

Kcell



Kcell JSC Results for January - September 2022



Kcell JSC

Results for January-September 2022

Almaty, November 1, 2022 – Kcell Joint Stock Company ("Kcell" or the "Company") (KASE: KCEL), one of the leading provider of mobile telecommunications services in Kazakhstan, announces its interim results for January-September 2022.

Quarter 3

- Total revenue increased by 16.0% to KZT 58 293 million (50 245).
- Service revenue increased by 13.2% to KZT 45 748 million (40 419).
- EBITDA increased by 18.4% to KZT 24 454 million (20 658), with EBITDA margin of 42.0% (41.1).
- Operating income increased by 32.1% to KZT 17 010 million (12 874).
- Net finance cost decreased by 33.2% to KZT 1 019 million (1 526).
- Net income increased by 40.5% to KZT 13 102 million (9 326).
- CAPEX-to-sales ratio was 11.0% (13.4).
- Free cash was KZT 17 452 million (17 433).
- The subscriber base remained stable at 7 928 thousand users (7 957).

9 months

- Total revenue increased by 18.4% to KZT 166 196 million (140 408).
- Service revenue increased by 12.1% to KZT 128 454 million (114 541).
- EBITDA increased by 17.9% to KZT 70 114 million (59 463), with EBITDA margin of 42.2% (42.4).
- Operating income increased by 30.9% to KZT 47 429 million (36 244).
- Net finance cost decreased by 21.2% to KZT 4 499 million (5 709).
- Net income increased by 30.1% to KZT 32 459 million (24 953).
- CAPEX-to-sales ratio was 11.0% (8.1).
- Free cash was KZT 14 984 million (39 047).

Financial highlights

KZT in millions, except key ratios, per share data and changes	3 кв. 2022	Q3 2021	Chg (%)	9 months 2022	9 months 2021	Chg (%)
Total revenue	58 293	50 245	16,0	166 196	140 408	18,4
<i>of which service revenue</i>	45 748	40 419	13,2	128 454	114 541	12,1
EBITDA excl. non-recurring items	24 454	20 658	18,4	70 114	59 463	17,9
<i>Margin (%)</i>	42,0	41,1	0,9pp	42,2	42,4	-0,2pp
Operating income excl. non-recurring items	17 010	12 874	32,1	47 429	36 244	30,9
Net income	13 102	9 326	40,5	32 459	24 953	30,1
Earnings per share (KZT)	65,5	46,6	40,5	162,3	124,8	30,1
CAPEX-to-sales (%)	11,0	13,4	-2,4pp	11,0	8,1	2,9pp
Free cash flow	17 452	17 433	0,1	14 984	39 047	-61,6

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 2021, unless otherwise stated.

Comments by Askhat Uzbekov, Chairman of the Management Board, CEO

“I am pleased to report that Q3 2022 was successful for the Company. The total revenue grew by 16.0%. This level of revenue growth, combined with tight control and cost optimization, allowed us to achieve a significant increase in EBITDA - by 18.4%.

In the 3rd quarter, the growth in revenue from the sale of devices continued to demonstrate a positive trend, amounting to 21.2%. The main growth drivers were sales of Samsung S and Apple iPhone 13 phones. This indicator was also affected by: an increase in the average check due to increased share of premium smartphones in sales, as well as a significant increase in sales of accessories and gadgets due to the expansion of the product line.

We also continue to successfully develop the mobile financial services. In the 3rd quarter, our OGO Bonus loyalty program and referral program “Invite a Friend” allowed us to open almost 175,000 new accounts for our customers. We continue to improve and update the functionality of the Kcell and activ super applications. In the 3rd quarter, we optimized the functionality of payments with cell phone balance and the referral program, and implemented the functionality of personalized offers.

We continue to develop the B2B segment. In Q3, our subscriber base grew by 14% vs. Q3 2021. At KIOGE 2022 Exhibition (“OIL AND GAS”), Kcell presented the Private LTE/5G, IoT, Push-to-Talk, video surveillance solutions for industrial enterprises.



