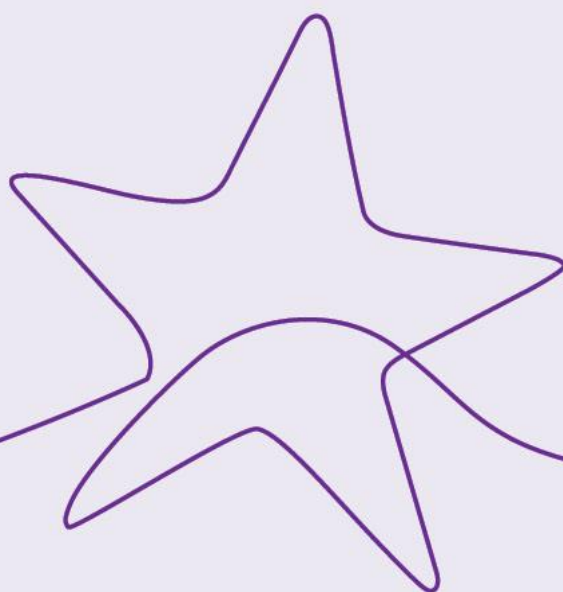


# Kcell

Kcell JSC

## Results for January- September 2021



## Kcell JSC Results for January-September 2021

**Almaty, October 29, 2021** – Kcell Joint Stock Company ("Kcell" or the "Company") (KASE, AIX: KCEL), one of the leading provider of mobile telecommunications services in Kazakhstan, announces its interim results for January-September 2021.

### Third quarter

- Net sales increased by 7.3% to KZT 50 245 million (46 828). Service revenue increased by 12.8% to KZT 40 419 million (35 841).
- EBITDA, excluding non-recurring items, increased by 0.7% to KZT 20 658 million (20 509), with EBITDA margin of 41.1% (43.8).
- Operating income, excluding non-recurring items, increased by 2.1% to KZT 12 874 million (12 611).
- Net finance cost decreased by 35.3% to KZT 1 526 million (2 359).
- Net income increased by 2.2% to KZT 9 326 million (9 124).
- CAPEX-to-sales ratio – 13.4% (7.5).
- Free cash flow more than doubled and amounted to KZT 17 433 million (8 141).

### Nine months

- Net sales increased by 11.9% to KZT 140 408 million (125 516). Service revenue increased by 11.1% to KZT 114 541 million (103 122).
- EBITDA, excluding non-recurring items, increased by 12.5% to KZT 59 463 million (52 878), with EBITDA margin of 42.4% (42.1).
- Operating income, excluding non-recurring items, increased by 23.2% to KZT 36 244 million (29 418).
- Net finance cost decreased by 20.4% to KZT 5 709 million (7 175).
- Net income increased by 41.3% to KZT 24 953 million (17 662).
- CAPEX-to-sales ratio – 8.1% (5.7).
- Free cash flow increased by 70.5% to KZT 39 047 million (22 905).
- Total subscriptions – 7 957 thousand users (8 040).

## Financial highlights

KZT in millions, except key ratios, per share data and changes	Q3 2021	Q3 2020	Chg (%)	9m 2021	9m 2020	Chg (%)
Net sales	50 245	46 828	7.3	140 408	125 516	11.9
<i>of which service revenue</i>	40 419	35 841	12.8	114 541	103 122	11.1
EBITDA excl. non-recurring items	20 658	20 509	0.7	59 463	52 878	12.5
<i>Margin (%)</i>	41.1	43,8		42.4	42.1	
Operating income	12 874	12 085	6.5	36 927	28 704	28.6
Operating income excl. non-recurring items	12 874	12 611	2.1	36 244	29 418	23.2
Net income	9 326	9 124	2.2	24 953	17 662	41.3
Earnings per share (KZT)	46.6	45,6	2.2	124.8	88.3	41.3
CAPEX-to-sales (%)	13.4	7,5		8.1	5.7	
Free cash flow	17 433	8 141	114.1	39 047	22 905	70.5

*In this report, comparative figures are provided in parentheses following the operational and financial results and refer to the same item in the third quarter or nine months of 2020, unless otherwise stated.*

## Comments by Yuri Kharlamov, Chairman of the Management Board, CEO

“I am pleased to announce that, for the first time in the history of Kcell, the level of revenue for the quarter reached 50 billion tenge. In the third quarter, we maintained a positive trend in the development of our operating and financial indicators. The total revenue grew by 7.3%, service revenue by 12.8%. These indicators form a solid foundation for strengthening our market position in future and achievement of the goals outlined in our five-year development strategy, which includes a three-year transformation program containing a new commercial strategy, optimization of processes and costs as well as building an agile organization.

