the Boards of Directors of other organizations

- › Member of the Supervisory Board of VOSTOKTELECOM LLP.

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 2021, the Management Board of Kazakhtelecom JSC held **57 formal meetings** at which **299 decisions** of the Management Board were adopted. There were no decisions taken through absentee voting.

During the reporting period, the Management Board considered and adopted decisions on the following main issues:

- › The Annual Financial Statements of subsidiaries and associates of Kazakhtelecom JSC for 2020, the Business Plan of the Strategic Project "Ensuring Broadband Access to Rural Population Centers of the Republic of Kazakhstan Using Fiber-Optic Communications Technology", the Employee Experience Strategy of Kazakhtelecom JSC, the Auditor's Policy of JSC "Electric Companies", the Information Policy of JSC";
- › Approval of the Rules for managing the procurement activity of Kazakhtelecom JSC and organizations, fifty percent or more of voting shares (equity interests) owned or managed directly or indirectly by Kazakhtelecom JSC, the Procurement Budget and the Cash Budget of Kazakhtelecom JSC for 2021, the Programme for the Development and Functioning of the State Language at Kazakhtelecom JSC for 2021-2023 (Stage I), Roadmap for Implementation of Strategic and Business Initiatives of Kazakhtelecom — SERPIN Program and Financial Effects of Implementation of Roadmap Projects, Programme for Implementation of Sustainable Development Initiatives of Kazakhtelecom and Communication Plan of Kazakhtelecom for Stakeholder Engagement for 2021, Security Strategy (physical security, remote security and technical protection) of Kazakhtelecom JSC facilities, the Action Plan on the transition of Kazakhtelecom JSC to low-carbon development by 2030 and on obtaining an ESG rating for 2022-2023, the Rules on managing the cash and treasury operations of Kazakhtelecom JSC, and a number of decisions have been taken on the transition to a divisional management structure at Kazakhtelecom JSC.

Remuneration of the Management Board

The terms and procedure for the payment of remuneration for the reporting period to management personnel of the Company are regulated by the Rules for the Payment of Annual Performance Benefits to Management Personnel, approved by decision of the Board of Directors of 08.02.2017. No. 1, taking into account the amendments made by the decisions of the Board of Directors of 23.07.19 No. 15 and 16.03.20 No. 4 (hereinafter the "Rules").

Key principles of the Rules:

1. interaction of remuneration with the performance of tasks that meet the interests of the Company and its shareholders;
2. simplicity and transparency of the principles for determining the amount of remuneration;
3. 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:

1. the existence of consolidated final profit for the reporting period, calculated taking into account the planned amount for payment of remuneration;
2. 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:

1. setting motivational KPI and its target values;
2. approval of incentive KPI;
3. performance monitoring;
4. 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 on the basis of the audited financial statements for the reporting period.

The maximum amounts of performance-related remuneration for the reporting period are determined in accordance with the wage structure.

500,434.9

thousand KZT

The total amount of salaries and all types of monetary incentives paid to members of the Management Board of the Company for 2021

Payroll structure, %

	Salary structure		
	Annual salary (including financial assistance for annual paid employment leave)	Short-term remuneration	Long-term remuneration
Head of Executive Body	30	30	40
Members of the executive body	40	30	30

The long-term KPI map is approved by the Board of Directors of the Company on an annual basis for a three-year period, on the recommendation of the Human Resources, Compensation and Social Issues Committee (hereinafter the ACSE).

Management benefits are paid based on the period of the Long-Term Benefit Program and are paid over the next three years on an annual basis according to the following arrangements:

The total amount of salaries and all types of monetary incentives paid to members of the Management Board of the Company for 2021 equaled **KZT 500,434.9 thousand**. The amount includes payments to members of the Management Board who were disposed of during 2021 — A.V. Lezgovko, Chief Technical Officer for the corporate segment — R. E. Abykhanov, General Director of the Division for Corporate Business.

Remuneration scheme, %

	Payment period		
	1 year	2 years	3 years
Percentage of maximum long-term remuneration	70	15	15

Internal audit

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 2021 the Service, in accordance with the Annual Audit Plan and the instructions of the Board of Directors, conducted **14** audit events, and the plan was 100% completed.

Based on the results of an independent external assessment of the IAS performed in 2021 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%**.

Compliance

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 Company's internal corporate culture.

The Company has the following internal documents*:

- › Anti-Corruption Policy;
- › Whistleblowing Policy;
- › Conflict of Interest Policy;
- › Code of Business Ethics;
- › Corporate Governance Code.

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.

In 2021, the Board of Directors approved a Report prepared based on the results of the analysis of corruption risks in procurement and human resources management.

* Compliance policies are available in the Compliance section of the Company's Internet resource telecom.kz.

Last year, in order to improve the compliance culture, 5 "Ethics of Conduct" training competitions were held on knowledge of the Company's anti-corruption, anti-fraud, conflict of interest regulations, etc., where more than **1,200 employees** studied internal documents in the form of a specially developed online game (gamification) and subsequently tested and determined the winners.

On a regular basis, all Company employees receive information on the activity of the Compliance Service, with a description of the results of consideration of complaints and appeals and the measures taken against employees who have committed violations of the requirements of internal documents.

No cases of corruption were identified in 2021.

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.

The Company's internal and corporate websites contain contacts of the Hotline and the Compliance Service, where any facts of labor, corruption and other types of offenses can be reported.

In 2021, 130 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.

Corporate Ethics

Issues of corporate ethics are regulated by the Code of Business Ethics and the Corporate Governance Code. The Code of Conduct is mandatory for all categories of employees and officials.

The Ombudsman ensures compliance with the principles of business ethics and optimal regulation of social and labor disputes.

The main principles of the Company's business ethics are:

- › compliance with legal requirements;
- › fairness;
- › good faith;
- › transparency;
- › liability;
- › competence and professionalism;
- › trust;
- › meritocracy.

Risk management system

In line with the Development Strategy 2019-2029, Kazakhtelecom JSC is implementing the best risk management practices.

The development of the Corporate Risk Management System (CRMS) and Internal Control (ICS) is aimed at achieving maximum efficiency in the use of assets, minimizing losses in the event of unfavorable events, identifying opportunities and encouraging innovation, which in turn contributes to the creation and protection of the Company's value for shareholders, creditors and other interested parties.

A properly designed and applied risk management structure ensures its integration into all lines of business, including the decision-making process, as well as appropriate accounting of changes in the external and internal business environment.

Participants in the risk management process

The organizational structure of the Company's RMS is represented at several levels and includes the following participants in the risk management process:

BOARD OF DIRECTORS

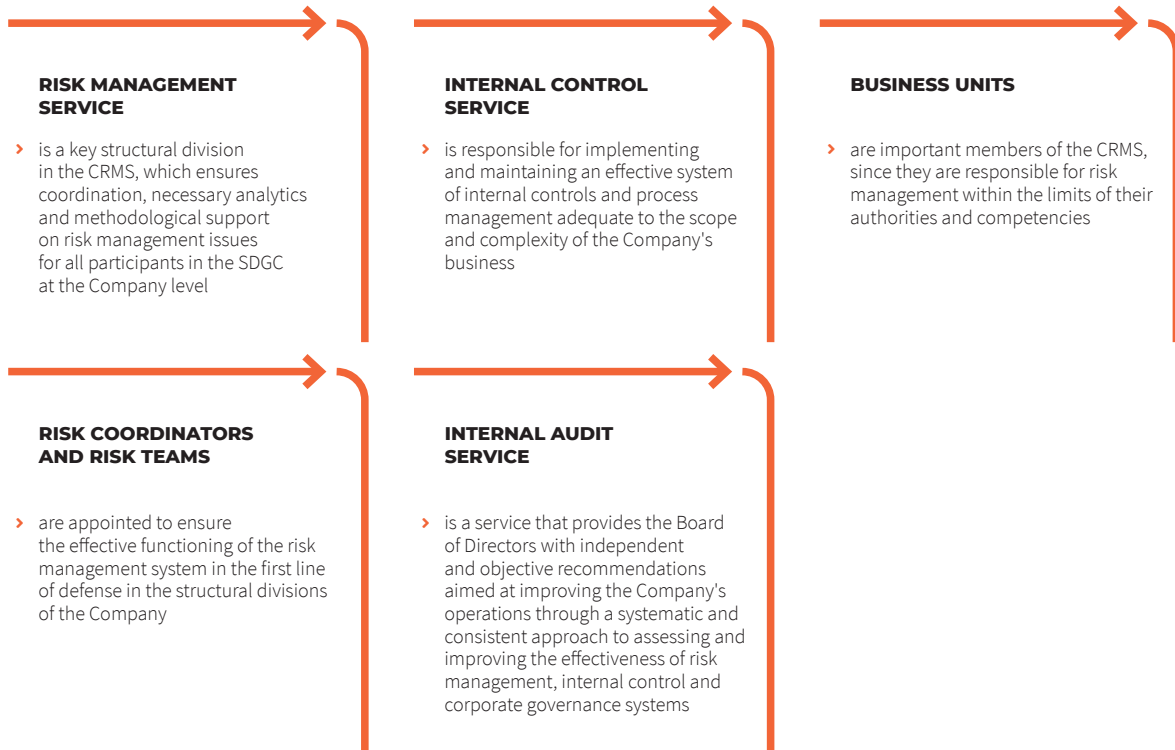
- › is a management body that has key responsibility to the shareholder (s) for risk management issues at the Company

MANAGEMENT BOARD

- › is the executive body of the Company and is responsible for implementing the Company's Risk Management Policy

RISK COMMITTEE

- › 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



Internal controls system

The main goal of the system of internal controls (ICS) is to improve business organization processes by identifying and preventing process risks, including violations of internal documents and processes, in order to provide reasonable assurance that the Company will achieve its strategic and operational goals, as well as goals of complying with legislative requirements and internal documents and preparing financial and management reporting. The ICS management is based on the standards and practical recommendations of international professional organizations in the areas of risk management, internal control, process management, information and telecommunications technologies, including the COSO, TForum and ISO standards.

The Company's 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:

1 First line of defense

PROCESS OWNERS/DIVISIONAL LEADERS (INCLUDING COS AND MANAGING DIRECTORS)

RESPONSIBILITY

1. Identification and assessment of process risks, development (design) and implementation of control procedures to mitigate identified risks;
2. Testing of design and operating effectiveness of control procedures;
3. Continuous monitoring of the implementation of controls by the process participants/employees of the division;
4. Communication of the provisions of the Policy to employees of the reporting division, including the duties and responsibilities of employees;
5. Ensuring compliance of the process and its control procedures (if any) with the requirements and provisions of internal documents;
6. Organization of conditions for the implementation of the action plan to improve the ICS within the limits of its authorities and control over its implementation, including the elimination of identified violations;
7. Exchange of information with the second line of defense.

ACCOUNTABILITY

- › Supervising director/Chairman of the Management Board

WORKERS

RESPONSIBILITY

1. High-quality implementation and execution of controls in accordance with job descriptions and the requirements of internal documents;
2. Participation in updating process documentation and existing control procedures to take into account changes in the business of the division;
3. Participation in the process of identifying risks and assessing the effectiveness of control procedures;
4. Preparation of proposals on eliminating deficiencies in the ICS within the framework of its competencies;
5. Exchange of information with the second line of defense.

ACCOUNTABILITY

- › Immediate Supervisor

2 Second line of defense

RISK MANAGEMENT SERVICE

RESPONSIBILITY

1. Development of risk assessment methods, recommendations on responding to them, methods for determining the acceptable level of risks;
2. Collection and consolidation of risk assessment results;
3. Critical analysis of the results of risk assessment by the first line of defense;
4. Exchange of information with the third line of defense.

ACCOUNTABILITY

- › Chairman of the Management Board

COMPLIANCE SERVICE

RESPONSIBILITY

1. Development of a methodology for assessing compliance risks;
2. Monitoring and ensuring the Company's compliance with external regulatory anti-corruption requirements and internal documents of the Company;
3. Ensuring the implementation and performance of integrity checks of third parties;
4. Coordination of official audits and investigations.

ACCOUNTABILITY

- › Board of Directors

INTERNAL CONTROL SERVICE

RESPONSIBILITY

1. Development of internal control methodology;
2. Support of ICS participants in identifying and documenting process risks to improve control procedures;
3. Consolidation of the results of testing the design and operating effectiveness of control procedures;
4. Ensuring the development and testing of design and operating effectiveness of control procedures;
5. Ensuring RMS and ICS integration;
6. Training of the Company's employees in the ICS methodology;
7. Monitoring of the implementation of plans of corrective measures for internal control;
8. Development of the Company's ICS and coordination of internal control at subsidiaries;
9. Exchange of information within the second line and with the third line of defense.

ACCOUNTABILITY

- › Chairman of the Management Board

3 Third line of defense

IAS

RESPONSIBILITY

1. Assessment of effectiveness of the ICS;
2. Exchange of information with the second line of defense.

ACCOUNTABILITY

- › Board of Directors

Development of the SDGs in 2021

Measures stipulated by the Key Areas of RMS and IC Development of the Kazakhtelecom Group of Companies for 2019-2021, approved by the Management Board of the Company, were taken.

During the year, the Risk Management Service developed and approved methodological and regulatory documents on risk management. Implemented a database of implemented risks and incidents.

Pursuant to the requirements of the Corporate Governance Code, employees are tested annually for knowledge of the internal regulatory documents adopted by Kazakhtelecom JSC on the risk management system, internal controls and process management. The total number of employees tested was **2,162**.

In the third-fourth quarter of 2021, an independent audit company PwC carried out a diagnostics of the corporate governance of Kazakhtelecom JSC. Based on the results of the measures taken, the overall rating for Risk Management, Internal Control and Audit was BBB.

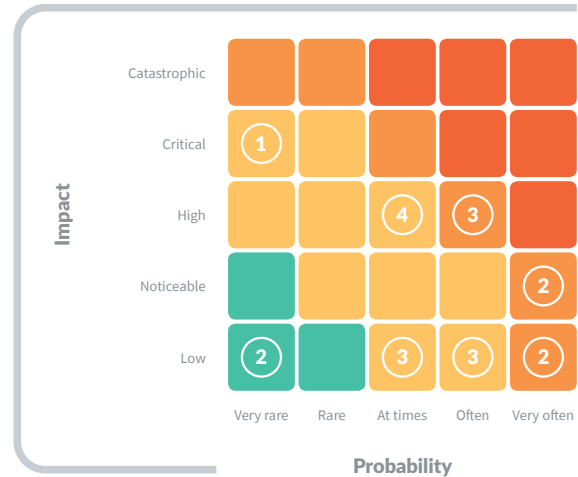
In order to ensure that the Company complies with the requirements of corporate governance standards in terms of the existence of effective risk management and internal control systems at the Company and its subsidiaries, an internal document with a list of criteria for diagnostics of the SDWC and ICS at the Company's subsidiaries has been developed. In 2021, systems at JSC Kcell and TOO Center for Digital Economy Development were examined.

Risk management in 2021

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.

According to the Company's Risk Register and Risk Map at the end of 2021, the Company has 21 risks.

Risk map



Key risks of 2021

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 takes measures to proactively manage key risks to reduce their impact on the goals of the period:

Key risks	Measures taken by the Company to mitigate risk
Innovation risk	<ul style="list-style-type: none"> › Implementation of an Automatic Information System (a system for informing clients about new products, generating primary connection requests, and an additional sales channel); › Training of personnel on new business; › Testing of the vCSG software on the basis of white-box equipment (IP Infusion UfiSpace and software).
Legal risk	<ul style="list-style-type: none"> › The functionality of the ORM KS is ensured.
Fraud	<ul style="list-style-type: none"> › The regulatory documents have been updated; › Reviews of structural divisions of the Central Administration and the Company's branches are performed on an ongoing basis.
HR risk	<ul style="list-style-type: none"> › The salaries of employees of mass professions have been revised upwards; › Internal online conferences are held with the participation of the Chairman of the Board.
Occupational injury	<ul style="list-style-type: none"> › Performance of internal control over occupational safety and safety by employees of the Occupational Safety and Safety Services of the Central Bank, divisions and branches of the Company.
Risk of procurement procedures	<p>Participation in two working groups:</p> <ol style="list-style-type: none"> 1. Research and development services in the area of communications and telecommunications; 2. On the project "On the Procurement of Certain Entities of the Quasi-Public Sector" and "On the Introduction of Amendments and Addenda to Certain Legislative Acts of the Republic of Kazakhstan on Issues of the Procurement of Certain Entities of the Quasi-Public Sector".
Safeguarding physical assets	<ul style="list-style-type: none"> › Security and technical protection systems of the Company's facilities are ensured.

Emerging risks

In order to ensure preventive risk management measures, emerging risks have been identified that are not yet on the risk map but are developing, and may enter the risk map in future. However, Kazakhtelecom JSC does not exclude the existence of other risks of which nothing is currently known or which Kazakhtelecom JSC considers immaterial:

- › failure in climate action;
- › extreme weather events;
- › loss of biodiversity;
- › erosion of social alignment;
- › economic crisis;
- › spread of contagious diseases;
- › artificial environmental catastrophes (created by people);
- › scarcity of natural resources;
- › debt crisis;
- › geoeconomic conflict.

Areas of development of the SDGs

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.

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:

1. Corporate governance and culture;
2. Strategy and goal setting;
3. Performance;
4. Monitoring and implementation of changes;
5. Information, communications and reporting.

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6 Annexes



Annex 1

About the report

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 2021. 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 15 branches of the Company. The report describes the corresponding activity from 1 January to 31 December 2021, and the reporting cycle — annual. Kazakhtelecom JSC has been issuing annual public non-financial reports since 2017. The unified report for 2020 was published on 26 May 2021. 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 2021 for the Kazakhtelecom Group, which are included in the consolidation perimeter. Non-financial indicators were prepared in accordance with International Sustainability Reporting Standards — GRI Standards (disclosure level: core). In order to disclose the most relevant topics in the Report, the Company analyzed the materiality of sustainability aspects by specific indicators and topics specified in GRI standards, based on a review of internal and external environments and stakeholder engagement.