Kcell actively participates in the implementation of the “250+” program. By the end of 2022, it is planned to provide another 360 villages with mobile communication and access services. The Company continues to work in excess of its “250+” licensing obligations. Since the beginning of the year, the network has been upgraded in 46 rural communities – local people now use LTE technology. The Company plans to further improve the current coverage and install new base stations in 60 rural communities across Kazakhstan.

Kcell continues to work in the priority directions of the ESG agenda by supporting initiatives in the field of environmental protection, social responsibility and corporate governance.

We continue to maintain high standards of corporate governance and best practices in all areas of the Company's activities. So, in the 3rd quarter, the Chief Digital Development Officer was appointed.

We will continue to work in our main strategic areas: a happy shareholder, a happy customer, a happy employee. I am confident that this approach will help achieve high financial and operational results for the benefit of society.”

Almaty

November 1, 2022

Review of the third quarter 2022

Revenue

Total revenue increased by 16.0% to KZT 58 293 million (50 245).

Service revenue increased by 13.2% to KZT 45 748 million (40 419).

Revenue from device sales grew by 21.2% to KZT 11 910 million (9 827).

Expenses

Cost of sales grew by 7.4% to KZT 35 090 million (32 681), largely due to increased handset sales.

Selling and marketing expenses decreased by 30.8% to KZT 518 million (749).

General and administrative expenses increased by 4.0% to KZT 3 837 million (3 690).

Earnings, financial position and cash flow

EBITDA excluding non-recurring items, increased by 18.4% to KZT 24 454 million (20 658), EBITDA margin grew to 42.0% (41.1).

Net finance cost decreased by 33.2% to KZT 1 019 million (1 526).

Income tax expense amounted to KZT 3 168 million (1 987).

Net income increased by 40.5% to KZT 13 102 million (9 326), with earnings per share of KZT 65.5 (46.6).

CAPEX – KZT 6 363 million (6 737), and CAPEX-to-sales ratio was 10.9% (13.4).

Free cash flow remained stable at KZT 17 452 million (17 433).

Review of 9 months of 2022

Revenue

Total revenue increased by 18.4% to KZT 166 196 million (140 408).

Service revenue increased by 12.1% to KZT 128 454 million (114 541).

Revenue from device sales grew by 38.5% to KZT 35 838 million (25 867).

Expenses

Cost of sales grew by 12.8% to KZT 103 608 million (91 860).

Selling and marketing expenses decreased by 8.2% to KZT 1 415 million (1 542).

General and administrative expenses increased by 2.5% to KZT 10 887 million (10 619).

Earnings, financial position and cash flow

EBITDA excluding non-recurring items, increased by 17.9% to KZT 70 114 million (59 463). EBITDA margin was 42.2% (42.4).

Net finance cost decreased by 21.2% to KZT 4 499 million (5 709).

Income tax expense increased to KZT 10 786 million (6 556).

Net income increased by 30.1% to KZT 32 459 million (24 953), with earnings per share of KZT 162.3 тенге (124.8).

CAPEX increased to KZT 18 228 million (11 423) and CAPEX-to-sales ratio was 11.0% (8.1).

Key milestones of the nine month of 2022

February

- On 17 February 2022, Kcell Board of Directors recommended AGM to approve an annual dividend payment based on the 2021 results in the amount of KZT 21 500 million, representing 66% of the consolidated net income, or KZT 107.5 per ordinary share.

The dividend amount, the proposed record date of shareholders entitled to receive dividends, and the proposed date of commencement of dividend payment are subject to the AGM's approval.

- On 25 February 2022, Kcell informed of the completion of Phase One and launch of Phase Two of the Nexign Converged BSS installation project.

Currently, the initial configuring of the system has been finalized and it is operating in pilot mode with a limited number of customers. Phase Two will include the adjustment and field-testing of the billing platform as well as on-demand migration and will conclude with the system's commercial commissioning. The remaining phases will focus on the migration of the company's existing subscribers to the new billing system.