Thanks to an intense focus on user needs and promotion through our main communication channels, we are seeing growth in the integration of package offerings. We have also started refreshing our subscriber base segmentation and developed a program to increase customer NPS and new marketing campaigns.

The revenue from mobile financial services (MFS) grew by 53% vs. Q3 2020, with the main growth drivers being entertainment, loyalty bonus program and payments on Google Play. More and more customers are now opting for the bundled tariffs offering OTT and value added services. In the third quarter, we launched an attractive line of the OGO Finance products: OGO Bonus, OGO Card and OGO Deposit. The new financial product has been designed to improve the quality of our services and create more value for our customers.

We strive to become more than just a telecom operator for our customers. Today we are leading the market in terms of device sales, but this is not the limit! We have started selling contract phones not only to the Kcell subscribers, but to everyone as well.

Such an approach will enable us to acquire new customers, reach a higher level of profitability as well as increase ARPU, which now stands at 12.3%.

The customer churn rate went down due to the customer base quality improvement measures we have taken in recent years. In addition, contract sales have a positive effect on the LTV (lifetime value) of our customer base.



In B2B segment, we continue to implement bold infrastructure projects: Kcell became the first mobile operator in the country to build a private LTE network. The data obtained showed that we are moving in the right direction – our customers have appreciated the advantages of the LTE technology. Today, as part of the NWF Samruk-Kazyna group, our company is involved in a number of joint projects on private LTE networks and telemetry in the energy sector.

In the third quarter, free cash flow increased by 114.1%, which creates tremendous opportunities in attracting investment in the improvement of infrastructure and technological sophistication.

One of the most remarkable events for the company was the successful completion of a challenging task - 5G network testing. The network is now fully ready for operation, and we will soon start deployment of the fifth generation network to provide 5G coverage in the entire city of Turkestan. This is a truly unprecedented event for Kazakhstan, especially given the fact that the number of customers using 5G devices is constantly increasing.

At the end of September, Kazakhtelecom JSC announced the sale of 24% of shares of Kcell JSC on the Kazakhstan Stock Exchange KASE, 14.87% of which were acquired by Pioneer Technologies S.A.R.L. and 9.08% of the shares were acquired by First Heartland Jusan Bank JSC.

Kcell remains committed to maintaining high standards of corporate governance and best practices in all areas of its activity. We will continue to delivering strong financial and operational results for the benefit of our customers and shareholders.”

### Almaty

October 29, 2021

## Conference call

Kcell together with Kazakhstan Stock Exchange JSC will host a video conference call for investors and analysts on October 29, 2021 at 15:00 Almaty time. The conference will be held in Russian.

To participate in the event, you must send information (last name, first name and patronymic, organization name, position, e-mail address, questions of interest) to [customers@kase.kz](mailto:customers@kase.kz).

All registered participants will be sent a link (invitation) to an online meeting in ZOOM.

A presentation will be available on the Company website shortly before the conference call at <https://investors.kcell.kz>

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## Review of the 3rd quarter of 2021

### Net sales

Net sales increased by 7.3% to KZT 50 245 million (46 828).

Service revenue increased by 12.8% to KZT 40 419 million (35 841).

### Voice and other services

Revenue from voice and other services increased by 10.6% to KZT 20 396 million (18 448).

### Data service revenue

Data revenue increased by 14.3% to KZT 17 416 million (15 239). Data traffic grew by 38.8% to 154 PB (111.0).

### Value-added service revenue

Revenue from value-added services increased by 21.0% to KZT 2 606 million (2 153).

### Handset sales

Handset sales decreased to KZT 9 827 million (10 987).

KZT in millions, except percentages	Q3 2021	% of total	Q3 2020	% of total
Voice and other services	20 396	40.6	18 448	39.4
Data services	17 416	34.7	15 239	32.5
Value added services	2 606	5.2	2 153	4.6
Handset sales	9 827	19.6	10 987	23.5
<b>Total revenues</b>	<b>50 245</b>	<b>100.0</b>	<b>46 828</b>	<b>100.0</b>

## Expenses

**Cost of sales** grew by 6.6% to KZT 32 681 million (30 664), largely due to increased payroll expenses, telephone traffic transmission and network sharing costs.

**Selling and marketing expenses** doubled to KZT 749 million (356), largely due to increased advertising and marketing costs.

