

**Kazakhtelecom – leading telecom operator in Kazakhstan**

*April 2019*

# Important Notice

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# Kazakhtelecom is a leader in the Kazakh telecom market

## Kazakhtelecom at a glance

**Nationwide telecom operator**  
*Presence in all major cities and regional centres*

**Mobile**  
**>16mm<sup>1</sup>**  
**Mobile subscribers**  
**62% market share<sup>2</sup>**

**Network coverage**  
**#1 by LTE coverage**

**Fixed voice**  
**3.0mm of fixed lines subscribers**  
**89% market share<sup>3</sup>**

**Fixed broadband**  
**1.7mm of fixed broadband ports**  
**69% market share<sup>4</sup>**

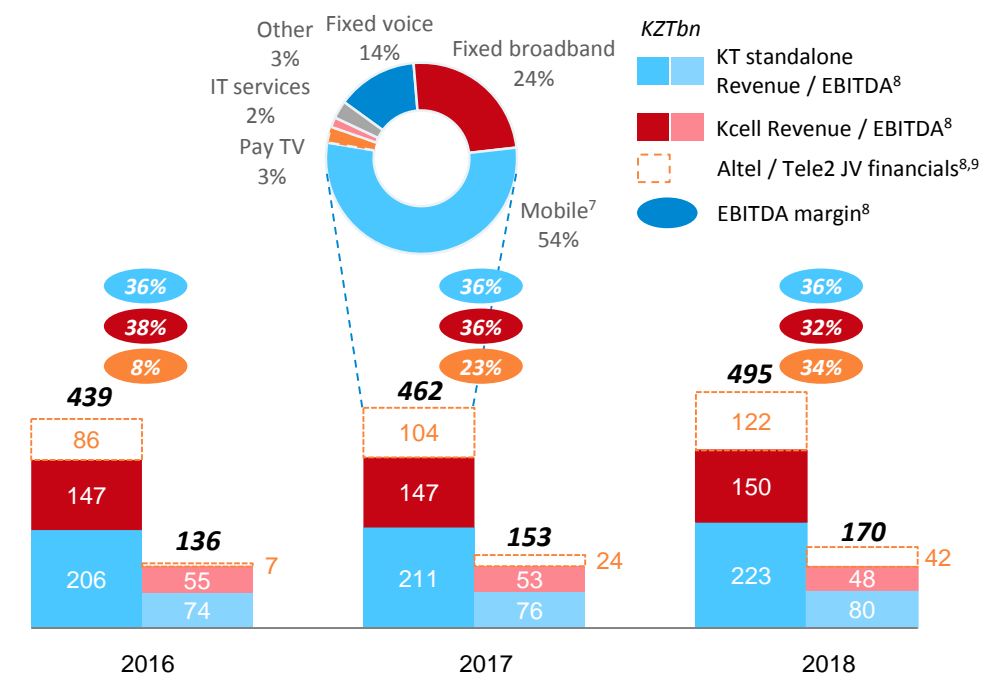
**Pay TV**  
**0.8mm of Pay TV connected points**  
**43% market share<sup>6</sup>**

