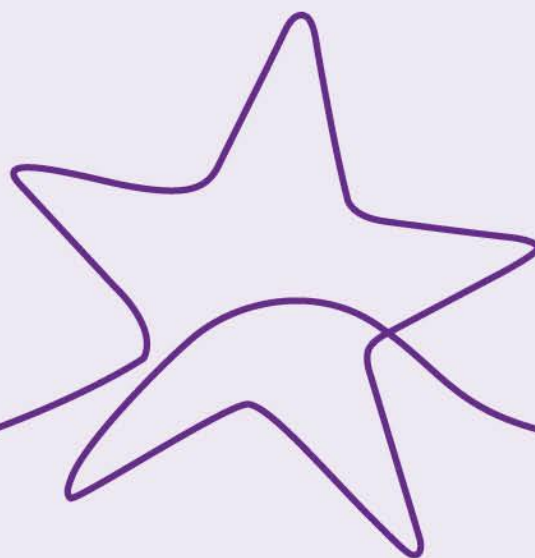




Kcell JSC
Q3 2019
Financial results



Kcell JSC

Interim Results for January – September 2019

Almaty, 24 October 2019 – Kcell Joint Stock Company (“Kcell” or the “Company”) (LSE, KASE: KCEL), the leading provider of mobile telecommunications services in Kazakhstan, announces its interim results for January – September 2019.

Third quarter

- Net sales increased by 6.1 percent to KZT 41,121 million (38,758). Service revenue increased by 8.4 percent to KZT 36,212 million (33,409).
- EBITDA, excluding non-recurring items, grew by 34.3 percent to KZT 17,957 million (13,370). EBITDA margin increased to 43.7 percent (34.5).
- Operating income, excluding non-recurring items, increased by 57.6 percent to KZT 10,419 million (6,610).
- Net finance cost increased by 24.0 percent to KZT 2,758 million (2,224).
- Net income increased to KZT 10,907 million (1,393), mainly due to the reversal of tax accrual in the amount of KZT 5,069 million.
- CAPEX-to-sales ratio of 4.6 percent (13.6).
- Free cash was KZT 7,164 million (3,761).
- During the quarter, the total number of subscriptions decreased to 8,440 thousand (8,676).

Nine-month period

- Net sales up 2.4 percent to KZT 114,170 million (111,447). Service revenue increased by 4.4 percent to KZT 102,054 million (97,707).
- EBITDA, excluding non-recurring items, increased by 31.0 percent to KZT 47,997 million (36,642). EBITDA margin was 42.0 percent (32.9).
- Operating income, excluding non-recurring items, up 47.5 percent to KZT 24,731 million (16,763).
- Net finance cost increased by 17.8 percent to KZT 7,596 million (6,447).
- Net income was KZT 5,026 million (4,870), negatively affected by a KZT 14,552 million penalty as a result of the termination of the Network Sharing Agreement with KaR-Tel LLP, and positively affected by reversal of tax accrual in the amount of KZT 5,069 million.
- CAPEX-to-sales ratio of 5.4 percent (11.6).
- Free cash flow increased to KZT 12,918 million (4,103).
- The number of subscribers decreased to 8,440 thousand (9,234), 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	Jul-Sep 2019	Jul-Sep 2018	Chg (%)	Jan-Sep 2019	Jan-Sep 2018	Chg (%)
Net sales	41,121	38,758	6.1	114,170	111,447	2.4
of which service revenue	36,212	33,409	8.4	102,054	97,707	4.4
EBITDA excl. non-recurring items	17,957	13,370	34.3	47,997	36,642	31.0
Margin (%)	43.7	34.5		42.0	32.9	
Operating income	15,488	5,357	189.1	13,404	13,821	-3.0
Operating income excl. non-recurring items	10,419	6,610	57.6	24,731	16,763	47.5
Net income/loss	10,907	1,393	683.2	5,026	4,870	3.2
Earnings per share (KZT)	54.5	7.0	683.2	25.1	24.3	3.2
CAPEX-to-sales (%)	4.6	13.6		5.4	11.6	
Free cash flow	7,164	3,761		12,918	4,103	

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 period of 2018, unless otherwise stated.

