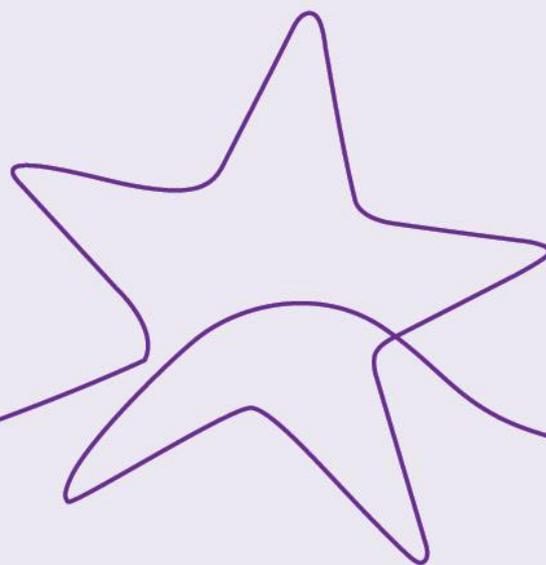


Kcell

Q2 2020

Financial Results



Kcell JSC

Interim Results for January – June 2020

Almaty, 30 July 2020 – Kcell Joint Stock Company (“Kcell” or the “Company”) (LSE, KASE: KCEL; AIX: KCEL, KCEL.Y), the leading provider of mobile telecommunications services in Kazakhstan, announces its interim results for January – June 2020.

Second quarter

- Net sales increased by 2.0 percent to KZT 38,626 million (37,869).
- EBITDA, excluding non-recurring items, remained stable at KZT 16,202 million (16,088), with EBITDA margin of 41.9 percent (42.5).
- Operating income, excluding non-recurring items, increased by 7.9 percent to KZT 8,762 million (8,121).
- Net finance cost decreased by 14.2 percent to KZT 2,384 million (2,779).
- Net income down 59.7 percent to KZT 3,202 million (7,939).
- CAPEX-to-sales ratio of 2.8 percent (5.6).
- Free cash flow of KZT 11,432 million (-3,027).
- The total number of subscriptions decreased by 129 thousand quarter on quarter to 7,863 thousand (7,992).

First half

- Net sales up 7.7 percent to KZT 78,688 million (73,049).
- EBITDA, excluding non-recurring items, increased by 6.7 percent to KZT 32,048 million (30,040). EBITDA margin was 40.7 percent (41.1).
- Operating income, excluding non-recurring items, up 17.8 percent to KZT 16,860 million (14,313).
- Net finance cost decreased by 3.0 percent to KZT 4,693 million (4,838).
- Net income of KZT 8,556 million comparing to net loss of KZT 812 million, due to the termination of the Network Sharing Agreement by KaR-Tel LLP, resulting in a KZT 14,552 million penalty which was partially offset by reversal of tax accrual in the amount of KZT 5,069 million.
- CAPEX-to-sales ratio of 4.7 percent (5.8).
- Free cash flow of KZT 14,544 million (4,241).
- The number of subscribers decreased to 7,863 thousand (8,676), mainly as a result of moving from quantity driven distribution to value driven acquisition.

Financial highlights

KZT in millions, except key ratios, per share data and changes	Apr-Jun 2020	Apr-Jun 2019	Chg (%)	Jan-Jun 2020	Jan-Jun 2019	Chg (%)
Net sales	38,626	37,869	2.0	78,688	73,049	7.7
<i>of which service revenue</i>	32,661	34,188	-4.5	67,281	65,842	2.2
EBITDA excl. non-recurring items	16,202	16,088	0.7	32,048	30,040	6.7
<i>Margin (%)</i>	41.9	42.5		40.7	41.1	
Operating income	8,315	11,346	-26.7	16,518	2,986	453.3
Operating income excl. non-recurring items	8,762	8,121	7.9	16,860	14,313	17.8
Net income/loss	3,202	7,939	-59.7	8,556	-812	
Earnings per share (KZT)	16.0	39.7	-59.7	42.8	-4.1	
CAPEX-to-sales (%)	2.8	5.6		4.7	5.8	
Free cash flow	11,432	-3,027		14,544	4,241	

In this report, comparative figures are provided in parentheses following the operational and financial results and refer to the same item in the second quarter or the first half of 2019, unless otherwise stated.