**General and administrative expenses** grew by 50.6% to KZT 3 690 million (2 451), largely due to expenses on consulting services related to the development of commercial strategy and transformation programme.

## Earnings, financial position and cash flow

**EBITDA**, excluding non-recurring items, increased by 0.7% to KZT 20 658 million (20 509), with EBITDA margin of 41.1% (43.8).

**Net finance cost** decreased by 35.3% to KZT 1 526 million (2 359).

**Income tax expense** increased by 22.5% to KZT 1 987 million (1 622).

**Net income** increased by 2.2% to KZT 9 326 million (9 124).

**CAPEX** increased to KZT 6 737 million (3 522), and CAPEX-to-sales ratio was 13.4% (7.5).

**Free cash flow** more than doubled and amounted to KZT 17 433 million (8 141).

## Review of nine months of 2021

### Net sales

Net sales were 11.9% higher and amounted to KZT 140 408 million (125 516).

Service revenue increased by 11.1% to KZT 114 541 million (103 122).

### Voice and other services

Revenue from voice and other services increased by 5.3% to KZT 57 766 million (54 835).

### Data service revenue

Data revenue increased by 16.6% to KZT 49 850 million (42 759). Data traffic grew by 44.4% to 456 PB (315.5).

### Value-added service revenue

Revenue from value-added services increased by 25.3% to KZT 6 926 million (5 528).

### Handset sales

Handset sales increased by 15.5% to KZT 25 867 million (22 394).

KZT in millions, except percentages	9m 2021	% of total	9m 2020	% of total
Voice and other services	57 766	41.1	54 835	43.7
Data services	49 850	35.5	42 759	34.1
Value added services	6 926	4.9	5 528	4.4
Handset sales	25 867	18.4	22 394	17.8
<b>Total revenues</b>	<b>140 408</b>	<b>100.0</b>	<b>125 516</b>	<b>100.0</b>



## Expenses

**Cost of sales** grew by 7.1% to KZT 91 860 million (85 749) largely due to increased handset sales and network sharing costs.

**Selling and marketing expenses** grew by 8.8% to KZT 1 542 million (1 418), largely due to increased advertising and marketing costs.

**General and administrative expenses** increased by 48.7% to KZT 10 619 million (7 141), largely due to expenses on consulting services related to the development of commercial strategy and transformation programme as well as delisting expenses.

## Earnings, financial position and cash flow

**EBITDA**, excluding non-recurring items, increased by 12.5% to KZT 59 463 million (52 878), with EBITDA margin of 42.4% (42.1).

**Net finance cost** decreased by 20.4% to KZT 5 709 million (7 175).

**Income tax expense** increased by 16.7% to KZT 6 556 million (5 616).

**Net income** increased by 41.3% to KZT 24 953 million (17 662). Earnings per share were KZT 124.8 tenge (88.3).

**CAPEX** increased to KZT 11 423 million (7 191) and the CAPEX-to-sales ratio was 8.1% (5.7).

**Free cash flow** grew by 70.5% to KZT 39 047 million (22 905).

## Key milestones, January - September 2021

### January

- On 6 January 2021, the Company received a loan from Alfa-Bank in the amount of KZT 12 billion with an interest rate of 10.7 percent per annum and a three-year maturity (before 5 January 2024).
- On 8 January 2021, the Company partially repaid the loan received from the Eurasian Development Bank in the amount of KZT 12 billion.
- On 26 January 2021, the Company made a principal and coupon payment on bonds (ISIN KZ2C00004208). On the record date of 15 January 2021, 21,754 thousand bonds with a face value of KZT 1,000 each were placed with a coupon rate of 11.5 percent. The total amount of the principal payment amounted to KZT 21,754 million. The total amount of the coupon payment amounted to KZT 1,251 million. The payment was made in accordance with the terms and conditions of the Company's Prospectus for the Bond Issue Programme.

### February

- At the meeting of the Board of Directors held on 6 February 2021, Yuri Kharlamov was appointed the Company's CEO with immediate effect.
- On 26 February 2021, the Company had its Extraordinary General Meeting of Shareholders (EGM).

The EGM agenda included the following:

1. Election of members of the Company's Board of Directors.

EGM unanimously adopted the following decisions:

1.1 To elect Serik Saudabayev, representative of shareholder Kazakhtelecom JSC, to the existing Kcell JSC Board of Directors.

1.1.1 To set the term of office for Serik Saudabayev, representative of shareholder Kazakhtelecom JSC, effective the date of election and until expiration of the term of office of the current composition of Kcell JSC Board of Directors set forth by the Extraordinary General Meeting of Shareholders on 25 January 2019 (Minutes#12).

