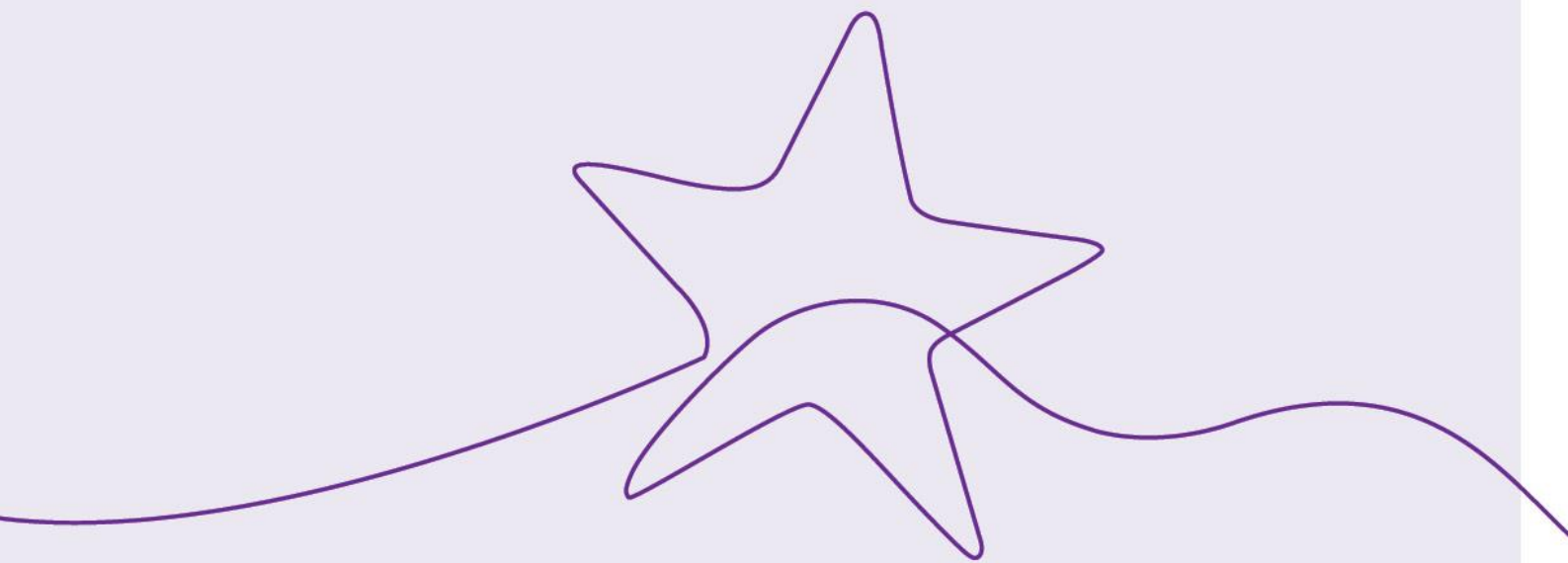


Kcell

Q4 and 2020 Year-end Report



Kcell JSC

Results for January – December 2020

Almaty, 8 February 2021 – 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 results for January – December 2020.

Fourth quarter

- Net sales increased by 15.7 percent to KZT 49,168 million (42,487). Service revenue increased by 4.0 percent to KZT 36,927 million (35,511); service revenue excluding off-net bulk sms up 7.6 percent.
- EBITDA, excluding non-recurring items, increased by 22.8 percent to KZT 19,269 million (15,698), with EBITDA margin of 39.2 percent (36.9).
- Operating income, excluding non-recurring items, increased by 29.5 percent to KZT 11,220 million (8,666).
- Net finance cost decreased by 11.0 percent to KZT 2,277 million (2,557).
- Net loss amounted KZT 84 million, as a result of the accruals of provisions associated with potential costs on contractual obligations. In the fourth quarter of 2019, net income amounted to KZT 5,078 million.
- CAPEX-to-sales ratio of 40.0 percent (33.0).
- Free cash flow was stable and amounted to KZT 5,861 million (5,907).
- During the reporting quarter the total number of subscriptions grew to 8,055 thousand (8,040 at the end of third quarter).