**Backbone networks**  
**34,000km+ of fibre-optic networks**  
**Full Kazakhstan coverage**

**ICT services**  
**Contact centres**  
**Cloud services**  
**IT outsourcing**

**Data centers**  
**15 commercial data centers in Kazakhstan**  
**22,700+ units of installed rack capacity**

## Key financial indicators



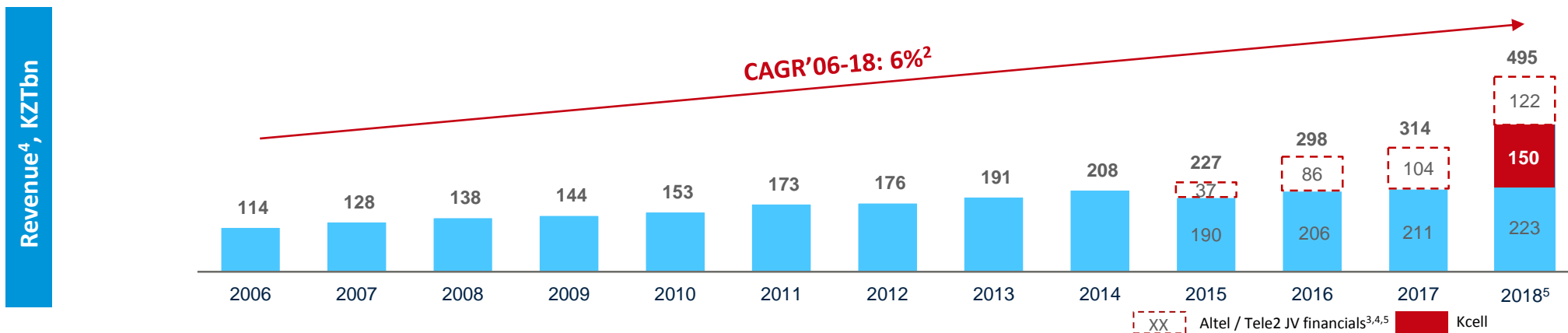
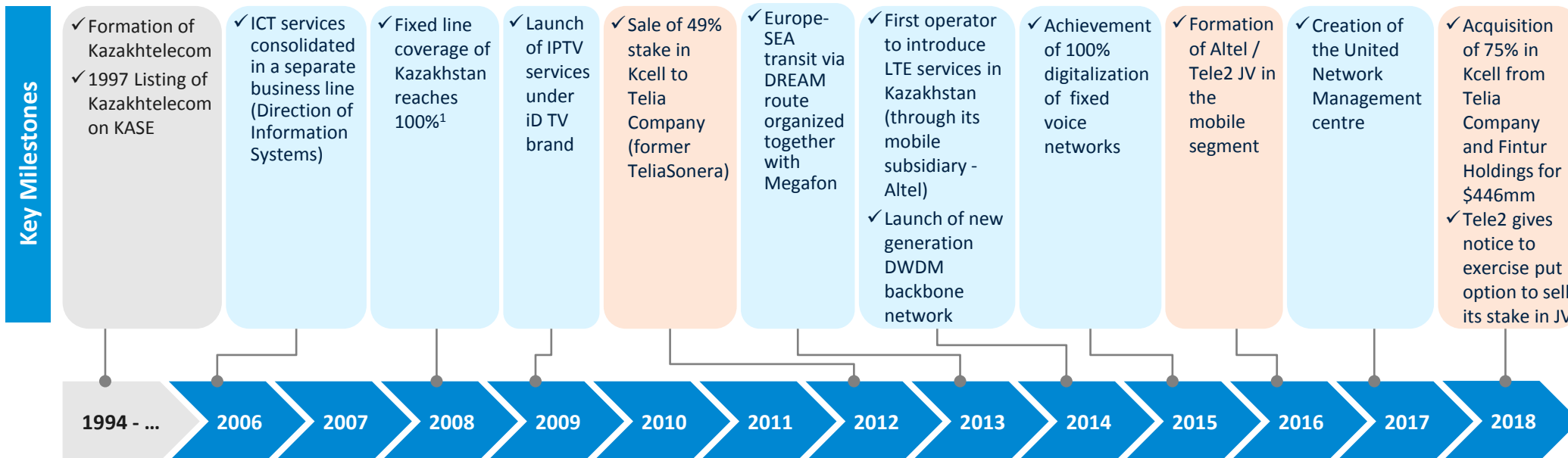
## Shareholder structure



Source: Company data, Frost&Sullivan industry report

<sup>1</sup> Includes Altel / Tele2 JV 7.2mm and Kcell 9.0mm mobile subscribers as of 31 December 2018; <sup>2</sup> Market share based on the number of subscribers; <sup>3</sup> Market share based on the number of lines; <sup>4</sup> Market share based on the number of ports; <sup>5</sup> Based on preliminary market statistics; <sup>6</sup> Market share based on the number of connected points; <sup>7</sup> Calculated as a simple sum of Kcell and Altel / Tele2 JV revenue; <sup>8</sup> Kcell, Altel / Tele2 JV and KT standalone Revenue / EBITDA may be calculated on a different basis and therefore may not be comparable. The Kcell acquisition was completed in December 2018 and Kcell's results will not be consolidated with KT's for the periods shown; <sup>9</sup> Altel / Tele2 JV's full results are not consolidated with Kazakhtelecom's results; KT accounts Altel / Tele2 JV share as its investment under the equity method where Kazakhtelecom owns 49% of voting rights and 51% of the share capital; <sup>10</sup> ADRs are traded on the OTC market

# Successful track record of profitable growth



Longstanding successful growth driven by innovative solutions and introduction of new services