1.2 To elect Timur Khudaiberdiyev, representative of shareholder Kazakhtelecom JSC, to the existing Kcell JSC Board of

Directors.

1.2.1 To set the term of office for Timur Khudaiberdiyev, representative of shareholder Kazakhtelecom JSC, effective the date of election and until expiration of the term of office of the current composition of Kcell JSC Board of Directors set forth by the Extraordinary General Meeting of Shareholders on 25 January 2019 (Minutes#12).

The Company's Board of Directors consisting of the following members:

- Alexey Buyanov (Independent Director, Chairman);
- Rashit Makhat (Independent Director);
- Dinara Inkarbekova (Independent Director);
- Vladimir Popov (Independent Director);
- Jere Calmes (Independent Director);
- Kuanyshbek Yessekeyev (representative of shareholder Kazakhtelecom JSC);
- Timur Turlov (representative of shareholder Freedom Finance JSC);
- Serik Saudabayev (representative of shareholder Kazakhtelecom JSC);
- Timur Khudaiberdiyev (representative of shareholder Kazakhtelecom JSC).

### April

- On 1 April 2021, the Company notified that an additional agreement has been concluded with Subsidiary JSC VTB Bank (Kazakhstan) to increase the amount of the existing credit line from KZT 6 billion to KZT 7 billion, with a credit line maturity on 15 October 2023 and an interest rate of 10.7 percent per annum.
- On 9 April 2021, the EGM of the Company was held. The EGM agenda included the following:

1. On approval of termination of the GDR programme, delisting of securities and termination of the Deposit Agreement.

EGM adopted the following decisions by a majority of votes:

1. To approve:

1) termination of the GDR programme of Kcell JSC for the purpose of removing GDRs from the Official List of the Financial Conduct Authority of the United Kingdom and delisting from the LSE and the AIX;

2) voluntary delisting of Kcell's GDRs from the LSE and AIX;

3) termination of the Deposit Agreement between Kcell JSC and Deutsche Bank Trust Company Americas on global depository receipts for ordinary shares of Kcell Joint Stock Company dated 23 October 2012, including amendment thereto dated 17 December 2017 (Deposit Agreement).

2. To instruct Kcell JSC Board of Directors duly adopt the necessary decisions concerning termination of the Deposit Agreement, completion of the procedures for delisting of Kcell's GDRs from the London Stock Exchange (LSE) and the Astana International Financial Center (AIX), interaction between Kcell JSC and GDR holders as part of the termination of the GDR programme, including in relation to the exchange of GDRs for shares of Kcell JSC and (or) repurchase of shares, at the request of Kcell JSC shareholders in connection with this decision, on the grounds and in the manner prescribed by the legislation of the Republic of Kazakhstan and Kcell JSC Charter.

The Company's ordinary shares will remain listed on the KASE and AIX following the cancellation of the listing of the GDRs on the Official List and from trading on the LSE and the cancellation of the listing and trading of the GDRs on the AIX.

- On 9 April 2021, the Company's Board of Directors approved the following:

1. Acceptance of the termination of the employment agreement of Sergey Yeltsov, member of the Management Board, Chief Legal Officer of Kcell JSC, effective from 16 April 2021 at the

initiative of the employee.

2. Election of Sevil Gassanova as a member of the Management Board, Chief Legal Officer of Kcell JSC.
3. Election of Maria Averchenko as a member of the Management Board, Chief Commercial Director of Kcell JSC.
4. Election of Alexey Bobrov as a member of the Management Board, Chief Financial Officer of Kcell JSC.

The new composition of the Management Board of Kcell JSC:

- Yuri Kharlamov – Chairman of the Management Board, Chief Executive Officer;
  - Askar Yesserkegenov – member of the Management Board, Chief Technical Officer;
  - Sevil Gassanova – member of the Management Board, Chief Legal Officer;
  - Maria Averchenko – member of the Management Board, Chief Commercial Officer;
  - Alexey Bobrov - member of the Management Board, Chief Financial Officer.
- On April 13, 2021, the Company:
    1. entered into a deed of variation changing the notice period for the termination of the deposit agreement between Deutsche Bank Trust Company Americas (acting as depository of the GDR (Depository) and the Company dated 23 October 2012, as previously amended (Deposit Agreement) from 90 days' to 60 days' notice;
    2. gave notice to the Depository of the termination of the Deposit Agreement.

