REVIEW OF REGULATORY ENVIRONMENT

In accordance with Clause 1 of Article 7 of the Charter of Kazakhtelecom JSC, the Company operates as a telecommunications operator of the Republic of Kazakhstan for the establishment, installation, operation, and technical maintenance of public telecommunications networks and private telecommunications systems. It performs the functions of a public telecommunications network operator and, among other roles, acts as a long-distance and international communications operator with the right to conduct settlements with communication administrations of other countries, companies, users, and international organizations in accordance with the Regulations of the International Telecommunication Union and the legislation of the Republic of Kazakhstan.

The main legislative acts of the Republic of Kazakhstan governing the activities of Kazakhtelecom JSC include the Entrepreneurial Code of the Republic of Kazakhstan, the Law of the Republic of Kazakhstan "On Communications," the Law "On Natural Monopolies," and the Law "On Joint Stock Companies."

ENTREPRENEURIAL CODE OF THE REPUBLIC OF KAZAKHSTAN

The Entrepreneurial Code of the Republic of Kazakhstan (hereinafter – EC RK) defines the legal, economic, and social conditions and guarantees that ensure the freedom of entrepreneurship in the Republic of Kazakhstan. It regulates public relations arising in the context of interaction between business entities and the state, including state regulation and support of entrepreneurship.

Throughout 2024, various amendments and additions were made to the Entrepreneurial Code of the Republic of Kazakhstan (EC RK).

In particular, the following changes and additions were introduced by the Laws of the Republic of Kazakhstan dated April 6, 2024 No. 71-VIII, May 21, 2024 No. 86-VIII, and July 8, 2024 No. 121-VIII:

- subparagraphs 1) and 9) of Paragraph 1 of Article 165 were supplemented with the words ", for national companies, the right to control no less than forty percent of the total number of votes attached to voting shares (participation interests in the charter capital, units) of the market entity is permitted." As a result, according to subparagraphs 1) and 9) of Paragraph 1 of Article 165 of the EC RK, a group of persons shall be deemed to be a set of individuals and/or legal entities that meet one or more of the following criteria:
  - a market entity and an individual or legal entity, if such individual or legal entity, by virtue of participation in the given market entity or on the basis of authority received, including under a written agreement from other parties, has the right to control more than fifty percent of the total number of votes attached to voting shares (participation interests in the charter capital, units) of the given market entity;
  - a market entity, individuals and/or legal entities that, based on any of the grounds specified in subparagraphs 1), 2), 3), 4), 5), 6), 7), and 8) of this paragraph, are part of a group of persons, if these persons jointly, or by virtue of authority received from other parties, have the right to control more than fifty percent of voting shares (participation interests, units) of the market entity; for national companies, the threshold may be no less than forty percent;
- the concepts of "conglomerate" and "adjacent commodity market" were introduced. According to Paragraph 1 of Article 172-1 of the EC RK, a conglomerate is defined as a market entity (group of persons) holding a dominant or monopolistic position in both a relevant and an adjacent commodity market, excluding banking holdings, banks and their subsidiaries, as well as the single electricity purchaser and the balancing market settlement center. An adjacent commodity market is one in which the sale of a product is impossible without the use of another product sold on the relevant commodity market. Furthermore, according to subparagraph 12) of Article 96-6 and Paragraph 2 of Article 172-1 of the EC RK, maintaining the state register of conglomerates, as well as conducting analysis and monitoring of their activities, falls under the authority of the antimonopoly body;
- article 191-1 was restated to clarify that failure to publish information necessary to ensure a free change of seller (supplier) is no longer considered a barrier to switching suppliers;
- articles 199, 216, and 221 were supplemented with a provision stating that appeals against a notice/order to conduct an investigation/actions of officials of the antimonopoly body under the Administrative Procedural Code of the Republic of Kazakhstan do not suspend the timeline specified in the notice/order or the execution of such actions;
- subparagraphs 3) and 4) of paragraph 1 of Article 201 have been amended. According to the new version of these subparagraphs, economic concentration is recognized as:
- Acquisition of ownership, possession, and use—including as payment (transfer) for charter capital—by a market entity (or group of persons) of core production assets (excluding land plots and buildings (structures, facilities) that are not industrial in nature, their complexes, premises, and unfinished construction objects) located in the territory of the Republic of Kazakhstan and/or intangible assets of another market entity, if the book value of such assets, which are the subject of the transaction (or related transactions), exceeds twenty percent of the book value of the core production assets and intangible assets of the transferring or alienating market entity. This requirement does not apply in cases where a market entity (or group of persons) acquires ownership, possession, and use of core production assets and/or intangible assets as part of the founders' contributions to its initial charter capital, as well as in cases of market entity reorganizations where the newly created market entity acquires such assets based on a transfer deed or separation balance sheet;
- acquisition by a market entity of rights (including under a trust management agreement, joint activity agreement, or agency agreement) that allow issuing binding instructions to another market entity in the course of its business activities:
  - it applies to cases of acquiring rights that provide the ability to make decisions independently, exert decisive influence over the decision-making process, and predominantly control decision-making (including the right to determine priority areas, main conditions, types and directions of entrepreneurial activity, development strategy, and other matters not related to day-to-day operations), as well as similar cases, provided there are no other persons with comparable rights.