Comments by Kaspars Kukelis, Chairman of the Management Board, CEO

“The challenges caused by the COVID-19 pandemic have continued to reverberate throughout the global community and economy since the start of this year. In Kazakhstan, emergency measures to protect the health of our citizens, including quarantine in major cities, were put in place from March to May and have recently been reinstated. The impact of this on the level and scale of business activity has been significant. The pandemic has also triggered volatility in the currency and commodity markets, bringing a fall in oil prices and devaluation of the tenge.

At Kcell, we are in the privileged position of being able to offer crucial support to both our customers and the wider society of Kazakhstan, enabling people to remain connected, informed and entertained through this immensely difficult period, whilst supporting the continuation of economic activity, social cohesion and public mental health.

In addition, Kcell was able to deliver top line growth in a period during which the positive trend we reported at the start of 2020 came under heavy pressure from quarantine and lockdown measures. In the second quarter, net sales increased by 2.0 percent to KZT 38,626 million. Handset sales grew by a 62.1 percent year on year, driven by the launch of iPhone’s new SE model and a strong rise in sales through online channels.

Although the performance of our B2B business was also impacted by the broader economic environment, we reported a 20.2 percent year on year growth in second quarter revenue, excluding off-net bulk SMS.

The lockdown period, lower consumer purchasing power and an increase in personal saving, driven by job losses and future uncertainty, brought a decline in the number of active subscribers in the Kcell network and reduced top-up payments. During the period, upselling to new more attractive but more expensive tariff plans also slowed, whilst global travel bans brought a substantial reduction in roaming revenue. Changes in consumer behaviour allowed us to compensate for losses from mobile services by offering our subscribers fixed mobile service, a convergent product with Kazakhtelecom.



Faced with a highly challenging operating environment across all areas of business, we focused on managing the impact of the pandemic. Our flexible response and strong efforts to improve profitability and EBITDA, with crisis measures and cost optimisation programmes, enabled us to effectively manage the impact of COVID-19 on our profitability.

As a result, EBITDA, excluding non-recurring items, remained broadly stable at KZT 16,202 million, whilst the EBITDA margin was at 41.9 percent.

With the recent reintroduction of quarantine in Kazakhstan, the economic outlook for the entire country during the second half of 2020 remains uncertain and therefore, it is still too early to provide a forward-looking view of the Company’s performance.

Our key priority now and in the months ahead is to ensure that we continue to provide the leading technology, products and services that help our society and economy to function effectively during this extremely challenging period for our country and for the entire global economy.

In 2019, Kcell launched its new strategy aimed at driving growth and leveraging developments in the ownership structure of the Group. The strategy is focused on ensuring Kcell maintains market leadership across all business areas, whilst driving the monetisation of data and exploiting synergies across the entire Kazakhtelecom Group. We see strong financial and operational opportunities in further network and infrastructure sharing initiatives.

We will continue to identify synergies across the entire group whilst we further develop our handset sales business and drive the monetisation of data. We are also renewing our focus on areas where there is clear potential for substantial growth,

including mobile financial services, big data and the introduction of 5G infrastructure and services.

We are continuing to explore all opportunities for synergy with Kazakhtelecom, benefiting from the extensive experience and market knowledge of our majority shareholder, the largest telecommunications operator in Kazakhstan.

Furthermore, in alignment with Kazakhtelecom we continue to observe the highest standards of international corporate governance and best practice across all areas of our operations.”

Almaty
30 July 2020

Conference call

Kcell will host an analyst conference call on 30 July 2020 at 12:00 London time / 14:00 Moscow / 17:00 Almaty. The conference will be held in English.

Dial in details are as follows:

UK: +44 203 984 9844

US: +1 718 866 4614

Russia: +7 495 283 98 58

Passcode: 411747

Web dial in:

<https://mm.closir.com/slides?id=411747>

A presentation will be available on the Company website shortly before the conference call on investors.kcell.kz/en

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Review of the second quarter 2020

Net sales

Net sales increased by 2.0 percent to KZT 38,626 million (37,869).