The ordinary shares of the Company will continue to be listed on the KASE and AIX following the termination of the Deposit Agreement and the GDR programme.

If any GDRs remain outstanding after the Termination Date, as would be indicated in the notice by the Depository, they will automatically convert into ordinary shares in the Company. The Depository will sell such ordinary shares and distribute the net

proceeds of such sale to those relevant former GDR holders who have not chosen to receive the ordinary shares underlying their GDRs prior to the Termination Date.

As a gesture of goodwill, the Company has reimbursed the GDR holders for the cost of the Depository's commission for conversion.

- On April 13, 2021, the Company signed an agreement with Nexign JSC (part of ICS Holding), a leading Business Support System (BSS) and Internet of Things (IoT) solutions provider, for the provision of the Nexign Converged BSS billing platform

The agreement is aimed at introducing a converged digital billing platform and transitioning to a unified billing system for servicing Kcell subscribers, including real time billing. The digital billing platform is a consolidated solution that supports the main business processes such as charging, billing, sales and services, as well as customer management.

The introduction of the digital billing platform in cooperation with Nexign will allow Kcell to optimise operational costs associated with operating multiple billing systems, accelerate time-to-market for Company's products, as well as provide opportunities for monetising new products and services. The modernisation and consolidation of systems will also help expand the self-service capabilities by 20-30 percent, which will, in turn, reduce the load on contact centres and customer service offices.

- On April 15, 2021, the Board of Directors recommended the Annual General Meeting of Shareholders (AGM) to approve an annual dividend payment based on the 2020 results in the amount of KZT 17,578 million, representing 100 percent of the consolidated net income, or KZT 87.89 per ordinary share or GDR

## May

- On May 20, 2021, the Company notified of entering into an additional agreement with SB Alfa Bank JSC to increase the amount of the

existing credit line from KZT 14 billion to KZT 21 billion with the interest rate of 10.7% per annum, for a period until 19 May 2026, with a loan availability period until 19 May 2025.

- On May 24, 2021, the Annual General Meeting of Kcells JSC (AGM) took place.

The AGM has unanimously adopted the following decisions:

- To approve Kcell JSC IFRS Separate and Consolidated Financial Statements for the year ended 31 December 2020.
- To approve the following order for the distribution of Kcell net income for 2020:
  - To distribute KZT 17,578 million, representing 100 percent of the consolidated net income, as dividends for 2020.
  - To approve the size of the 2020 dividend in the amount of KZT 87.89 per ordinary share or global depository receipt (GDR) .
  - To set the record date for shareholders entitled to receive the dividends - the first business day from the date of the Annual General Meeting of Shareholders at 00:00 AM Almaty time.
  - To set the date to start payment of dividends on ordinary shares and GDRs for 2020 on the first business day from the record date of shareholders entitled to receive the dividend and during the next thirty calendar days. To approve the order dividend payment: one-time payment.
  - To approve the payment form of dividends on ordinary shares through the paying agent - Central Securities Depository JSC, and on global depository receipts of Kcell JSC - directly by the Company, by non-cash payment to bank account.
- To approve the Kcell JSC Corporate Governance Code in the new edition. To deem void Kcell JSC Corporate Governance Code dated 15 January 2020.
- On May 26, 2021, the Company notified of entering into an additional agreement with the Eurasian Development Bank to reduce the interest rate from 11.5% per annum to 11.19% per annum, with the period of the loan availability until 31 December 2021.
- On May 31, 2021, the Company paid the annual dividend in the amount of KZT 17,578

million, or KZT 87.89 per ordinary share/GDR.

## June

- On June 3, 2021, the Company notified of entering into an additional agreement with SB Bank of China in Kazakhstan JSC to increase the amount of the credit line from KZT 11 billion to KZT 13 billion, with an interest rate of 10.3% per annum and the term and period of loan availability until 1 June 2024.
- On June 14, 2021, GDRs were delisted from LSE and AIX.

## August

- On August 4, 2021, the Board of Directors of Kcell adopted the decision to accept the termination of the employment agreement of Alexey Bobrov, member of the Management Board, Chief Financial Officer, effective from August 20, 2021 at the initiative of the employee.

The new composition of the Management Board of Kcell JSC:

- Yuri Kharlamov – Chairman of the Management Board, Chief Executive Officer;
- Askar Yesserkegenov – member of the Management Board, Chief Technical Officer;
- Sevil Gassanova – member of the Management Board, Chief Legal Officer;
- Maria Averchenko – member of the Management Board, Chief Commercial Officer;
- The Extraordinary General Meeting of Shareholders of Kcell was held on September 23, 2021, at 11.00 at the following address: 51, Alimzhanov street, Almaty (EGM).  
The EGM agenda:
- Determination of the quantitative composition and term of the office for Kcell JSC Counting commission and election of its members.
- On amendments to Kcell JSC Charter.