The project officially kicked off in April 2021. The operations are expected to conclude by late 2022. It aims to enhance the existing services as well as to introduce completely new ones, which would make the use of new products more convenient for Kcell and its subscribers.

April

- Timur Naizabekov, Member of the Board of Directors, Independent Director, notified of his resignation from the Board of Directors of Kcell JSC effective 14 April 2022.
- On 15 April 2022, the Board of Directors adopted the following decisions:
 - Termination of the employment agreement of Sevil Gassanova, member of the Management Board, Chief Legal

Officer of Kcell JSC, effective from 15 April 2022;

- Election of Azamat Uisumbayev as a member of the Management Board, Chief Corporate Officer of Kcell JSC, effective from 15 April 2022.

May

- On 11 May 2022, the Company announced that Board of Directors has adopted the following decisions as part of measures to improve the Company's performance efficiency and to respond the current strategic challenges:
 - To elect Askhat Uzbekov to the position of Chief Executive Officer, Chairman of the Management Board of Kcell JSC, effective 11 May 2022;
 - To elect Yuri Kharlamov to the position of Chief Operating Officer, Deputy Chairman of the Management Board of Kcell JSC, effective 11 May 2022;
 - To terminate the term of office of Askar Yesserkegenov, member of the Management Board, Chief Technical Officer of Kcell JSC, effective 27 April 2022.
- On 19 May 2022, the AGM was held.

The Agenda of AGM was as following:

- On determination of the composition and term of office of the Kcell JSC Counting Commission and election of its members;
- The approval of Kcell JSC Annual Financial Statements for 2021;
- The approval of the distribution of Kcell JSC net income for the financial year, the decision on the dividend payment on ordinary share and the size of the dividend payout per one ordinary share;
- The election of a new Board of Directors of Kcell JSC;
- The approval of amendments to the Regulations on the Board of Directors of Kcell JSC;
- On approval of amendments to Regulation on the amount and conditions for payment of remuneration and

reimbursement of expenses to independent members of the Board of Directors of Kcell JSC for performance of their duties;

7. On shareholder requests regarding the performance of Kcell JSC and its executives and results of their consideration.

The AGM by simple majority of votes adopted the following decisions:

1. To elect the following employees of Kcell JSC to the Counting Commission of Kcell JSC with the term of office until 1 June 2023:

- Irina Martinez – Chairman of the Counting Commission;
- Diana Bratenkova;
- Yelena Logdanidi.

2. To approve the Kcell JSC IFRS Separate and Consolidated Financial Statements for the year ended 31 December 2021.

3. 3.1. The net income of Kcell JSC for 2021 shall not be distributed and no dividend shall be paid on ordinary shares.

- 3.2. To instruct the Board of Directors of Kcell JSC to, by 15 September 2022, submit a proposal on distribution of retained earnings for previous periods, taking into account the Company's performance results for H1 2022.

4. 4.1. On early termination of powers of members of the Board of Directors of Kcell JSC:

- 1) Aleksey Buyanov (independent director);
- 2) Dinara Inkarbekova (independent director);
- 3) Kuanyshbek Esekeyev (representative of shareholder Kazakhtelecom JSC);
- 4) Timur Khudaiberdiev (representative of shareholder Kazakhtelecom JSC);
- 5) Serik Saudabayev (representative of shareholder Kazakhtelecom JSC);
- 6) Jere Calmes (independent director);
- 7) Timur Turlov (representative of shareholder Freedom Finance JSC);
- 8) Ermek Ramazanov (independent director).

- 4.2. The size of the Board of Directors of Kcell JSC to be comprised of 7 members:

- 4.3. To elect the Board of Directors of Kcell JSC including:

- 1) Aleksey Buyanov (independent director);
- 2) Jere Calmes (independent director);
- 3) Pietari Kivikko (independent director);
- 4) Yermek Ramazanov (independent director);
- 5) Alexander Lezgovko (representative of shareholder Kazakhtelecom JSC);
- 6) Aliya Kishkimbayeva (representative of shareholder Kazakhtelecom JSC);
- 7) Timur Turlov (representative of shareholder Freedom Finance JSC).

