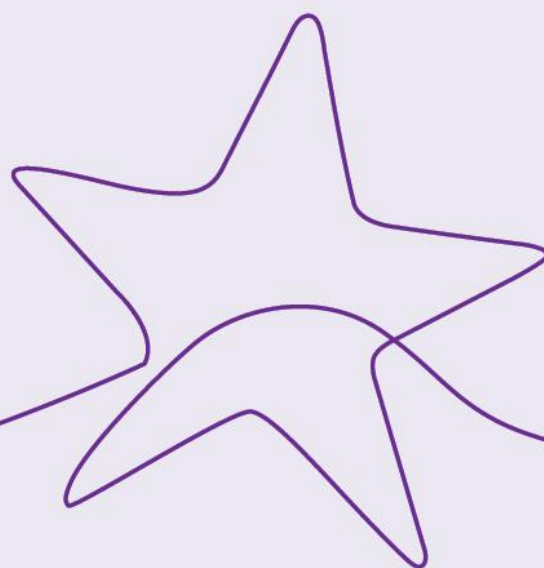


Kcell

Q3 2020

Financial Results



Kcell JSC

Interim Results for January – September 2020

Almaty, 13 November 2020 – Kcell Joint Stock Company ("Kcell" or the "Company") (LSE, KASE: KCEL; AIX: KCEL, KCEL.Y), the leading provider of mobile telecommunications services in Kazakhstan, announces its interim results for January – September 2020.

Third quarter

- Net sales increased by 13.9 percent to KZT 46,828 million (41,120). Service revenue decreased by 1.0 percent to KZT 35,841 million (36,212); service revenue excluding off-net bulk SMS up 1.9 percent.
- EBITDA, excluding non-recurring items, increased by 12.9 percent to KZT 20,508 million (18,165), with EBITDA margin of 43.8 percent (44.2).
- Operating income, excluding non-recurring items, increased by 19.7 percent to KZT 12,611 million (10,533).
- Net finance cost decreased by 17.4 percent to KZT 2,360 million (2,856).
- Net income up 56.9 percent to KZT 9,124 million (5,813).
- CAPEX-to-sales ratio of 7.5 percent (4.6).
- Free cash flow of KZT 8,100 million (11,519).
- The total number of subscriptions grew by 177 thousand quarter on quarter to 8,040 thousand (7,863).

Nine-month period

- Net sales up 9.9 percent to KZT 125,516 million (114,170). Service revenue increased by 1.0 percent to KZT 103,122 million (102,054); service revenue excluding off-net bulk SMS grew by 2.5 percent.
- EBITDA, excluding non-recurring items, increased by 8.7 percent to KZT 52,878 million (48,666). EBITDA margin was 42.1 percent (42.6).
- Operating income, excluding non-recurring items, up 18.3 percent to KZT 29,573 million (24,995).
- Net finance cost decreased by 9.4 percent to KZT 7,176 million (7,922).
- Net income more than tripled to KZT 17,662 million (4,937).
- CAPEX-to-sales ratio of 5.7 percent (5.4).
- Free cash flow increased by 42.8 percent KZT 22,842 million (15,992).
- The number of subscribers totalled 8,040 thousand (8,440).

Financial highlights

KZT in millions, except key ratios, per share data and changes	Jul-Sep 2020	Jul-Sep 2019*	Chg (%)	Jan-Sep 2020	Jan-Sep 2019*	Chg (%)
Net sales	46,828	41,120	13.9	125,516	114,170	9.9
of which service revenue	35,841	36,212	(1.0)	103,122	102,054	1.0
EBITDA excl. non-recurring items	20,508	18,165	12.9	52,878	48,666	8.7
Margin (%)	43.8	44.2		42.1	42.6	
Operating income	12,085	10,533	14.7	28,705	13,668	110.0
Operating income excl. non-recurring items	12,611	10,533	19.7	29,573	24,995	18.3
Net income	9,124	5,813	56.9	17,662	4,937	257.7
Earnings per share (KZT)	45.6	29.1	56.9	88.3	24.7	257.7
CAPEX-to-sales (%)	7.5	4.6		5.7	5.4	
Free cash flow	8,100	11,519	(29.7)	22,842	15,992	42.8

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 the nine-month period of 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 Kaspars Kukelis, Chairman of the Management Board, CEO

“I am delighted to report that in the third quarter our operating and financial performance improved substantially, and we are establishing a solid base for future growth. We delivered a positive third quarter, with double digit topline growth. This resulted from strong device sales and an underlying increase in service revenue, driven by a rise in subscribers for our innovative, high quality tariff plans.