Comments by Kaspars Kukelis, Chairman of the Management Board

“We have continued to deliver a strong performance in the third quarter and have launched a new strategy, which will optimise the benefits of our new ownership structure and drive further growth through innovative product development across all areas of our business.

Service revenue has remained on a positive trajectory and grew 8.4 percent during the period. Revenue growth during the quarter was driven by a number of factors including improved pay as you go (PAYG) billing for bundled offers, the introduction of new tariff plans with unlimited access to social networks, as well as an increasing number of existing subscribers transitioning to tariff plans with higher-end offers and greater content access.

Revenue growth in our B2B operations was notably strong, with an 18.1 percent increase year-on-year, mainly driven by growth in business solutions. The contribution to total revenue from our B2B operations now amounts to 12 percent.

EBITDA, excluding non-recurring items and IFRS 16, also showed significant growth, rising 23.2 percent, with the increase underpinned by revenue growth, tight fiscal discipline and substantial cost optimisation.

ARPU rose 19 percent during the third quarter. This trend has been primarily driven by the number of subscribers now opting for bundled offers, which now account for more than half of Kcell’s total subscriber base.



We have now launched our new strategy, which will leverage the developments in the ownership structure of the Group, our market leading technology and our leading market position. The strategy will ensure that we maintain our number one position across all our operations, with diversified product portfolios that meet the ever-evolving needs of all customer segments.

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 look forward to delivering further improvements in our performance as we continue to enhance our efficiency and develop innovative, customer-centric products and services that will enable us to provide value to our customers and our shareholders.”

Almaty

24 October 2019

Review of the third quarter of 2019

Net sales

Net sales increased by 6.1 percent to KZT 41,121 million (38,758). Service revenue increased by 8.4 percent to KZT 36,212 million (33,409).

Voice and other services

Revenue from voice and other services increased by 2.7 percent to KZT 20,688 million (20,153).

Enterprise revenue increased by 18.1 percent to KZT 4,873 million (4,127).

Data service revenue

Data revenue increased by 18.6 percent to KZT 13,471 million (11,356).

Value-added service revenue

Revenue from value-added services increased by 8.0 percent to KZT 2,052 million (1,901).

Handset sales

Whilst the number of handsets sold was higher, revenue from the sale of mobile devices fell by 8.2 percent to KZT 4,909 million (5,348). The number of devices sold, however, continued to grow, mainly as a result of the expanded offering and the strengthening of the mid-priced segment, compensating for the decline in demand in the premium segment.

KZT in millions, except percentages	Jul-Sep 2019	% of total	Jul-Sep 2018	% of total
Voice and other services	20,688	50.3	20,153	52.0
Data services	13,471	32.8	11,356	29.3
Value added services	2,052	5.0	1,901	4.9
Handset sales	4,909	11.9	5,348	13.8
Total revenues	41,121	100.0	38,758	100.0

Expenses

Cost of sales

Cost of sales decreased by 4.5 percent to KZT 27,474 million (28,774), mainly due to a decrease in sales of devices and lower rent expenses caused by adoption of IFRS 16, which, in turn, were offset by higher depreciation cost.

Selling and marketing expenses

Selling and marketing expenses decreased by 40.3 percent to KZT 500 million (837), largely as a result of an improved distribution process and lower marketing expenses.

General and administrative expenses

General and administrative expenses decreased by 29.7 percent to KZT 2,210 million (3,144). This was mainly due to lower tax expenses where comparative data for the third quarter of 2018 included an additional tax reserve in the amount of KZT 1.1 billion.

Earnings, financial position and cash flow

EBITDA, excluding non-recurring items, increased by 34.3 percent to KZT 17,957 million (13,370). EBITDA margin increased to 43.7 percent (34.5).

Net finance cost increased by 24.0 percent to KZT 2,758 million (2,224).

Income tax expense increased by 2.5 percent to KZT 1,870 million (1,825).

Net income increased to KZT 10,907 million (1,393), mainly due to the reversal of tax accrual in the amount of KZT 5,069 million.

CAPEX decreased to KZT 1,893 million (5,274) and CAPEX-to-sales ratio was down to 4.6 percent (13.6).

Free cash flow increased to KZT 7,164 million (3,761).

Review of the nine month period of 2019

Net sales

Net sales up 2.4 percent to KZT 114,170 million (111,447). Service revenue increased by 4.4 percent to KZT 102,054 million (97,707).