Service revenue declined by 4.5 percent to KZT 32,661 million (34,188), but this decline was in part driven by a strategic decision at the start of the second quarter of 2020 to cease the provision of subsidized services, particularly off-net bulk SMS. When off-net bulk SMS revenue is excluded, the service revenue decline was 1.6 percent.

Enterprise revenue, excluding off-net bulk SMS, was up 20.2 percent to KZT 4,172 million (3,471).

Voice and other services

Revenue from voice and other services decreased by 14.5 percent to KZT 17,108 million (20,014).

Data service revenue

Data revenue increased by 10.4 percent to KZT 13,733 million (12,443). Data traffic grew by 39.2 percent to 103.3 PB (74.2).

Value-added service revenue

Revenue from value-added services increased by 5.1 percent to KZT 1,820 million (1,732).

Handset sales

Handset sales increased by 62.1 percent to KZT 5,965 million (3,680), mainly driven by the launch of iPhone's new SE model and a strong rise in sales through online channels.

KZT in millions, except percentages	Apr-Jun 2020	% of total	Apr-Jun 2019	% of total
Voice and other services	17,108	44.3	20,014	52.8
Data services	13,733	35.6	12,443	32.9
Value added services	1,820	4.7	1,732	4.6
Handset sales	5,965	15.4	3,680	9.7
Total revenues	38,626	100.0	37,869	100.0

Expenses

Cost of sales

Cost of sales remained stable at KZT 26,682 million (26,759).

Selling and marketing expenses

Selling and marketing expenses decreased by 47.8 percent to KZT 289 million (555), largely as a result of slowdown in business activity.

General and administrative expenses

General and administrative expenses increased by 24.8 percent to KZT 2,501 million (2,004).

Earnings, financial position and cash flow

EBITDA, excluding non-recurring items, increased by 0.7 percent to KZT 16,202 million (16,088), with EBITDA margin of 41.9 percent (42.5).

Net finance cost decreased by 14.2 percent to KZT 2,384 million (2,779).

Income tax expense amounted to KZT 1,662 million (726).

Net income decreased to KZT 3,202 million (7,939), while earnings per share declined to KZT 16.0 (39.7).

CAPEX decreased to KZT 1,065 million (2,130) and CAPEX-to-sales ratio was down to 2.8 percent (5.6).

Free cash flow of KZT 11,432 million (-3,027).

Review of the first half of 2020

Net sales

Net sales were 7.7 percent higher and amounted to KZT 78,688 million (73,049).

Service revenue increased by 2.2 percent to KZT 67,281 million (65,842).

Enterprise revenue, excluding off-net bulk SMS, was up 21.3 percent to KZT 8,091 million (6,672).

Voice and other services

Revenue from voice and other services decreased by 3.9 percent to KZT 36,387 million (37,865).

Data service revenue

Data revenue increased by 13.4 percent to KZT 27,520 million (24,265). Data traffic grew by 37.1 percent to 204.5 PB (149.1).

Value-added service revenue

Revenue from value-added services decreased by 9.1 percent to KZT 3,374 million (3,713).

Handset sales

Handset sales increased by 58.3 percent to KZT 11,407 million (7,206).

KZT in millions, except percentages	Jan-Jun 2020	% of total	Jan-Jun 2019	% of total
Voice and other services	36,387	46.2	37,865	51.8
Data services	27,520	35.0	24,265	33.2
Value added services	3,374	4.3	3,713	5.1
Handset sales	11,407	14.5	7,206	9.9
Total revenues	78,688	100.0	73,049	100.0

Expenses

Cost of sales

Cost of sales up by 4.6 percent to KZT 55,186 million (52,783), mainly due to increased sales of devices and an increase in headcount.

Selling and marketing expenses

Selling and marketing expenses were down 10.7 percent to KZT 1,061 million (1,189).

General and administrative expenses

General and administrative expenses increased by 20.8 percent to KZT 4,690 million (3,884), mainly due to an increase in headcount.

Earnings, financial position and cash flow

EBITDA, excluding non-recurring items, increased by 6.7 percent to KZT 32,048 million (30,040). The EBITDA margin was 40.7 percent (41.1).