This follows a very challenging first half, during which the emergence of the COVID-19 pandemic and the subsequent lockdowns had a deeply negative impact on all economic activity across Kazakhstan.

However, in the third quarter, for the first time in recent years, we observed growth in our subscriber base quarter-on-quarter, resulting from our continued focus on the development and launch of innovative and attractive tariffs and their proactive promotion across all channels.

In particular, an increasing number of subscribers are taking our bundled tariffs offering OTT and additional VAS services. This drove in large part the underlying rise in service revenues. Service revenues, excluding off-net bulk SMS, increased by 1.9 percent. Starting from the second quarter of 2020, the Company made a strategic decision to cease the provision of subsidized, and therefore unprofitable, services such as off-net bulk SMS.

We also delivered sales growth in contract phones, which boosted the number of subscribers providing higher levels of profitability, and ARPU rose 6.3 percent. Churn also decreased as a result of our ongoing efforts over recent years to focus on improving the quality of our subscriber base as well as our shift towards contract sales, which is positively impacting the overall lifetime value of our customer base.

The lifting of quarantine and tight restrictions on offices and store operations in the third quarter also gave rise to a recovery in demand for handsets and devices, and brought a significant boost to sales, which more than doubled.



The increase was also partially driven by higher sales through online channels. It was further supported by improved inventory management processes, enabling the Company to handle and meet demand effectively, in combination with careful monitoring of prices.

Our B2B business also experienced strong growth, rising 40.3 percent excluding off-net bulk SMS, driven mainly by attractive propositions and services and demand for devices and accessories to enable connectivity, as businesses across Kazakhstan shifted to working from home. We were also pleased to support our country's education, working with the Ministry of Education on the provision of connected devices and tools to facilitate the continuation of education online. We have developed and supplied a range of packages specifically designed to facilitate home working and connectivity to suit the evolving needs of the Kazakh nation at all levels.

Overall, EBITDA showed double digit growth, driven by an improved revenue mix and product profitability, as well as thorough analysis and tight control of expenses by management, and substantial cost optimisation. EBITDA, excluding non-recurring items, increased by 12.9 percent, with the EBITDA margin of 43.8 percent.

At the end of the third quarter, Kcell reported strong free cash flow that increased by 42.8 percent for the nine-month period. This level of free cash flow means we are very well placed to move ahead with investment in infrastructure and technological improvement despite this challenging economic environment.

We are delighted to be involved in the network sharing initiative between Kazakhstan's three mobile providers to roll out highspeed internet access across rural communities, as part of the country's 250+ project. This aims to achieve high-speed internet access across all settlements with populations of 250 or more. The project calls for 3G and 4G connectivity from all three operators

across 1,000 rural settlements with a combined population of 600,000. Rural residents will be able to receive mobile services and select a service provider of their choice. In turn, each mobile operator will have equal access to the shared network.

We are also delighted to note that Kcell has commenced the integration process of its networks with Kazakhtelecom to leverage all potential synergies, whilst continuing to share best practice in ways that will further promote excellence in technology and services. As a result, Kcell continues to benefit from its partnership with Kazakhtelecom across all areas of business activity.

Having weathered two national lockdowns in Kazakhstan, we are now laser focused on maintaining the momentum delivered in the third quarter as we continue to provide crucial technology, products and services that support society and the economy whilst the impact of the pandemic continues to present challenges across all areas of activity in our country and the global economy.

Earlier this year, following the onset of COVID-19 and the subsequent impact of national lockdowns, we suspended guidance on our outlook. However, 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 is now able to provide an outlook for 2020 of high single-digit growth in both revenue and EBITDA.”