Full year

- Net sales up 11.5 percent to KZT 174,684 million (156,657). Service revenue increased by 1.8 percent to KZT 140,049 million (137,564), service revenue excluding off-net bulk sms grew by 3.8 percent.
- EBITDA, excluding non-recurring items, increased by 12.1 percent to KZT 72,147 million (64,364). EBITDA margin was 41.3 percent (41.1).
- Operating income, excluding non-recurring items, up 22.6 percent to KZT 41,283 million (33,661).
- Net finance cost decreased by 9.8 percent to KZT 9,453 million (10,479).
- Net income increased by 75.5 percent to KZT 17,578 million (10,015).
- CAPEX-to-sales ratio of 15.4 percent (12.9).
- Free cash flow increased by 31.1 percent KZT 28,705 million (21,900).
- The number of subscribers totalled 8,055 thousand (8,275).

Financial highlights

KZT in millions, except key ratios, per share data and changes	Oct-Dec 2020	Oct-Dec 2019*	Chg (%)	Jan-Dec 2020	Jan-Dec 2019*	Chg (%)
Net sales	49,168	42,487	15.7	174,684	156,657	11.5
of which service revenue	36,927	35,511	4.0	140,049	137,564	1.8
EBITDA excl. non-recurring items	19,269	15,698	22.8	72,147	64,364	12.1
Margin (%)	39.2	36.9		41.3	41.1	
Operating income	3,631	9,413	(61.4)	32,826	23,081	42.2
Operating income excl. non-recurring items	11,220	8,666	29.5	41,283	33,661	22.6
Net income/(loss)	(84)	5,078	n/a	17,578	10,015	75.5
Earnings per share (KZT)	(0.4)	25.4	n/a	87.9	50.1	75.5
CAPEX-to-sales (%)	40.0	33.0		15.4	12.9	
Free cash flow	5,861	5,907	(0.8)	28,705	21,900	31.1

*In this report, comparative figures are provided in parentheses following the operational and financial results and refer to the same item in the fourth quarter or full year 2019, unless otherwise stated. * The Company has adopted IFRS Interpretations Committee's agenda decision on cancellable or renewable leases, and related non-removable leasehold improvements and restated comparative financial statement.*

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

“Kcell has delivered a strong financial and operational performance in 2020, in the face of the significant challenges resulting from the COVID-19 pandemic and its impact on the level and scale of business activity in Kazakhstan and globally.

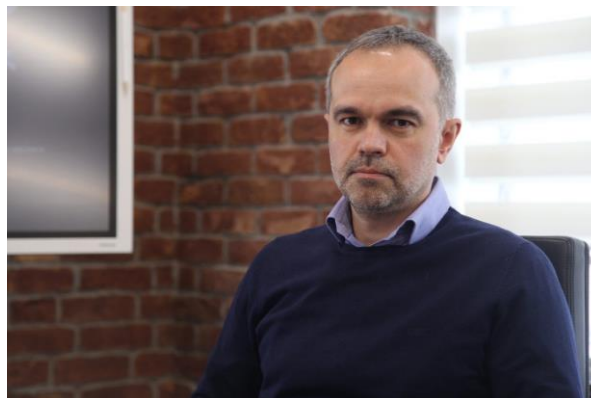
Total revenue in 2020 increased by 11.5 percent, with a notable yoy increase of 15.7 percent in Q4. Service revenue rose 1.8 percent yoy, with Q4 up 4.0 percent yoy, and 7.6 percent increase excluding off-net bulk sms revenue. We saw an underlying increase in service revenue, driven mainly by a rise in subscribers for our innovative, high quality tariff plans and robust handset sales, supported by strong sales through Kcell's online sales channels.

Service revenues also benefitted from our strong focus on customers' needs, as demonstrated by the introduction of innovative tariffs, such as Reactiv, new OTT and mobile financial services products along with the rollout of apps that allow customers to manage their accounts according to their own particular requirements. As a result, ARPU increased by 9.3 percent yoy, with a 7.9 percent rise in Q4.