Business development Corporate events

Source: Company data

<sup>1</sup> For all cities / settlements occupied by over 50 people; <sup>2</sup> Excluding Altel / Tele2 JV and Kcell financials; <sup>3</sup> Data for Altel only in 2015; <sup>4</sup> Altel / Tele2 JV's full results are not consolidated with Kazakhtelecom ("KT") results; KT accounts Altel / Tele2 JV share as its investment under the equity method where Kazakhtelecom owns 49% of voting rights and 51% of the share capital; <sup>5</sup> Kcell, Altel / Tele2 JV and KT standalone Revenue may be calculated on a different basis and therefore may not be comparable. The Kcell acquisition was completed in December 2018 and Kcell's results will not be consolidated with KT's for the period shown

# Kazakhtelecom is a clear leader in the Kazakhstan telecom market well positioned to capitalize on its development potential

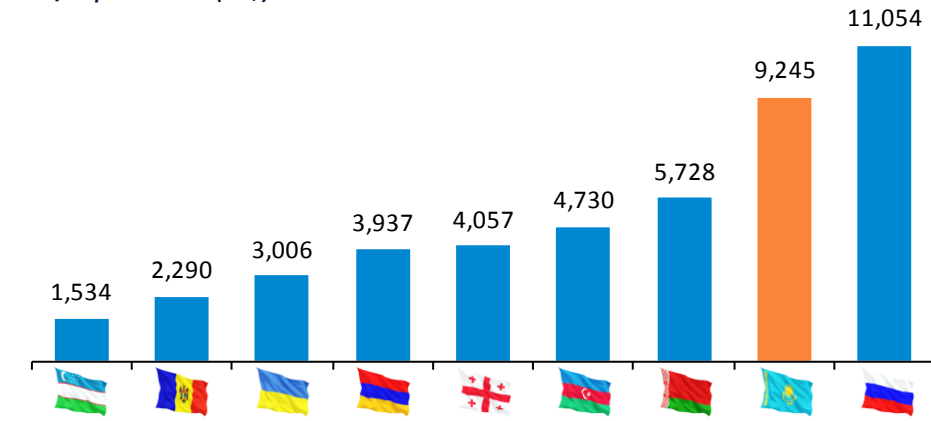


# 1

# Strong market fundamentals with significant potential for further growth

## The second highest GDP per capita in CIS<sup>1</sup>...

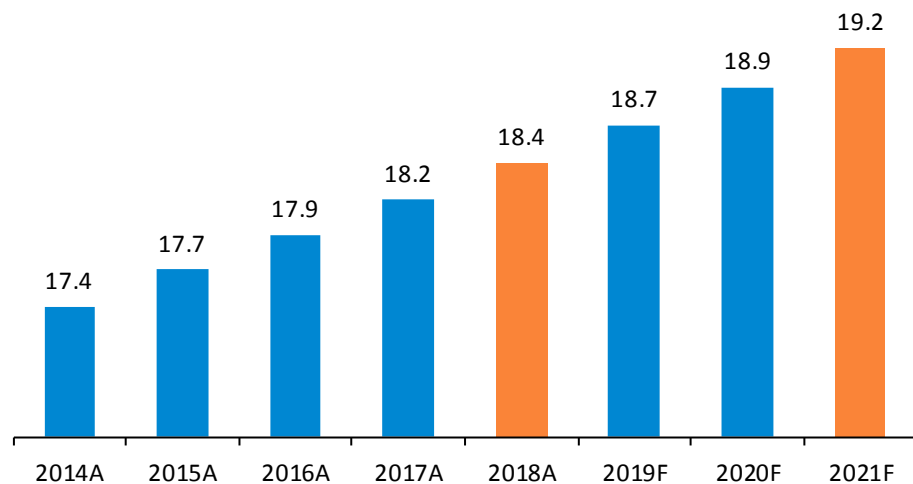
GDP / capita 2018A<sup>2</sup> (US\$)



Source: EIU, World Bank

## ...supported by growing population...

Population in Kazakhstan (mm)



Source: Frost & Sullivan

Notes:

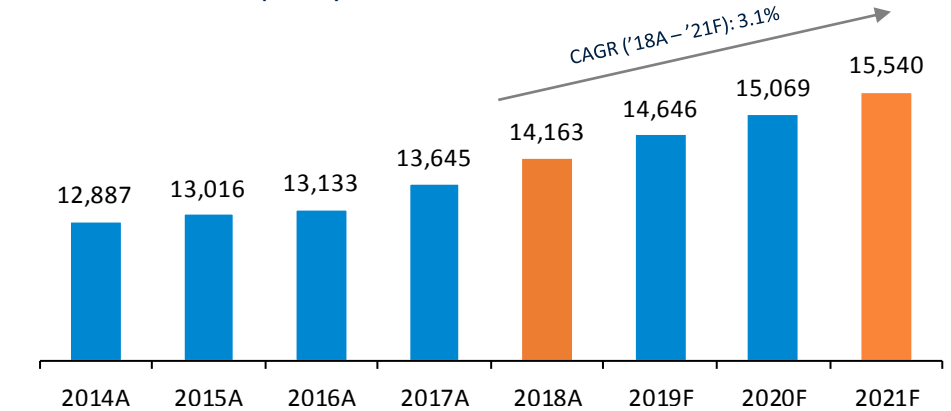
<sup>1</sup> Including Uzbekistan, Moldova, Ukraine, Armenia, Georgia, Azarbaijaan, Belarus, Kazakhstan and Russia;

<sup>2</sup> 2017 data for Uzbekistan, Moldova, Armenia, Georgia and Belarus

<sup>3</sup> 16-62 for male and 16-57 for female; 63+ for male and 58+ for female

## ...with strong growth expected in the mid-term...

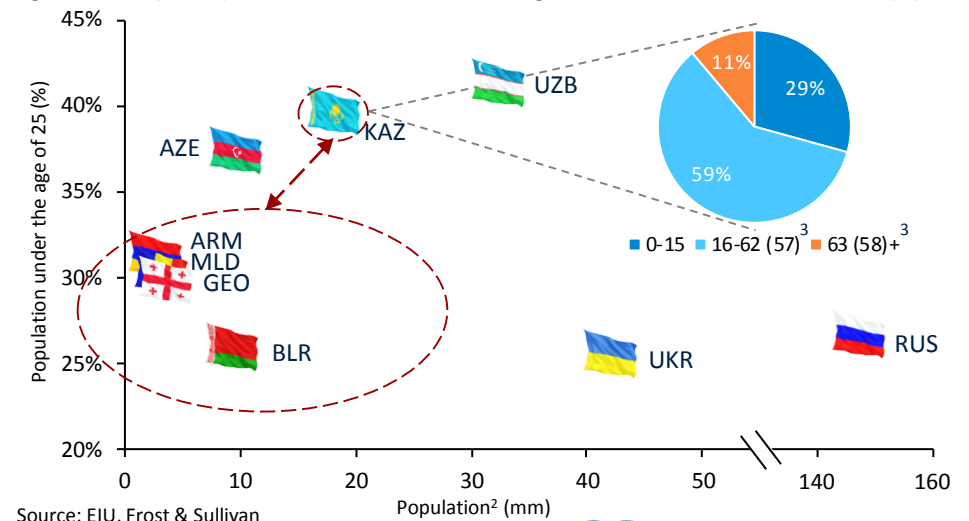
Real GDP in Kazakhstan (KZT bn)



Source: EIU

## ...with attractive demographics

Age structure (2018E)

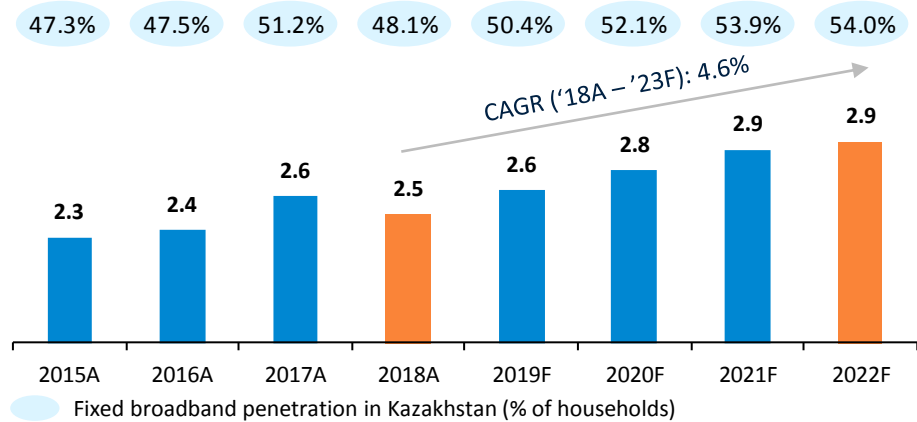


ҚАЗАҚТЕЛЕКОМ

# 1 Strong telecom market fundamentals

Fixed broadband penetration still has not reached its peak, providing additional room for growth...