The information for the Report, taking into account the results of the materiality analysis, was collected using the corporate reporting system and special information requests on GRI requirements. When preparing the Integrated Report, the Company was governed by the principles for determining the content of the report, determined by 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.

The report was approved by the Board of Directors of Kazakhtelecom JSC. The report has no external verification.

Annex 2

Contact details

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email: telecom@telecom.kz

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Almaty — 8 (727) 258 72 19, 258 72 15

On Cases of Theft, Fraud and Corruption:

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www.sk.deloitte-hotline.com

**Direct line for collecting complaints and complaints
on procurement issues:**

8(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

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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Registrar of the listed Company

Central Securities Depository

28, Samal-1, Almaty, Republic of Kazakhstan

phone: +7 (727) 262 08 46, 355 47 60

Annex 3

GRI Index

Indicator index	Indicator name	Section Report/Commentary
GRI 101. Reporting principles and approaches		
GRI 102. General Disclosures		
Profile of the organization		
102-1	Name of the organisation	About the Company; Annexes. Contact details
102-2	Activities, brands, products, and services	On the Company. Business portfolio
102-3	Location of the headquarters	Annexes. Contact details
102-4	Location of operations	About the Company
102-5	Ownership and legal form	About the Company
102-6	Markets served	About the Company
102-7	Scale of the organization	On the Company. Organizational structure of the Company; Company in numbers
102-8	Information on employees and other workers	Social responsibility. Human resources management
102-9	Supply chain	About the Company
102-10	Significant changes in the organization and its supply chain	About the Company; Key events
102-11	Precautionary Principle or approach	Risk management system
102-12	External initiatives	Social responsibility. Membership of associations
102-13	Membership of associations	Social responsibility. Membership of associations
Strategy and analysis		
102-14	Statement of the most senior decision-maker	Address of the Chairman of the Board of Directors; Message from the Chairman of the Management Board
Ethics and Integrity		
102-16	Values, principles, standards and norms of behavior	Corporate Ethics
Governance		
102-18	Governance structure	Corporate governance system; Board of Directors.
Stakeholder engagement		
102-40	List of stakeholder groups	Sustainability management. Stakeholder engagement
102-41	Collective bargaining agreement	Social responsibility. Human resources management
102-42	Identifying and selecting stakeholders	Sustainability management. Stakeholder engagement
102-43	Approach to stakeholder engagement	Sustainability management. Stakeholder engagement
102-44	Key topics and concerns raised	Sustainability management. Stakeholder engagement
Reporting practices		
102-45	Entities included in the consolidated financial statements	Annexes. About the report
102-46	Defining report content and topic Boundaries	Sustainability management. Materiality analysis; Appendices. About the report
102-47	List of material topics	Sustainability management. Materiality analysis;

102-48	Restatements of information	Annexes. About the report
102-49	Changes in reporting	Annexes. About the report
General information on the report		
102-50	Reporting period	Annexes. About the report
102-51	Date of most recent report	Annexes. About the report
102-52	Reporting cycle	Annexes. About the report
102-53	Contact point for questions regarding the report	Annexes. Contact details
102-54	Claims of reporting in accordance with the GRI Standards	Annexes. About the report
102-55	GRI content index	Annexes. GRI Index
102-56	External assurance	Annexes. About the report
GRI 103. Management approaches		
103-1	Explanation of the material topic and its Boundary	Sustainability management. Materiality analysis;
103-2	The management approach and its components	Information on the approach to managing a particular material topic is available throughout the report
103-3	Evaluation of the management approach	Information on the approach to managing a particular material topic is available throughout the report
Material topics		
Category: Economic		
201 — Economic performance		
201-1	Direct economic value generated and distributed	Socio-economic contribution; Consolidated financial statements.
203 — Indirect economic impact		
203-1	Infrastructure investments and services supported	Socio-economic contribution. Economic impact in the regions of presence — Charity and sponsorship activities. Socially important investment projects
203-2	Significant indirect economic impacts	Key events for 2021. Socio-economic contribution
204 — Procurement practices		
204-1	Proportion of spending on local suppliers	Socio-economic contribution. Procurement practices
205 — Anti-Corruption		
205-1	Operations assessed for risks related to corruption	Compliance
205-2	Communication and training about anti-corruption policies and procedures	Compliance
205-3	Confirmed incidents of corruption and actions taken	Compliance
Category: Environmental		
302 — Energy		
302-1	Energy consumption within the organization	Environmental protection
302-4	Reduction of energy consumption	Environmental protection. Energy efficiency
303 — Water and effluents		
303-1	Interactions with water as a shared resource	Environmental protection. Water resources
303-3	Water withdrawal	Environmental protection. Water resources
303-5	Water consumption	Environmental protection. Water resources

304 — Biodiversity		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Environmental protection. Biodiversity impacts
305 — Emissions		
305-1	Direct (Scope 1) GHG emissions	Environmental protection. GHGs
305-2	Energy indirect (Scope 2) GHG emissions	Environmental protection. GHGs
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Environmental protection. Air emissions
306 — Waste		
306-1	Waste generation and significant waste-related impacts	Environmental protection. Waste management
306-2	Management of significant waste-related impacts	Environmental protection. Waste management
306-3	Waste generated	Environmental protection. Waste management
306-5	Waste directed to disposal	Environmental protection. Waste management
307 — Environmental Compliance		
307-1	Non-compliance with environmental laws and regulations	Environmental protection
Category: Social		
401 — Employment		
401-1	New employee hires and employee turnover	Social responsibility. Human resources management
401-3	Parental leave	Social responsibility. Human resources management
402 — Labor/Management Relations		
402-1	Minimum notice periods regarding operational changes	Social responsibility. Human resources management
403 — Occupational Health and Safety		
403-1	Occupational health and safety management system	Social responsibility. Occupational and occupational safety
403-2	Hazard identification, risk assessment, and incident investigation	Social responsibility. Occupational and occupational safety
403-3	Occupational health services	Social responsibility. Occupational and occupational safety
403-4	Worker participation, consultation, and communication on occupational health and safety	Social responsibility. Occupational and occupational safety
403-5	Worker training on occupational health and safety	Social responsibility. Occupational and occupational safety
403-6	Promotion of worker health	Social responsibility. Occupational and occupational safety
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Social responsibility. Occupational and occupational safety
403-8	Workers covered by an occupational health and safety management system	Social responsibility. Occupational and occupational safety
403-9	Work-related injuries	Social responsibility. Occupational and occupational safety
404 — Education and Education		
404-1	Average hours of training per year per employee	Social responsibility. Human resources management
404-2	Programs for upgrading employee skills and transition assistance programs	Social responsibility. Human resources management
404-3	Percentage of employees receiving regular performance and career development reviews	Social responsibility. Human resources management
405 — Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	Social responsibility. Human resources management
405-2	Ratio of basic salary and remuneration of women to men	Social responsibility. Human resources management
413 — Local communities		
413-1	Operations with local community engagement, impact assessments, and development programs	Socio-economic contribution

Annex 4

Glossary

3G	Third generation — 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.
4G	Fourth generation — 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.
5G	Fifth generation 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.
ADSL	Asymmetric Digital Subscriber Line — an asymmetric digital subscriber line — modem technology in which the available bandwidth of the channel is distributed between the proceeding and entering traffic asymmetrically.
API	Application Programming interface — a description of how one computer program may interact with another program.
ARPU	Average Revenue Per User — average revenue per month per subscriber.
B2B	Business to Business is a term for commercial relations between legal entities.
B2C	Business to Consumer is a term that refers to a commercial relationship between a legal entity and a consumer.
B2G	Business to Government — a term that refers to commercial relations between a legal entity and the state.
B2O	Business to Operators is a term that refers to a commercial relationship between a legal entity and communications operators.
Big Data	Big data processing.
Blockchain	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.
CDMA	Code Division Multiple Access — 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.
DWDM	Dense Wave Division Multiplexing 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.
EBITDA	Earnings before interest, taxes, depreciation and amortization — the Company's profit before deduction of interest on loans, profits tax and depreciation.
ESG factors	Environmental. Social. Governance — environmental, social and management factors.
Firewall	A technology barrier designed to prevent unauthorized or unsolicited communications between computer networks or hosts.
FMC	One contact (fixed mobile convergence) — technology combining fixed and mobile communications), with subsequent transfer to commercial operation.
FTTH	Fiber to the Home — fiber optic cable to the home (individual/private home).
FTTx	Fiber to the x — fiber-optic connection technology.
FWA	Fixed Wireless Access — 4G-based wireless Internet technology used in areas not covered by fiber-optic communication lines.
GSM	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.
GPON	Digabit passive optical network — GB passive optical networks.
IaaS	Infrastructure as a Service — infrastructure as a service, for example, virtual servers and a virtual network; the client may install any software and applications.
IPTV	Internet Protocol Television — 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.
IP transit	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 in the Internet.
IoT	Internet of things — a common name for technologies that allow devices built into individual objects to send and receive information via the Internet (wired or wireless).
LoRa	Long Range is a technology and a method of modulation of the same name.
LTE	Long-Term Evolution is a wireless high-speed data transmission standard for mobile phones and other data terminals.
NPS	Net Promoter Score — 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.

OTT	Over the Top — a method of providing video services over the Internet.
ROACE	Return on average capital employed — return on average capital employed.
SaaS	Software as a Service — 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.
SAC	Subscriber Acquisition Cost — a metric that reflects the Company's total costs on attracting one buyer.
SDN/NFV	Software -Defined Networks (SDN) and Network Function Automation (NFV).
VAS	Value-Added Services — value-added services.
VPN	Virtual Private Network — 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).
WAP	Wireless Application 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.
WIMAX	Worldwide Interoperability for Micro Access) is a broadband wireless technology that provides high-speed long-distance connections, even without a line of sight, on a reflected signal.
WLL	Wireless local loop is a type of communications technology that is a combination of a radiotelephone line and a fixed-line telephone.
AMTC	Automatic long-distance telephone communication.
FOCL RS	Fiber-optic communications lines in rural settlements.
ICT	Information and communication technologies.
CSR	Corporate social responsibility.
SMEs	Small and medium-sized enterprises.
ULE	Association of legal entities.
SSC	Shared service center.
Broadband or high-speed Internet access	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.

Annex 5

Information on interested-party transactions

In 2021, the Management Board of Kazakhtelecom JSC approved and submitted to the Board of Directors of the Company 2 Decisions of the Management Board and approved 8 Decisions of the Management Board concerning the conclusion of interested-party transactions, including:

1. Decision of the Management Board No. 4/16

of 25.01.2021 "On the conclusion of a transaction in which Kazakhtelecom JSC has an interest" — supplemental agreement with QazCloud LLP.

In accordance with the decision of the Management Board, a supplemental agreement was concluded with QazCloud LLP to joint venture agreement No. 523-24-DZ of 6 August 2018.

2. Decision of the Management Board No. 8/37

of 08.02.2021 On the Conclusion of a Transaction in Which Kazakhtelecom JSC Has an Interested Party — Supplementary Agreement No. 11 to Joint Venture Agreement No. 743/12-DO/1171-03-DSD of 14.12.2012.

In accordance with the decision of the Management Board, Supplementary Agreement No. 11 has been concluded to Joint Venture Agreement No. 743/12-DO/1171-03-DSD of 14.12.2012 with Mobile Telecom-Service LLP on the provision of telecommunications services, as well as on the provision of Internet access and data transfer.

3. Decision of the Management Board No. 11/51

of 01.03.2021 "On the approval of the conclusion of an interested-party transaction by Kazakhtelecom JSC".

In accordance with the decision of the Management Board, a supplemental agreement has been concluded with Development Bank of Kazakhstan JSC and QazTech Ventures JSC to the contract on the gratuitous provision of services on financial and economic due diligence, monitoring and cost management under project No. DOM-176-19 of 28.10.2019.

4. Decision of the Management Board No. 12/58

of 04.03.2021 "On the conclusion of an interested-party transaction with Kcell JSC".

In accordance with the decision of the Management Board, an Agreement on the joint sale of FWAs services with JKcell JSC (at the signing stage) is being concluded.

5. Decision of the Management Board No. 13/64

of 10.03.2021 "On the approval of an interested-party transaction by Kazakhtelecom JSC".

In accordance with the decision of the Management Board, Contract No. 130540020197EEP2101034/00 of 28.01.2021 was concluded on the procurement of communications services with National Management Holding Baiterek JSC.

6. Decision of the Management Board No. 18/94

of 12.04.2021 "On the Conclusion of an Interested-Party Transaction in Which Kazakhtelecom JSC Has an Interest — Expense Compensation Agreement".

In accordance with the decision of the Management Board, Kazakhtelecom JSC has concluded an Expense Reimbursement Agreement dated 24.05.2021 No. 1295-and between Kazakhtelecom JSC and Samruk-Kazyna JSC in order to compensate the Fund for the expenses of Kazakhtelecom JSC incurred as a result of the involvement of consultants to implement the privatization of the Company.

7. Decision of the Management Board No. 20/113

of 26.04.2021 "On Certain Issues of Concluding a Transaction with Digital Economy Development Center LLP".

In accordance with the decision of the Board of Directors of Kazakhtelecom JSC (minutes No. 5 of 31.05.2021), Joint Venture Agreement No. 113-23-DSD of 18.06.2021 was concluded between Kazakhtelecom JSC and Digital Economy Development Center LLP for the joint implementation of the project "Labeling and traceability of goods in the Republic of Kazakhstan".

8. Decision of the Management Board No. 35/220

of 09.08.2021 "On Concluding an Interested-Party Transaction with Kazakhtelecom JSC" — Supplementary Agreement No. 4 to the Joint Venture Agreement with NURSAT+ LLP No. 104-27-DSD dated 28 March 2017".

In accordance with the decision of the Management Board of Kazakhtelecom JSC, Supplementary Agreement No. 4 to the Joint Venture Agreement with NURSAT+ LLP dated 28 March 2017 No. 104-27-DSD was concluded for the joint implementation of the e-commerce project.

9. Decision of the Management Board No. 56/341 of 29.11.2021 "On the Conclusion of an Interested-Party Transaction in Which Kazakhtelecom JSC is Interested-Party — Agreement on the Sale of Converged Fixed and Mobile Communications Packages with Mobile Operators in the B2C Segment".

In accordance with the decision, Kazakhtelecom JSC and Mobile Telecom-Service LLP concluded Contract No. 173-08-RP/DRB of 20.12.2021 on the sale of converged fixed-line and mobile service packages with mobile operators in the B2C segment.

10. 10. Decision of the Management Board No. 57/351 of 06.12.2021 On the Conclusion of a Transaction in Which Kazakhtelecom JSC Has an Interested Party — Supplementary Agreement No. 12 to Joint Venture Agreement No. 743/12-DO/1171-03-DSD of 14.12.2012.

In accordance with the decision of the Management Board, a Contract No. 128-27-DU of 29.02.2016 has been concluded with Mobile Telecom-Service LLP on the provision of telecommunications services, as well as on the provision of Internet access and data transfer.

Annex 6

Report on Kazakhtelecom's compliance with the principles and provisions of the Corporate Governance Code for 2021

In 2021, Kazakhtelecom JSC analyzed whether the Company's corporate governance practices comply with the corporate governance principles of Samruk-Kazyna JSC. A detailed description of the results of the analysis is given below.

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.

Chapter 2. Interaction between the Fund and organizations. Role of the Fund as a national holding manager

The system of corporate governance is the aggregate of processes ensuring management and control over the Company's operations, as well as the system of relations between the Management Board, the Board of Directors, shareholders and interested parties. These issues are clearly regulated in the Charter, the provisions on the ASA, the Board of Directors, and other internal documents.

The Fund participates in the management of the Companies through the performance of the functions of a major shareholder, and also 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

Sustainability activities are coordinated by the Corporate Governance Service. In 2021, following the state climate agenda "To achieve carbon neutrality by 2060", and in accordance with the instructions of Samruk-Kazyna JSC, Kazakhtelecom JSC began to implement ESG principles and transition to low-carbon development. The Company has developed and approved by decision of the Management Board of Kazakhtelecom JSC of 06.12.2022 the Action Plan on obtaining an ESG rating for 2022-2023 and the Action Plan on the transition of Kazakhtelecom JSC to low-carbon development. Sustainable development initiatives have been developed, GHG emissions have been calculated (Scope 1, Scope 2), and target emission indicators of Kazakhtelecom JSC up to 2030 have been determined. In 2021, Kazakhtelecom JSC's Integrated Annual Report was ranked in the TOP-10 Rating of Best Kazakhstan ESG Disclosure Practices (according to PWC's independent assessment).

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.

Chapter 5. Effectiveness of the Board of Directors and executive body

The Board of Directors is a management body reporting to the general meeting of shareholders, 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 meeting of shareholders 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 committees of the Board of Directors facilitate in-depth and careful consideration of issues within the competence of the Board of Directors and an improvement in the quality of decisions taken, especially in such areas as audit, risk management, strategic planning, and human resources issues. In 2021, the Company had four productive Committees: Audit, Human Resources, Remuneration and Social Issues, Strategic Planning, and the Integration Committee for the Mobile Segment. Their role is fairly clearly regulated in the regulations on them, and they consider a wide range of issues and give the necessary recommendations to the Board of Directors. In July 2021, the Integration Committee was abolished in connection with the achievement of its goals, and issues of the integration of mobile networks were assigned to the Management Board of the Company.

For the purposes of efficient organization of the activity of the Board of Directors and interaction between the Board of Directors, the Management Board and shareholders, the Board of Directors has appointed a corporate secretary, who performs his/her functions in accordance with legislation, the charter and other internal documents.

The Company has a collective executive body, the Management Board. The Management Board reports to the Board of Directors and manages the day-to-day operations of the Company, and is responsible for the implementation of the strategy, the Development Plan and the decisions taken by the Board of Directors and the general meeting of shareholders.

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 in order to ensure the effective protection of the interests of the organization and interested parties. A document on corporate conflicts approved by the Board of Directors is in effect.

In order 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.

Chapter 6. Risk management, internal control and audit

The Company has a risk management and internal control system in place. The Board of Directors plays an active role in risk management.