Handset sales in Q4 were further driven by the launch of the iPhone 12 leading to an increase in Kcell's entire market share for handsets. Overall, in 2020 handset sales increased 81.4 percent yoy, with Q4 showing a 75.5 percent increase.

In B2B, we focused in 2020 on rebalancing the portfolio to remove unprofitable products such as off-net bulk sms, whilst developing new propositions including virtual office services. This resulted in 28.5 percent growth, excluding off-net bulk sms revenue in 2020 with Q4 up 29.2 percent yoy.

During the year, EBITDA, excluding non-recurring items, grew by 12.1 percent, with Q4 showing a 22.8 percent increase due to strong revenue growth allied with our ongoing focus on cost optimisation.



Free cash flow for FY 2020 increased by 31.1 percent to KZT 28.7 billion. We also have improved the terms of our debt portfolio in 2020. Generated cash flow will be used for financing our capital intensive projects.

Throughout the year, we have played an active role in providing crucial support to both our customers and the wider society of Kazakhstan, enabling the continuation of business, education and crucial channels of communication during an extremely difficult period for our economy and society.

In addition, we have made great progress in advancing connectivity across the country through our participation in the "250+" project, which targets the achievement of a high level of digitalization across the entire population of Kazakhstan, by bringing access to high-speed Internet to villages with 250+ population.

The "250+" project, a joint initiative of Kazakhstan's three mobile operators, is part of the Digital Kazakhstan programme and aims to bring connectivity to 1,600 rural settlements across the entire country. This initiative will benefit more than 1 million people and ensure that all citizens have access to modern online services, including public services, business, education, health and entertainment, by the end of 2021, a significant year for the country that marks the 30th anniversary of Kazakhstan's independence.

The partnership of Kazakhstan's three mobile operators to deliver this ambition also ensures that costs are contained whilst connectivity is greatly improved; bring economic and social benefits to the entire country.

Collaborative projects with our majority shareholder Kazakhtelecom to leverage operational synergies are also making strong progress. The first phase of integration of the companies' radio networks, which started in Q3 of 2020, is resulting in significant improvements in both service quality and capacity.

In 2020, we successfully launched our first joint product initiative with Kazakhtelecom, which draws on the expertise and excellence of both parties to deliver fixed and mobile convergent services.

In Q4, we also started a project to improve the efficiency of the commercial function aimed at enhancing customer experience, accelerating the process of launching new products and services, expanding in the field of VAS, OTT, and MFS, improving the mobile application and developing online sales and customer service channels.

With signs of gradual stabilization of the situation in Kazakhstan, and on the basis of no unexpected events or situations that would undermine this stability, the Company provides an outlook for 2021 of high single-digit growth in both revenue and EBITDA. The capex projection will be provided upon completion of the planning of the second stage of the radio access networks integration project with the Kazakhtelecom group of companies.

Every member of the Kcell team is continuing to demonstrate outstanding resilience and commitment in the face of the challenges presented by COVID-19. As a result, we continue to deliver technology and service excellence to support our customers, as well as the wider economy and society, and we are well positioned to provide value to all our stakeholders in the year ahead.“

Almaty

8 February 2021

Conference call

Kcell will host an analyst conference call on 8 February 2021 at 11:00 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 fourth quarter 2020

Net sales

Net sales increased by 15.7 percent to KZT 49,168 million (42,487).

Service revenue increased by 4.0 percent to KZT 36,927 million (35,511); excluding off-net bulk sms, service revenue grew by 7.6 percent.

Enterprise revenue, excluding off-net bulk sms, was up 29.2 percent to KZT 5,307 million (4,107).

Voice and other services

Revenue from voice and other services decreased by 5.6 percent to KZT 19,016 million (20,136).

Data service revenue

Data revenue increased by 14.6 percent to KZT 15,687 million (13,694). Data traffic grew by 49.8 percent to 138.0 PB (92.0).

Value-added service revenue

Revenue from value-added services increased by 32.2 percent to KZT 2,224 million (1,682). The growth factor is the offer of attractive tariff plans, which include various additional services.

Handset sales

Handset sales increased by 75.5 percent to KZT 12,241 million (6,975), mainly driven by sales of new flagship phones from Apple and Samsung, as well as strong sales through online sales channels.