- it also applies to acquired rights that allow obstructing the decision-making process by governing and/or supervisory bodies of the market entity (including explicitly stated veto or blocking rights in the founding documents), or unilaterally appointing (nominating) candidates to the governing and/or supervisory bodies of the market entity, provided such rights are not held by other persons;
- the deadlines for verifying the completeness of submitted materials and reviewing petitions for consent to economic concentration have been changed (from 10 calendar days to 5 working days, and from 30 calendar days to 15 working days, respectively). Additionally, a maximum time limit for reviewing such petitions has been set — with all suspensions taken into account, it must not exceed 12 months (Article 205);
- amendments were introduced regarding state regulation of maximum tariffs for the lease (rental) of locations for installing communication equipment, as well as for utility poles used for laying fiber-optic communication lines (Subparagraph 15 of Paragraph 3 of Article 116, Article 123-1).

LAW OF THE REPUBLIC OF KAZAKHSTAN ON COMMUNICATIONS

The Law of the Republic of Kazakhstan "On Communications" (hereinafter referred to as the Communications Law) establishes the legal framework for activities in the field of communications within the territory of the Republic of Kazakhstan. It defines the powers of state authorities in regulating such activities, as well as the rights and obligations of individuals and legal entities providing or using communication services.

Several amendments and additions were made to the Communications Law by Laws dated April 6, 2024, No. 71-VIII; May 21, 2024, No. 86-VIII; June 19, 2024, No. 94-VIII; July 5, 2024, No. 115-VIII; and July 8, 2024, No. 116-VIII, including the following:

- The terms "network operations center," "shared-use infrastructure," "mobile communication station," "reallocation (reconfiguration of use) of the radio frequency spectrum," "structures for cellular or satellite communication equipment," and "broadcast messaging technology" were introduced (subparagraphs 13-1), 22-1), 40-4), 48-1), 67-6), and 70-1) of Article 2);
- Amendments and additions were made concerning the powers of the authorized body (paragraph 1 of Article 8);
- Technical support for the reallocation (reconfiguration of use) of the radio frequency spectrum in the Republic of Kazakhstan and coordination of frequency-territorial plans for cellular networks were assigned to the state monopoly in the communications sector (subparagraphs 7), 8) of Article 9-1);
- State control over the quality of communication services provided by communication operators was assigned to the competence of regional (city of republican significance, capital) akimats (subparagraph 3-2) of paragraph 1 of Article 10);
- Radio frequency bodies were authorized to develop proposals for implementing state policy in the area of radio frequency spectrum allocation, as well as for the effective use of the radio frequency spectrum and satellite orbital positions in the interests of the state. Previously, these proposals were developed by the Interdepartmental Commission on Radio Frequencies of the Republic of Kazakhstan under the Government of the Republic of Kazakhstan with participation from associations (unions) of communication operators and public associations of communication and radio frequency spectrum users (paragraph 2 of Article 11);
- In order to provide Internet access to rural settlements, Article 12 of the Communications Law was supplemented with paragraph 4-4, which stipulates that communication operators and/or owners of telecommunications networks must provide access to their telecommunications infrastructure to cellular operators for organizing wireless Internet access in rural settlements based on an agreement;
- The authorized body was granted the right to impose additional obligations on communication operators to provide discounted rates for persons with disabilities (paragraph 6 of Article 12);
- The following additional grounds for the termination of a radio frequency spectrum usage permit were introduced (subparagraphs 6)-8) of paragraph 8-1, Article 12):
  - decision by the authorized body to carry out reallocation of the radio frequency spectrum for the purposes of:
    - implementing advanced communication technologies;
    - ensuring effective use of the radio frequency spectrum and frequency bands in accordance with forward-looking radio spectrum usage plans;
  - termination of business activity by an individual entrepreneur or liquidation of a legal entity;
  - failure by a communication operator to submit notification of the operation of radio-electronic equipment and/or high-frequency devices and to calculate electromagnetic compatibility of civilian radio-electronic equipment within six months from the date of obtaining the permit to use the radio frequency spectrum, as determined in accordance with the legislation of the Republic of Kazakhstan on permits and notifications;
- Communication operators are obligated, in the event of a threat or occurrence of a social, natural, or man-made emergency, as well as during the declaration of a state of emergency, to provide mobile communication stations to operational headquarters upon request, and mobile network operators must ensure the operation of broadcast messaging technology on their networks (paragraphs 5 and 6 of Article 14);
- Chapter 2 is supplemented with Article 15-3, which stipulates that communication operators and/or owners of communication networks operating in the Republic of Kazakhstan shall submit aggregated data to the authorized body in the event of threats or occurrences of emergencies of a social, natural, or man-made nature caused by natural disasters (earthquakes, mudflows, avalanches, floods, and others), environmental crises, wildfires, epidemics, in the manner determined by the authorized body in coordination with the National Security Committee of the Republic of Kazakhstan;
- Paragraphs 1 and 2 of Article 18 are revised as follows:
  1. The right to use the radio frequency resource is granted after the allocation of frequency bands, radio frequencies (radio frequency channels) based on a competition (or auction), if the communication service will be provided using radio frequencies in a range where the radio frequency authorities have imposed a restriction on the possible number of communication operators operating in a specific territory due to insufficient availability of radio frequency spectrum. In such cases, the communication operator is obligated to provide communication services to the territory or populated areas, as reflected in the permit for the use of the radio frequency spectrum.
  2. The decision to conduct a competition (or auction) is made by the authorized body in accordance with paragraph 1 of this article.