Risk management reports are reviewed on a quarterly basis by the Audit Committee and the Board of Directors. If necessary, they adjust measures and processes in this area.

The Company has an effective Internal Audit Service, which reports to the Board of Directors. IAS reports are also reviewed on a quarterly basis by the Audit Committee and the Board of Directors.

Chapter 7. Transparency

In order 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 through the use of an independent and qualified auditor. Annual financial statements audited by the external auditor are approved annually by the general meeting of shareholders.

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.

Annex 7

Consolidated financial statements

**FOR THE YEAR ENDED 31 DECEMBER 2021
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 2021, 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 2021 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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<p>Revenue recognition</p> <p>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.</p> <p>The selection and application of revenue recognition policies, including the application of IFRS 15 <i>Revenue from contracts with customers</i>, 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.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>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.</p>
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<p>Impairment of non-current assets, including property and equipment, intangible assets and goodwill</p> <p>There is a significant risk of impairment of the Group's non-current assets. Property and equipment, intangible assets and goodwill bear risk of impairment in light of fast technological changes in telecom industry.</p> <p>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 amounts.</p>	<p>We analyzed the existence of the main external and internal indicators of impairment of property and equipment and intangible assets of the Group.</p> <p>Our audit procedures included, amongst others, evaluating and testing the assumptions used in the impairment models. We assessed methodology used by the Group, for compliance with IAS 36 <i>Impairment of Assets</i> requirements. We involved our internal valuation specialist to assist us with our procedures. We compared assumptions and data used by the Group to the historical data and current industry data.</p>
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Impairment of non-current assets was one of the matters of most significance in our audit, as impairment testing of cash-generating units (CGUs) when impairment indicators are present or when annual impairment testing of the asset is required, is complex, based on highly judgmental assumptions, specifically customer base and average revenue per user (ARPU), CAPEX and EBITDA margin during the forecast period, growth rate used to extrapolate cash flows beyond the forecast period, and discount rate.

Assumptions used in the impairment testing might be inappropriate, and hence the wrong conclusion may be drawn in respect of whether an impairment is required.

The Group's disclosure in respect of the accounting policies on impairment of non-financial assets is included in Note 3 to the consolidated financial statements and detailed disclosure about impairment testing of the goodwill is included in Note 11 to the consolidated financial statements, which specifically explains that small changes in the key assumptions used could give rise to an impairment of goodwill balances in the future.

We focused on the sensitivity of the model to main assumptions during the testing, given the likelihood of a reasonably possible change in assumptions could cause the carrying amounts of the cash-generating units to exceed its recoverable amounts.

We assessed the related disclosures provided in the Group's consolidated financial statements.

Accounting for leases in accordance with of IFRS 16 Leases

The Group has significant balances of right-of-use assets in the amount of 70,849,066 thousand tenge and lease liabilities in the amount of 49,151,576 thousand tenge.

The accounting for right-of-use assets and lease liabilities in accordance with IFRS 16 Leases was one of the matters of most significance in our audit, as the balances recorded are material. In addition, the procedures of identification and processing all relevant data associated with the leases are complex and the measurement of the right-of-use assets and lease liabilities is based on assumptions such as discount rates and the lease terms, including termination and renewal options.

We analysed the identified lease contracts and on a sample basis compared the input data used in the lease calculation with the lease contracts.

We analysed management assumptions, specifically the assumptions in relation to the discount rates and lease terms, including termination and renewal options. We recalculated the right-of-use assets and lease liabilities by type of lease contracts and compared with the management's calculations.

We considered the related disclosures provided in the Note 24 to the consolidated financial statements.



The Group's disclosure in respect of the accounting policies on lease recognition and measurement in accordance with IFRS 16 is included in Note 3 to the consolidated financial statements and detailed lease disclosures are included in Note 24 to the consolidated financial statements.

Accounting for government grants

In 2021 the Government approved 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 grant in the form of 90% reduction in the annual fee for use of radio frequencies from 1 January 2020 till 1 January 2025. As of 31 December 2021 amount of government grant received equal to 18,798,488 thousand tenge, of which 6,285,022 thousand tenge was released to the profit and loss for the year ended 31 December 2021. Grant is subject to conditions, namely financing of the projects related to broadband internet in rural and urban areas.

Management evaluates whether the relevant conditions attached to the grant are fulfilled at the balance sheet date and whether there is a reasonable assurance that the grant will be received in order to be recognized in accordance with IAS 20 *Accounting for government grants and disclosure of government assistance*.

We identified accounting for government grants as one of the matters of most significance in our audit because amount of grant recognised is material to the consolidated financial statements, and recognition of grant and assessment of its recoverability are subject to significant judgement of the Management. The area of subjectivity and judgement include interpretation and satisfaction of conditions specified in the Rules and assessment of reasonable assurance that grant will be received.

We obtained understanding over government grant recognition process.

We considered documentation relating to the government grant received and analysed the conditions attached to the respective Rules and respective application and approval procedures.

We evaluated the information which was the basis for the Management's judgement about whether the conditions attached to the grant have been met and whether reasonable assurance has been obtained that the grant will be received.

We performed analytical procedures in respect to the amounts of financing of the projects related to broadband internet in rural and urban areas, obtained understanding of the nature of the expenditures and compared amounts of such expenses on a sample basis with supporting documents.

We assessed the disclosures provided in the Note 32 to the Group's consolidated financial statements in respect of government grants.



The Group's policy on the recognition of the government grants is included in Note 3 to the consolidated financial statements, and detailed disclosures of government grants are included in Note 32 to the consolidated financial statements.

Other information included in the Group's 2021 Annual report

Other information consists of the information included in the Group's 2021 Annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2021 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



Rustamzhan Sattarov
Auditor / General Director
Ernst & Young LLP

Auditor qualification certificate
No. МФ - 0000060 dated 6 January 2012

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

5 March 2022



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 2021

In thousands of tenge	Note	31 December 2021	31 December 2020
Assets			
Non-current assets			
Property and equipment	8	476,038,092	463,047,336
Intangible assets	9	205,424,785	217,353,880
Goodwill	11	152,402,245	152,402,245
Advances paid for non-current assets	8	3,647,122	3,237,280
Right-of-use assets	24	70,849,066	79,694,418
Investments in associates	10	3,460,120	2,982,957
Deferred tax assets	43	660,170	1,980,671
Cost to obtain contracts		2,494,814	1,732,174
Cost to fulfil contracts		135,051	350,648
Other non-current non-financial assets	14	5,601,003	1,819,045
Other non-current financial assets	13	7,141,361	4,789,179
Total non-current assets		927,853,829	929,389,833
Current assets			
Inventories	15	11,962,754	15,490,029
Trade receivables	16	36,873,043	34,711,705
Advances paid	17	7,500,551	4,651,549
Corporate income tax prepaid		7,527,978	4,166,824
Cost to fulfil contracts		854,321	865,890
Other current non-financial assets	20	13,310,432	7,300,331
Other current financial assets	18	11,592,724	3,626,074
Assets under reverse repurchase agreements	19	49,999,824	-
Financial assets at amortized cost	19	-	18,923,399
Cash and cash equivalents	21	167,109,839	94,428,532
		306,731,466	184,164,333
Assets held for sale	44	-	1,872,008
Total current assets		306,731,466	186,036,341
Total assets		1,234,585,295	1,115,426,174

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2021

In thousands of tenge	Note	31 December 2021	31 December 2020
Equity and liabilities			
Share capital	22	12,136,529	12,136,529
Treasury shares	22	(7,065,614)	(7,065,614)
Foreign currency translation reserve	22	(18,338)	(17,200)
Other reserves	22	1,820,479	1,820,479
Retained earnings		569,486,063	476,006,801
		576,359,119	482,880,995
Non-controlling interests	6	67,818,247	35,659,002
Total equity		644,177,366	518,539,997
Non-current liabilities			
Borrowings: non-current portion	23	282,246,983	316,290,589
Lease liabilities: non-current portion	24	33,810,098	42,461,444
Other non-current financial liabilities		707	1,001
Deferred tax liabilities	43	34,571,582	37,293,300
Employee benefit obligations	25	21,848,722	16,265,307
Debt component of preferred shares	22	814,868	814,868
Non-current contract liabilities	26	8,188,122	6,355,295
Government grants: non-current portion	32	14,596,405	-
Asset retirement obligation	27	7,416,005	7,926,958
Total non-current liabilities		403,493,492	427,408,762
Current liabilities			
Borrowings: current portion	23	33,544,325	46,111,485
Lease liabilities: current portion	24	15,341,478	16,649,191
Other current financial liabilities	29	19,952,085	21,157,700
Employee benefit obligations: current portion	25	1,526,442	1,150,837
Trade payables	28	75,100,611	54,866,134
Current corporate income tax payable		1,087,723	-
Current contract liabilities	30	21,880,659	18,589,517
Government grants: current portion	32	4,202,083	-
Other current non-financial liabilities	31	14,279,031	10,057,334
		186,914,437	168,582,198
Liabilities directly associated with the assets held for sale	44	-	895,217
Total current liabilities		186,914,437	169,477,415
Total liabilities		590,407,929	596,886,177
Total equity and liabilities		1,234,585,295	1,115,426,174

Chairman of the Management Board

Chief financial officer

Chief accountant



Yessekeyev K.B.

Uzbekov A.A.

Urazimanova M.M.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

In thousands of tenge	Note	2021	2020
Revenue from contracts with customers	33	581,495,220	520,916,698
Compensation for provision of universal services in rural areas	34	6,412,945	6,413,527
Income from government grants	32	6,285,022	-
		594,193,187	527,330,225
Cost of sales	35	(368,002,607)	(336,970,281)
Gross profit		226,190,580	190,359,944
General and administrative expenses	36	(48,922,105)	(39,343,356)
Impairment losses on financial assets	47	(3,256,363)	(2,238,046)
Impairment losses on non-financial assets	47	(6,001,959)	(6,090,233)
Selling expenses	37	(13,681,240)	(12,790,172)
Reversal of tax and related fines and penalties provision	31, 48	682,820	683,901
Income from compensation from Telia and Turkcell	41	9,386,963	-
Provisions for legal claims	31	-	(4,385,679)
Loss on disposal of property and equipment, net		(671,797)	(337,285)
Other operating income	42	4,249,587	4,276,695
Other operating expenses	42	(998,537)	(678,110)
Operating profit		166,977,949	129,457,659
Share in profits of associates	10	512,364	234,676
Loss from disposal of a subsidiary	44	(425,818)	-
Finance costs	39	(46,436,473)	(51,449,062)
Finance income	39	5,842,984	4,520,300
Net foreign exchange gain	40	2,259,417	4,161,428
Profit before tax		128,730,423	86,925,001
Income tax expenses	43	(31,286,637)	(21,661,972)
Profit for the year		97,443,786	65,263,029
Attributable to:			
Equity holders of the Parent		90,759,490	63,493,359
Non-controlling interests	6	6,684,296	1,769,670

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2021

In thousands of tenge	Note	2021	2020
Other comprehensive loss			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods (net of tax)			
Foreign exchange differences from translation of financial statements of foreign subsidiaries		(1,138)	(13,908)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		(1,138)	(13,908)
Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods (net of tax)			
Actuarial (losses)/gain on defined benefits plans, net of tax	25, 43	(6,302,871)	615,923
Net other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods		(6,302,871)	615,923
Other comprehensive (loss)/income for the year, net of tax		(6,304,009)	602,015
Total comprehensive income for the year, net of tax		91,139,777	65,865,044
Attributable to:			
Equity holders of the Parent		84,455,481	64,095,374
Non-controlling interests	6	6,684,296	1,769,670
		91,139,777	65,865,044
Earnings per share			
Basic and diluted, profit for the year attributable to ordinary equity holders of the parent	22	8,255.40	5,777.75

Chairman of the Management Board

Chief financial officer

Chief accountant



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Yessekeyev K.B.

Uzbekov A.A.

Urazimanova M.M.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

In thousands of tenge	Shares outstanding	Treasury shares	Foreign currency translation reserve
Note	22	22	22
At 1 January 2020	12,136,529	(7,065,614)	(3,292)
Net profit for the year	-	-	-
Other comprehensive income	-	-	(13,908)
Total comprehensive income	-	-	(13,908)
Dividends (Note 22)	-	-	-
At 31 December 2020	12,136,529	(7,065,614)	(17,200)
Net profit for the year	-	-	-
Other comprehensive loss	-	-	(1,138)
Total comprehensive income	-	-	(1,138)
Dividends (Note 22)	-	-	-
Discount on loan received from non-controlling interests (Note 23)	-	-	-
Other transactions with owners (Note 22)	-	-	-
Change in interests in subsidiaries that do not result in a loss of control (Note 5)	-	-	-
At 31 December 2021	12,136,529	(7,065,614)	(18,338)

Other reserves	Retained earnings	Total	Non-controlling interests	Total Equity
22			6	
1,820,479	420,370,835	427,258,937	36,139,332	463,398,269
-	63,493,359	63,493,359	1,769,670	65,263,029
-	615,923	602,015	-	602,015
-	64,109,282	64,095,374	1,769,670	65,865,044
-	(8,473,316)	(8,473,316)	(2,250,000)	(10,723,316)
1,820,479	476,006,801	482,880,995	35,659,002	518,539,997
-	90,759,490	90,759,490	6,684,296	97,443,786
-	(6,302,871)	(6,304,009)	-	(6,304,009)
-	84,456,619	84,455,481	6,684,296	91,139,777
-	(18,958,368)	(18,958,368)	(4,394,500)	(23,352,868)
-	-	-	1,260,102	1,260,102
-	1,310,411	1,310,411	-	1,310,411
-	26,670,600	26,670,600	28,609,347	55,279,947
1,820,479	569,486,063	576,359,119	67,818,247	644,177,366

Chairman of the Management Board

Chief financial officer

Chief accountant



(Handwritten signature)

(Handwritten signature)

(Handwritten signature)

Yessekeyev K.B.

Uzbekov A.A.

Urazimanova M.M.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

In thousands of tenge	Note	2021	2020
Operating activities			
Profit before tax for the year		128,730,423	86,925,001
Adjustments for:			
Depreciation of property and equipment and right of use assets	8, 24	90,332,002	81,418,841
Amortisation of intangible assets	9	27,512,149	28,945,419
Impairment loss on non-financial assets	47	6,001,959	6,090,233
Impairment loss on financial assets	47	3,256,363	2,238,046
Net foreign exchange gain	40	(2,259,417)	(4,161,428)
Changes in employee benefit obligations		(871,089)	473,223
Write-down of inventories to net realizable value	36	521,450	1,199,617
Share in profits of associates	10	(512,364)	(234,676)
Finance costs	39	46,436,473	51,449,062
Finance income	39	(5,842,984)	(4,520,300)
Provisions for tax risks	31	2,226,548	-
Provisions for legal claims	31	-	4,385,679
Income from government grants	32	(6,285,022)	-
Loss on disposal of property and equipment, net		671,797	337,285
Loss on cancellation of lease agreements	24	319,436	-
Reversal of tax and related fines and penalties provision	31, 48	(682,820)	(683,901)
Operating cash flows before changes in operating assets and liabilities		289,554,904	253,862,101
Changes in operating assets and liabilities			
Change in trade receivables		(5,253,423)	(3,079,628)
Change in inventories		3,005,825	(6,124,572)
Change in other current assets		(7,199,343)	2,498,977
Change in advances paid		(2,829,011)	1,061,703
Change in trade payables		6,895,576	(6,455,578)
Change in cost to obtain contracts and cost to fulfil contracts		(535,474)	(80,560)
Change in contract liabilities		5,123,969	(606,706)
Changes in other current liabilities		16,944,554	3,947,470
Cash flows from operating activities		305,707,577	245,023,207
Income tax paid		(28,239,119)	(26,228,465)
Interest paid	47	(44,661,377)	(50,627,061)
Interest received		4,372,735	2,802,949
Net cash flows from operating activities		237,179,816	170,970,630

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2021

In thousands of tenge	Note	2021	2020
Investing activities			
Purchase of property and equipment		(83,802,273)	(93,092,011)
Purchase of intangible assets		(17,425,609)	(13,365,494)
Proceeds from sale of property and equipment		1,797,882	878,889
Cash paid for assets under reverse repurchase agreements	19	(49,999,824)	-
Purchase of financial assets at amortized cost	19	(140,018,401)	(36,751,293)
Proceeds from redemption of financial assets at amortized cost	19	158,630,603	18,139,091
Proceeds from redemption of financial assets at fair value through other comprehensive income		-	5,385,385
Placement of deposits	13, 18	(10,136,700)	(43,243)
Proceeds from disposal of subsidiary, net of cash disposed	44	987,132	-
Issue of long-term loans to employees		(935,162)	(555,099)
Repayment of loans to employees		472,912	404,554
Investments in associates	10	-	(529,392)
Return of cash restricted in use		7,548	9,181
Dividends received from associate	10	35,201	-
Net cash flows used in investing activities		(140,386,691)	(119,519,432)
Financing activities			
Borrowings received	47	62,500,000	53,307,169
Borrowings repaid	47	(107,240,887)	(58,216,453)
Dividends paid to equity holders of the Parent	22	(17,661,587)	(10,143,729)
Dividends paid to non-controlling interests	6, 22	(4,394,500)	(2,250,000)
Repayment of principal portion of lease liabilities	47	(15,072,509)	(14,806,108)
Proceeds from sale of non-controlling shares	5	55,279,947	-
Net cash flows used in financing activities		(26,589,536)	(32,109,121)
Effect of exchange rate changes on cash and cash equivalents		2,201,914	3,713,791
Effect of changes in expected credit losses	21	(4,830)	15,920
Net change in cash and cash equivalents		72,400,673	23,071,788
Cash and cash equivalents, as at 1 January	21	94,709,166	71,637,378
Cash and cash equivalents, as at 31 December	21	167,109,839	94,709,166

Disclosure of significant non-cash transactions is presented in Note 45.

Chairman of the Management Board

Chief financial officer

Chief accountant



Yessekeyev K.B.

Uzbekov A.A.