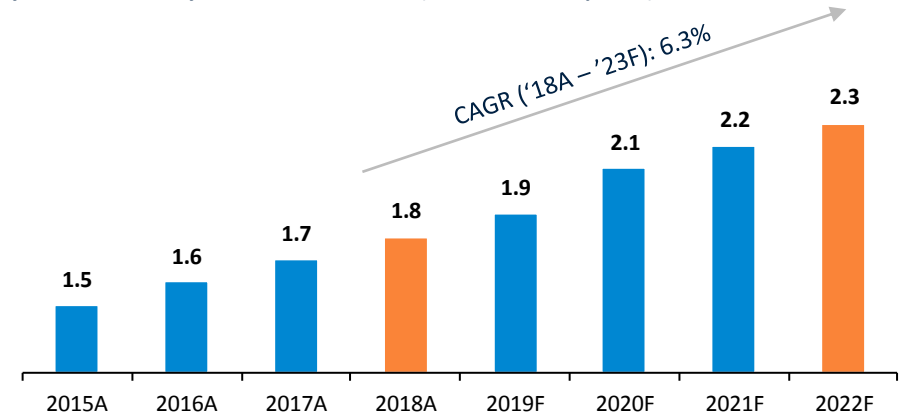
Broadband subscribers dynamics in Kazakhstan (mm data ports)



Source: Frost & Sullivan Analysis

...in addition to rapidly expanding Pay TV market

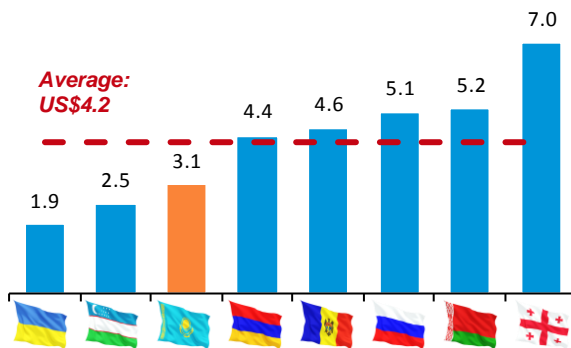
Pay TV subscribers dynamics in Kazakhstan (mm connection points)



Source: Frost & Sullivan Analysis

Mobile segment is stable but further upside potential can arise from relatively low ARPU,...

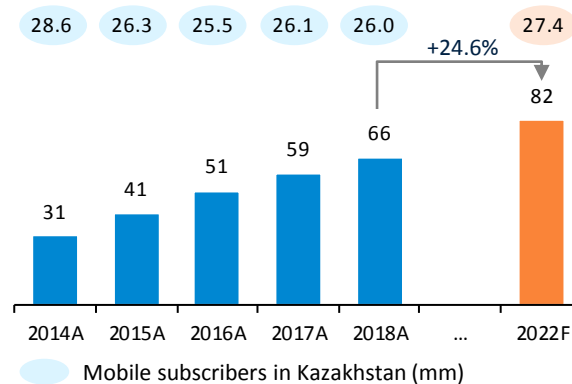
Monthly mobile ARPU, Sep-2018 (US\$)



Source: WCIS

...increasing smartphone penetration supported by significant 4G coverage...

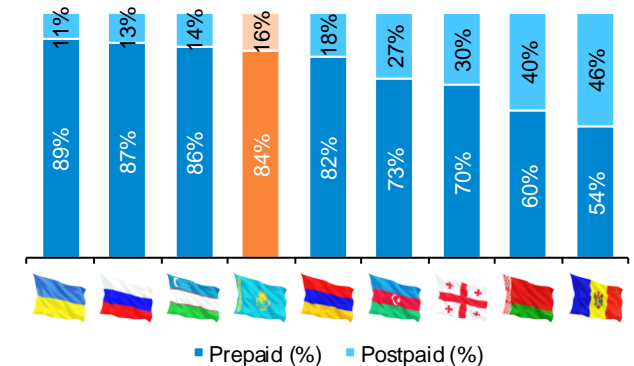
Smartphone penetration dynamics in Kazakhstan (%)