Almaty

13 November 2020

Conference call

Kcell will host an analyst conference call on 13 November 2020 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 third quarter 2020

Net sales

Net sales increased by 13.9 percent to KZT 46,828 million (41,120).

Service revenue declined by 1.0 percent to KZT 35,841 million (36,212), but this decline was driven by a strategic decision at the start of the second quarter of 2020 to cease the provision of subsidized services, particularly off-net bulk SMS. Excluding off-net bulk SMS revenue, the service revenue grew by 1.9 percent.

Enterprise revenue, excluding off-net bulk SMS, was up 40.3 percent to KZT 5,332 million (3,802).

Voice and other services

Revenue from voice and other services decreased by 10.8 percent to KZT 18,448 million (20,688).

Data service revenue

Data revenue increased by 13.1 percent to KZT 15,239 million (13,471). Data traffic grew by 36.4 percent to 111.0 PB (81.4).

Value-added service revenue

Revenue from value-added services increased by 4.9 percent to KZT 2,153 million (2,052).

Handset sales

Handset sales more than doubled to KZT 10,987 million (4,909), partially driven by the increased sales through online channels.

KZT in millions, except percentages	Jul-Sep 2020	% of total	Jul-Sep 2019	% of total
Voice and other services	18,448	39.4	20,688	50.3
Data services	15,239	32.5	13,471	32.8
Value added services	2,153	4.6	2,052	5.0
Handset sales	10,987	23.5	4,909	11.9
Total revenues	46,828	100.0	41,120	100.0

Expenses

Cost of sales

Cost of sales increased by 11.9 percent to KZT 30,664 million (27,407), mainly as a result of higher device sales.

Selling and marketing expenses

Selling and marketing expenses decreased by 28.7 percent to KZT 356 million (500).

General and administrative expenses

General and administrative expenses increased by 10.9 percent to KZT 2,451 million (2,210).

Earnings, financial position and cash flow

EBITDA, excluding non-recurring items, increased by 12.9 percent to KZT 20,508 million (18,165), with EBITDA margin at 43.8 percent (44.2).

Net finance cost decreased by 17.4 percent to KZT 2,360 million (2,856).

Income tax expense amounted to KZT 1,621 million (1,864).

Net income up 56.9 percent to KZT 9,124 million (5,813).

CAPEX increased to KZT 3,524 million (1,894) and CAPEX-to-sales ratio was up to 7.5 percent (4.6).

Free cash flow of KZT 8,100 million (11,519).

Review of the nine-month period of 2020

Net sales

Net sales were 9.9 percent higher and amounted to KZT 125,516 million (114,170).

Service revenue increased by 1.0 percent to KZT 103,122 million (102,054); service revenue excluding off-net bulk SMS increased by 2.5 percent.

Enterprise revenue, excluding off-net bulk SMS, was up 28.2 percent to KZT 13,423 million (10,473).

Voice and other services

Revenue from voice and other services decreased by 6.3 percent to KZT 54,835 million (58,552).

Data service revenue

Data revenue increased by 13.3 percent to KZT 42,759 million (37,736). Data traffic grew by 36.9 percent to 315.5 PB (230.5).

Value-added service revenue

Revenue from value-added services decreased by 4.1 percent to KZT 5,528 million (5,765).

Handset sales

Handset sales increased by 84.8 percent to KZT 22,394 million (12,116).

KZT in millions, except percentages	Jan-Sep 2020	% of total	Jan-Sep 2019	% of total
Voice and other services	54,835	43.7	58,552	51.3
Data services	42,759	34.1	37,736	33.1
Value added services	5,528	4.4	5,765	5.0
Handset sales	22,394	17.8	12,116	10.6
Total revenues	125,516	100.0	114,170	100.0

Expenses

Cost of sales

Cost of sales up by 7.1 percent to KZT 85,749 million (80,042), largely as a result of higher sales of devices and an increase in headcount.

Selling and marketing expenses

Selling and marketing expenses were down 16.0 percent to KZT 1,418 million (1,688).

General and administrative expenses

General and administrative expenses increased by 17.2 percent to KZT 7,141 million (6,095), mainly due to an increase in headcount.