The EGM unanimously adopted the following decisions:

1. To determine the following composition of Kcell JSC Counting Commission with the term of office until 1 September 2022, including the following employees of Kcell JSC:
  - Shol Irina Vladimirovna– Chairwoman of the Counting Commission;
  - Timurziyeva Aza Nazhmudinovna;
  - Bratenkova Diana Alexandrovna;
  - Logdanidi Yelena Yevstafievna.
- 2.1. To amend the Charter of Kcell JSC as provided in the Exhibit to the EGM Minutes #19 dated 23 September 2021.
- 2.2. To authorize Yuri Kharlamov, the Chairman of Kcell JSC Management Board:
  - 1) to sign the amendments to Kcell JSC Charter of on behalf of shareholders;
  - 2) to ensure that all the necessary actions are taken in the judicial bodies of the Republic of Kazakhstan in connection with introduction of amendments to the Charter of Kcell JSC, with the right to delegate granted authorities to other persons.
- On September 24, 2021, Rashit Makhat and Vladimir Popov, members of the Board of Directors, Independent Directors, notified the Company about their intention to resign from the Company's Board of Directors from 21 September 2021.  
The acting Members of the Kcell Board of Directors are:
  - Alexey Buyanov – Chairman, Independent Director;
  - Dinara Inkarbekova – Independent Director;
  - Jere Calmes – Independent Director;
  - Kuanyshbek Yessekeyev – a representative of shareholder Kazakhtelecom JSC;
  - Serik Saudabayev – a representative of shareholder Kazakhtelecom JSC;
  - Timur Khudaiberdiyev – a representative of shareholder Kazakhtelecom JSC;
  - Timur Turlov – a representative of shareholder Freedom Finance JSC.

### Significant events following the end of the reporting period

- On October 5, 2021, Company notified of the changes in the composition of shareholders of Kcell JSC:
- 1) Kazakhtelecom JSC – owns 51% of Kcell JSC shares
- 2) Pioneer Technologies S.A.R.L – owns 14,87% of Kcell JSC shares
- 3) First Heartland Jusan Bank JSC – owns

9,08% of Kcell JSC shares

- 4) Unified Accumulative Pension Fund JSC – owns 7,06% of Kcell JSC shares.

Date of change in the composition of shareholders owning 5 or more percent of the issuer's voting shares (the date of registration of changes in the register of holders of securities) is the 4th of October 2021.

Financial statements (IAS) for January-September 2021 will be available on the Kcell website after November 15, 2021.

**The information was submitted for publication on October 29, 2021.**

## Definitions

**EBITDA:** Earnings Before Interest, Tax, Depreciation and Amortization. Equals operating income before depreciation, amortization and impairment losses and before income from associated companies

**CAPEX:** Capital expenditures for property, plant and equipment as well as software and licenses including investments in tangible and intangible non-current assets, but excluding goodwill and fair value adjustments recognized in acquisitions, and excluding the recording of assets retirement obligations.

**IFRS 16 Leases:** introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The amortization of the right-of-use asset and the accumulation of interest on a financial liability replace lease payments recognized as rental expenses in profit or loss.