Net finance cost decreased by 3.0 percent to KZT 4,693 million (4,838).

Income tax expense amounted to KZT 3,999 million comparing to tax benefit of KZT 944 in the first half of 2019 resulted from the recognition of a deferred tax asset on the tax loss carried forward following the accrual of a fine on the termination of the Network Sharing Agreement with KaR-Tel LLP.

Net income amounted to KZT 8,556 million comparing to net loss of KZT 812 million in the first half of 2019, while earnings per share were KZT 42.8 (-4.1).

CAPEX decreased to KZT 3,669 million (4,263) and the CAPEX-to-sales ratio fell to 4.7 percent (5.8).

Free cash flow of KZT 14,544 million (4,241).

Key milestones 2020

January

- Extraordinary General Meeting of Shareholders (“EGM”) held on 15 January 2020, adopted the following decisions:
 1. To determine the number of members of Kcell JSC Counting commission - three people and elect the following employees of Kcell JSC as members of the Counting commission for the period ending 1 June 2021:
 - Irina Shol – Chairperson of the counting commission
 - Diana Bratenkova
 - Tatyana Barelko
 2. To approve a new edition of Kcell JSC Corporate Governance Code.
 3. To approve Kcell JSC Dividend Policy.
 4. To elect Jere Calmes as a member of Kcell JSC Board of Directors, Independent Director. To set the term of office for Jere Calmes, Kcell JSC member of the Board of Directors, effective from the election date and until the expiration of the term of office of the current Kcell JSC Board of Directors, set forth by the Extraordinary General Meeting of Shareholders on 25 January 2019. To determine the annual fixed remuneration and the annual additional remuneration for Jere Calmes, Kcell JSC member of the Board of Directors, in the amount provided in the resolution of the Annual General Meeting of Shareholders dated 29 May 2019. To set the terms for payment of remuneration and compensation of expenses for Jere Calmes, Kcell JSC member of the Board of Directors, in accordance with the Policy on remuneration and reimbursement of expenses of Independent members of the Board of Directors of Kcell JSC for performing their duties, approved by the Annual General Meeting of Shareholders on 29 May 2019.

February

- On 6 February 2020, Kcell’s ordinary shares and global depository receipts (GDRs) were admitted to the Astana International Exchange (AIX) Official List. The trading commenced on 7 February 2020. Kcell shares are traded under the ticker “KCEL”, while the Company’s GDRs are traded under the ticker “KCEL.Y” with quotation and settlements in tenge and US dollars, and are fully fungible between London Stock Exchange, Kazakhstan Stock Exchange

and AIX.

March

- On 4 March 2020 Kcell and KaR-Tel signed the Frequency Sharing Agreement, according to which KaR-Tel has a right to share 5 MHz radio frequency within the 1725-1730 MHz band and 1820-1825 MHz band.

The agreement was reached in accordance with the Order of the Committee on Regulation of Natural Monopolies and Protection of Competition dated 10 July 2018, “On Granting Consent to Economic Concentration” at the request of Kazakhtelecom JSC (the “Order”). Under the terms of the Order, Kazakhtelecom JSC must ensure the sharing of radio frequency spectrum to other participants of the telecom market for the provision of cellular services that are not included in the Group of Kazakhtelecom JSC.
- On 18 March 2020, the Board of Directors approved the decisions to sign an Addendum to the current Agreement on the urgent line of credit dated 24 September 2013, signed between Kcell and Halyk Bank of Kazakhstan JSC, on the following conditions:
 - Change the interest rate to 12.5 percent per annum on loans for a period of up to 12 months and to 13.0 percent per annum on loans for a period of between 12 months and 36 months;
 - Extend the period of availability of the credit line until 31 December 2021;
 - Extend the term of the credit line under this Agreement until 31 December 2025.

April

- On 15 April 2020, the Board of Directors approved the attraction of KZT 15 billion within the existing credit line with Halyk Bank of Kazakhstan JSC, to replenish working capital and investments. The term of this loan facility is 36 months with an interest rate not exceeding 11.5 percent per annum.