Earnings, financial position and cash flow

EBITDA, excluding non-recurring items, increased by 8.7 percent to KZT 52,878 million (48,666). EBITDA margin was 42.1 percent (42.6).

Net finance cost decreased by 9.4 percent to KZT 7,176 million (7,922).

Income tax expense amounted to KZT 5,616 million comparing to KZT 904 in the nine-month period of 2019. This is a result of the recognition of a deferred tax asset on the tax loss carried forward following the accrual of a fine on the termination of the Network Sharing Agreement with KaR-Tel LLP.

Net income increased by 257.7 percent to KZT 17,662 million (4,937), while earnings per share were KZT 88.3 (24.7).

CAPEX increased to KZT 7,193 million (6,157) and the CAPEX-to-sales ratio up to 5.7 percent (5.4).

Free cash flow increased by 42.8 percent to KZT 22,842 million (15,992).

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 1,250,855 thousand. 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.

Significant events following the end of the reporting 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.

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.

IFRS Financial statements for January-September 2020 will be available on the Kcell website after 15 November 2020.

The information was submitted for publication at 09:00 ALMT on 13 November 2020.

Definitions

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

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

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

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

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

Condensed Consolidated Statements of Comprehensive Income

KZT in millions, except per share data, number of shares and changes	Jul-Sep 2020	Jul-Sep 2019*	Chg (%)	Jan-Sep 2020	Jan-Sep 2019*	Chg (%)
Revenues	46,828	41,120	13.9	125,516	114,170	9.9
Cost of sales	(30,664)	(27,407)	11.9	(85,749)	(80,042)	7.1
Gross profit	16,164	13,713	17.9	39,767	34,128	16.5
Selling and marketing expenses	(356)	(500)	(28.7)	(1,418)	(1,688)	(16.0)
General and administrative expenses	(2,451)	(2,210)	10.9	(7,141)	(6,095)	17.2
Penalty expenses	-	-		-	(14,552)	
Reversal of tax and related fine	36	-		538	5,069	(89.4)
Impairment of assets	(1,309)	(470)	178.8	(3,042)	(3,194)	(4.8)
Operating income	12,085	10,533	14.7	28,705	13,668	110.0
Other operating income and expenses, net	233	(99)		421	(22)	
Finance income and expenses, net	(2,360)	(2,856)	(17.4)	(7,176)	(7,922)	(9.4)
Net forex gain	787	99		1,328	117	
Profit before income tax	10,745	7,677	40.0	23,278	5,841	298.5
Income tax expense	(1,621)	(1,864)	(13.0)	(5,616)	(904)	521.3
Net income	9,124	5,813	56.9	17,662	4,937	257.7
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income attributable to owners of the parent company	9,124	5,813	56.9	17,662	4,937	257.7
Earnings per share (KZT), basic and diluted	45.6	29.1	56.9	88.3	24.7	257.7
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	19,982	18,165	10.0	52,010	37,339	39.3
EBITDA excl. non-recurring items	20,508	18,165	12.9	52,878	48,666	8.7
Depreciation, amortization and impairment losses	(7,664)	(7,731)	(0.9)	(22,884)	(23,693)	(3.4)
Operating income excl. non-recurring items	12,611	10,533	19.7	29,573	24,995	18.3

* 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	30 Sep 2020	31 Dec 2019*
Assets		
Intangible assets	33,498	38,820
Property, plant and equipment	75,316	82,283
Advances paid for non-current assets	833	233
Right to use assets	21,715	24,976
Other non-current assets	184	242
Deferred tax assets	1,653	1,378
Long-term receivables	2,333	1,118
Total non-current assets	135,532	149,050
Inventories	8,352	6,636
Trade and other receivables	14,828	15,647
Other current financial assets	554	1,371
Other current assets	4,231	6,734
Financial assets held for trading	-	4,965
Cash and cash equivalents	18,880	8,825
Investments held for maturity	18,457	-
Total current assets	65,302	44,178
Total assets	200,833	193,228
Equity and liabilities		
Share capital	33,800	33,800
Retained earnings	46,172	37,510
Total equity attributable to owners of the parent company	79,972	71,310
Long-term borrowings	49,703	55,548
Deferred tax liabilities	310	1,183
Long-term lease liabilities	20,380	23,447
Other long-term liabilities	3,575	1,970
Total non-current liabilities	73,968	82,148
Short-term borrowings	22,712	6,384
Trade payables, and other current liabilities	10,963	24,534
Short-term lease liabilities	4,057	3,606
Deferred revenues	2,709	4,149
Income tax and other taxes payables	6,452	1,097
Total current liabilities	46,894	39,770
Total equity and liabilities	200,833	193,228