Source: WCIS, Frost & Sullivan

...and shift into higher subscriber quality

Subscriber base breakdown on postpaid / prepaid, 2017 (%)



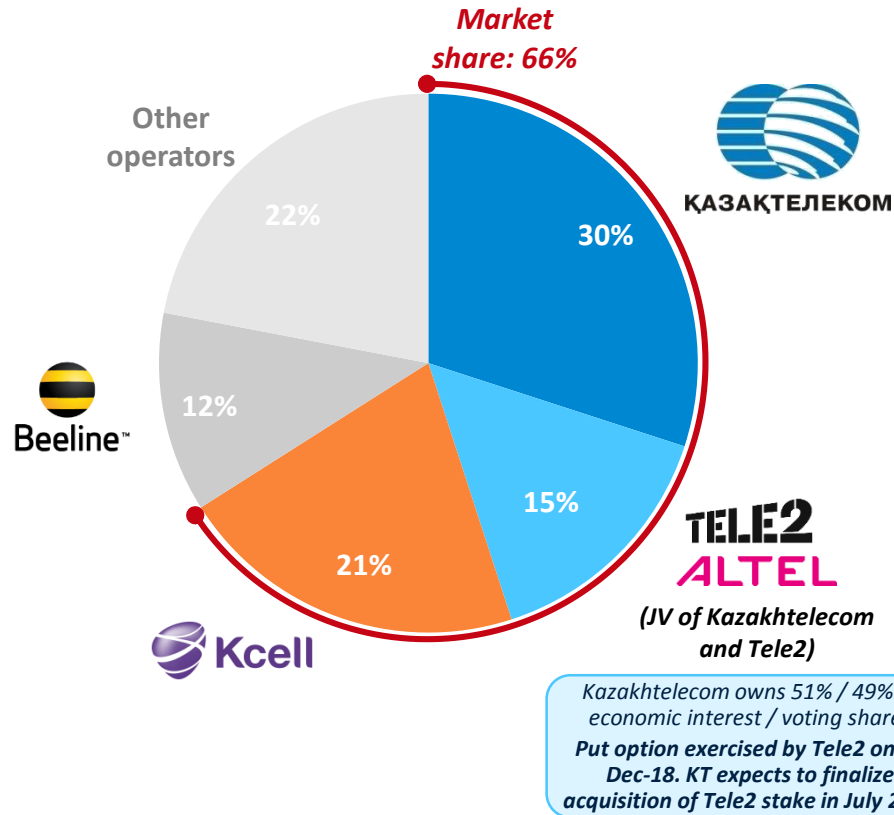
Source: WCIS

# Strong market presence across all major segments of the

## 2 Kazakhstan telecom market

### Telecom market competitive landscape

Market shares by revenue, 2018



**Total market size of \$2.1Bn<sup>1</sup>**

Source: Company data, Frost&Sullivan industry report

<sup>1</sup> Based on Frost&Sullivan industry report as of 2018. Converted to US\$ with 2018 average exchange rate of 344.71 KZT / US\$. Includes fixed voice, fixed broadband, fixed operators, ICT services, Pay TV and mobile

<sup>2</sup> Based on Kcell and Tele2 data

<sup>3</sup> Information and Communications Technology

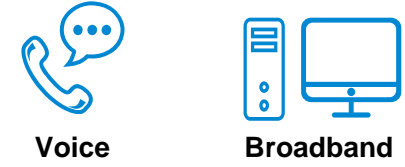
### Position on the Kazakhstan telecom market