Urazimanova M.M.

Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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., Nur-Sultan, 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 2021:

	At 31 December 2021	At 31 December 2020
Samruk-Kazyna	51.0%	51.0%
SKYLINE INVESTMENT COMPANY S.A.	24.5%	24.5%
ADR (The Bank of New York — depositor)	9.6%	9.6%
Alatau Capital Invest LLP	3.7%	3.7%
Corporate fund “Development fund”	3.4%	–
United Accumulative Pension Fund JSC	–	3.4%
Other	7.8%	7.8%
	100%	100%

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

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

These consolidated financial statements of the Group were approved for issue by the Chairman of the Management Board on behalf of the Management of the Company on 5 March 2022.

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 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but are not yet effective.

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

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

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

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

COVID-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued **COVID-19-Related Rent Concessions** — amendment to IFRS 16 **Leases**. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received COVID-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

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

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

In November 2021, the Board published an exposure draft in which it proposed that if a right to defer settlement for at least twelve months is subject to an entity complying with conditions after the reporting date, those conditions do not affect whether the right to defer settlement exists at the reporting date for the purpose of classifying a liability as current or non-current.

Additional presentation and disclosure requirements would be applicable in such circumstances, including presenting non-current liabilities that are subject to covenants to be complied with within twelve months after the reporting period, separately in the statement of financial position.

Furthermore, the Board proposed to defer the effective date to no earlier than 1 January 2024 (from 1 January 2023). Comments are due to be received by the Board by 21 March 2022.

Reference to the Conceptual Framework — Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 **Business Combinations — Reference to the Conceptual Framework**. The amendments are intended to replace a reference to the **Framework for the Preparation and Presentation of Financial Statements**, issued in 1989, with a reference to the **Conceptual Framework for Financial Reporting** issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 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 or IFRIC 21 **Levies**, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the **Framework for the Preparation and Presentation of Financial Statements**.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective (continued)

Property, Plant and Equipment: Proceeds before Intended Use — Amendments to IAS 16

In May 2020, the IASB issued **Property, Plant and Equipment — Proceeds before Intended Use**, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling 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.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Onerous Contracts — Costs of Fulfilling a Contract — Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. 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 are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 1 First-time Adoption of International Financial Reporting Standards — Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 **First-time Adoption of International Financial Reporting Standards**. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. This amendment is not applicable to the Group.

IFRS 9 Financial Instruments — Fees in the ‘10 per cent’ test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. 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. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

IAS 41 Agriculture — Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 **Agriculture**. 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.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted. This standard is not applicable to the Group.

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.

Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 — Comparative Information

On 9 December 2021, the IASB issued an amendment to IFRS 17 **Insurance Contracts**, to add a transition option relating to comparative information presented on initial application of IFRS 17 and IFRS 9. This amendment follows from the Exposure Draft (ED) on Initial Application of IFRS 17 and IFRS 9 — **Comparative Information**, published in July 2021, and subsequent redeliberations based on feedback from stakeholders.

The IASB decided to introduce this transition option, a classification overlay for financial assets in the comparative period, in response to concerns raised by stakeholders regarding accounting mismatches that could arise between financial assets and insurance contract liabilities in the comparative information when IFRS 17 and IFRS 9 **Financial Instruments** are first applied in 2023.

The amendments are not expected to have a material impact on the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective (continued)

Amendments to IAS 12 Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

On 7 May 2021, the IASB issued **Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction** – Amendments to IAS 12. The Board amended the standard to reduce diversity in the way that entities account for deferred tax on transactions and events, such as leases and decommissioning obligations, that lead to the initial recognition of both an asset and a liability.

The Amendments narrow the scope of the initial recognition exception under IAS 12 **Income Taxes**, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The Amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The Amendments apply to annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

Foreign currency translation

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

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currency are translated at the official exchange rate ruling at the reporting date established by Kazakhstan Stock Exchange ("KASE") and published by the National Bank of the Republic of Kazakhstan ("NBRK"). 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:

	At 31 December 2021	At 31 December 2020
US dollar	431.8	420.91
Euro	489.1	516.79
Russian rubles	5.76	5.62

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

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

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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties (continued)

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.

	Years
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.

Goodwill

Goodwill is tested for impairment annually as at 31 December, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

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.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Subsequent measurement (continued)

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**.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 subscribers to fixed line and wireless networks are recognized during the expected period of the customer relationship. The expected period of the customer relationship is based on past history of customer period and industry practice.

Equipment provided to customers

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

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

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

Sale of equipment and mobile devices

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

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

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

Roaming discounts

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

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

Significant financing component

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

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (continued)

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

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

Contract balances

Contract assets

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

Trade receivables

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

Contract liabilities

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

Interest income

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

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.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

Deferred tax (continued)

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

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

Contingent assets and liabilities

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

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

Related parties

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

- › Financial instruments and financial risk management objectives and principles — Note 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.

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 lives resulted in a total increase in depreciation expenses for the year ended 31 December 2021 in the amount of KZT 2,152,469 thousand.

The effect of change in estimate for 2022-2025 approximated to KZT 3,429,119 thousand.

	2022	2023	2024	2025	Total
Accelerated depreciation	2,889,119	180,000	180,000	180,000	3,429,119

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

Estimates and assumptions (continued)

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 2021 provision for expected credit losses was created in the amount of KZT 11,427,430 thousand (2020: KZT 11,040,859 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.

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 2021, average customer relationship period is assessed as 13 (thirteen) years for fixed line customers and 5 (five) years for internet customers.

Decommissioning liability

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

In 2021, Kazakhtelecom JSC together with its subsidiaries, Kcell JSC and Mobile Telecom-Service LLP 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.

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

Estimates and assumptions (continued)

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 2021, deferred tax assets of the Group were equal to KZT 660,170 thousand (at 31 December 2020: KZT 1,980,671 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 2021	31 December 2020
Khan Tengri Holding B.V.	Netherlands	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%	–
Kcell JSC	Kazakhstan	51.00%	75.00%
KT Cloud Lab LLP	Kazakhstan	–	100.00%

On 17 June 2019, the Group announced the decision of its Board of Directors to sell 100% share in the charter capital of KT Cloud Lab LLP through the open two-step tender. On 14 June 2021, the Group has concluded an agreement with the winner of the tender under which payments shall be made in 3 tranches. The transfer of the ownership right is carried out proportionally, while the unpaid and not transferred share is transferred to trust management until full repayment. 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 (Note 44).

On 21 September 2021, the Group announced the decision of its Board of Directors to sell 24% share in the share capital of Kcell JSC through open bidding on Kazakhstan Stock Exchange (KASE). On 30 September 2021, the Group sold 24% interest in the voting shares of Kcell JSC, that resulted in decrease of its ownership interest to 51%. Cash consideration of KZT 55,279,947 thousand was received from non-controlling shareholder. The carrying value of the net assets of Kcell JSC at the date of disposal (excluding goodwill on the original acquisition) was KZT 119,205,613 thousand. Following is a schedule of interest sold in Kcell JSC:

In thousands of tenge	2021
Cash consideration received from non-controlling shareholder	55,279,947
Carrying value of the 24% interest in Kcell JSC	28,609,347
Difference recognised in retained earnings	26,670,600

6. MATERIAL PARTLY-OWNED SUBSIDIARIES

Kcell JSC

Financial information of subsidiary Kcell JSC that has material non-controlling interests is provided below:

	Country of incorporation	31 December 2021	31 December 2020
Kcell JSC	Kazakhstan	49.00%	25.00%

The following tables illustrate summarized financial information of subsidiary on a stand-alone basis, in which the Group has significant non-controlling interests. This information is based on amounts before inter-company eliminations.

Summarised consolidated statement of comprehensive income of Kcell JSC for 2021 and 2020 from the acquisition date:

In thousands of tenge	2021	2020
Revenue from contracts with customers	194,080,886	174,683,563
Income from government grants	2,108,241	-
Cost of sales	(138,991,033)	(132,257,468)
Provisions for legal claims	-	(4,385,785)
General and administrative expenses	(14,137,364)	(10,426,147)
Impairment of financial assets	(2,106,078)	(1,547,115)
Impairment of non-financial assets	(588,658)	(5,223,925)
Selling expenses	(3,105,692)	(1,964,949)
Reversal of tax and related fines and penalties provision	682,820	683,901
Finance costs	(10,326,302)	(11,749,583)
Finance income	2,560,723	2,300,398
Net foreign exchange income	402,606	986,942
Other income	794,569	807,545
Other expenses	(1,296,604)	(410,009)
Profit before tax	30,078,114	11,497,368
Income tax expenses	(8,071,206)	(4,418,647)
Profit for the year	22,006,908	7,078,721
Profit attributable to equity holders of the Parent	15,322,612	5,309,051
Profit attributable to non-controlling interests	6,684,296	1,769,670
Dividends paid to non-controlling interests	4,394,500	2,250,000

6. MATERIAL PARTLY-OWNED SUBSIDIARIES (CONTINUED)

Kcell JSC (continued)

Summarised consolidated statement of financial position of Kcell JSC as at 31 December 2021 and 2020:

In thousands of tenge	2021	2020
Non-current assets	214,368,308	218,992,458
Current assets	86,413,592	73,253,134
Non-current liabilities	(85,572,007)	(88,909,214)
Current liabilities	(68,086,154)	(60,700,371)
Total equity	147,123,739	142,636,007
Attributable to:		
Equity holders of the Participants	79,305,492	106,977,005
Non-controlling interests	67,818,247	35,659,002

Summarised consolidated cash flow information of Kcell JSC for the years ended 31 December 2021 and 2020:

In thousands of tenge	2021	2020
Operating cash flows	74,056,106	52,259,104
Investing cash flows	(12,452,350)	(36,621,393)
Financing cash flows	(33,652,906)	(1,887,190)
Foreign exchange effect on cash and cash equivalents	428,455	447,076
Net increase in cash and cash equivalents	28,379,305	14,197,597

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 and KT Cloud Lab LLP;
- Rendering mobile telecommunication services in GSM and LTE standards by business units of Khan Tengri Holding B.V. 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 2021 and 2020.

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
Revenue from contracts with customer					
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)	-
Total revenue from contracts with customers	271,221,295	364,741,921	2,901,740	(57,369,736)	581,495,220
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
Total	279,565,003	369,096,180	2,901,740	(57,369,736)	594,193,187
Financial results					
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 profits 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)
Segment profit/(loss)	86,234,388	85,635,478	700,168	(43,839,611)	128,730,423
Operating assets	794,655,256	749,504,167	5,467,577	(315,041,705)	1,234,585,295
Operating liabilities	315,082,967	296,628,298	1,438,901	(22,742,237)	590,407,929
Other disclosures					
Investments in associates	-	-	3,460,120	-	3,460,120
Capital expenditures	38,636,762	74,950,823	60,533	(1,420)	113,646,698

For the year ended 31 December 2020

In thousands of tenge	Fixed line	Mobile telecommunication services in GSM and LTE standards	Other	Eliminations and adjustments	Group
Revenue from contracts with customer					
Sales to external customers	209,259,384	310,924,680	732,634	-	520,916,698
Inter-segment	36,613,456	13,395,884	620,740	(50,630,080)	-
Total revenue from contracts with customer	245,872,840	324,320,564	1,353,374	(50,630,080)	520,916,698
Compensation for provision of universal services in rural areas	6,413,527	-	-	-	6,413,527
Total	252,286,367	324,320,564	1,353,374	(50,630,080)	527,330,225
Financial results					
Depreciation and amortisation	(37,207,916)	(74,634,638)	(29,582)	1,507,876	(110,364,260)
Finance costs	(27,773,738)	(25,348,210)	(475)	1,673,361	(51,449,062)
Finance income	3,187,081	2,635,644	3	(1,302,428)	4,520,300
Dividends income	7,011,582	-	-	(7,011,582)	-
Share in profit of associates	-	-	234,676	-	234,676
Impairment losses on non-financial assets	(2,693)	(6,041,408)	(46,132)	-	(6,090,233)
Impairment losses on financial assets	(380,882)	(1,866,211)	(12,005)	21,052	(2,238,046)
Income tax expenses	(7,740,699)	(13,840,162)	90,916	(172,027)	(21,661,972)
Segment profit/(loss)	41,504,158	51,464,318	52,587	(6,096,062)	86,925,001
Operating assets	750,627,968	724,829,686	3,943,053	(363,974,533)	1,115,426,174
Operating liabilities	323,183,472	296,030,213	639,868	(22,967,376)	596,886,177
Other disclosures					
Investments in associates	-	-	2,982,957	-	2,982,957
Assets held for sale	1,872,008	-	-	-	1,872,008
Capital expenditures	63,575,357	51,800,983	10,778	-	115,387,118

7. SEGMENT INFORMATION (CONTINUED)

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

Reconciliation of profit

In thousands of tenge	2021	2020
Segment profit	172,570,034	93,021,063
Other	(43,839,611)	(6,096,062)
Profit of the Group	128,730,423	86,925,001

Reconciliation of assets

In thousands of tenge	2021	2020
Segment operating assets	1,549,627,000	1,479,400,707
Elimination of the Company's investments in subsidiaries	(291,256,203)	(340,809,525)
Elimination of intra-group receivables and payables	(23,785,502)	(23,165,008)
Total assets of the Group	1,234,585,295	1,115,426,174

Reconciliation of liabilities

In thousands of tenge	2021	2020
Segment operating liabilities	613,150,166	619,853,553
Elimination of intra-group receivables and payables	(22,742,237)	(22,967,376)
Total liabilities of the Group	590,407,929	596,886,177

8. PROPERTY AND EQUIPMENT

Movements of property and equipment in 2021 and 2020 were as follows:

In thousands of tenge	Land	Buildings and constructions	Equipment	Other	Construction in progress	Total
Cost						
At 1 January 2020	3,264,474	68,716,690	651,460,857	18,887,182	82,945,637	825,274,840
Additions	777	480,587	26,752,929	486,085	71,206,468	98,926,846
Asset retirement obligation (Note 27)	-	-	740,628	-	-	740,628
Transfers	-	16,394,604	70,010,032	326,140	(86,730,776)	-
Disposals	(5,622)	(331,080)	(6,953,391)	(343,675)	(37,486)	(7,671,254)
At 31 December 2020	3,259,629	85,260,801	742,011,055	19,355,732	67,383,843	917,271,060
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)
At 31 December 2021	3,227,809	88,766,468	796,692,380	20,481,563	82,744,255	991,912,475
Accumulated depreciation and impairment						
At 1 January 2020	-	22,417,031	347,898,126	12,651,371	4,186,018	387,152,546
Depreciation charge	-	3,000,450	63,589,529	1,923,616	-	68,513,595
Impairment	-	165,034	94,746	-	4,964,287	5,224,067
Disposals	-	(193,572)	(6,147,925)	(324,987)	-	(6,666,484)
At 31 December 2020	-	25,388,943	405,434,476	14,250,000	9,150,305	454,223,724
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)
At 31 December 2021	-	28,712,854	459,301,526	15,653,744	12,206,259	515,874,383
Net book value						
At 31 December 2020	3,259,629	59,871,858	336,576,579	5,105,732	58,233,538	463,047,336
At 31 December 2021	3,227,809	60,053,614	337,390,854	4,827,819	70,537,996	476,038,092

As at 31 December 2021 and 2020, assets under construction represented by equipment for installation for base transmission stations, mobile switch servers and other telecommunication equipment and services works.

As at 31 December 2021, the gross carrying value of property and equipment which has been fully depreciated and still in use was KZT 436,917,636 thousand (as at 31 December 2020: KZT 404,178,863 thousand).

As at 31 December 2021, advances paid for non-current assets in the amount of KZT 3,647,122 thousand mainly represented by advances paid for installation of base stations, construction and delivery of fixed assets (as at 31 December 2020: KZT 3,237,280 thousand). During 2021, the Group has recognized impairment loss on its advances paid for non current assets for KZT 111,377 thousand (2020: KZT 356,318 thousand) (Note 47).

8. PROPERTY AND EQUIPMENT (CONTINUED)

Impairment test

The coronavirus (COVID-19) outbreak has affected many countries and resulted in significant volatility in financial and commodity markets around the world. There is already evidence that the virus has significantly impacted the global economy (Note 48). The Group's management analyzed external and internal sources of information, including the current and future impact of the COVID-19 pandemic on the Group and on macroeconomic environment, and did not observe any significant negative impacts on the Group's business, financial conditions and results of operations. During 2021, the Group did not identify impairment factors for all CGUs related with COVID-19 impact, except certain items of property and equipment as described below.

During 2021, the Group recognized an impairment loss in the amount of KZT 890,858 thousand (2020: KZT 259,780 thousand) for property and equipment and KZT 3,055,954 thousand for construction-in-progress (2020: KZT 4,964,287 thousand), which represented the write down of certain assets to the recoverable amount 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 2021 and 2020 were as follows:

In thousands of tenge	Licenses	Software	Other	Intangible assets under development	Total
Cost					
At 1 January 2020	223,637,046	32,002,666	20,679,853	1,190,442	277,510,007
Additions	3,352,911	11,147,577	448,150	771,006	15,719,644
Disposals	(879,619)	(53,410)	-	-	(933,029)
Transfers	(70,372)	1,559,087	-	(1,488,715)	-
At 31 December 2020	226,039,966	44,655,920	21,128,003	472,733	292,296,622
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)	-
At 31 December 2021	229,905,641	53,722,404	20,426,342	472,733	304,527,120
Accumulated amortisation and impairment					
At 1 January 2020	20,547,735	21,806,545	4,041,613	-	46,395,893
Amortisation charge	18,303,264	8,781,910	1,860,245	-	28,945,419
Impairment	-	46,132	-	472,733	518,865
Disposals	(879,619)	(37,816)	-	-	(917,435)
At 31 December 2020	37,971,380	30,596,771	5,901,858	472,733	74,942,742
Amortisation charge	17,620,372	8,055,489	1,836,288	-	27,512,149
Impairment	565,793	1,397,968	-	-	1,963,761
Disposals	(3,142,446)	(326,438)	(1,847,433)	-	(5,316,317)
At 31 December 2021	53,015,099	39,723,790	5,890,713	472,733	99,102,335
Net book value					
At 31 December 2020	188,068,586	14,059,149	15,226,145	-	217,353,880
At 31 December 2021	176,890,542	13,998,614	14,535,629	-	205,424,785

Licenses and trademarks, software and other include intangible assets acquired as a result of business combinations.