KZT in millions, except percentages	Oct-Dec 2020	% of total	Oct-Dec 2019	% of total
Voice and other services	19,016	38.7	20,136	47.4
Data services	15,687	31.9	13,694	32.2
Value added services	2,224	4.5	1,682	4.0
Handset sales	12,241	24.9	6,975	16.4
Total revenues	49,168	100.0	42,487	100.0

Expenses

Cost of sales

Cost of sales increased by 15.6 percent to KZT 33,384 million (28,887), mainly as a result of higher device sales.

Selling and marketing expenses

Selling and marketing expenses decreased by 54.4 percent to KZT 547 million (1,199).

General and administrative expenses

General and administrative expenses increased by 16.1 percent to KZT 3,286 million (2,830).

Earnings, financial position and cash flow

EBITDA, excluding non-recurring items, increased by 22.8 percent to KZT 19,269 million (15,698), with EBITDA margin at 39.2 percent (36.9).

Net finance cost decreased by 11.0 percent to KZT 2,277 million (2,557).

Income tax expense decreased by 21.7 percent to KZT 1,428 million (1,824).

Net loss amounted KZT 84 million, as a result of the accruals of provisions associated with potential costs on contractual obligations. In the fourth quarter of 2019, net income amounted to KZT 5,078 million.

CAPEX increased to KZT 19,649 million (14,042) and CAPEX-to-sales ratio was up to 40.0 percent (33.0).

Free cash flow of KZT 5,861 million (5,907).

Review of full year 2020

Net sales

Net sales were 11.5 percent higher and amounted to KZT 174,684 million (156,657).

Service revenue increased by 1.8 percent to KZT 140,049 million (137,564), service revenue excluding off-net bulk sms increased by 3.8 percent.

Enterprise revenue, excluding off-net bulk sms, was up 28.5 percent to KZT 18,730 million (14,581).

Voice and other services

Revenue from voice and other services decreased by 6.1 percent to KZT 73,851 million (78,689).

Data service revenue

Data revenue increased by 13.6 percent to KZT 58,446 million (51,430). Data traffic grew by 40.6 percent to 453.4 PB (322.5).

Value-added service revenue

Revenue from value-added services increased by 4.1 percent to KZT 7,752 million (7,447).

Handset sales

Handset sales increased by 81.4 percent to KZT 34,634 million (19,091).

KZT in millions, except percentages	Jan-Dec 2020	% of total	Jan-Dec 2019	% of total
Voice and other services	73,851	42.3	78,689	50.2
Data services	58,446	33.5	51,430	32.8
Value added services	7,752	4.4	7,447	4.8
Handset sales	34,634	19.8	19,091	12.2
Total revenues	174,684	100.0	156,657	100.0

Expenses

Cost of sales

Cost of sales up by 9.4 percent to KZT 119,133 million (108,928), largely as a result of higher sales of devices.

Selling and marketing expenses

Selling and marketing expenses were down 31.9 percent to KZT 1,965 million (2,887).

General and administrative expenses

General and administrative expenses were up 16.8 percent to KZT 10,426 million (8,925). The increase was mainly driven by an increase in headcount.

Earnings, financial position and cash flow

EBITDA, excluding non-recurring items, increased by 12.1 percent to KZT 72,147 million (64,364). EBITDA margin was 41.3 percent (41.1).

Net finance cost decreased by 9.8 percent to KZT 9,453 million (10,479).

Income tax expense amounted to KZT 7,044 million comparing to KZT 2,727 million in 2019. This was due to the recognition of a deferred tax asset on the tax loss carried forward following the accrual of the fine on the termination of the Network Sharing Agreement with KaR-Tel LLP in 2019.

Net income increased by 75.5 percent to KZT 17,578 million (10,015), while earnings per share were KZT 87.9 (50.1).

CAPEX increased to KZT 26,842 million (20,200) and the CAPEX-to-sales ratio up to 15.4 percent (12.9).

Free cash flow increased by 31.1 percent to KZT 28,705 million (21,900).

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 upgraded Kcell Long-Term Issuer Default Rating (IDR) to 'BB+' from 'BB' with Stable outlook.