  The competition (or auction) must be held no later than six months after such a decision is made;
- Regulation of maximum tariffs by the authorized body for property lease (rental) of locations for placing communication facilities, as well as supports for overhead power lines for laying fiber-optic lines, has been introduced (subparagraph 3) of the first part of paragraph 2 of Article 20);
- Provisions on the approval by the authorized body of the standard form of an interconnection agreement, defining the terms for providing interconnection services of other telecommunications networks, as well as related obligations on network interaction and traffic transmission, for public telecommunications network operators have been excluded (paragraph 1 of Article 26);
- A provision has been introduced for subsidizing communication services at agricultural and industrial facilities for the purpose of implementing digital technologies (paragraph 4 of Article 34);

- Article 40 has been supplemented with paragraph 1-5, establishing a ban on operators providing text message distribution services to cellular subscriber devices containing advertisements for electronic casinos, online casinos, as well as advertisements for gambling and/or betting.

LAW OF THE REPUBLIC OF KAZAKHSTAN «ON NATURAL MONOPOLIES»

The Law of the Republic of Kazakhstan "On Natural Monopolies" applies to relations arising in the service market of the Republic of Kazakhstan provided by entities of natural monopolies.

Amendments and additions were made to the Law on Natural Monopolies by Laws dated 06.04.2024 No. 71-VIII, 21.05.2024 No. 86-VIII, 01.07.2024 No. 107-VIII, and 08.07.2024 No. 121-VIII, including:

- The concept of "unjustified income" was introduced (unjustified income — additional income received by an entity as a result of tariff overcharging, including unlawful billing based on meter readings, volumes, amounts and consumption norms of services, approved by the department of the authorized body, and/or misappropriation of depreciation funds provided in the tariff estimate, failure to fulfill cost items in the tariff estimate by more than five percent from the amounts approved by the authorized body, failure to use or misuse funds provided in the tariff estimate for the implementation of investment programs) (subparagraph 11-1) of Article 4);
- Provision was made for the formation and maintenance of a register of unscrupulous procurement participants (subparagraph 4-1 of Article 8);
- Public hearings may now be held using online broadcasts (subparagraph 9) of Article 8);
- It is determined that entities of natural monopolies shall publish reports on the implementation of the approved tariff estimate, on the implementation of the approved investment program, on the compliance with the quality and reliability indicators of regulated services and achievement of performance indicators, including financial statements, in mass media distributed in the respective administrative-territorial unit, and/or on their website (paragraph 2 of Article 25);
- Entities of natural monopolies are obliged to coordinate the methodology of separate accounting for regulated services with the authorized body (subparagraph 20-1) of Article 8, subparagraph 9) of the first part of paragraph 2 of Article 26);
- The procedure for preventive control without visiting the subject (object) of control is established (Articles 30-1).

In addition, various general amendments were made in 2024 to certain legislative acts of the Republic of Kazakhstan used in the activities of JSC "Kazakhtelecom", such as the Civil Code of the Republic of Kazakhstan, the Tax Code of the Republic of Kazakhstan, the Code of the Republic of Kazakhstan on Administrative Offenses, the Law of the Republic of Kazakhstan "On the Securities Market", the Law of the Republic of Kazakhstan "On Permits and Notifications", as well as subordinate regulatory legal acts on the provision of communication services and other regulatory legal acts.

Also, starting from January 1, 2025, the Order of the Minister of Finance of the Republic of Kazakhstan dated October 8, 2024, No. 677 "On the approval of the list of goods, works, services, rules and volume of public procurement carried out from small and medium-sized business entities", adopted in accordance with paragraph 7 of Article 27 of the Law of the Republic of Kazakhstan "On Public Procurement", entered into force. According to this order, public procurement of services provided by individuals and legal entities of the Republic of Kazakhstan, the value of which does not exceed fifty thousand times the monthly calculated index established for the relevant fiscal year by the law on the republican budget, must be carried out among small and medium-sized business entities.

In accordance with paragraphs 2 and 4 of the Rules for the implementation of public procurement of goods, works, services from small and medium-sized business entities approved by this order:

- The Rules do not apply to public procurement of goods, works, services carried out in accordance with the list of goods, works, services for which the method of public procurement is determined by the authorized body;
- procurement from all suppliers is allowed only in cases where public procurement of services from small and medium-sized business entities is recognized as failed due to the absence of submitted applications for participation in the competition or submitted price offers.