During 2021, the Group recognized an impairment loss of KZT 1,963,761 thousand, which represented licenses, software and part of billing system that was in non-operating condition (31 December 2020: KZT 518,865 thousand). Loss was recognized in the consolidated statement of comprehensive income as an operating expense.

As at 31 December 2021 the gross carrying value of intangible assets, which have been fully amortized and still in use was KZT 68,599,192 thousand (as at 31 December 2020: KZT 57,814,037 thousand).

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 2021		31 December 2020	
			Carrying amount	Ownership share	Carrying amount	Ownership share
QazCloud LLP	IT services	Kazakhstan	3,460,120	49%	2,982,957	49%
			3,460,120		2,982,957	

Movements in investments in associates for the years 2021 and 2020 are as follows:

In thousands of tenge	QazCloud LLP
At 1 January 2020	2,218,889
Additional contribution to the charter capital of an associate	529,392
Share in profit of associates	234,676
At 31 December 2020	2,982,957
Share in profits of associates	512,364
Dividends declared	(35,201)
At 31 December 2021	3,460,120

Based on the decision of the Board of Directors of Kazakhtelecom JSC, on 17 of August 2016, Kazakhtelecom JSC and Samruk-Kazyna Business Service LLP signed the agreement of purchase and sale of 51% interest of Kazakhtelecom JSC in the charter capital of QazCloud LLP.

On 5 November 2020, the Board of Directors of Kazakhtelecom JSC approved a decision to make an additional investment contribution to the charter capital of QazCloud LLP in the amount of KZT 529,392 thousand.

On 9 December 2020, the Group made contributions to the charter capital of QazCloud LLP in the amount of KZT 529,392 thousand. The additional contributions to the charter capital of QazCloud LLP did not lead to the change in share of interest of the Group as the second participant, Samruk-Kazyna Business Service LLP, also made the contributions to the charter capital of QazCloud LLP according to its share.

During 2021, QazCloud LLP declared and repaid dividends for KZT 35,201 thousand to the Group.

10. INVESTMENTS IN ASSOCIATES (CONTINUED)

The table below provides a summarized financial information on the Group's investment in QazCloud LLP:

In thousands of tenge	At 31 December 2021	At 31 December 2020
Non-current assets	6,934,261	4,364,015
Current assets, including	5,822,194	7,033,758
Cash and cash equivalents	2,490,816	4,589,503
Non-current liabilities, including	(1,604,501)	(970,186)
Non-current financial liabilities	(99,284)	(881,229)
Current liabilities, including	(4,090,485)	(4,339,919)
Current financial liabilities	(2,657,079)	(2,711,217)
Equity	7,061,469	6,087,668
Share of the ownership — 49%	3,460,120	2,982,957
Carrying amount of the investment of the Group	3,460,120	2,982,957

In thousands of tenge	2021	2020
Revenue from contracts with customers	13,423,846	6,594,529
Depreciation and amortization	(2,072,460)	(1,040,130)
Finance income	42,134	31,844
Finance costs	(421,906)	(165,072)
Income tax expense	(261,410)	(119,735)
Profit for the year	1,045,640	478,931
Total comprehensive income	1,045,640	478,931
Share of the Group in profit for the year	512,364	234,676

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."). IP TV CGU is part of the fixed telecommunications segment, while Kcell JSC and Khan Tengri Holding B.V. 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	2021	2020
Khan Tengri Holding B.V.	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 2021 and 2020.

Khan Tengri Holding B.V.

The recoverable amount of the Khan Tengri Holding B.V. CGU has been determined based on the calculation of fair value less costs of disposal 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 pre-tax discount rate applied to projected cash flows was 21.09% (2020: 18.63%), and cash flows beyond the five-year period were extrapolated taking into account a growth rate of 1.5% (2020: 1.5%).

As a result of the analysis, management did not identify an impairment for this CGU as at 31 December 2021.

Kcell JSC

The recoverable amount of Kcell JSC CGU has been determined based on the calculation of fair value less costs of disposal 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 pre-tax discount rate applied to projected cash flows was 19.56% (2020: 17.88%), and cash flows beyond the five year period were extrapolated taking into account a growth rate of 1.5% (2020: 1.5%).

As a result of the analysis, management did not identify an impairment for this CGU as at 31 December 2021.

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 16.94% (2020: 15.02%), and cash flows beyond the five-year period are extrapolated using a 1.5% growth rate (2020: 1.5%).

As a result of the analysis, management did not identify an impairment for this CGU as at 31 December 2021.

Key assumptions used in value in use calculations

The calculation of value-in-use for IPTV and fair value less costs of disposal for Khan Tengri Holding B.V. and Kcell JSC 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.

11. IMPAIRMENT TESTING (CONTINUED)

Key assumptions used in value in use calculations (continued)

Level of capital investments

The level of capital investments is important in Khan Tengri Holding B.V. and Kcell JSC 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 Khan Tengri Holding B.V. 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 8.08% (2020: 3.65%), would result in a loss from impairment in IP TV GCU for KZT 59,462 thousand (2020: KZT 26 thousand).

Level of capital investments

Increase in capital investments by more than 240% (2020: 95%) would result in loss from impairment in IP TV CGU for KZT 2,523 thousand (2020: KZT 201 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 pre-tax discount rate to 27% (2020: 23.56%) would result in impairment loss in IP TV CGU for KZT 47,663 thousand (2020: KZT 28 thousand).

Sensitivity to changes in assumptions — Khan Tengri Holding B.V.

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 6.67% (2020: 6.3%), would result in a loss from impairment in Khan Tengri Holding B.V. CGU for KZT 389,162 thousand (2020: KZT 720,765 thousand).

Level of capital investments

Increase in capital investments by more than 45% (2020: 85%) would result in loss from impairment in Khan Tengri Holding B.V. CGU for KZT 3,481,170 thousand (2020: KZT 1,415,055 thousand).

EBITDA margin

Decrease in EBITDA margin by more than 8% (2020: 14%) would result in loss from impairment in Khan Tengri Holding B.V. CGU for KZT 2,210,532 thousand (2020: KZT 979,530 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 by 17% (2020: 54.3%) per annum in the long-term growth rate in Khan Tengri Holding B.V. CGU would result in impairment loss for KZT 207,658 thousand (2020: KZT 41,140 thousand).

Discount rate

An increase in pre-tax discount rate to 31% (2020: 33%) would result in impairment loss in Khan Tengri Holding B.V. CGU for KZT 34,820 thousand (2020: KZT 2,399,056 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 11.87% (2020: 5.06%), would result in a loss from impairment in Kcell CGU for KZT 176,947 thousand (2020: KZT 84,186 thousand).

Level of capital investments

Increase in capital investments by more than 154% (2020: 91.5%) would result in loss from impairment in Kcell CGU for KZT 249,101 thousand (2020: KZT 189,203 thousand).

11. IMPAIRMENT TESTING (CONTINUED)

Sensitivity to changes in assumptions — Kcell JSC (continued)

EBITDA margin

Decrease in EBITDA margin by more than 15% (2020: 11.2%) would result in loss from impairment in Kcell CGU for KZT 246,588 thousand (2020: KZT 204,366 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 by 11.15% (2020: 30.21%) per annum and more in the long-term growth rate in Kcell CGU would result in impairment loss for KZT 99,362 thousand (2020: KZT 261,186 thousand).

Discount rate

An increase in pre-tax discount rate to 38.8% (2020: 28.85%) would result in loss from impairment in Kcell CGU for KZT 445,014 thousand (2020: KZT 270,725 thousand).

12. INVESTMENT PROPERTY

Movements in investment property for the years ended 31 December 2021 and 2020 were as follows:

In thousands of tenge	2021	2020
Cost		
At 1 January	1,264,668	1,264,668
At 31 December	1,264,668	1,264,668
Accumulated depreciation and impairment		
At 1 January	(1,264,668)	(1,264,668)
At 31 December	(1,264,668)	(1,264,668)
Carrying amount		
At 1 January	-	-
At 31 December	-	-

Investment property 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 2021 and 2020, 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. 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 2021 and 2020, other non-current financial assets comprised:

In thousands of tenge	2021	2020
Long-term accounts receivable	4,147,622	2,421,066
Loans to employees	1,854,480	2,060,858
Long-term deposits	830,526	-
Cash restricted in use	43,243	43,243
Other	375,674	264,012
	7,251,545	4,789,179
Less: allowance for expected credit losses	(110,184)	-
	7,141,361	4,789,179

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

In thousands of tenge	2021	2020
Allowance for expected credit losses at the beginning of the year	-	-
Charge for the year (Note 47)	(110,184)	-
Allowance for expected credit losses at the end of the year	(110,184)	-

As at 31 December 2021 and 2020, the Group's other non-current financial assets were denominated in the following currencies:

In thousands of tenge	2021	2020
Tenge	7,098,118	4,745,936
US dollars	43,243	43,243
	7,141,361	4,789,179

As at 31 December 2021, the long-term accounts receivable represented by special agreements with customers for the purchase of contract phones for KZT 4,147,622 thousand (as at 31 December 2020: KZT 2,421,066 thousand). These long-term accounts receivable were discounted as at market interest rates of 7.5% per annum (2020: 10% 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% (2020: 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 2021, the Group placed several long-term deposits in Halyk Bank of Kazakhstan JSC for the total amount of KZT 1,977,700 thousand with the maturity date in 2036 and an interest rate of 0.1% per annum. These bank deposits were discounted as at the issue date using market interest rates of 4.1% per annum to 8%. As a result, the Group has recognized discount in the amount of KZT 1,180,433 thousand. At the placement date, long-term deposits were recognized at its fair value equal to KZT 797,267 thousand. During 2021, the Group has recognized amortization of discount for KZT 33,259 thousand.

14. OTHER NON-CURRENT NON-FINANCIAL ASSETS

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

In thousands of tenge	2021	2020
Deferred connection cost of operators	4,907,385	1,353,299
Long-term VAT receivable	–	369,524
Other	693,618	96,222
	5,601,003	1,819,045

15. INVENTORIES

As at 31 December 2021 and 2020, inventories comprised:

In thousands of tenge	2021	2020
Goods for resale at lower of cost and net realisable value	8,345,018	11,734,343
Cable materials at cost	1,592,830	1,340,654
Raw and other materials at cost	1,174,480	1,641,865
Spare parts at cost	476,464	463,893
Fuel at cost	373,962	309,274
	11,962,754	15,490,029

During 2021, an amount of KZT 521,450 thousand (2020: KZT 1,199,617 thousand) was recognized as expenses in respect of inventories recorded at net realizable value. In 2021, 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 2021 and 2020, trade receivables comprised:

In thousands of tenge	2021	2020
Trade receivables	43,125,578	40,847,311
	43,125,578	40,847,311
Less: allowance for expected credit losses	(6,252,535)	(6,135,606)
	36,873,043	34,711,705

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

In thousands of tenge	2021	2020
Allowance for expected credit losses at the beginning of the year	(6,135,606)	(4,950,893)
Charge for the year (Note 47)	(2,971,041)	(2,159,063)
Write-off for the year	2,854,112	974,350
Allowance for expected credit losses at the end of the year	(6,252,535)	(6,135,606)

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	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	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)

Below is information as at 31 December 2020 about the credit risk exposure on the Group's trade receivables using a matrix of reserves:

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	0.50%	6.89%	18.30%	23.32%	39.95%	68.41%	100%	
Estimated total gross carrying amount at default	28,423,009	3,314,635	1,694,987	1,062,628	791,244	2,117,242	3,443,566	40,847,311
Allowance for expected credit losses	(141,385)	(228,289)	(310,136)	(247,793)	(316,064)	(1,448,373)	(3,443,566)	(6,135,606)

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

In thousands of tenge	2021	2020
Tenge	35,252,251	33,215,353
US dollars	1,413,021	1,260,092
Euro	199,179	205,826
Other currencies	8,592	30,434
	36,873,043	34,711,705

17. ADVANCES PAID

As at 31 December 2021 and 2020, advances paid comprised:

In thousands of tenge	2021	2020
Advances paid	7,509,687	4,688,615
	7,509,687	4,688,615
Less: allowance for impairment	(9,136)	(37,066)
	7,500,551	4,651,549

17. ADVANCES PAID (CONTINUED)

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

In thousands of tenge	2021	2020
Allowance for impairment at the beginnings of the year	(37,066)	(44,563)
Reversal for the year	19,991	9,017
Write-off for the year	7,939	(1,520)
Allowance for impairment at the end of the year	(9,136)	(37,066)

As at 31 December 2021 and 2020, 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 2021 and 2020, other current financial assets comprised:

In thousands of tenge	2021	2020
Bank deposits	11,558,500	3,399,500
Loans to employees	1,245,820	1,502,112
Restricted cash	912,769	920,317
Due from employees	372,763	364,405
Other accounts receivable	2,559,341	2,341,581
	16,649,193	8,527,915
Less: allowance for expected credit losses	(5,056,469)	(4,901,841)
	11,592,724	3,626,074

As at 31 December 2020, the Group does not have bank deposits with initial maturity of more than 3 (three) months but less than 12 (twelve) months, except deposit placed in Eximbank Kazakhstan JSC.

As at 31 December 2021 and 2020, 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.

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.

Restricted cash represents cash on the accounts with KazInvestBank JSC and Eximbank Kazakhstan JSC for 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. Allowance for expected credit loss was recorded for the whole amount of this cash.

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

In thousands of tenge	2021	2020
Allowance for expected credit losses at the beginning of the year	(4,901,841)	(4,820,587)
Charge for the year (Note 47)	(168,526)	(90,887)
Write-off for the year	13,898	9,633
Allowance for expected credit losses at the end of the year	(5,056,469)	(4,901,841)

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	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	7.28%	4.98%	28.80%	13.52%	29.50%	47.03%	100.00%	
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)

Below is information as at 31 December 2020 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	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	1.75%	1.99%	8.57%	7.37%	24.86%	56.30%	100.00%	
Estimated total gross carrying amount at default	3,631,594	26,950	14,707	5,444	1,585	27,351	500,467	4,208,098
Allowance for expected credit losses	(63,568)	(535)	(1,260)	(401)	(394)	(15,399)	(500,467)	(582,024)

As at 31 December 2021 and 2020, other current financial assets were denominated in the following currencies:

In thousands of tenge	2021	2020
Tenge	9,425,976	3,618,457
US dollars	2,166,748	7,617
	11,592,724	3,626,074

19. ASSET UNDER REVERSE REPURCHASE AGREEMENTS AND FINANCIAL ASSETS AT AMORTIZED COST

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 matures on 31 March 2022. The resale prices of the securities purchased is KZT 51,172,262 thousand, and currency of the agreement is tenge.

Financial assets at amortized cost

As at 31 December 2020 financial assets at amortized cost in the amount of KZT 18,923,399 thousand were represented by short-term discount notes of National Bank of the Republic of Kazakhstan ("NBRK") denominated in tenge, were fully redeemed as of 31 December 2021. In 2021 and 2020, the Group acquired short term discount notes at purchase price KZT 140,018,401 thousand and KZT 36,751,293 thousand, respectively. In 2021 short term discount notes with nominal value in the amount of KZT 158,630,603 thousand and interest income in the amount of KZT 1,369,397 thousand was redeemed (2020: KZT 18,139,091 thousand of nominal value and interest income of KZT 760,909 thousand, respectively).

19. ASSET UNDER REVERSE REPURCHASE AGREEMENTS AND FINANCIAL ASSETS AT AMORTIZED COST (CONTINUED)

Financial assets at amortized cost (continued)

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

In thousands of tenge	Maturity date	Yield to maturity	Nominal value	31 December 2021	31 December 2020
NBRK note	13 January 2021	8.92%	10,000,000	–	9,968,318
NBRK note	15 January 2021	9.41%	4,000,000	–	3,984,591
NBRK note	22 January 2021	9.85%	3,000,000	–	2,982,294
NBRK note	22 January 2021	9.85%	2,000,000	–	1,988,196
			19,000,000	–	18,923,399

The Group recognized the financial assets at amortized cost as the contractual cash flows are solely principal and interest and the financial assets are held within a business model for collecting contractual cash flows.

20. OTHER CURRENT NON-FINANCIAL ASSETS

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

In thousands of tenge	2021	2020
VAT receivable	6,850,749	4,661,908
Taxes prepaid other than corporate income tax	3,536,444	1,241,207
Deferred connection cost of operators	906,594	237,750
Other	2,016,645	1,159,466
	13,310,432	7,300,331

21. CASH AND CASH EQUIVALENTS

As at 31 December 2021 and 2020, cash and cash equivalents comprised:

In thousands of tenge	2021	2020
Cash on current bank accounts	97,556,615	84,060,922
Deposits with less than 90 days' maturity from the date of opening	69,547,376	10,325,020
Cash on hand	14,090	46,002
	167,118,081	94,431,944
Less: allowance for expected credit losses	(8,242)	(3,412)
	167,109,839	94,428,532

Cash on current bank accounts earn interest at the rates ranging from 0.2% to 7.0% per annum (2020: from 0.1% to 7.25% per annum).

As at 31 December 2021, short-term deposits for KZT 69,547,376 thousand were placed for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and earned interest at the rate of up to 8.90% per annum (as at 31 December 2020: KZT 10,325,020 thousand with a rate of up to 8.50%).