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 1,251 million. The payment was made in accordance with the terms and conditions of the Company's Prospectus for the Bond Issue Programme.

- Board of Directors terminated the employment contract and position on the Management Board of Chief Commercial Officer Hikmatulla Nasritdinhodjaev. This followed by the agreement by both parties on 4 July 2020 to waive the customary notice period.
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
 - Yuri Kharlamov - member of the Management Board, Chief Financial Officer; term of office from 19 June 2020 until 19 June 2021.

September

- On 24 September 2020 the Board of Directors approved the conclusion of an additional agreement to the Term Credit Line Agreement No. KS 01-13-18 dated 24 September 2013 with Halyk Bank of Kazakhstan JSC based on the following conditions.

Interest rates for the use of newly issued bank loans:

For up to 12 months (inclusive):

- 10.7 percent per annum in the event that the cleared credit turnover is maintained at a level determined between the parties for the corresponding settlement period.
- 11.2 percent per annum in the event that the cleared credit turnovers are below the level determined between the parties for the corresponding settlement period.

For up to 36 months (inclusive):

- 11.2 percent per annum in the event that the cleared credit turnover is maintained at a level determined between the parties for the corresponding settlement period.
- 11.7 percent per annum in the event that the cleared credit turnover is below the level determined between the parties for the corresponding settlement period.

October

- On 14 October 2020, an additional agreement was concluded with AB Bank of China Kazakhstan JSC to reduce the interest rate from 10.5 percent to 10.3 percent per annum.
- On 15 October 2020, the Company entered into a credit line agreement with Subsidiary JSC VTB Bank (Kazakhstan) for KZT 6 billion for a period of 36 months. The new credit line was used primarily to finance working capital, including the refinancing of debt from other banks. The interest rate is set at 10.7 percent per annum.

December

- On 8 December 2020, an additional agreement was concluded with AB "Bank of China Kazakhstan" JSC to increase the amount of the existing credit line from KZT 9.5 billion to KZT 11 billion with the interest rate of 10.3 percent per annum.
- On 21 December 2020, the Company informed that effective from 3 January 2021, Kaspars Kukelis, Chief Executive Officer and Chairman of the Management Board, would leave his

post in connection with the transfer to another position in the Kazakhtelecom JSC group of companies. This decision was approved by the Company's Board of Directors on 18 December 2020.

Yuri Kharlamov, member of the Management Board, Chief Financial Officer, has been appointed Acting Chief Executive Officer and Chairman of the Management Board effective from 3 January 2021 until a new Chairman of the Management Board is elected.

The new composition of the Management Board of Kcell JSC:

- Yuri Kharlamov - member of the Management Board, Chief Financial Officer; Acting Chief Executive Officer and Chairman of the Management Board;
- Sergey Yeltsov – member of the Management Board, Chief Legal Officer;
- Askar Yesserkegenov – member of the Management Board, Chief Technical Officer.

On 30 December 2020, the Board of Directors decided to convene the Extraordinary General Meeting of Shareholders of Kcell JSC on 26 February 2021.

The Extraordinary General Meeting of Shareholders of the Company will be held in person. In the event that the Extraordinary General Meeting of Shareholders does not take place on the above date, it will be rescheduled for 5 March 2021.

Shareholders registered by the Central Securities Depository as shareholders in the registrar of holders of shares as of 12 January 2021 (00:00 Almaty time) are entitled to attend the Extraordinary General Meeting of Shareholders.

Proposed agenda of the Extraordinary General Meeting of Shareholders:

- Amendment to the Charter of Kcell JSC
- Election of members of the Company's Board of Directors.
- On 30 December 2020, the Company signed an addendum to the existing loan agreement with Subsidiary Bank Alfa Bank Kazakhstan

JSC to reduce the interest rate from 11.2 percent per annum to 10.7 percent per annum on bank loans for a period of 36 months.

Significant events following the end of the reporting period

- 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.

- At the meeting of the Board of Directors held on 6 February 2021, Yuri Kharlamov was appointed the Company's CEO with immediate effect.

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. On 4 May 2020, the administrative proceedings were finalized after the decision of the Supreme Court of RK to reject the Committee’s appeal due to lack of offence. The decision of Supreme Court of RK (as the superior level of authority) is the final decision, that essentially is not a subject for further revision.