Voice and other services

Revenue from voice and other services remained stable at KZT 58,552 million (57,932).

Enterprise revenue increased by 17.3 percent to KZT 13,281 million (11,324).

Data service revenue

Data revenue increased by 11.8 percent to KZT 37,736 million (33,744).

Value-added service revenue

Revenue from value-added services decreased by 4.4 percent to KZT 5,765 million (6,031).

Handset sales

Handset sales decreased by 11.8 percent to KZT 12,116 million (13,740).

KZT in millions, except percentages	Jan-Sep 2019	% of total	Jan-Sep 2018	% of total
Voice and other services	58,552	51.3	57,932	52.0
Data services	37,736	33.1	33,744	30.3
Value added services	5,765	5.0	6,031	5.4
Handset sales	12,116	10.6	13,740	12.3
Total revenues	114,170	100.0	111,447	100.0

Expenses

Cost of sales

Cost of sales was down by 2.6 percent to KZT 80,258 million (82,359), mainly due to decreased sales of devices and lower rent expenses caused by adoption of IFRS 16, which, in turn, were offset by higher depreciation cost.

Selling and marketing expenses

Selling and marketing expenses were down 27.4 percent to KZT 1,688 million (2,327), largely as a result of an improved distribution process and lower marketing expenses.

General and administrative expenses

General and administrative expenses decreased by 42.5 percent to KZT 6,095 million (10,594). This was mainly as a result of lower tax expenses as comparative data for the nine-month period of 2018 included an additional tax reserve in the amount of KZT 2.8 billion, as well as due to the reduction of bad debt expenses related to the implementation of processes to improve the quality of the portfolio of receivables.

Earnings, financial position and cash flow

EBITDA, excluding non-recurring items, increased by 31.0 percent to KZT 47,997 million (36,642). The EBITDA margin was 42.0 percent (32.9).

Net finance cost increased by 17.8 percent to KZT 7,596 million (6,447).

Income tax expense amounted to KZT 926 million (2,863). The decrease in the income tax expense resulted from the recognition of a deferred tax asset on the tax loss carried forward following the accrual of a fine for the termination of the Network Sharing Agreement with KaR-Tel LLP.

Net income amounted to KZT 5,026 million (4,870), while earnings per share was KZT 25.1 (24.3).

CAPEX decreased to KZT 6,157 million (12,944) and the CAPEX-to-sales ratio fell to 5.4 percent (11.6).

Free cash flow increased to KZT 12,918 million (4,103).

Key milestones 2019

January

- The Extraordinary General Meeting of Shareholders held on 25 January 2019, adopted the following decisions:
 1. To terminate the authorities of the following members of Kcell JSC Board of Directors:
 - Jan Erik Rudberg (Independent Director);
 - William H.R. Aylward (Independent Director);
 - Vladimir Smirnov (Independent Director).
 2. To elect the Company's new Board of Directors consisting of the following members:
 - Alexey Buyanov (Independent Director);
 - Rashit Makhat (Independent Director);
 - Dinara Inkarbekova (Independent Director);
 - Vladimir Popov (Independent Director);
 - Kuanyshbek Yessekeyev (representative of shareholder Kazakhtelecom JSC);
 - Yerulan Kussainov (representative of shareholder Kazakhtelecom JSC);
 - Timur Turlov (representative of shareholder Freedom Finance JSC).
 3. To determine the term of the office for Kcell JSC Board of Directors before a decision on the Board appointments is made by the General Meeting of Shareholders of Kcell JSC.
- On 28 January 2019, the Board of Directors has adopted the decision to terminate the authority of Damir Zhanbakiev as Chief Executive Officer of Kcell JSC, and appoint Kaspars Kukelis as Chief Executive Officer of Kcell JSC, effective from 29 January 2019.

February

- On 28 February 2019, Kcell undertook a bond placement on the Kazakhstan Stock Exchange, in which bonds to the value of KZT 16.8 billion were placed with investors at an 11.5 percent yield. This was the second placement in the programme Kcell announced in December 2017.

March

- The Board of Directors approved the extension of the loan agreement with Eurasian Development Bank. The credit line limit has been increased to KZT 34 billion with lower interest rate of 11.5

percent, while its term extended until 20 June 2024.