Halyk Bank of Kazakhstan JSC confirmed the reduced interest rates for the KZT 42 billion open credit line:

- Interest rate of 11 percent per annum on loans up to 12 months;
- Interest rate of 11.5 percent per annum on loans up to 36 months (previously 13.0 percent per annum).

May

- The AGM held on 29 May 2019 approved the proposal of Kcell Board of Directors to distribute KZT 9 billion, representing 89 percent of the net income for 2019, as an annual dividend. The total dividend amount will equate to KZT 45 per ordinary share (each GDR representing one ordinary share). The record date for shareholders entitled to receive the dividends was set on 31 May 2020 (00:00 AM Almaty time).
- Other decisions adopted by the AGM include:
 - To approve Kcell JSC IFRS Separate and Consolidated Financial Statements for the year ended 31 December 2019.
 - To approve the Regulation on the Board of Directors of Kcell JSC
- The Board of Directors approved the decision on entering into a trilateral network sharing agreement between Kcell JSC, KaR-Tel LLP and Mobile Telecom-Service LLP (“Parties”). The Agreement provides an opportunity for the Parties to commence joint construction and operation of a mobile broadband network that covers settlements with a population of 250 to 1000 people, national and regional highways and railways. Each Party will independently build and operate the mobile broadband network and will allow the other Parties to use its network infrastructure within their coverage zone on the terms and conditions set forth in the Agreement. The construction volume of the network infrastructure will be distributed between KaR-Tel LLP and Kazakhtelecom Group of companies as follows: 35 percent – KaR-Tel LLP and 65 percent – Kazakhtelecom Group of companies. The Agreement does not provide for the Parties’ joint ownership or disposal of the network infrastructure.

The Agreement is not intended to limit competition between the Parties in wholesale or retail business and nor does it constitute a

market sharing arrangement. Each Party is fully entitled to continue to carry on its wholesale and retail business as it may deem appropriate.

June

- On 3 June 2020, the Company paid the annual dividend in the amount of KZT 9 billion, or KZT 45 per ordinary share (each ordinary share representing one GDR).
- On 12 June 2020, its Board of Directors adopted the following decisions:
 - Approval of the quantitative composition of the Management Board of Kcell - five persons, including the Chairman of the Management Board and four members of the Management Board;
 - Election of Yuri Kharlamov, Chief Financial Officer, as a member of the Management Board with a term of office until 19 June 2021.
- The new composition of the Management Board of Kcell JSC:
 - Kaspars Kukelis – Chairman of the Management Board, Chief Executive Officer; term of office until 19 June 2021
 - Askar Yesserkegenov – member of the Management Board, Chief Technical Officer; term of office until 19 June 2021
 - Sergey Yeltsov – member of the Management Board, Chief Legal Officer; term of office until 19 June 2021
 - Hikmatulla Nasritdinhodjaev – member of the Management Board, Chief Commercial Officer; term of office until 18 November 2020
 - Yuri Kharlamov - member of the Management Board, Chief Financial Officer; term of office from 19 June 2020 until 19 June 2021
- On 24 June 2020, Fitch Ratings has upgraded Kcell Long-Term Issuer Default Rating (IDR) to 'BB+' from 'BB' with Stable outlook.

Significant events following the end of the reporting period

July

- Kcell signed an additional agreement with Halyk Bank of Kazakhstan JSC to reduce the interest rate from 11.5 percent to 11.2 percent per annum under loan agreement No. KD 01-13-18-09 dated 23 April 2020. The new rate is effective from 14 July 2020.
- On 23 July 2020, Kcell made a coupon payment on bonds NIN KZP01Y03F725 (ISIN KZ2C00004208, KASE official list, "Main" platform, category "Bonds", KCELb1).

On the record date of 15 July 2020, 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 coupon payment amounted to KZT 1,250,855 thousand. The payment was made in accordance with the terms and conditions of the Company's Prospectus for the Bond Issue Programme.

Administrative, tax and legal update

In October 2018, the Committee on Regulation of Natural Monopolies, Protection of Competition and Consumer Rights of the Ministry of National Economy of the Republic of Kazakhstan (“Committee”) initiated administrative proceedings against Kcell for an alleged administrative violation related to the abuse of its dominant position in 2017. The potential fine, which can be imposed by the court, constitutes approximately KZT 2 billion.