Mobile<sup>2</sup>



Fixed voice and broadband



Pay TV



ICT<sup>3</sup>

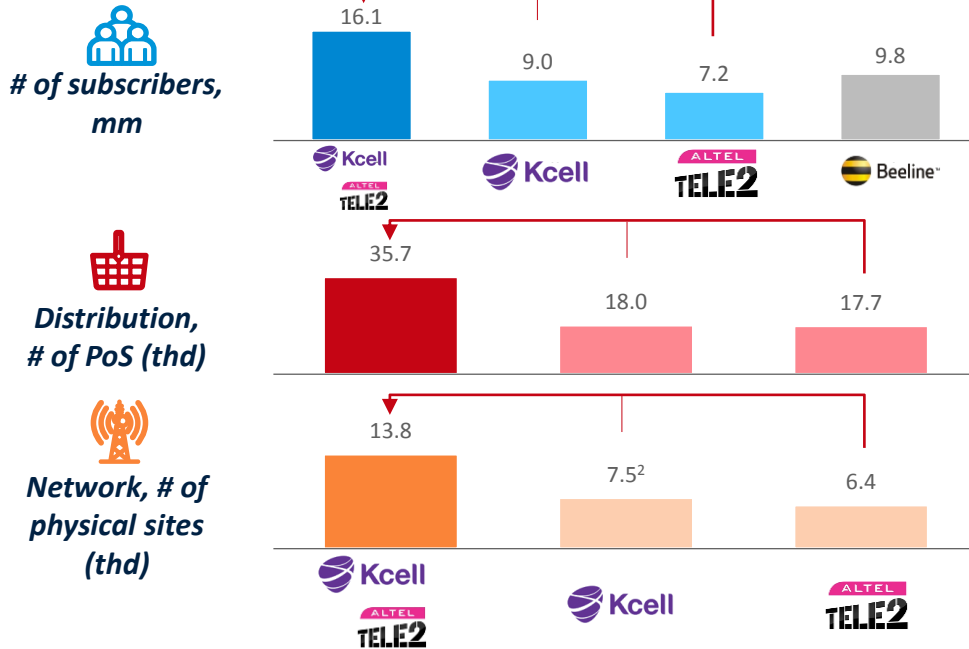




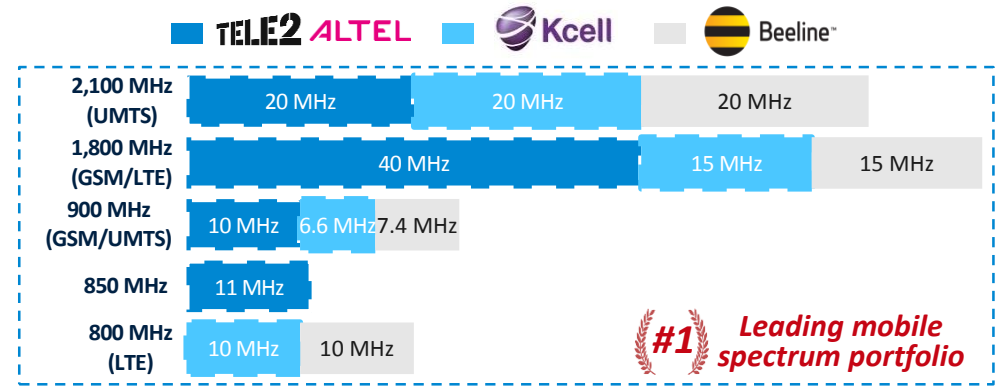
# Market leadership in mobile segment

## 2 Clear market leader following the acquisition of Kcell

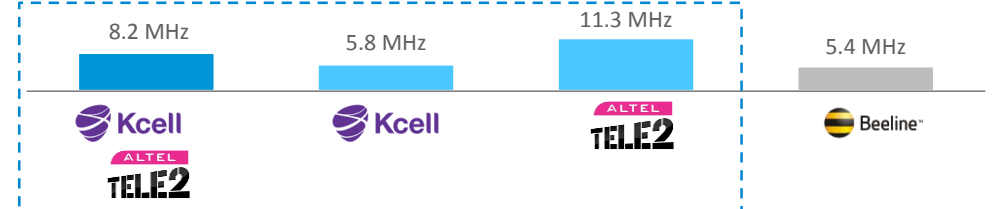
### Leadership by subscribers, distribution and network<sup>1</sup>



### Leading spectrum position



### Frequency per 1mm subscribers<sup>3</sup>



### Unique portfolio of mobile assets

**ALTEL TELE2**

**Kazakhtelecom's stake: 49%<sup>4</sup>**

**Market share by subscribers: 27%<sup>5</sup>**

- Formed in Mar'16 as JV of Kazakhtelecom and Tele2 mobile assets in Kazakhstan
- In Dec'18 Tele2 exercised its put option to sell its stake in the JV to Kazakhtelecom. Transaction is expected to be closed in Jul' 19

**Kcell**

**Kazakhtelecom's stake: 75%**

**Market share by subscribers: 35%<sup>5</sup>**

- Second largest mobile operator in Kazakhstan by number of subscribers with market share of 35% as of Dec'18<sup>4</sup>
- 75% stake acquired from Fintur and Telia for \$446mm in Dec'18 (implied EV / EBITDA LTM multiple of 5.0x)
- Listed on KASE (shares listing) and LSE (GDR listing) with 25% free float