- The Board of Directors has recommended the annual dividend in the amount of KZT 5,972 million, or KZT 29.86 per ordinary share and per Global Depositary Receipt (GDR). This represents 70 percent of the Company's net income for the 12 months ended 31 December 2018. The proposed record date of shareholders entitled to receive the dividends is the first Sunday following the date of the Company's Annual General Meeting of shareholders (00:00 Almaty time). The proposed date for the dividend payment is the next working day after the date of compiling a list of shareholders entitled to receive dividends; and within eighty days from the proposed dividend payment date. 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.

April

- Kcell received a written notice from KaR-Tel LLP terminating its cooperation under the Network Sharing Agreement in Kazakhstan dated 29 August 2016.

The termination follows a change in control of Kcell after Kazakhtelecom JSC acquired 75 percent of Kcell's shares. This has resulted in a termination penalty of KZT 14,552 million.

- The Company announced that its Board of Directors approved a decision to convene the Annual General Meeting of Shareholders ("AGM") on 29 May 2019.
- The Company announced appointment of Bunyod Ramatov as Chief Financial Officer, effective from 2 May 2019.

May

- The AGM held on 29 May 2019 approved the proposal of Kcell Board of Directors to distribute KZT 5,972 million, representing 70 percent of the net income for 2018, as an annual dividend. The total dividend amount will equate to KZT 29.86 per ordinary share (each GDR representing one ordinary share).

- Other decisions adopted by the AGM include:
 - The approval of the Charter of Kcell JSC in the new edition.
 - The invalidation of the Instruction relating to allocation of work between Kcell JSC Board of Directors and the CEO.
 - The approval of Kcell JSC Annual Financial Statements for 2018.
 - The approval of Ernst & Young LLP as Kcell JSC external auditor during 2019-2021.
 - The approval of the Policy on the remuneration and reimbursement of expenses to the Independent directors of the Kcell JSC Board of Directors.
 - The approval of amendments to the Methodology for determining the value of Kcell JSC shares in the event Kcell JSC repurchases them on an over-the-counter market, by presenting it in a new edition.

June

On 19 June 2019, the Board of Directors adopted the following decisions:

- The Management Board of Kcell JSC shall be comprised of three members, including Chairman of the Management Board and two members of the Management Board.
- The term of office of the Chairman and members of the Management Board shall be one year.
- The following persons shall be appointed as the Chairman and members of the Management Board:
 - Kaspars Kukelis, Chief Executive Officer – Chairman of the Management Board;
 - Askar Yesserkegenov, Chief Technical Director – member of the Management Board;
 - Sergey Yeltsov, Chief Legal Officer – member of the Management Board.
- On 27 June 2019, Fitch Ratings affirmed Kcell JSC's Long-Term Issuer Default Rating (IDR) at 'BB' and assigned Positive outlook, mirroring that of the Company's parent, Kazakhtelecom JSC.

July

- On 12 July 2019, Yerulan Kussainov, a Non-Executive Director and a representative of Kazakhtelecom JSC, notified the Company of his intention to resign from the Company's Board of Directors effective from 19 July 2019.
- On 25 July 2019, Kcell JSC and AB "Bank of China Kazakhstan" JSC signed an Agreement for

the provision of a revolving credit line in the amount of KZT 9.5 billion. The term of the credit line is 36 months with a fixed interest rate of 10.5 percent per annum.

August

- On 8 August 2019, the Company paid the annual dividend in the amount of KZT 5,972 million, or KZT 29.86 per ordinary share (each ordinary share representing one GDR), which represents 70 percent of the Company's net income for 2018.
- Chief Financial Officer, Bunyod Ramatov, announced his decision to leave the Company. Dauren Shaikhin has been appointed Interim Chief Financial Officer.

Administrative, tax and legal update

Administrative 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 results of investigation were approved by the Order of Committee dated 18 October 2018. The Committee also issued a Notice to Comply ordering the Company to, inter alia, return to Kcell brand subscribers all fees charged in 2017 when the monthly data allowance was exceeded and when the monthly subscription fee for mobile Internet access services had not been paid.

On 25 October 2018, Kcell filed an appeal against these decisions in the Specialised Interdistrict Economic Court of Astana.