* 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 Cash Flows

KZT in millions	Jul-Sep 2020	Jul-Sep 2019*	Jan-Sep 2020	Jan-Sep 2019*
Cash flow before change in working capital	21,243	18,670	54,777	35,503
Change in working capital	(10,324)	(6,185)	(16,995)	(9,125)
Cash flow from operating activities	10,919	12,485	37,782	26,378
Cash CAPEX	(2,819)	(966)	(14,940)	(10,386)
Free cash flow	8,100	11,519	22,842	15,992
Proceeds from financial assets (net)	4,557	(5,021)	(12,606)	(5,021)
Cash flow from financing activities	(4,577)	(6,795)	(908)	(8,339)
Cash flow for the period	8,080	(297)	9,328	2,632
Cash and cash equivalents, opening balance	10,191	8,976	8,825	6,029
Cash flow for the period	8,080	(297)	9,328	2,632
Exchange rate difference	609	99	727	117
Cash and cash equivalents, closing balance	18,880	8,778	18,880	8,778

Condensed Consolidated Statements of Changes in Equity

KZT in millions	Jan-Sep 2020			Jan-Sep 2019*		
	Share capital	Retained earnings	Total equity	Share capital	Retained earnings	Total equity
Opening balance	33,800	37,510	71,310	33,800	33,467	67,267
Dividends	-	(9,000)	(9,000)	-	(5,972)	(5,972)
Total comprehensive income	-	17,662	17,662	-	4,937	4,937
Closing balance	33,800	46,172	79,972	33,800	32,432	66,232

* 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

The interim condensed consolidated financial statements for the three and nine months ended 30 September 2020 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual consolidated financial statements as at 31 December 2019 and for the year then ended.

In the third quarter of 2020, 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.

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 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
Within EBITDA				
Synergy implementation costs, etc.	526	-	868	11,327
Total	526	-	868	11,327

Investments

KZT in millions	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
CAPEX				
Intangible assets	1,364	697	2,664	2,729
Property, plant and equipment	2,160	1,197	4,529	3,428
Total	3,524	1,894	7,193	6,157

Related party transactions

For the nine months ended 30 September 2020, Kcell purchased services for KZT 15,079 million and sold services for a value of KZT 9,566 million. Related parties in these transactions were mainly Kazakhtelecom JSC and its group entities.

Net debt*

KZT in millions	30 Sep 2020	31 Dec 2019
Long-term and short-term borrowings	72,415	61,932
Less short-term investments, cash and bank	(18,880)	(8,825)
Net debt	53,535	53,107

* excluding lease liabilities under IFRS 16

Financial key ratios

	30 Sep 2020	31 Dec 2019
Return on equity (% , rolling 12 months)	30.2	14.2
Return on capital employed (% , rolling 12 months)	28.7	15.0
Equity/assets ratio (%)	39.8	36.9
Net debt/equity ratio (%)	70.8	74.5
Net debt/EBITDA rate (multiple, rolling 12 months)	0.78	0.83
Owners' equity per share (KZT)	399.9	356.6

Operational data

	Jul-Sep 2020	Jul-Sep 2019	Chg (%)	Jan-Sep 2020	Jan-Sep 2019	Chg (%)
Subscribers, period-end (thousands)	8,040	8,440	(4.7)	8,040	8,440	(4.7)
Of which prepaid	7,070	7,498	(5.7)	7,070	7,498	(5.7)
MOU (min/month)	240	234	2.6	232	228	1.8
ARPU (KZT)	1,505	1,415	6.3	1,434	1,306	9.8
Churn rate (%)	29.5	48.7		33.7	44.1	
Employees, period-end	2,258	1,923	17.4	2,258	1,923	17.4

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.