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at 31 December:

In thousands of tenge	2021	2020
Cash on current bank accounts	97,556,615	84,060,922
Deposits with less than 90 days' maturity from the date of opening	69,547,376	10,325,020
Cash on current bank accounts attributable to disposed group	-	280,634
Cash on hand	14,090	46,002
	167,118,081	94,712,578
Less: allowance for expected credit losses	(8,242)	(3,412)
Total cash and cash equivalents	167,109,839	94,709,166

As at 31 December 2021 and 2020, cash and cash equivalents were denominated in the following currencies:

In thousands of tenge	2021	2020
US dollars	104,821,000	79,699,144
Tenge	60,770,210	13,491,284
Euro	1,212,064	1,116,469
Russian roubles	305,666	120,751
Other	899	884
	167,109,839	94,428,532

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

In thousands of tenge	2021	2020
Allowance for expected credit losses at the beginning of the year	(3,412)	(19,332)
(Charge)/reversal for the year (Note 47)	(4,830)	15,920
Allowance for expected credit losses at the end of the year	(8,242)	(3,412)

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	
At 31 December 2019		1,213,653	10,922,876	1,213,653	12,136,529
At 31 December 2020	10,922,876	1,213,653	10,922,876	1,213,653	12,136,529
At 31 December 2021	10,922,876	1,213,653	10,922,876	1,213,653	12,136,529

22. EQUITY (CONTINUED)

Treasury shares

	Number of shares		In thousands of tenge		Total
	Common shares	Preferred non-voting shares	Common shares	Preferred non-voting shares	
At 31 December 2019	216,852	914,868	3,052,617	4,012,997	7,065,614
Treasury shares reacquired	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-
At 31 December 2020	216,852	914,868	3,052,617	4,012,997	7,065,614
Treasury shares reacquired	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-
At 31 December 2021	216,852	914,868	3,052,617	4,012,997	7,065,614

Shares issued less reacquired shares

As at 31 December 2021 and 2020, 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 of 300 tenge per share, and not less than the amount of the dividends per share paid to holders of common shares. Payment of preferred shares dividends does not require a resolution of Kazakhtelecom JSC shareholders meeting. The discounted value of future cash flows of annual cumulative dividends is recorded as a financial liability as at 31 December 2021 in the amount of KZT 814,868 thousand (31 December 2020: KZT 814,868 thousand).

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 2021 (at 31 December 2020: 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 2021, the Company declared dividends on preferred shares based on 2020 results in the amount of KZT 427,525 thousand and dividends on common shares in the amount of KZT 22,925,343 thousand (2020: KZT 142,852 thousand and KZT 10,580,464 thousand, respectively). The dividends accrued on common shares during 2021. Dividends per share (common and preferred) as at 31 December 2021 were equal to KZT 1,730.88 (as at 31 December 2020: KZT 778.11 per common share).

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

In thousands of tenge	2021	2020
Dividends payable at the beginning of the year	17,577	1,598,354
Dividends declared on common shares to equity holders of the parent	18,530,843	8,330,464
Dividends declared on common shares to non-controlling interests	4,394,500	2,250,000
Dividends declared on preferred shares in excess of the obligatory amount	427,525	142,852
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	(17,661,587)	(10,143,729)
Dividends paid to non-controlling interests	(4,394,500)	(2,250,000)
Dividends payable at the end of the year (Note 29)	17,573	17,577

For the year ended 31 December 2021 the Group paid withholding tax on dividends in the amount of KZT 3,191 thousand (2020: KZT 162,819 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 2021 and 2020.

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.

22. EQUITY (CONTINUED)

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 reflect profit and share data used in the basic and diluted earnings per share computations:

In thousands of tenge	2021	2020
Net profit	90,759,490	63,493,359
Interest on preferred shares (Note 39)	89,636	89,636
Net profit for calculating of basic and diluted earnings per share	90,849,126	63,582,995
Weighted average number of common and preferred shares for calculation of basic and diluted earnings per share	11,004,809	11,004,809
Basic and diluted earnings per share, tenge	8,255.40	5,777.75

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.

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	2021	2020
Total assets	1,234,585,295	1,115,426,174
Less: intangible assets, including goodwill	357,827,030	369,756,125
Less: total liabilities	590,407,929	596,886,177
Less: preferred shares issued net of reacquired shares	298,785	298,785
Net assets for calculation of cost of ordinary share in accordance with listing requirements of KASE	286,051,551	148,485,087
Number of ordinary shares	10,706,024	10,706,024
Cost of ordinary share, calculated in accordance with listing requirements of KASE (in tenge)	26,719	13,869

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 2021, this indicator amounted to 3,727 tenge (as at 31 December 2020: 3,727 tenge).

23. BORROWINGS

As at 31 December 2021 and 2020, borrowings comprised:

In thousands of tenge	Weighted average effective interest rate	2021	Weighted average effective interest rate	2020
Bonds with a fixed interest rate of 11.84% to 11.86% per annum	11.85%	158,100,718	11.85%	180,952,977
Borrowings with a fixed interest rate of 7.12% to 13.06% per annum	10.90%	157,690,590	10.99%	181,449,097
		315,791,308		362,402,074

Borrowings are repayable as follows

In thousands of tenge	2021	2020
Current portion of borrowings	33,544,325	46,111,485
Maturity between 1 and 2 years	24,453,132	28,978,947
Maturity between 2 and 5 years	239,849,225	187,254,778
Maturity over 5 years	17,944,626	100,056,864
Total non-current portion of borrowings	282,246,983	316,290,589
Total borrowings	315,791,308	362,402,074

As of 31 December 2021 and December 2020, loans represented by the following:

Borrowings	Maturity date	Currency	Effective interest rate	2021	2020
Halyk Bank of Kazakhstan JSC	21 May 2027	Tenge	12.20%	58,057,949	68,609,396
First Heartland Jusan Bank JSC	10 November 2024	Tenge	11.70%	39,870,617	–
Development Bank of Kazakhstan JSC (Note 46)	30 June 2032	Tenge	7.95%-8.41%	23,611,713	25,762,791
Development Bank of Kazakhstan JSC (Note 46)	19 December 2024	Tenge	7.12%-9.30%	16,039,080	23,651,673
Bank of China Kazakhstan JSC	2 June 2024	Tenge	10.70%	13,105,003	11,059,412
VTB Bank JSC	15 October 2023	Tenge	11.90%	7,006,228	6,005,330
Halyk Bank of Kazakhstan JSC	22 February 2024	Tenge	11.20%	–	15,223,348
Eurasian Development Bank JSC	20 June 2024	Tenge	13.06%	–	18,129,058
Halyk Bank of Kazakhstan JSC	30 June 2023	Tenge	12.18%	–	13,008,089
Total				157,690,590	181,449,097

As at 31 December 2021 and 2020 the Group's borrowings have fixed interest rates.

Halyk Bank of Kazakhstan JSC (with maturity date — 21 May 2027)

During 2021, the Group made repayment of principal amount for KZT 10,428,192 thousand and interest amount for KZT 7,546,064 thousand under the credit line agreements concluded with the Halyk Bank JSC with the maturity in 21 May 2027 (2020: KZT 10,428,192 thousand and KZT 8,761,130 thousand, respectively).

23. BORROWINGS (CONTINUED)

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.

Development Bank of Kazakhstan JSC (with maturity date — 30 June 2032)

During 2021, the Group made repayment of principal amount for KZT 2,133,332 thousand and interest amount for KZT 1,814,734 thousand under the credit line agreements concluded with the Development Bank of Kazakhstan JSC with the maturity in June 2032 (2020: KZT 1,066,666 thousand and KZT 1,435,082 thousand, respectively).

Development Bank of Kazakhstan JSC (with maturity date — 19 December 2024)

During 2021, the Group made repayment of principal amount for KZT 7,425,363 thousand and interest amount for KZT 1,813,732 thousand under the credit line agreements concluded with the Development Bank of Kazakhstan JSC with the maturity in December 2024 (2020: KZT 5,485,532 thousand and KZT 2,195,942 thousand, respectively).

Bank of China Kazakhstan JSC (with maturity date — 2 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 tenge, respectively, within credit line agreement with Bank of China Kazakhstan JSC with a repayment period of 36 months and a fixed interest rate of 10.5% per annum. On 14 October 2020 the Group has signed addendum to loan agreement with Bank of China 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 2021, the Group made interest repayment for KZT 1,253,453 thousand (2020: KZT 892,085 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 March 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 2021, the Group made interest repayment for KZT 721,718 thousand (2020: 239,207 thousand).

Halyk Bank of Kazakhstan JSC (with maturity date — 22 February 2024)

On 23 April 2020, the Group obtained loan in the amount of KZT 15,000,000 thousand within credit line agreement with Halyk Bank of Kazakhstan JSC with a maturity of 36 months and a fixed interest rate of 11.5% per annum. On 14 July 2020 interest rate of loan was decreased from 11.5% to 11.2% per annum under credit line agreement. The change in the interest rate from does not represent a substantial modification as in accordance with IFRS 9 and thus, it did not lead to the derecognition of the original liability. Consequently, in 2020 the Group recognized finance income in the amount of KZT 115,580 thousand as a result of change in the interest rate. During 2020, the Group made interest repayment for KZT 864,125 thousand. On 24 February 2021 the Group obtained two loans in the amount of KZT 2,100,000 thousand and KZT 4,900,000 thousand from Halyk Bank JSC within the same credit line agreement. On 11 November 2021, the Group fully repaid principal and interest in the amount of KZT 22,000,000 thousand and KZT 2,358,222 thousand, respectively, ahead of the schedule.

Eurasian Development Bank JSC (with maturity date — 20 June 2024)

On 20 May 2021 the Group has signed addendum to loan agreement with Eurasian Development Bank JSC to decrease interest rate from 11.5% to 11.19% per annum under credit line agreement. The change in the interest rate does not represent a substantial modification in accordance with IFRS 9 and thus, it did not lead to the derecognition of the original liability. In 2021, the Group fully repaid principal amount of the loan obtained from Eurasian Development Bank in the amount of KZT 18,500,000 thousand and interest in the amount of KZT 762,317 thousand.

Halyk Bank of Kazakhstan JSC (with maturity date — 30 June 2023)

On 30 June 2020, the Group obtained loan in the amount of KZT 13,000,000 thousand within credit line agreement with Halyk Bank of Kazakhstan JSC with an effective interest rate of 12.18% and maturity date on June 2023. During 2020, the Group made interest repayment for KZT 736,089 thousand.

On 1 July 2021 the Group has repaid principal amount of loan for KZT 13,000,000 thousand ahead of schedule and interest for KZT 744,177 thousand.

Alfa Bank JSC (with maturity date — 5 January 2024)

On 6 January 2021 the Group obtained a loan in the amount of KZT 12,000,000 thousand from Alfa Bank JSC with maturity till 5 January 2024 at interest rate 10.7% per annum. On 19 May 2021 the Group entered into an additional agreement to increase the credit limit from KZT 14,000,000 thousand to KZT 21,000,000 thousand, for a period until 19 May 2026, with an availability period until 19 May 2025 at interest rate of 10.7% per annum. On 11 November 2021 the Group fully repaid principal and interest in the amount of KZT 12,000,000 thousand and KZT 1,102,100 thousand, respectively, ahead of the schedule.

As of 31 December 2021 and 2020, debt securities issued represented by the following:

Bonds	Maturity date	Currency	Effective interest rate	2021	2020
Local bonds of Kazakhtelecom JSC (KZTKb3)	19 June 2026	Tenge	11.86%	80,225,718	80,207,595
Local bonds of Kazakhtelecom JSC (KTCB.1024 and KTCB2.1024) (Note 46)	1 November 2024	Tenge	11.84%	77,875,000	77,875,000
Local bonds of Kcell JSC (KCElb1)	16 January 2021	Tenge	11.84%	–	22,870,382
				158,100,718	180,952,977

23. BORROWINGS (CONTINUED)

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 2021, the Group repaid interest for KZT 9,200,001 thousand (2020: 9,200,227 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 2021, the Group has repaid interest for KZT 8,625,000 thousand (2020: 12,290,625 thousand).

Local bonds of Kcell JSC

On 21 February 2019, the Group undertook a bond placement at the Kazakhstan Stock Exchange, in which bonds to the value of KZT 17,024,648 thousand were placed with investors at a yield of 11.5% per annum and on 16 January 2018 a bond placement with the value of KZT 4,950,000 thousand at a yield of 11.5% per annum. During 2020, the Group has repaid interest for KZT 2,501,711 thousand. On 26 January 2021, in accordance with schedule, the Group fully repaid bonds in the amount of KZT 23,004,855 thousand, including the principal portion in the amount of KZT 21,754,000 thousand and accrued interest in the amount of KZT 1,250,855 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 2021 and 2020, 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
Cost			
At 1 January 2020	60,344,073	42,848,491	103,192,564
Additions	920,142	–	920,142
Modifications	(137,957)	–	(137,957)
Disposals	(283,107)	–	(283,107)
Recognition of right-of use assets as a result of lease back transactions	3,150	–	3,150
At 31 December 2020	60,846,301	42,848,491	103,694,792
Additions	4,072,579	–	4,072,579
Modifications	1,795,233	–	1,795,233
Cancellation	(1,179,162)	–	(1,179,162)
At 31 December 2021	65,534,951	42,848,491	108,383,442
Accumulated depreciation			
At 1 January 2020	7,196,419	3,898,709	11,095,128
Depreciation charge	9,373,301	3,531,945	12,905,246
At 31 December 2020	16,569,720	7,430,654	24,000,374
Depreciation charge	10,451,786	3,187,580	13,639,366
Cancellation	(105,364)	–	(105,364)
At 31 December 2021	26,916,142	10,618,234	37,534,376
Net book value			
At 31 December 2020	44,276,581	35,417,837	79,694,418
At 31 December 2021	38,618,809	32,230,257	70,849,066

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

In thousands of tenge	31 December 2021	31 December 2020
At the beginning of the year	59,110,635	73,216,589
Additions (Note 47)	4,072,579	920,142
Modifications (Note 47)	1,795,233	(137,957)
Cancellation (Note 47)	(754,362)	(281,000)
Lease back transactions (Note 47)	–	198,969
Interest expenses (Note 39)	7,469,004	8,254,779
Payment of interest part (Note 47)	(7,469,004)	(8,254,779)
Payment of principal part (Note 47)	(15,072,509)	(14,806,108)
At the end of the year	49,151,576	59,110,635

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

In thousands of tenge	31 December 2021	31 December 2020
Non-current portion of liabilities	33,810,098	42,461,444
Current portion of lease liabilities	15,341,478	16,649,191

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

The following are the amounts recognised in profit or loss:

In thousands of tenge	31 December 2021	31 December 2020
Depreciation expense of right-of-use assets	13,639,366	12,905,246
Interest expense on lease liabilities (Note 39)	7,469,004	8,254,779
Expense relating to short-term leases and leases of low-value assets (included in cost of sales) (Note 35)	1,007,372	611,299
Expense relating to short-term leases (included in general and administrative expenses) (Note 36)	241,174	78,946
	22,356,916	21,850,270

The Group had total cash outflows for leases of KZT 23,789,831 thousand in 2021, including cash outflow of KZT 1,248,546 thousand related to leases of low-value assets and short-term leases (2020: KZT 23,751,132 thousand and KZT 690,245 thousand, respectively). The Group also had non-cash additions to right-of-use assets and lease liabilities of KZT 4,072,579 thousand in 2021 (2020: KZT 920,142 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 2021 and 2020, the total employee benefit obligations of the Group comprised the following:

In thousands of tenge	2021	2020
Present value of defined benefit pension plan obligation	22,685,554	16,688,944
Present value of obligations for other long-term payments	689,610	727,200
	23,375,164	17,416,144

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 2021 and 2020:

In thousands of tenge	2021	2020
Total liability at the beginning of the year	16,688,944	16,823,296
Current service cost	569,878	422,107
Interest expenses	1,326,771	1,278,571
Benefits paid during the year	(2,730,146)	(1,300,764)
Actuarial losses/(income) recognized during the year within other comprehensive income	6,830,107	(534,266)
Total liability at the end of the year	22,685,554	16,688,944
Liability payable within one year	(1,425,479)	(1,044,538)
Liability payable after one year	21,260,075	15,644,406

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 2021 and 2020:

In thousands of tenge	2021	2020
Total liability at the beginning of the year	727,200	640,344
Current service cost	52,375	56,861
Interest expenses	57,812	48,666
Benefits paid during the year	(85,975)	(77,960)
Actuarial (income)/losses recognized during the year in profit and loss	(61,802)	59,289
Total liability at the end of the year	689,610	727,200
Liability payable within one year	(100,963)	(106,299)
Liability payable after one year	588,647	620,901

Actuarial losses recognised in 2021 have resulted primarily from changes in the assumptions relating to the discount rate and from historical adjustments.

Cost of current service, interest expenses and actuarial losses in the total amount of KZT 1,945,034 thousand were recorded in cost of sales and general and administrative expenses within personnel costs (2020: KZT 1,865,494 thousand) (Note 38).

Actuarial losses recognized in 2021 within other comprehensive income, net of income tax, were equal to KZT 6,302,871 thousand (2020: actuarial gain of KZT 615,923 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:

	2021	2020
Discount rate	7.95%	7.95%
The expected rate of future annual minimum salary increases	8.10%	7.50%

25. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

Employee benefit obligations (continued)

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)

A quantitative sensitivity analysis for significant assumptions as at 31 December 2020, 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	(952,376)	1,311,061	1,306,837	(1,235,297)

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 2021 and 2020, non-current contract liabilities comprised:

In thousands of tenge	2021	2020
Contract liabilities from operators	4,766,404	3,775,772
Contract liabilities for connection of subscribers	544,722	704,852
Other contract liabilities	2,876,996	1,874,671
	8,188,122	6,355,295

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

In thousands of tenge	2021	2020
Contract liabilities as at 1 January	24,944,812	25,850,243
Deferred during the year	232,019,257	327,962,587
Recognised as revenue during the year	(226,895,288)	(328,868,018)
Total contract liabilities as at 31 December	30,068,781	24,944,812
Current portion (Note 30)	21,880,659	18,589,517
Non-current portion	8,188,122	6,355,295

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 2021 and 2020 were as follows:

In thousands of tenge	2021	2020
Provision for asset retirement obligation as at 1 January	8,480,576	7,221,083
Amortization of discount (Note 39)	597,758	518,865
Change in estimate (Note 8)	1,205,990	740,628
Provision for asset retirement obligation as at 31 December	10,284,324	8,480,576
Current portion (Note 31)	2,868,319	553,618
Non-current portion	7,416,005	7,926,958

28. TRADE PAYABLES

As at 31 December 2021 and 2020, trade payables comprised:

In thousands of tenge	2021	2020
Trade payables for supply of property and equipment	46,945,570	34,791,217
Trade payables for services rendered	27,284,558	18,624,547
Trade payables for inventory received	870,483	1,450,370
	75,100,611	54,866,134

As at 31 December 2021 and 2020, trade payables were interest-free.