On 6 November 2018, the Specialised Interdistrict Administrative Court of Almaty ruled to postpone the consideration of the Administrative Offense Report until such consideration of the civil case is finalised.

On 29 November 2018, the Astana City Specialised Interdistrict Economic Court ruled to terminate the consideration of this case. This ruling was appealed by Kcell.

On 23 January 2019, the Astana City Court upheld the ruling of the Astana City Specialised Interdistrict Economic Court. Kcell appealed this ruling in the Supreme Court of the Republic of Kazakhstan.

On 25 February 2019, the Company challenged the Conclusion on the results of investigation to the Specialised Interdistrict Economic Court of Astana.

On 26 February 2019, following its suspension, the administrative case was resumed. However, it was suspended again to consider a civil case regarding the appeal of the Conclusion on the results of investigation.

On 4 March 2019, the Astana City Specialised Interdistrict Economic Court refused to accept the application for appeal against the results of Investigation. The Civil Division of the Astana City Court ruled 2 May 2019 to uphold the above ruling of the Astana City Specialised Interdistrict Economic Court.

On 18 March 2019, the judge of the Supreme Court Board for Civil Cases of Kazakhstan ruled that the Company’s petition to review judicial acts of the First Instance and Appellate Court under cassation procedure was submitted for consideration in judicial proceedings by the Supreme Court Board for Civil Cases.

On 19 March 2019, the Specialised Administrative Court of Almaty ruled to suspend consideration of the Administrative Offense Report until the resolution of a civil case.

The Supreme Court Board for Civil Cases of the Republic of Kazakhstan ruled on 14 May 2019 to reverse the ruling of the Astana City Specialised Interdistrict Economic Court dated 29 November 2018 and ruling of the Civil Division of the Astana City Court dated 23 January 2019 as they pertain to the discontinuation of proceedings on invalidation and cancellation of the Notice to Comply. In this particular part, the case was submitted to the Specialised Interdistrict Economic Court of Nur-Sultan for consideration on the merits by another panel of judges.

The Specialised Interdistrict Economic Court of Nur-Sultan ruled on 17 July 2019 to cancel the Notice to Comply #13 dated 22 October 2018. The judgement has not yet entered into force and may be appealed within one month from the date it was delivered.

On 17 July 2019, the Specialised Interdistrict Economic Court of Nur-Sultan invalidated and set aside the Order.

The Company appealed the Specialised Interdistrict Economic Court's decision based on the fact that the court had failed to assess the circumstances that are significant to the case. In its appeal, the Company sought to uphold the operative part of the decision and to change its reasoning part.

The Committee and the Prosecutor involved in the case also appealed against the Specialised Interdistrict Economic Court decision seeking to cancel the court decision and issue a new judgement rejecting the Company's claims.

On October 4, 2019, the Nur-Sultan City Civil Court ruled to uphold the decision of the first instance court, the appeal of Kcell JSC was satisfied and the reasoning part of the decision was supplemented by the conclusions presented in the decision.

The decisions of the Nur-Sultan City Civil Court and the First Instance Court entered into force, but may be appealed in cassation proceedings in accordance with the legislation of the Republic of Kazakhstan.

It is expected that the administrative case will be resumed in the Specialised Administrative Court of Almaty, which was suspended until consideration of a civil case on appealing the Order.

Tax audit

In July 2017, the Kazakhstan tax authority completed its complex tax audit for the period 2012-2015. Following the audit, the tax authority made a total claim of KZT 9.0 billion, of which KZT 5.8 billion is for unpaid taxes and KZT 3.2 billion represents fines and penalties for late payment.

In January 2018, Kcell disputed the Notification of the tax authority in the First Instance Court and the Kcell appeal was dismissed. In June 2018, the Court of Appeal reviewed the appeal claim and

upheld the unfavorable ruling of the First Instance Court in force. Although the decision was binding, Kcell reserved the right to further appeal it in the Supreme Court.

The Company made tax provisions of KZT 9.0 billion.

In November 2018, the Company filed a petition to the cassation instance of the Supreme Court of Almaty. In December 2018, the petition was dismissed by the Resolution of the Supreme Court of the Republic of Kazakhstan.