- 4.4. The term of office of the Board of Directors of Kcell JSC shall be 3 (three) years.

- 4.5. To determine the amount of annual fixed remuneration and annual additional remuneration for the independent directors of Kcell JSC, in accordance with the resolution of the AGM of Kcell JSC dated 29 May 2019 (Minutes #13).

- 4.6. To determine the conditions for payment of remuneration and reimbursement of the independent directors of Kcell JSC in accordance with the Regulation on the amount and conditions for payment of remuneration and reimbursement of expenses to independent members of the Board of Directors of Kcell JSC for performance of their duties approved by the AGM of Kcell JSC on 29 May 2019.

- 4.7. The Chairman of the Board of Directors of Kcell JSC (after being elected in accordance with clause 47 of the Kcell JSC Charter) shall take the necessary measures in accordance with the established procedure to implement this resolution.

5. To approve amendments to the Regulations on the Board of Directors of Kcell JSC.

6. To approve amendments to the amendments to Regulation on the amount and conditions for payment of remuneration and reimbursement of expenses to independent members of the

Board of Directors of Kcell JSC for performance of their duties.

7. To take note of the information on absence of requests from shareholders regarding the performance of Kcell JSC and its executives in 2021.

- At AGM it was decided to postpone the distribution of net income for payment of the 2021 dividends.

This was proposed by a major shareholder of Kcell JSC - Kazakhtelecom JSC, which owns 51% of the shares in Kcell. The country's largest telecom operator referred to the unstable economic situation, currency risks and the need for Kcell JSC to focus on the capex program. The current unstable economic situation in the world had a great impact on the current activities of Kcell JSC. Kcell JSC managed to achieve a rapid recovery of business and continued to demonstrate growth in key financial indicators, but at the same time, it is now impossible to exclude new external risks for the Company.

It was, therefore, proposed to postpone the payment of dividends and instruct the Board of Directors of Kcell JSC to, by 15 September 2022, submit proposals for the distribution of retained earnings for previous periods based on the company's performance in the first half of 2022. It was also proposed that the Company should use the retained funds to invest in new projects, primarily in social ones: providing broadband access in rural areas, building new base stations and other infrastructure, as well as improvement of service and network quality.

June

- On 23 June 2022, the Board of Directors of the Company adopted the following decisions:
 1. Elect Kirill Strashenko to the position of Chief Technical Officer, member of the Management Board of Kcell JSC. Determine the term of office from 23 June 2022 to 11 May 2023.
 2. Elect Daniyar Ibraev to the position of Chief Security Officer, Member of the Management Board of Kcell JSC. Determine the term of office from 23 June 2022 to 11 May 2023.

September

- The Board of Directors of the Company made the following decisions:
 1. To elect Malik Amardinov as Chief Digital Development Officer, member of the Management Board of Kcell JSC, with the term of office from September 15, 2022 till May 11, 2023.
 2. To terminate the term of office of Yuri Kharlamov, Chief Operating Officer, Deputy Chairman of the Management Board of Kcell JSC, effective 16 September 2022 by agreement of the parties

The new composition of the Management Board of Kcell JSC:

- Askhat Uzbekov – Chairman of the Management Board, Chief Executive Officer;
- Maria Averchenko – member of the Management Board, Chief Commercial Officer;
- Dina Nurpeissova – member of the Management Board, Chief Financial Officer;
- Azamat Uisumbayev – member of the Management Board, Chief Corporate Officer;
- Kirill Strashenko – member of the Management Board, Chief Technical Officer;
- Daniyar Ibrayev – member of the Management Board, Chief Information Security Officer;
- Malik Amardinov - member of the Management Board, Chief Digital Development Officer.