**Free cash flow:** cash flow from operating activities less cash CAPEX.

## Condensed Consolidated Statements of Comprehensive Income

KZT in millions, except per share data, number of shares and changes	Q3 2021	Q3 2020	Chg (%)	9m 2021	9m 2020	Chg (%)
Revenues	50 245	46 828	7.3	140 408	125 516	11.9
Cost of sales	(32 681)	(30 664)	6.6	(91 860)	(85 749)	7.1
<b>Gross profit</b>	<b>17 564</b>	<b>16 164</b>	<b>8.7</b>	<b>48 548</b>	<b>39 767</b>	<b>22.1</b>
Selling and marketing expenses	(749)	(356)	110.2	(1 542)	(1 418)	8.8
General and administrative expenses	(3 690)	(2 451)	50.6	(10 619)	(7 141)	48.7
Reversal of tax and related fine	-	36	-	683	538	26.9
Impairment of assets	(313)	(1 309)	(76.1)	(943)	(3 043)	(69.0)
Other operating income and expenses, net	62	-	-	800	-	-
<b>Operating income</b>	<b>12 874</b>	<b>12 085</b>	<b>6.5</b>	<b>36 927</b>	<b>28 704</b>	<b>28.6</b>
Other income and expenses, net	56	13	330.8	174	576	(69.8)
Finance income and expenses, net	(1 526)	(2 359)	(35.3)	(5 709)	(7 175)	(20.4)
Net forex gain/loss, net	(91)	1 007	(109.0)	117	1 173	(90.0)
<b>Profit/loss before income tax</b>	<b>11 313</b>	<b>10 746</b>	<b>5.3</b>	<b>31 509</b>	<b>23 278</b>	<b>35.4</b>
Income tax expense	(1 987)	(1 622)	22.5	(6 556)	(5 616)	16.7
<b>Net income</b>	<b>9 326</b>	<b>9 124</b>	<b>2.2</b>	<b>24 953</b>	<b>17 662</b>	<b>41.3</b>
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>9 326</b>	<b>9 124</b>	<b>2.2</b>	<b>24 953</b>	<b>17 662</b>	<b>41.3</b>
Earnings per share (KZT), basic and diluted	46,6	45,6	2.2	124,8	88,3	41.3
Number of shares (thousands)						
Outstanding at period-end	200 000	200 000		200 000	200 000	
Weighted average, basic and diluted	200 000	200 000		200 000	200 000	
EBITDA	20 658	19 983	3.4	60 146	52 164	15.3
<b>EBITDA excl. non-recurring items</b>	<b>20 658</b>	<b>20 509</b>	<b>0.7</b>	<b>59 463</b>	<b>52 878</b>	<b>12.5</b>
Depreciation, amortization and impairment losses	(7 728)	(7 885)	(2.0)	(23 045)	(22 884)	0.7
Operating income excl. non-recurring items	12 874	12 611	2.1	36 244	29 418	23.2



## Condensed Consolidated Statement of Financial Position

KZT in millions	30 Sep 2021	31 Dec 2020
<b>Assets</b>		
Intangible assets	34 175	39 730
Property, plant and equipment	75 291	78 109
Advances paid for non-current assets	825	293
Right to use assets	18 067	20 804
Other non-current assets	459	185
Deferred tax assets	2 678	1 937
Long-term receivables	2 926	2 421
<b>Total non-current assets</b>	<b>134 421</b>	<b>143 479</b>
Inventories	5 432	9 362
Trade and other receivables	17 412	17 823
Other current financial assets	994	245
Other current assets	2 170	3 876
Cash and cash equivalents	21 487	23 023
Investments held for maturity Investments held for maturity	26 893	18 923
<b>Total current assets</b>	<b>74 388</b>	<b>73 252</b>
<b>Total assets</b>	<b>208 809</b>	<b>216 731</b>
<b>Equity and liabilities</b>		
Share capital	33 800	33 800
Retained earnings	55 658	48 283
<b>Total equity attributable to owners of the parent company</b>	<b>89 458</b>	<b>82 083</b>
Long-term borrowings	60 212	49 933
Long-term lease liabilities	16 397	19 447
Other long-term liabilities	4 121	4 007
Financial guarantees	-	563
<b>Total non-current liabilities</b>	<b>80 730</b>	<b>73 950</b>
Short-term borrowings	845	23 354
Trade payables and other current liabilities	22 094	30 546
Financial guarantees	380	-
Short-term lease liabilities	4 795	4 219
Contractual liabilities	2 297	1 978
Other taxes payable	5 305	601
Income tax payable	2 905	
<b>Total current liabilities</b>	<b>38 621</b>	<b>60 698</b>
<b>Total equity and liabilities</b>	<b>208 809</b>	<b>216 731</b>

## Condensed Consolidated Statement of Cash Flows

KZT in millions	Q3 2021	Q3 2020	9m 2021	9m 2020
Cash flow before change in working capital	20 956	21,244	60 279	54 778
Change in working capital	(2 902)	(10 323)	(1 610)	(16 994)
<b>Cash flow from operating activities</b>	<b>18 054</b>	<b>10 921</b>	<b>58 669</b>	<b>37 784</b>
Cash CAPEX	(621)	(2 780)	(19 622)	(14 879)
<b>Free cash flow</b>	<b>17 433</b>	<b>8 141</b>	<b>39 047</b>	<b>22 905</b>
Proceeds from financial assets (net)	(16,912)	4 517	(8 200)	(12 668)
<b>Cash flow from financing activities</b>	<b>(1 099)</b>	<b>(4 577)</b>	<b>(32 513)</b>	<b>(908)</b>
<b>Cash flow for the period</b>	<b>(578)</b>	<b>8 081</b>	<b>(1 666)</b>	<b>9 329</b>
<b>Cash and cash equivalents, opening balance</b>	<b>22 152</b>	<b>10 191</b>	<b>23 023</b>	<b>8 825</b>
Cash flow for the period	(578)	8 081	(1 666)	9 329
Exchange rate difference	(87)	608	130	726
<b>Cash and cash equivalents, closing balance</b>	<b>21 487</b>	<b>18 880</b>	<b>21 487</b>	<b>18 880</b>