In January 2019, Kcell appealed to the Chairman of the Supreme Court with a view to re-appeal to the cassation instance of the Supreme Court.

In February 2019, Kcell again appealed to the Supreme Court of the Republic of Kazakhstan with a petition for review.

On 23 July 2019, the Supreme Court considered the petition, granted the petition and overturned the decision of the Specialised Inter-District Economic Court and the Court of Appeal in respect of an unjustified additional assessment of Withholding Tax (WHT) for a non-resident (Sonera Holding B.V.) as a result of the reorganisation of a legal entity; and an unjustified additional assessment of WHT and VAT for non-residents for remote technical support services. With regard to the remaining contested issues, the decision of the Specialised Inter-District Economic Court and the Court of Appeal was upheld.

As a result of the Supreme Court decision, the KZT 9.0 billion provision for taxes, penalties and fines reduced in total by KZT 5.0 billion, comprising KZT 3.0 billion for unpaid taxes, KZT 0.2 billion in fines and a KZT 1.8 billion reduction of the penalty due to the expiration of the limitation period.

The external auditors are reviewing the January-September 2019 financial statements, and their report will be available on the Kcell website after 15 November 2019.

The information was submitted for publication on 24 October 2019.

Results report and presentation will be available on Kazakhstani and London stock exchanges and on the Company website www.investors.kcell.kz.

Financial Information

Interim Report January – December 2019

March 2020

Definitions

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

CAPEX: Capital expenditures and advances paid 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.

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Condensed Consolidated Statements of Comprehensive Income

KZT in millions, except per share data, number of shares and changes	Jul-Sep 2019	Jul-Sep 2018	Chg (%)	Jan-Sep 2019	Jan-Sep 2018	Chg (%)
Revenues	41,121	38,758	6.1	114,170	111,447	2.4
Cost of sales	-27,474	-28,774	-4.5	-80,258	-82,359	-2.6
Gross profit	13,646	9,983	36.7	33,912	29,088	16.6
Selling and marketing expenses	-500	-837	-40.3	-1,688	-2,327	-27.4
General and administrative expenses	-2,210	-3,144	-29.7	-6,095	-10,594	-42.5
Penalty expenses	-	-	-	-14,552	-	-
Reversal of tax and related fine	5,069	-	-	5,069	-	-
Impairment of assets	-518	-646	-19.9	-3,242	-2,347	38.2
Operating income/loss	15,488	5,357	189.1	13,404	13,821	-3.0
Other operating income and expenses, net	-51	43	-219.9	27	259	-89.7
Finance income and expenses, net	-2,758	-2,224	24.0	-7,596	-6,447	17.8
Net forex gain/loss	99	42	134.7	117	100	16.7
Profit/loss before income tax	12,777	3,218	297.1	5,952	7,733	-23.0
Income tax benefit/expense	-1,870	-1,825	2.5	-926	-2,863	-67.7
Net income/loss	10,907	1,393	683.2	5,026	4,870	3.2
Other comprehensive income	-	-	-	-	-	-
Other comprehensive income/loss	10,907	1,393	683.2	5,026	4,870	3.2
Earnings per share (KZT), basic and diluted	54.5	7.0	683.2	25.1	24.3	3.2
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	23,026	12,117	90.0	36,670	33,700	8.8
EBITDA excl. non-recurring items	17,957	13,370	34.3	47,997	36,642	31.0
Depreciation, amortization and impairment losses	-7,590	-6,718	13.0	-23,239	-19,620	18.4
Operating income excl. non-recurring items	10,419	6,610	57.6	24,731	16,763	47.5

Condensed Consolidated Statement of Financial Position

KZT in millions	30 Sep 2019	31 Dec 2018
Assets		
Intangible assets	35,396	40,115
Property, plant and equipment	76,816	88,437
Advances paid for non-current assets	714	729
Right to use assets	23,324	-
Other non-current assets	284	425
Long-term receivables	1,141	3,010
Total non-current assets	137,675	132,717
Inventories	4,186	4,728
Trade and other receivables	16,917	13,787
Other current financial assets	2,168	1,011
Other current assets	6,650	8,801
Financial assets held for trading	5,048	-
Cash and cash equivalents	8,778	6,029
Total current assets	43,747	34,356
Total assets	181,422	167,073
Equity and liabilities		
Share capital	33,800	33,800
Retained earnings	32,680	34,275
Total equity attributable to owners of the parent	66,480	68,075
Long-term borrowings	60,497	14,936
Long-term lease liabilities	21,709	-
Deferred tax liabilities	-	1,504
Other long-term liabilities	1,246	1,362
Total non-current liabilities	83,452	17,802
Short-term borrowings	5,881	51,783
Trade payables, and other current liabilities	13,581	18,675
Long-term lease liabilities	3,174	-
Deferred revenues	6,930	7,298
Income tax and other taxes payables	1,924	3,440
Total current liabilities	31,490	81,196
Total equity and liabilities	181,422	167,073