As at 31 December 2021 and 2020, trade payables were mainly denominated in the following currencies:

In thousands of tenge	2021	2020
Tenge	56,541,166	48,813,976
US dollars	16,879,626	4,825,924
Euro	1,478,207	1,011,825
Russian rubles	194,828	108,125
Other	6,784	106,284
	75,100,611	54,866,134

29. OTHER CURRENT FINANCIAL LIABILITIES

As at 31 December 2021 and 2020, other current financial liabilities comprised:

In thousands of tenge	2021	2020
Payable to employees	19,363,782	18,724,559
Dividends payable (Note 22)	17,573	17,577
Trademark payment obligation	-	1,861,290
Other	570,730	554,274
	19,952,085	21,157,700

29. OTHER CURRENT FINANCIAL LIABILITIES (CONTINUED)

As at 31 December 2021 and 2020, other current financial liabilities were not interest bearing and the balances were mainly denominated in tenge.

As at 31 December 2020, trademark payment obligation in the amount of KZT 1,861,290 thousand was represented by the liability of the Group to pay royalty for the usage of Tele2 trademark.

30. CURRENT CONTRACT LIABILITIES

As at 31 December 2021 and 2020, current contract liabilities comprised:

In thousands of tenge	2021	2020
Advances received	19,697,210	16,613,199
Contract liabilities from operators	1,674,654	1,382,292
Contract liabilities for connection of subscribers	312,099	365,438
Other contract liabilities	82,586	83,758
Other	114,110	144,830
	21,880,659	18,589,517

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 2021 and 2020, other current non-financial liabilities comprised:

In thousands of tenge	2021	2020
Provisions		
Tax provisions	3,842,611	1,616,063
Legal claims on contractual obligation and penalties	3,684,675	4,385,679
Asset retirement obligation (Note 27)	2,868,319	553,618
	10,395,605	6,555,360
Other non-financial liabilities		
Taxes payable other than income tax	2,745,141	2,091,070
Payable to pension funds	712,895	604,275
Other	425,390	806,629
	3,883,426	3,501,974
	14,279,031	10,057,334

Movements in tax provisions for the years ended 31 December 2021 and 2020 were as follows:

In thousands of tenge	2021	2020
Provision as at 1 January	1,616,063	1,679,431
Accrual of provisions for tax risks	2,226,548	620,533
Reversal of fines and penalties provision	-	(683,901)
Provision as at 31 December	3,842,611	1,616,063

Movements in provisions for legal claims on contractual obligation and penalties for the years ended 31 December 2021 and 2020 were as follows:

In thousands of tenge	2021	2020
Provision as at 1 January	4,385,679	-
Accrual of provisions for legal claims	-	4,385,679
Reversal of fines and penalties provision	(682,820)	-
Reversal of other provision	(18,184)	-
Provision as at 31 December	3,684,675	4,385,679

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.

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 2021 and 2020, government grants comprised:

In thousands of tenge	2021	2020
Government grants as at 1 January	-	-
Received during the period	25,083,510	-
Released to the statement of profit or loss	(6,285,022)	-
Government grants as at 31 December	18,798,488	-
Current portion	4,202,083	-
Non-current portion	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 2020 and 2021 in the amount of KZT 11,512,079 thousand and KZT 13,571,431 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 2021 the balance of government grants was equal to KZT 18,798,488 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 6,285,022 thousand.

As of 31 December 2021 there are no unfulfilled conditions or contingencies attached to these grants.

33. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

For the year ended 31 December 2021

In thousands of tenge	Fixed line	Mobile connection	Other	Total
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

For the year ended 31 December 2020

In thousands of tenge	Fixed line	Mobile connection	Other	Total
Data transfer services	112,334,456	145,691,466	14,146	258,040,068
Rendering of fixed line and wireless phone services	38,705,399	112,547,108	–	151,252,507
Interconnect	10,909	34,411,607	–	34,422,516
Sale of equipment and mobile devices	15,116,577	10,863,509	–	25,980,086
Rent of channels	3,034,972	–	–	3,034,972
Other	40,057,071	7,410,990	718,488	48,186,549
	209,259,384	310,924,680	732,634	520,916,698
Services transferred over time	209,248,475	276,513,073	732,634	486,494,182
Goods transferred at a point of time	10,909	34,411,607	–	34,422,516
	209,259,384	310,924,680	732,634	520,916,698
B2C*	111,959,505	260,667,094	–	372,626,599
B2B**	36,633,762	28,258,893	732,634	65,625,289
B2O***	17,383,629	20,754,915	–	38,138,544
B2G****	43,282,488	1,243,778	–	44,526,266
	209,259,384	310,924,680	732,634	520,916,698

* 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 February 2021 and based on the results of the tender Kazakhtelecom JSC was selected as the universal services operator. As at 31 December 2021 there were no unfulfilled conditions or contingencies attached to these subsidies.

The compensation received for the year ended 31 December 2021 was equal to KZT 6,412,945 thousand (2020: KZT 6,413,527 thousand).

35. COST OF SALES

Cost of sales for the years ended 31 December comprised:

In thousands of tenge	2021	2020
Depreciation and amortization	111,995,228	105,590,510
Personnel costs (Note 38)	86,709,615	80,316,588
Cost of SIM-card, scratch card and handsets	34,511,790	30,435,527
Interconnect	30,002,086	29,802,995
Repair and maintenance	22,657,762	20,824,147
Fees for radiofrequencies use	17,032,520	14,453,143
Electricity	10,367,857	8,481,407
Rent of channels	9,576,912	10,233,175
Fee to provide telecom services	7,937,629	7,146,145
Content	6,544,992	4,466,583
Inventories	5,946,359	6,086,681
Fees for the usage of license software	3,545,055	2,798,041
Security and safety	3,296,045	3,285,881
Utilities	2,602,614	2,336,516
Labelling costs	1,874,790	426,815
Business trip expenses	1,290,262	1,004,466
Short-term leases and leases of low-value assets (Note 24)	1,007,372	611,299
Emergency expenses	1,003,104	1,337,089
Insurance	961,921	747,157
Costs of hiring consultants	924,271	62,768
Network sharing agreement	814,643	720,119
Satellite communication services	799,349	814,243
Other	6,600,431	4,988,986
	368,002,607	336,970,281

36. GENERAL AND ADMINISTRATIVE EXPENSES

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

In thousands of tenge	2021	2020
Personnel costs (Note 38)	20,933,606	19,914,268
Taxes other than corporate income tax	7,444,303	4,501,801
Depreciation and amortization	5,848,923	4,773,750
Consulting services	5,808,933	2,240,647
Personnel outsources expenses	832,488	-
Repair and maintenance expenses	747,285	525,946
Social activities	642,660	365,396
Business trips	593,516	286,401
Write-down of inventories to net realizable value (Note 15)	521,450	1,199,617
Trainings	430,248	289,410
Inventories	361,277	470,726
Collectors services	284,271	360,849
Short-term lease expenses (Note 24)	241,174	78,946
Bank fees	230,099	229,113
Insurance	220,943	225,138
Security and safety	148,762	107,468
Other	3,632,167	3,773,880
	48,922,105	39,343,356

37. SELLING EXPENSES

Selling expenses for the years ended 31 December comprised:

In thousands of tenge	2021	2020
Marketing and advertising	8,959,743	6,880,692
Amortization of cost to obtain a contract	3,568,740	4,599,413
Other	1,152,757	1,310,067
	13,681,240	12,790,172

38. PERSONNEL EXPENSES

Personnel expenses for the years ended 31 December comprised:

In thousands of tenge	2021	2020
Payroll	96,389,163	89,707,975
Payroll related taxes	9,309,024	8,657,387
Employee benefits (Note 25)	1,945,034	1,865,494
	107,643,221	100,230,856

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

In thousands of tenge	2021	2020
Cost of sales (Note 35)	86,709,615	80,316,588
General and administrative expenses (Note 36)	20,933,606	19,914,268
	107,643,221	100,230,856

39. (FINANCE COSTS) / FINANCE INCOME

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

In thousands of tenge	2021	2020
Finance costs		
Interest expense on loans (Note 47)	(36,617,616)	(42,165,267)
Interest expense on lease liabilities (Note 24)	(7,469,004)	(8,254,779)
Discounting of other non-current financial assets	(1,356,558)	(18,251)
Unwinding of discount (provision for asset retirement obligation) (Note 27)	(597,758)	(518,865)
Discounting of long-term loans to employees	(110,649)	(259,241)
Interest on debt component of preferred shares (Note 22)	(89,636)	(89,636)
Other costs	(195,252)	(143,023)
	(46,436,473)	(51,449,062)
Finance income		
Interest income on deposits	2,672,065	1,320,422
Interest income on financial assets at amortised cost	1,058,200	1,064,616
Interest income on cash balances	910,686	771,777
Unwinding of discount on long-term loans to employees	818,676	918,945
Unwinding of discount on long-term accounts receivable	162,137	182,403
Recognition of discount on long-term loans	–	147,554
Other income	221,220	114,583
	5,842,984	4,520,300

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 2021, the exchange rate increased by 3.06% from 413.36 KZT per US Dollar to 426.03 KZT per US Dollar (during 2020, the exchange rate increased by 15% from 382.87 KZT per US Dollar to 413.36 KZT per US Dollar. Net foreign exchange gain for the year ended 31 December 2021 was KZT 2,259,417 thousand (net foreign exchange gain for the year ended 31 December 2020 was KZT 4,161,428 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	2021	2020
Other operating income		
Rental income	1,645,395	1,696,194
Fines and penalties	378,858	760,473
Income from liabilities write-off	266,905	250,519
Reimbursement of utilities expenses	141,975	150,898
Services for the provision of secure communication channels	115,308	311,964
Other	1,701,146	1,106,647
	4,249,587	4,276,695
Other operating expenses		
Utilities expenses	(495,641)	(497,671)
Rental expenses	(10,369)	(10,954)
Other	(492,527)	(169,485)
	(998,537)	(678,110)

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	2021	2020
Current corporate income tax expenses	33,297,458	27,986,492
Adjustments in respect of income tax of previous year	(1,136,840)	71,202
Deferred income tax benefit	(873,981)	(6,395,722)
	31,286,637	21,661,972

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 2021 and 2020.

A reconciliation of income tax expenses applicable to profit before taxation at the statutory rate of 20% (2020: 20%), with the current corporate income tax expenses for the years ended 31 December is out below:

In thousands of tenge	2021	2020
Profit before taxation	128,730,423	86,925,001
Income tax at statutory income tax rate of 20%	25,746,085	17,385,000
Adjustments in respect of deferred income tax of previous year	2,110,967	328,000
Changes in unrecognized tax loss carry forward	1,530,000	-
Impairment of non-financial assets	1,200,392	1,218,047
Tax provision expenses	445,310	-
Reimbursement of expenses related to IPO	262,082	-
Non-deductible expenses related to employee benefits obligations	243,710	218,297
Share in profit of associates	(102,473)	(46,935)
Recognition of tax loss carry forward	(192,000)	-
Adjustments in respect of income tax of previous year	(1,136,840)	71,202
Legal disputes expenses	-	877,136
Non-deductible expenses	1,179,404	1,611,225
Total income tax expenses	31,286,637	21,661,972

As at 31 December 2021, 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 2021	31 December 2020	2021	2020	2021	2020
Deferred tax assets						
Property and equipment	6,976,577	12,170,519	(5,193,942)	356,890	-	-
Deferred services	5,088,426	4,520,418	568,008	3,869,541	-	-
Government grants	3,759,698	-	3,759,698	-	-	-
Reserves on employee bonuses	2,488,757	2,460,521	28,236	320,445	-	-
Asset retirement obligation reserves	2,056,865	1,663,002	393,863	218,785	-	-
Tax loss carry forward	1,887,152	1,684,616	202,536	306,891	-	-
Employee benefit obligations	1,551,305	1,330,675	(306,606)	(9,282)	527,236	81,657
Lease liabilities	1,185,390	864,188	321,202	205,213	-	-
Accrued provisions for unused vacations	834,007	753,244	80,763	152,204	-	-
Allowance for expected credit losses	528,638	627,375	(98,737)	80,006	-	-
Intangible assets	258,912	181,306	77,606	45,052	-	-
Trademark payment obligation	-	372,258	(372,258)	(264,392)	-	-
Other	1,120,466	1,196,643	(76,177)	(3,018,372)	-	-
Less: unrecognized tax assets	(1,530,000)	-	(1,530,000)	-	-	-
Less: deferred tax assets less deferred tax liabilities	(25,546,023)	(25,844,094)	298,071	(2,182,368)	-	-
Deferred tax assets	660,170	1,980,671	(1,847,737)	80,613	527,236	81,657
Deferred tax liabilities						
Property and equipment	29,929,543	30,691,836	(762,293)	(1,817,448)	-	-
Intangible assets	29,706,769	32,259,165	(2,552,396)	(2,552,297)	-	-
Other	481,293	186,393	294,900	237,004	-	-
Less: deferred tax assets less deferred tax liabilities	(25,546,023)	(25,844,094)	298,071	(2,182,368)	-	-
Deferred tax liabilities	34,571,582	37,293,300	(2,721,718)	(6,315,109)	-	-
Deferred income tax benefit	-	-	873,981	6,395,722	527,236	81,657

42. OTHER OPERATING INCOME/(EXPENSES)

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

In thousands of tenge	2021	2020
Deferred tax assets	660,170	1,980,671
Deferred tax liabilities	(34,571,582)	(37,293,300)
Net deferred tax liabilities	(33,911,412)	(35,312,629)

In thousands of tenge	2021	2020
Reconciliation of deferred tax liabilities, net		
Balance at 1 January	(35,312,629)	(41,790,008)
Income tax benefit for the reporting period – origination and recovery of temporary differences	873,981	6,395,722
Less: deferred tax recognised within other comprehensive loss	527,236	81,657
Balance at 31 December	(33,911,412)	(35,312,629)

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. During year ended 31 December 2021 the Group derecognised deferred tax assets related to tax loss carried forward in the amount of KZT 1,530,000 thousand.

As at 31 December 2021, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised was equal to KZT 13,713,293 thousand (as at 31 December 2020: KZT 23,297,788 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	The date of disposal	31 December 2020
Assets		
Property and equipment	525,792	524,616
Intangible assets	483,934	483,934
Other non-current financial assets	77,431	78,504
Inventories	8,546	14,485
Trade receivables	916,395	277,519
Other current non-financial assets	22,958	43,130
Other current financial assets	164,340	165,422
Advanced paid	15,819	3,764
Cash and cash equivalents	447,868	280,634
Assets held for sale	2,663,083	1,872,008
Liabilities		
Deferred tax liabilities	11,099	11,099
Trade payables	146,423	227,904
Other current financial liabilities	199,715	235,884
Contract liabilities	63	136
Other current non-financial liabilities	444,965	420,194
Liabilities directly associated with the assets held for sale	802,265	895,217
Net assets directly associated with the disposal group	1,860,818	976,791

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)
Total cash consideration received	987,132

45. NON-CASH TRANSACTIONS

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

In 2021 the Group received government grants in the total amount of KZT 25,083,510 thousand represented by 90% reduction in the annual fee for use of radio frequencies.

In 2021, the Group paid an amount of KZT 34,791,317 thousand for property and equipment purchased in prior year (2020: KZT 32,009,038 thousand). Property and equipment in the amount of KZT 46,945,570 thousand was purchased in 2021 but not paid as at 31 December 2021 (2020: KZT 34,791,217 thousand).

In 2021, the Group withhold from the salary of employees the amount of previously issued loans for KZT 1,632,947 thousand (2020: KZT 1,894,649 thousand).

During 2021, the Group performed offsetting of dividends payables against other receivables in the amount of KZT 1,386,421 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 2021, the Group recognized a provision for expected credit loss in the amount of KZT 99,863 thousand in respect of receivables from related parties.

Sales and purchases with related parties during the years ended 31 December 2021 and 2020 and the balances with related parties at 31 December 2021 and 2020 were as follows:

In thousands of tenge	2021	2020
Sales of goods and services		
Parent	22,762	37,924
Parent-controlled entities	1,972,355	2,462,596
Associate (Qaz Cloud LLP)	1,007,919	826,289
Government-related entities	54,090,034	38,055,152
Purchases of goods and services		
Parent	-	-
Parent-controlled entities	3,841,442	2,277,127
Associate (Qaz Cloud LLP)	1,563,631	701,511
Government-related entities	264,391	244,924
Interest accrued on borrowings and bonds		
Entities under state control		
(Development Bank of Kazakhstan JSC)	3,401,926	3,749,325
Average interest rate on borrowings	8.09%	8.09%
Parent*	8,625,000	11,332,292
Average interest rate on bonds	11.84%	11.84%

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

In thousands of tenge	2021	2020
Cash and cash equivalents		
Entities under state control (Development Bank of Kazakhstan JSC)	229	50
Borrowings and bonds (Note 23)		
Entities under state control – (Development Bank of Kazakhstan JSC)	39,650,793	49,414,464
Parent*	77,875,000	77,875,000
Trade receivables		
Parent	1,521	2,760
Parent-controlled entities	378,563	608,395
Associate (Qaz Cloud LLP)	130,273	137,327
Government-related entities	8,970,497	6,019,838
Trade payables		
Parent	59	59
Parent-controlled entities	1,069,641	231,402
Associate (Qaz Cloud LLP)	423,755	134,869
Government-related entities	1,676,754	1,081,231
Other non-current assets		
Long-term loans to key management personnel	11,655	23,573

* 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 2021 and 2020, the total compensation to key management personnel included in the accompanying consolidated statement of comprehensive income under general and administrative expenses was KZT 3,051,642 thousand and KZT 2,564,537 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 34 and 32, 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 2021, comprise accrued/(reversed) allowance for expected credit loss for other non-current financial assets in amount of KZT 110,184 thousand (Note 13), trade receivables in amount of KZT 2,971,041 thousand (Note 16), other current financial assets in amount of KZT 168,526 thousand (Note 18), cash and cash equivalents in amount of KZT 4,830 thousand (Note 21) and trade receivables of KT Cloud Lab LLP (before disposal) in amount of KZT 1,782 thousand (2020: trade receivables in amount of KZT 2,159,063 thousand, other current financial assets in amount of KZT 90,887 thousand, cash and cash equivalents in amount of KZT (15,920) thousand and trade receivables of KT Cloud Lab LLP in amount of KZT 4,016 thousand).