## Condensed Consolidated Statement of Changes in Equity

KZT in millions	9m 2021			9m 2020		
	Share capital	Retained earnings	Total equity	Share capital	Share capital	Total equity
Opening balance	33 800	48 283	82 083	33 800	37 510	71 310
Dividends	-	(17 578)	(17 578)	-	(9 000)	(9 000)
Total comprehensive income	-	24 953	24 953	-	17 662	17 662
<b>Closing balance</b>	<b>33 800</b>	<b>55 658</b>	<b>89 458</b>	<b>33 800</b>	<b>46 172</b>	<b>79 972</b>

## Basis of preparation

The interim condensed consolidated financial statements for the three and nine months ended 30 September 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual consolidated financial statements as at 31 December 2020 and for the year then ended.

All amounts in this report are presented in KZT millions, unless otherwise stated. Rounding differences may occur.

## Non-recurring items

KZT in millions	Q3 2021	Q3 2020	9m 2021	9m 2020
<b>Within EBITDA</b>				
Non-recurring items	-	526	(683)	714
<b>Total</b>	<b>-</b>	<b>526</b>	<b>(683)</b>	<b>714</b>

## Investments

KZT in millions	Q3 2021	Q3 2020	9m 2021	9m 2020
<b>CAPEX</b>				
Intangible assets	1 594	1 365	2 413	2 665
Property, plant and equipment	5 143	2 157	9 010	4 526
<b>Total</b>	<b>6 737</b>	<b>3 522</b>	<b>11 423</b>	<b>7 191</b>

## Related party transactions

During the nine months ended 30 September 2021, Kcell purchased services for KZT 19 604 million and sold services for a value of KZT 10 714 million. Related parties in these transactions were mainly Kazakhtelecom JSC and its group entities.

## Net debt\*

KZT in millions	30 Sep 2021	31 Dec 2020
Long-term and short-term borrowings	61 057	72 288
Less short-term investments, cash and bank	(48 380)	(41 946)
<b>Net debt*</b>	<b>12 677</b>	<b>31 341</b>

\* excluding lease liabilities under IFRS 16

## Financial key ratios

	30 Sep 2021	31 Dec 2020
Return on equity (% , rolling 12 months)	29.0	21.4
Return on capital employed (% , rolling 12 months)	23.9	21.8
Equity/assets ratio (%)	42.8	37.9
Net debt/equity ratio (%)	14.2	61.2
Net debt/EBITDA rate (multiple, rolling 12 months)*	0.2	0.4
Owners' equity per share (KZT)	447.3	410.4

\* Including short-term investments and excluding lease liabilities under IFRS 16

## Operational data

	Q3 2021	Q3 2020	Chg (%)	9m 2021	9m 2020	Chg (%)
Subscribers, period-end (thousands)	7 957	8 040	(1.0)	7 957	8 040	(1.0)
Of which prepaid	6 983	7 070	(1.2)	6 983	7 070	(1.2)
MOU (min/month)	216	240	(10.0)	211	232	(9.1)
ARPU (KZT)	1 691	1 505	12.3	1 586	1 434	10.6
Churn rate (%)	23,1	29,5	(6.4pp)	30,4	33,7	(3.3pp)
Employees, period-end	2 074	2 258	(8.1)	2 074	2 258	(8.1)

**Forward-looking statements**

This report may contain statements concerning, among other things, Kcell's financial condition and results of operations that could be forward-looking in nature. Such statements are not historical facts but, rather, represent Kcell's future expectations. Kcell believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions; however, forward-looking statements involve inherent risks and uncertainties, and a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement.

Such important factors include, but may not be limited to: Kcell's market position; growth in the telecommunications industry; and the effects of competition and other economic, business, competitive and/or regulatory factors affecting the business of Kcell and the telecommunications industry in general. Forward-looking statements speak only as of the date they were made, and, other than as required by applicable law, Kcell undertakes no obligation to update any of them in light of new information or future events.