Condensed Consolidated Statement of Cash Flows

KZT in millions	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018
Cash flow before change in working capital	18,472	12,768	34,834	35,991
Change in working capital	-5,321	-3,554	-6,509	-16,268
Cash flow from operating activities	13,151	9,214	28,325	19,723
Cash CAPEX	-5,987	-5,453	-15,407	-15,620
Free cash flow	7,164	3,761	12,918	4,103
Cash flow from financing activities	-7,461	-1,678	-10,286	-6,888
Cash flow for the period	-297	2,083	2,632	-2,785
Cash and cash equivalents, opening balance	8,976	7,850	6,029	12,660
Cash flow for the period	-297	2,083	2,632	-2,785
Exchange rate difference	99	42	117	100
Cash and cash equivalents, closing balance	8,778	9,975	8,778	9,975

Condensed Consolidated Statements of Changes in Equity

KZT in millions	Jan-Sep 2019			Jan-Sep 2018		
	Share capital	Retained earnings	Total equity	Share capital	Retained earnings	Total equity
Opening balance	33,800	34,275	68,075	33,800	36,739	70,539
Dividends	-	-5,972	-5,972	-	-11,678	-11,678
Impact of adopting IFRS 16 and 9	-	-649	-649	-	683	683
Total comprehensive income	-	5,026	5,026	-	4,870	4,870
Closing balance	33,800	32,680	66,480	33,800	30,614	64,414

Basis of preparation

The Company applied the retrospective modified accounting method of IAS 16, recognising the cumulative effect of the initial application of the new standard as an adjustment to the opening retained earnings at the date of initial application of 1 January 2019.

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

Non-recurring items

KZT in millions	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018
Within EBITDA				
Non-recurring items	-5,069	1,253	11,327	2,942
Total	-5,069	1,253	11,327	2,942

Investments

KZT in millions	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018
CAPEX				
Intangible assets including LTE license	697	1,836	2,729	3,089
Property, plant and equipment	1,197	3,438	3,428	9,855
Total	1,893	5,274	6,157	12,944

Related party transactions

For the nine months ended 30 September 2019, Kcell purchased services for KZT 14,779 million and sold services for a value of KZT 8,532 million. Related parties in these transactions were mainly Kazakhtelecom JSC and its group entities.

Net debt

KZT in millions	30 Sep 2019	31 Dec 2018
Long-term and short-term borrowings	66,378	66,719
Less short-term investments, cash and bank	-8,778	-6,029
Net debt	57,600	60,690

Financial key ratios

	30 Sep 2019	31 Dec 2018
Return on equity (% , rolling 12 months)	29.7	12.5
Return on capital employed (% , rolling 12 months)	14.5	14.3
Equity/assets ratio (%)	36.6	40.7
Net debt/equity ratio (%)	85.6	89.2
Net debt/EBITDA rate (multiple, rolling 12 months)	0.9	1.2
Owners' equity per share (KZT)	332.4	340.4

Operational data

	Jul-Sep 2019	Jul-Sep 2018	Chg (%)	Jan-Sep 2019	Jan-Sep 2018	Chg (%)
Subscribers, period-end (thousands)*	8,440	9,234	-8.6	8,440	9,234	-8.6
Of which prepaid	7,498	8,335	-10.0	7,498	8,335	-10.0
MOU (min/month)	234	223	4.9	228	215	6.0
ARPU (KZT)	1,415	1,189	19.0	1,306	1,120	16.6
Churn rate (%)	48.7	80.7		44.1	56.0	
Employees, period-end	1,876	1,834	2.3	1,876	1,834	2.3

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.