- On September 15, 2022, the Board of Directors of the Company decided to postpone consideration of the issue on distribution of retained earnings of previous periods in the form of dividends until November 1, 2022. To consider this issue, it is necessary to take into account the results of the Company's activities for 9 months of 2022 and finalize plans for the development of infrastructure and the formation of an investment portfolio in the medium term (2023 - 2025)

The issue was submitted for consideration by the Board of Directors in accordance with the

instruction of the Annual General Meeting of Shareholders of May 19, 2022 (Minutes No. 21): “To instruct the Board of Directors of Kcell

JSC to submit a proposal for the distribution of retained earnings of previous periods by September 15, 2022”.

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 2022	Q3 2021	Chg (%)	9 months 2022	9 months 2021	Chg (%)
Revenues	57 704	50 245	14,8	164 428	140 408	17,1
Government subsidy	589	-	-	1 768	-	-
Cost of sales	-35 090	-32 681	7,4	-103 608	-91 860	12,8
Gross profit	23 203	17 564	32,1	62 588	48 548	28,9
Selling and marketing expenses	-518	-749	-30,8	-1 415	-1 542	-8,2
General and administrative expenses	-3 837	-3 690	4,0	-10 887	-10 619	2,5
Reversal of tax and related fine	-	-	-	-	683	-
Impairment of assets	-1 590	-313	408	-3 385	-943	259
Other operating income and expenses, net	-248	62	-500	-527	800	-165,9
Operating income	17 010	12 874	32,1	46 374	36 927	25,6
Other income and expenses, net	-483	56	-962,5	-279	174	-260,3
Finance income and expenses, net	-1 019	-1 526	-33,2	-4 499	-5 709	-21,2
Net forex gain/loss, net	762	-91	-937,4	1 649	117	1 309
Profit before income tax	16 270	11 313	43,8	43 245	31 509	37,2
Income tax expense	-3 168	-1 987	59,4	-10 786	-6 556	64,5
Net income for period	13 102	9 326	40,5	32 459	24 953	30,1
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	13 102	9 326	40,5	32 459	24 953	30,1
Earnings per share (KZT), basic and diluted	65,5	46,6	40,5	162,3	124,8	30,1
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	24 454	20 658	18,4	69 059	60 146	14,8
EBITDA excl. non-recurring items	24 454	20 658	18,4	70 114	59 463	17,9
Depreciation, amortization and impairment losses	-7 927	-7 728	2,6	-22 964	-23 045	-0,4
Operating income excl. non-recurring items	17 010	12 874	38,6	47 429	36 244	30,9

Condensed Consolidated Statement of Financial Position

KZT in millions	Sep 30, 2022	Dec 31, 2021
Assets		
Intangible assets	40 912	42 284
Property, plant and equipment	83 224	85 805
Investment property	2 226	-
Advances paid for non-current assets	706	1 930
Right to use assets	15 942	16 943
Costs of obtaining contracts	506	472
Deferred tax assets	2 170	1 720
Long-term receivables	6 887	4 148
Total non-current assets	152 573	153 302
Inventories	9 852	6 582
Trade and other receivables	26 065	17 751
Other current financial assets	774	538
Other current assets	6 952	10 141
Cash and cash equivalents	51 376	51 402
Total current assets	95 049	86 414
Total assets	247 622	239 716
Equity and liabilities		
Share capital	33 800	33 800
Additional paid-in capital	1 260	1 260
Retained earnings	95 670	63 211
Total equity	130 730	98 271
Long-term borrowings	46 550	48 283
Long-term lease liabilities	14 507	15 185
Government subsidies: non-current portion	8 771	5 688
Other long-term liabilities	4 104	4 204
Total non-current liabilities	73 932	73 360
Short-term borrowings	908	11 699
Trade payables and other current liabilities	24 142	43 869
Government subsidies: current portion	2 237	2 237
Financial guarantees	193	330
Short-term lease liabilities	4 557	4 944
Contractual liabilities	4 061	3 207
Other taxes payable	1 091	712
Income tax payable	5 771	1 087
Total current liabilities	42 960	68 085
Total equity and liabilities	247 622	239 716