According to the Committee, the violation resulted in the establishment of different prices for Kcell’s mobile Internet access service with a data allowance, when the data allowance was exceeded or the monthly subscription fee was not timely paid.

The Company did not agree with the order issued by the Committee. On 3 July 2019, the Company appealed to the Court.

The management of the Company believed that the appeal would be successful and assessed the probability of outflow of cash as possible.

On 25 October 2019, Specialised Inter-district Economic Court of Almaty issued the resolution to cancel administrative proceedings due to the lack of an offense. However, the Committee has the right to appeal within 180 days after announcement of the resolution.

On 14 April 2020, the Committee appealed the decision of Specialised Inter-district Economic Court of Almaty. The case was initiated and submitted to the judge for the preliminary review of the motion for re-examination of the case. The cassation court hearing has not been scheduled yet. The management of the Company believes that the Committee’s claims against the Company are not supported and an outflow of economic resources related to the above matter is remote.

The external auditors are reviewing the January-June 2020 financial statements, and their report will be available on the Kcell website after 15 August 2020.

The information was submitted for publication at 09:00 ALMT on 30 July 2020.

Financial Calendar

Interim Report January – September 2020

30 October 2020

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.

Condensed Consolidated Statements of Comprehensive Income

KZT in millions, except per share data, number of shares and changes	Apr-Jun 2020	Apr-Jun 2019	Chg (%)	Jan-Jun 2020	Jan-Jun 2019	Chg (%)
Revenues	38,626	37,869	2.0	78,688	73,049	7.7
Cost of sales	-26,682	-26,759	-0.3	-55,186	-52,783	4.6
Gross profit	11,944	11,110	7.5	23,502	20,266	16.0
Selling and marketing expenses	-289	-555	-47.8	-1,061	-1,189	-10.7
General and administrative expenses	-2,501	-2,004	24.8	-4,690	-3,884	20.8
Penalty expenses	-	-	-	-	-14,552	-
Reversal of tax and related fine	22	5,069	-99.6	502	5,069	-90.1
Impairment of assets	-860	-2,275	-62.2	-1,734	-2,725	-36.4
Operating income	8,315	11,346	-26.7	16,518	2,986	453.3
Other operating income and expenses, net	-21	64	-132.6	189	78	142.9
Finance income and expenses, net	-2,384	-2,779	-14.2	-4,693	-4,838	-3.0
Net forex gain/loss	-1,046	34	-	541	18	-
Profit/loss before income tax	4,864	8,665	-43.9	12,555	-1,756	
Income tax benefit/expense	-1,662	-726	129.0	-3,999	944	-
Net income/loss	3,202	7,939	-59.7	8,556	-812	
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income/loss attributable to owners of the parent company	3,202	7,939	-59.7	8,556	-812	
Earnings per share (KZT), basic and diluted	16.0	39.7	-59.7	42.8	-4.1	
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	15,755	19,313	-18.4	31,706	18,713	69.4
EBITDA excl. non-recurring items	16,202	16,088	0.7	32,048	30,040	6.7
Depreciation, amortization and impairment losses	-7,461	-7,903	-5.6	-14,999	-15,650	-4.2
Operating income excl. non-recurring items	8,762	8,121	7.9	16,860	14,313	17.8

Condensed Consolidated Statement of Financial Position

KZT in millions	30 Jun 2020	31 Dec 2019
Assets		
Intangible assets	34,911	38,820
Property, plant and equipment	75,702	82,283
Advances paid for non-current assets	342	233
Right to use assets	21,154	23,067
Other non-current assets	210	242
Deferred tax assets	1,226	1,378
Long-term receivables	1,675	1,118
Total non-current assets	135,220	147,141
Inventories	5,545	6,636
Trade and other receivables	12,903	15,647
Other current financial assets	574	1,371
Other current assets	5,075	6,734
Financial assets held for trading	5,268	4,965
Cash and cash equivalents	10,191	8,825
Investments held for maturity	17,269	-
Total current assets	56,825	44,178
Total assets	192,045	191,319
Equity and liabilities		
Share capital	33,800	33,800
Retained earnings	37,328	37,771
Total equity attributable to owners of the parent company	71,128	71,571
Long-term borrowings	53,405	55,548
Deferred tax liabilities	1,086	1,248
Long-term lease liabilities	19,860	21,620
Other long-term liabilities	1,757	1,970
Total non-current liabilities	76,108	80,386
Short-term borrowings	23,338	6,384
Trade payables, and other current liabilities	11,119	24,534
Short-term lease liabilities	3,487	3,198
Deferred revenues	3,098	4,149
Income tax and other taxes payables	3,767	1,097
Total current liabilities	44,809	39,362
Total equity and liabilities	192,045	191,319