The information was submitted for publication at 09:00 ALMT on 8 February 2021.

Financial Calendar

Interim Report January – March 2021	29 April 2021
Interim Report January – June 2021	30 July 2021
Interim Report January – September 2021	30 October 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.

Condensed Consolidated Statements of Comprehensive Income

KZT in millions, except per share data, number of shares and changes	Oct-Dec 2020	Oct-Dec 2019*	Chg (%)	Jan-Dec 2020	Jan-Dec 2019*	Chg (%)
Revenues	49,168	42,487	15.7	174,684	156,657	11.5
Cost of sales	(33,384)	(28,887)	15.6	(119,133)	(108,928)	9.4
Gross profit	15,784	13,600	16.0	55,551	47,729	16.4
Selling and marketing expenses	(547)	(1,199)	(54.4)	(1,965)	(2,887)	(31.9)
General and administrative expenses	(3,286)	(2,830)	16.1	(10,426)	(8,925)	16.8
Reserve on contract liabilities	(4,386)	-		(4,386)	-	
Penalty expenses	-	-		-	(14,552)	
Reversal of tax and related fine	146	747	(80.5)	684	5,816	(88.2)
Impairment of assets	(3,733)	(906)	311.9	(6,775)	(4,100)	65.2
Other operating income and expenses, net	(347)	-		143	-	
Operating income	3,631	9,413	(61.4)	32,826	23,081	42.2
Other income and expenses, net	132	213	(38.0)	62	191	(67.5)
Finance income and expenses, net	(2,277)	(2,557)	(11.0)	(9,453)	(10,479)	(9.8)
Net forex gain	(142)	(167)	(15.0)	1,186	(51)	n/a
Profit before income tax	1,344	6,902	(80.5)	24,622	12,742	93.2
Income tax expense	(1,428)	(1,824)	(21.7)	(7,044)	(2,727)	158.3
Net income	(84)	5,078	n/a	17,578	10,015	75.5
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income attributable to owners of the parent company	(84)	5,078	n/a	17,578	10,015	75.5
Earnings per share (KZT), basic and diluted	(0.4)	25.4	n/a	87.9	50.1	75.5
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	11,680	16,445	(29.0)	63,690	53,784	18.4
EBITDA excl. non-recurring items	19,269	15,698	22.8	72,147	64,364	12.1
Depreciation, amortization and impairment losses	(7,918)	(6,819)	16.1	(30,802)	(30,512)	1.0
Operating income excl. non-recurring items	11,220	8,666	29.5	41,283	33,661	22.6

* The Company has adopted IFRS Interpretations Committee's agenda decision on cancellable or renewable leases, and related non-removable leasehold improvements and restated comparative financial statement

Condensed Consolidated Statement of Financial Position

KZT in millions	31 Dec 2020	31 Dec 2019*
Assets		
Intangible assets	39,730	38,820
Property, plant and equipment	78,109	82,283
Advances paid for non-current assets	293	233
Right to use assets	20,804	24,976
Other non-current assets	185	243
Deferred tax assets	1,937	1,378
Long-term receivables	2,421	1,118
Total non-current assets	143,479	149,051
Inventories	9,362	6,636
Trade and other receivables	17,823	15,647
Other current financial assets	245	1,371
Other current assets	3,876	8,926
Financial assets held for trading	-	4,965
Cash and cash equivalents	23,023	8,825
Investments held for maturity	18,923	-
Total current assets	73,252	46,370
Total assets	216,731	195,421
Equity and liabilities		
Share capital	33,800	33,800
Retained earnings	48,283	40,297
Total equity attributable to owners of the parent company	82,083	74,097
Long-term borrowings	49,933	55,548
Deferred tax liabilities	-	1,183
Long-term lease liabilities	19,447	23,447
Other long-term liabilities	4,007	1,970
Financial guarantees	563	-
Total non-current liabilities	73,950	82,148
Short-term borrowings	23,354	6,384
Trade payables, and other current liabilities	30,546	24,535
Short-term lease liabilities	4,219	3,606
Deferred revenues	1,978	4,149
Income tax and other taxes payables	601	502
Total current liabilities	60,698	39,176
Total equity and liabilities	216,731	195,421