Condensed Consolidated Statement of Cash Flows

KZT in millions	Q3 2022	Q3 2021	9 months 2022	9 months 2021
Cash flow before change in working capital	25 339	20 956	71 153	60 279
Change in working capital	-2 575	-2 902	-24 745	-1 610
Cash flow from operating activities	22 764	18 054	46 408	58 669
Cash CAPEX	-5 312	-621	-31 424	-19 622
Free cash flow	17 452	17 433	14 984	39 047
Proceeds from financial assets (net)	-58	-16 912	-	-8 200
Cash flow from financing activities	-12 295	-1 099	-16 767	-32 513
Cash flow for the period	5 099	-578	-1 783	-1 666
Cash and cash equivalents, opening balance	45 403	22 152	51 402	23 023
Cash flow for the period	5 099	-578	-1 783	-1 666
Exchange rate difference	874	-87	1 757	130
Cash and cash equivalents, closing balance	51 376	21 487	51 376	21 487

Condensed Consolidated Statement of Changes in Equity

KZT in millions	Jan-Sep 2022				Jan-Sep 2021		
	Share capital	Retained earnings	Additional capital	Total equity	Share capital	Retained earnings	Total equity
Opening balance	33 800	63 211	1 260	98 271	33 800	48 283	82 083
Dividends	-	-	-	-	-	-17 578	-17 578
Total comprehensive income	-	32 459	-	32 459	-	24 953	24 953
Closing balance	33 800	95 670	1 260	130 730	33 800	55 658	89 458

Basis of preparation

The interim condensed consolidated financial statements for the first half and third quarter, ended 30 September 2022, 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 2021 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 2022	Q3 2021	9 months 2022	9 months 2021
Within EBITDA				
Non-recurring items	-	-	1 055	-683
Total	430	-683	1 055	-683

Investments

KZT in millions	Q3 2022	Q3 2021	9 months 2022	9 months 2021
CAPEX				
Intangible assets	2 678	1 594	7 397	2 413
Property, plant and equipment	3 685	5 143	10 831	9 010
Total	6 363	6 737	18 228	11 423

Related party transactions

During the nine-months' period ended 30 September 2022, Kcell purchased services for KZT 19 335 million and sold services for a value of KZT 10 823 million. Related parties in these transactions were mainly Kazakhtelecom JSC and its group entities.

Net debt

KZT in millions	Sep 30 2022	Dec 31 2021
Long-term and short-term borrowings	47 458	59 982
Less short-term investments, cash and bank	-51 376	- 51 402
Net debt*	-3 918	8 580

* excluding lease liabilities under IFRS 16

Financial key ratios

	Sep 30 2022	Dec 31 2021
Return on equity (% , rolling 12 months)	23,5	33,1
Return on capital employed (% , rolling 12 months)	20,0	29,7
Equity/assets ratio (%)	52,8	41,0
Net debt/equity ratio (%)	-3,0	8,7
Net debt/EBITDA rate (multiple, rolling 12 months)*	0	0,10
Owners' equity per share (KZT)	653,7	491,4

* excluding lease liabilities under IFRS 16

Операционные данные

	Q3 2022	Q3 2021	Chg (%)	9 months 2022	9 months 2021	Chg (%)
Subscribers, period-end (thousands)	7 928	7 957	-0,4	7 928	7 957	-0,4
Of which prepaid	6 903	6 983	-1,1	6 903	6 983	-1,1
MOU (min/month)	187	216	-13,4	195	211	-4,9
ARPU (KZT)	1 689	1 514	11,5	1 505	1 586	6,7
Churn rate (%)	25,6	23,1	2,5pp	23,4	30,4	-7,0pp
Employees, period-end	2 213	2 074	6,7	2 213	2 074	6,7

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.