Condensed Consolidated Statement of Cash Flows

KZT in millions	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Cash flow before change in working capital	16,760	16,543	33,212	16,372
Change in working capital	-1,280	-16,199	-6,547	-2,711
Cash flow from operating activities	15,480	344	26,665	13,661
Cash CAPEX	-4,048	-3,371	-12,121	-9,420
Free cash flow	11,432	-3,027	14,544	4,241
Proceeds from disposal of fixed assets	21	-	21	-
Purchase of financial assets	-17,184	-	-17,184	-
Cash flow from financing activities	5,174	5,210	3,867	-1,312
Cash flow for the period	-557	2,183	1,248	2,929
Cash and cash equivalents, opening balance	11,200	6,758	8,825	6,029
Cash flow for the period	-557	2,183	1,248	2,929
Exchange rate difference	-452	35	118	18
Cash and cash equivalents, closing balance	10,191	8,976	10,191	8,976

Condensed Consolidated Statements of Changes in Equity

KZT in millions	Jan-Jun 2020			Jan-Jun 2019		
	Share capital	Retained earnings	Total equity	Share capital	Retained earnings	Total equity
Opening balance	33,800	37,771	71,571	33,800	33,626	67,426
Dividends	-	-9,000	-9,000	-	-5,972	-5,972
Total comprehensive income	-	8,556	8,556	-	-812	-812
Closing balance	33,800	37,328	71,128	33,800	26,842	60,642

Basis of preparation

The interim condensed consolidated financial statements for the three months ended 30 June 2020 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 2019 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	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Within EBITDA				
Restructuring charges, synergy implementation costs, etc.	447	-3,225	342	11,327
Total	447	-3,225	342	11,327

Investments

KZT in millions	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
CAPEX				
Intangible assets including LTE license	752	1,228	1,300	2,032
Property, plant and equipment	313	903	2,369	2,231
Total	1,065	2,131	3,669	4,263

Related party transactions

For the six months ended 30 June 2020, Kcell purchased services for KZT 9,638 million and sold services for a value of KZT 6,005 million. Related parties in these transactions were mainly Kazakhtelecom JSC and its group entities.

Net debt

KZT in millions	30 Jun 2020	31 Dec 2019
Long-term and short-term borrowings	76,743	61,932
Less short-term investments, cash and bank	-10,191	-8,825
Net debt	66,552	53,107

Financial key ratios

	30 Jun 2020	31 Dec 2019
Return on equity (% , rolling 12 months)	27.3	14.1
Return on capital employed (% , rolling 12 months)	25.2	15.1
Equity/assets ratio (%)	37.0	37.4
Net debt/equity ratio (%)	93.3	74.2
Net debt/EBITDA rate (multiple, rolling 12 months)	1.02	0.84
Owners' equity per share (KZT)	355.6	357.9

Operational data

	Apr-Jun 2020	Apr-Jun 2019	Chg (%)	Jan-Jun 2020	Jan-Jun 2019	Chg (%)
Subscribers, period-end (thousands)*	7,863	8,676	-9.4	7,863	8,676	-9.4
Of which prepaid	6,923	7,768	-10.9	6,923	7,768	-10.9
MOU (min/month)	236	233	1.3	229	226	1.3
ARPU (KZT)	1,377	1,309	5.2	1,398	1,251	11.8
Churn rate (%)	29.2	38.0		35.8	41.9	
Employees, period-end	2,211	1,818	21.6	2,211	1,818	21.6

Forward-looking statements

This report contains statements concerning, among other things, Kcell's financial condition and results of operations that are 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.