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Condensed Consolidated Statement of Cash Flows

KZT in millions	Oct-Dec 2020	Oct-Dec 2019*	Jan-Dec 2020	Jan-Dec 2019*
Cash flow before change in working capital	20,305	16,596	75,083	52,099
Change in working capital	(5,828)	(7,913)	(22,823)	(17,038)
Cash flow from operating activities	14,477	8,683	52,260	35,061
Cash CAPEX	(8,616)	(2,776)	(23,555)	(13,161)
Free cash flow	5,861	5,907	28,705	21,900
Proceeds from financial assets (net)	(459)	-	(13,067)	(5,021)
Cash flow from financing activities	(979)	(5,693)	(1,888)	(14,032)
Cash flow for the period	4,423	214	13,750	2,847
Cash and cash equivalents, opening balance	18,880	8,778	8,825	6,029
Cash flow for the period	4,423	214	13,750	2,847
Exchange rate difference	(280)	(167)	448	(51)
Cash and cash equivalents, closing balance	23,023	8,825	23,023	8,825

Condensed Consolidated Statements of Changes in Equity

KZT in millions	Jan-Dec 2020			Jan-Dec 2019*		
	Share capital	Retained earnings	Total equity	Share capital	Retained earnings	Total equity
Opening balance	33,800	40,297	74,097	33,800	36,254	70,054
Dividends	-	(9,000)	(9,000)	-	(5,972)	(5,972)
Financial guarantee	-	(592)	(592)	-	-	-
Total comprehensive income	-	17,578	17,578	-	10,015	10,015
Closing balance	33,800	48,283	82,083	33,800	40,297	74,097

* The Company has adopted IFRS Interpretations Committee's agenda decision on cancellable or renewable leases, and related non-removable leasehold improvements and restated comparative financial statement

Basis of preparation

These consolidated financial statements of the Company for the year ended 31 December 2020 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.

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

Non-recurring items

KZT in millions	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Within EBITDA				
Creation of provisions, etc.	7,589	(747)	8,457	10,580
Total	7,589	(747)	8,457	10,580

Investments

KZT in millions	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
CAPEX				
Intangible assets	9,728	5,365	12,392	8,094
Property, plant and equipment	9,921	8,677	14,450	12,106
Total	19,649	14,042	26,842	20,200

Related party transactions

For the year ended 31 December 2020, Kcell purchased services for KZT 20,246 million and sold services for a value of KZT 13,805 million. Related parties in these transactions were mainly Kazakhtelecom JSC and its group entities.

Net debt*

KZT in millions	31 Dec 2020	31 Dec 2019
Long-term and short-term borrowings	73,288	61,932
Less short-term investments, cash and bank	(23,023)	(8,825)
Net debt	50,265	53,107

* excluding lease liabilities under IFRS 16

Financial key ratios

	31 Dec 2020	31 Dec 2019
Return on equity (% , rolling 12 months)	21.4	13.5
Return on capital employed (% , rolling 12 months)	21.8	14.9
Equity/assets ratio (%)	37.9	37.9
Net debt/equity ratio (%)	61.2	71.7
Net debt/EBITDA rate (multiple, rolling 12 months)	0.70	0.83
Owners' equity per share (KZT)	410.4	370.5

Operational data

	Oct-Dec 2020	Oct-Dec 2019	Chg (%)	Jan-Dec 2020	Jan-Dec 2019	Chg (%)
Subscribers, period-end (thousands)	8,055	8,275	(2.7)	8,055	8,275	(2.7)
Of which prepaid	7,061	7,312	(3.4)	7,061	7,312	(3.4)
MOU (min/month)	221	227	(2.6)	230	228	0.7
ARPU (KZT)	1,528.1	1,416.7	7.9	1,457	1,334	9.3
Churn rate (%)	35.4	45.7	(10.3)pp	34.1	44.5	(10.4)pp
Employees, period-end	2,249	1,950	15.3	2,249	1,950	15.3

Forward-looking statements

This report may contain 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.