Impairment losses on non-financial assets

Impairment losses on non-financial assets for the year ended 31 December 2021, comprise accrued/(reversed) allowance for impairment for advances paid for non-current assets for KZT 111,377 thousand (Note 8), advances paid for current assets for KZT (19,991) thousand (Note 17), impairment of property and equipment for KZT 3,946,812 thousand (Note 8) and impairment of intangible assets for KZT 1,963,761 thousand (Note 9) (2020: advances paid for non-current assets for KZT 356,318 thousand, advances paid for current assets for KZT (9,017) thousand, impairment of property and equipment for KZT 5,224,067 thousand and impairment of intangible assets for KZT 518,865 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 2021 and 2020, 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	2021		2020	
	Increase/ (decrease) in exchange rate	Effect on profit before tax	Increase/ (decrease) in exchange rate	Effect on profit before tax
US dollars	13%	12,599,504	14%	10,556,797
	-10%	(9,691,926)	-11%	(8,294,626)

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.

47. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (CONTINUED)

Financial instruments and cash deposits

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

In thousands of tenge	Rating 2021	Rating 2020	Cash balance		Balance on deposit accounts	
			2021	2020	2021	2020
Halyk Bank Kazakhstan JSC	BB+/stable/BBB-, kzAA	BB/stable/BB, kzA+	74,754,897	78,477,311	34,752,026	1,542,952
First Heartland Jýsan Bank JSC	B/stable, kzBB+	B/negative, kzBB+	19,657,548	291	11,000,000	-
Credit Suisse (Schweiz) AG	A+	A+	1,838,596	1,056,758	-	-
Altyn Bank JSC	BBB-/stable, kzAA+	BBB-/stable, kzAA+	772,040	1,299,966	20,000,400	8,781,410
Sberbank PAO	Baa3/stable	Baa3/stable	188,971	181,893	-	-
Citibank Kazakhstan JSC	A+/stable/ A+	A+/stable/ A+	174,505	2,887,111	1,040	658
Kaspi Bank JSC	BB-/positive, kzA	BB-/stable, kzA	65,733	145,276	-	-
Bank CenterCredit JSC	B/stable, kzBBB-	B/stable, kzBB+	51,091	302	-	-
Sberbank JSC	BBB-/stable, kzAA+	BBB-/stable, kzAA+	44,131	7,917	3,793,910	-
Bank of China in Kazakhstan JSC	BBB+/stable, kzAAA	BBB +/stable, kzAAA	465	393	-	-
Development Bank of Kazakhstan JSC	BBB-/stable/BBB, kzAAA	BB+/stable/B, kzAA+	229	50	-	-
VTB Bank (Kazakhstan)	BB+/stable, kzAA	BB+/stable, kzAA	103	61	-	-
Alfa Bank JSC	BB/stable/BB-, kzA+	BB-/stable/BB-, kzBBB+	64	85	-	-
Forte Bank JSC	B+/positive/B+, kzBBB+	B/stable/B+, kzBBB	-	70	-	-
ATF Bank JSC	B/stable/B, kzBB+	B-/stable/B-, kzBB-	-	26	-	-
Total			97,548,373	84,057,510	69,547,376	10,325,020

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 13% of the Group's debt will mature in less than one year at 31 December 2021 (31 December 2020: 15%) based on the carrying amount of borrowings and leases reflected in the consolidated financial statements.

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

In thousands of tenge	On demand	1 to 3 months	3 months to 1 year	From 1 to 5 years	More than 5 years	Total
At 31 December 2021						
Borrowings	–	9,820,160	57,049,596	314,513,423	17,348,143	398,731,322
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	–	19,952,085	–	707	–	19,952,792
	57,253,546	42,196,249	81,605,308	364,096,532	30,370,119	575,521,754
At 31 December 2020						
Borrowings	–	33,244,905	36,815,685	296,497,461	110,334,560	476,892,611
Lease liabilities	–	5,505,016	15,572,341	45,380,417	6,948,821	73,406,595
Trade payables	41,827,632	5,433,430	7,605,072	–	–	54,866,134
Other financial liabilities	–	19,296,410	1,861,290	1,001	–	21,158,701
	41,827,632	63,479,761	61,854,388	341,878,879	117,283,381	626,324,041

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 2021 and 2020.

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.

47. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (CONTINUED)

Capital management (continued)

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

In thousands of tenge	31 December 2021	31 December 2020
Interest-bearing loans and borrowings	315,791,308	362,402,074
Lease liabilities	49,151,576	59,110,635
Net debt	364,942,884	421,512,709
Total equity, including non-controlling interests	644,177,366	518,539,997
Debt-equity ratio	0.57	0.81

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 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 inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets for which fair values are disclosed					
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
Liabilities for which fair values are disclosed					
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

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 2020 was as follows:

In thousands of tenge	Date of valuation	Fair value measurement using			Total
		Price quotations on active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets for which fair values are disclosed					
Financial assets at amortized cost	31 December 2020	18,624,000	-	-	18,624,000
Other non-current financial assets	31 December 2020	-	-	5,139,320	5,139,320
Other current financial assets	31 December 2020	-	-	3,626,074	3,626,074
Trade receivables	31 December 2020	-	-	34,711,705	34,711,705
Liabilities for which fair values are disclosed					
Borrowings	31 December 2020	-	-	361,549,441	361,549,441
Other non-current financial liabilities	31 December 2020	-	-	1,001	1,001
Other current financial liabilities	31 December 2020	-	-	21,157,700	21,157,700
Trade payables	31 December 2020	-	-	54,866,134	54,866,134

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 2021	Fair value 2021	Unrecognised gain/(loss) 2021	Carrying amount 2020	Fair value 2020	Unrecognised gain/(loss) 2020
Financial assets						
Cash and cash equivalents	167,109,839	167,109,839	-	94,428,532	94,428,532	-
Other non-current financial assets	7,141,361	6,752,172	(389,189)	4,789,179	5,139,320	350,141
Other current financial assets	11,592,724	11,592,724	-	3,626,074	3,626,074	-
Assets under reverse repurchase agreements	49,999,824	49,999,824	-	-	-	-
Financial assets at amortized cost	-	-	-	18,923,399	18,624,000	(299,399)
Trade receivables	36,873,043	36,873,043	-	34,711,705	34,711,705	-
Financial liabilities						
Borrowings	315,791,308	319,483,880	(3,692,572)	362,402,074	361,549,441	852,633
Other non-current financial liabilities	707	707	-	1,001	1,001	-
Other current financial liabilities	19,952,085	19,952,085	-	21,157,700	21,157,700	-
Trade payables	75,100,611	75,100,611	-	54,866,134	54,866,134	-
Total unrecognised change in unrealised fair value			(4,081,761)			903,375

47. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (CONTINUED)

Valuation techniques and assumptions

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

Assets for which fair value approximates carrying value

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

In thousands of tenge	1 January 2021	Principal obtained	Additions	Modifications	Cancellation of leases
Borrowings: long term	316,290,589	62,500,000	-	-	-
Borrowings: short term	46,111,485	-	-	-	-
Lease liabilities: long term	42,461,444	-	4,072,579	1,795,233	(754,362)
Lease liabilities: short term	16,649,191	-	-	-	-
Total	421,512,709	62,500,000	4,072,579	1,795,233	(754,362)

Changes in liabilities due to financial activities for 2020 were as follows:

In thousands of tenge	1 January 2020	Principal obtained	Additions	Modifications	Cancellation of leases	Leaseback transactions
Borrowings: long term	339,138,061	53,307,169	-	-	-	-
Borrowings: short term	28,477,663	-	-	-	-	-
Lease liabilities: long term	57,781,449	-	920,142	(137,957)	(281,000)	198,969
Lease liabilities: short term	15,435,140	-	-	-	-	-
Total	440,832,313	53,307,169	920,142	(137,957)	(281,000)	198,969

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.

Changes in liabilities arising from financial activities

Changes in liabilities arising from financial activities for 2021 were as follows:

Reclassification	Repayment of principal	Interest expense (Note 39)	Interest paid	Discount	Other	31 December 2021
(95,283,504)	-	-	-	(1,260,102)	-	282,246,983
95,283,504	(107,240,887)	36,617,616	(37,192,373)	-	(35,020)	33,544,325
(13,764,796)	-	-	-	-	-	33,810,098
13,764,796	(15,072,509)	7,469,004	(7,469,004)	-	-	15,341,478
-	(122,313,396)	44,086,620	(44,661,377)	(1,260,102)	(35,020)	364,942,884

Reclassification	Repayment of principal	Interest expense (Note 39)	Interest paid	Discount	Other	31 December 2020
(76,007,087)	-	-	-	(147,554)	-	316,290,589
76,007,087	(58,216,453)	42,165,267	(42,372,282)	-	50,203	46,111,485
(16,020,159)	-	-	-	-	-	42,461,444
16,020,159	(14,806,108)	8,254,779	(8,254,779)	-	-	16,649,191
-	(73,022,561)	50,420,046	(50,627,061)	(147,554)	50,203	421,512,709

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.

Coronavirus pandemic and market conditions

The coronavirus pandemic left its mark on 2020 and continues to have impact in 2021, requiring businesses to limit or suspend operations and implement restrictions. On 1 July 2021, Ministry of Healthcare performed PCR screening and the Delta strain of COVID-19 was found in all regions and cities of Nur-Sultan, Almaty, Shymkent. Thus, on 1 July 2021 chief state sanitary doctor of the Republic of Kazakhstan introduced new decree, which obliges Akims of regions, cities of Almaty, Nur-Sultan, Shymkent, NPP "Atameken" (as agreed), national companies, heads of organizations, individuals and legal entities, regardless of the form of ownership, operating in the territory of the Republic of Kazakhstan to organize preventive vaccinations of employees with the first component by 10 August 2021 and with the second component of the COVID-19 by 1 September 2021 (except for those who have permanent medical contraindications and have recovered from COVID-19 during the last three months). Admission to full-time work of those organizations for unvaccinated employees is limited.

In November 2021 Omicron strain was first reported by World Health Organization (WHO) identified in from South Africa. Omicron multiplies around 70 times faster than previous strains, however less fatal. Omicron first was identified in Kazakhstan in the beginning of January 2022, which lead to average daily COVID-19 cases to 10,000. The Government put additional restrictions to stem the spread of the virus. Currently, only those who have been vaccinated can enter public areas such as shopping malls, entertainment venues, and indoor sports facilities.

The measures taken to contain the virus have adversely affected operations activity and disrupted many businesses resulting in significant economic downturn in the markets. As the outbreak continues to progress and evolve, it is extremely challenging to predict the full extent and duration of its impact on the Group's businesses.

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

The Group's investments in the network infrastructure have paid off throughout the pandemic: networks were running stably even under substantially higher loads. The Group fulfilled its responsibility as an employer by introducing comprehensive rules and protective and supportive measures to help employees work from home while continuing to safeguard service for customers in parallel. At sites and in stores, the Group rolled out strict hygiene and safety measures with the support of hygiene experts. Based on information available as at 31 December 2021, the management of the Group believes that there were no impairment indicators of its long-term assets. While it is impossible to quantify the long-term impact of the coronavirus pandemic, the Group expects to see appreciable effects on the economy as a whole, while on the other, the pandemic has given a boost to the digitalization trend, which would contribute strengthen the role of the companies in telecommunications and IT sector, and will give impetus to the development of technologies and communication networks.

Capital commitments

The Group generally enters into contracts for the completion of construction projects and purchase of telecommunication equipment. As at 31 December 2021, the Group had contractual obligations in the total amount of KZT 45,138,707 thousand, including VAT (31 December 2020: KZT 33,543,751 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 2021. 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 beginning of 2020, Kcell performed recalculation of the tax risk provisions recognized by Kcell in previous years. Accordingly, for the year ended 31 December 2020, Kcell recognised reversal of provision on VAT and personal income tax in the amount of KZT 256,782 thousand and KZT 210,827 thousand, respectively. For the year ended 31 December 2020, Kcell recognised income from reversal of the tax and related fines and penalties provision in the amount of KZT 216,327 thousand recognised due to expiration of the limitation period.

Also, for the year ended 31 December 2020 Kcell recognized reserve on CIT expenses in the amount of KZT 174,980 thousand in the consolidated statement of comprehensive income.

48. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Taxation (continued)

Tax audit for 2012 — 3rd quarter 2015

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

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

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

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

For the year ended 31 December 2019, the Group recognised income from reversal of tax and related penalties provision in the amount of KZT 5,816,045 thousand tenge.

For the year ended 31 December 2020, the Group recognised income from reversal of the tax and related fines and penalties provision in the amount of KZT 683,901 thousand recognized due to expiration of the limitation period for tax liabilities.

Tax Review for the period from 2016 till 2020

In the period from August 2021 to February 2022, Kazakhtelecom JSC carried out a tax review of historical data for the period from 2016 till 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, as part of the implementation of the Horizontal Monitoring project, which in the future implies a new type of interaction between the taxpayer and the tax authority for the purposes of control and correctness of tax calculation.

As a result of the review, a register of tax risks was formed in the amount of KZT 2,637,804 thousand, which at the time of preparation of the consolidated financial statements for 2021 is advisory in nature.

The Group believes that it has correctly interpreted the Tax Laws and intends to appeal potential additional charges. However, taking into account the appeal statistics, as well as the controversial situation regarding the taxation of non-residents that is currently taking place in the tax environment, the Group has ranked the tax risk register by degree of probability and decided to create a provision in the amount of KZT 1,055,681 thousand, and disclose as contingent liabilities tax risks in the amount of KZT 1,487,574 thousand (Note 31).

The Group agreed with identified tax findings for KZT 94,549 thousand, for which the Company has accrued obligations.

New Technical Regulations

Order No. 91 of the Committee of the National Security dated 20 December 2016 on approval of the **Technical Regulations General Requirements to the Telecommunication Equipment in Ensuring Conducting of Operative Search Measures, Collection and Storage of Subscribers' Information** was published on 7 February 2017 and came into force on 8 February 2018. According to the new regulations, there are additional requirements to the telecommunication equipment that include expansion of technical capabilities of equipment to conduct operative search activities, collection and storage of subscribers' information (hereinafter — "ORA").

As of 31 December 2021 the Group partially implemented modernization and expansion of license and port capacity for the total amount of KZT 4,390,109 thousand. The Group plans to complete expansion in full in 2022 and expect that total amount of capital expenditures in respect to modernization and expansion will be equaled to KZT 7,586,332 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. Kcell estimated probability of the outflow of resources embodying economic benefits as probable and accrued provision on additional charge, fines and penalties in the amount of KZT 701,004 thousand (Note 31).

On 22 April 2021 the custom audit was resumed, and a preliminary report was issued. According to the report, Kcell was charged additional VAT charge in the amount of KZT 39,354 thousand and late payment penalty in the amount of KZT 18,152 thousand. The preliminary report was reviewed by Kcell.

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).

48. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Arbitration against Amdocs companies

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

In November 2018, 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.

On 1 March 2022, Kcell filed a response to Amdocs's stated counterclaims, where Kcell did not agree with any claims and, in support of its arguments, provided a second expert opinion from a technical expert, and also engaged a financial expert from Alvarez & Marsal to independently evaluate the solution supplied by Amdocs.

Currently, Kcell is waiting for the Amdocs response to Kcell's arguments. The deadline for the provision of response is 10 May 2022.

At year ended 31 December 2021 and 2020, Kcell has accrued provision for arbitration against Amdocs companies in the amount of KZT 3,684,675 thousand (31 December 2020: KZT 3,684,675 thousand) (Note 31). As at 31 December 2021 the Management cannot reliably estimate the probability of additional provision amount.

5G services

In accordance with the Order of Committee of competition protection of the Ministry of national economics, the Group has an obligation to start providing 5G services not later than 31 December 2022.

49. SUBSEQUENT EVENTS

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.

As a result of the above protests and state of emergency the President of Kazakhstan has made certain public announcements regarding possible measures including amendments to the tax legislation, introducing measures for financial stability, controlling, and stabilizing the inflation rate and the tenge exchange rate.

During the protests, six Kcell Stores and 4 Altel/Tele2 Stores located in Almaty, Almaty region, Shymkent and Aktobe, were looted and two large offices of the Group were attacked. The Management of the Group currently assessing impact and preliminary damage estimate is around KZT 727,070 thousand.

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 mobile operators with a lack of balance on their account were not limited to communication and access to the Internet.

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.

On 19 January 2022 the Group has acquired notes of NBRK in the amount of KZT 19,854,000 thousand with maturity on till 16 February 2022.

In February 2022, due to the conflict between the Russian Federation and Ukraine, numerous sanctions were announced against the Russian Federation by most Western countries. These sanctions are intended to have a negative economic impact on the Russian Federation.

Due to the growth of geopolitical tensions, since February 2022, there has been a significant increase in volatility in the stock and currency markets, as well as a significant depreciation of the tenge against the US dollar and the euro. As at 5 March 2022, the exchange rate has increased by 14% from 31 December 2021 and equal to KZT 499.2 per US dollar.

The Group considers these events as non-adjusting events after the reporting period, the quantitative effect of which cannot currently be estimated with a reasonable degree of certainty.

The Management of the Group is currently analyzing the possible impact of changing micro- and macroeconomic conditions on the consolidated financial position and performance of the Group.