Source: Company, Kcell and Altel / Tele2 JV data, Frost&Sullivan industry report

<sup>1</sup> Based on 2018YE data, combined figures are shown on a pro-forma basis; <sup>2</sup> Incl. 318 4G sites located on Beeline stations; <sup>3</sup> Calculated as total frequency divided by the total number of subscribers; <sup>4</sup> 49% of voting shares (51% of total charter capital); <sup>5</sup> Based on Frost&Sullivan industry report

# Market leadership in mobile segment

## 2 Rationale and ambitions for the acquisition of Kcell and integration of mobile assets

### Rationale for Kcell acquisition

- ✓ **Leading position in the mobile market**
  - After the deal Kazakhtelecom would have combined subscribers' market share of 62%<sup>1</sup> supported by leading spectrum position
- ✓ **Attractive synergy potential**
  - Cost savings as a result of the number of base stations reduction
  - Achievable headcount reduction
  - Savings from transferring all transmission and Internet services to Kazakhtelecom
  - Optimization of base stations portfolio will also drive the decrease in regular CapEx
  - Reduced CapEx for the roll-out of the 4G/LTE network
- ✓ **Substantial cross selling potential<sup>2</sup>**
  - Opportunity to further develop converged offerings and drive cross-selling of services

### Kazakhtelecom ambition in mobile segment

- ✓ **Market Leadership in Kazakhstan**
  - Becoming the true market leader in Kazakhstan in terms of number of customers, quality and breadth of services
- ✓ **Improved affordability of communication services**
  - Cost optimization achievable through the economies of scale and resulting in lower cost of communication services for Kazakh consumers
- ✓ **Effective integration of Kcell and JV mobile assets**
  - Successful integration of infrastructure, sales networks, services, personnel, and business processes to substantial synergies
- ✓ **Leadership in development of new services and 5G infrastructure**
  - Creation of efficient mobile platform with sufficient scale to drive development of new services and investment in 5G infrastructure

Source: Company data

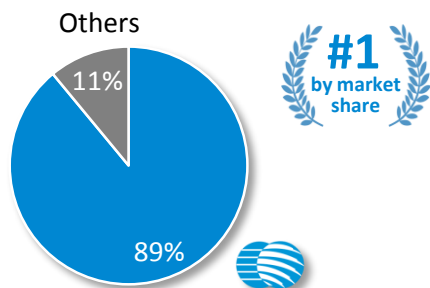
<sup>1</sup> Based on Kcell, Tele2 and WCIS data; <sup>2</sup> All Kcell and Altel / Tele2 JV cross-selling and integration shall comply with Kazakhstan antimonopoly consents and restrictions

# Strong market positions in fixed voice, fixed broadband and Pay TV

## 2 TV

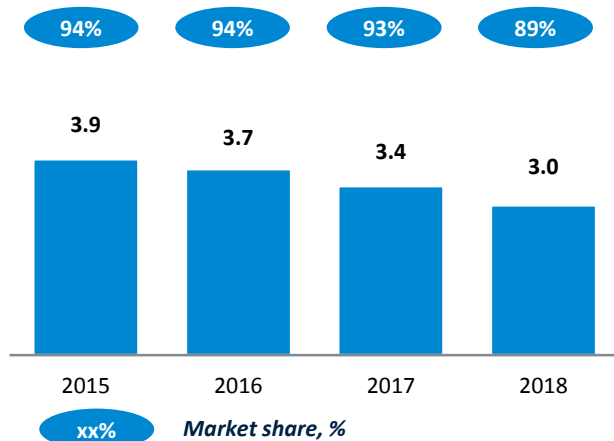
### Fixed voice

Market share<sup>1</sup> in 2018, %



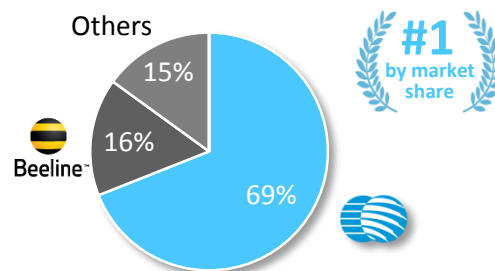
- ✓ Absolute leader in the fixed voice market
- ✓ Stable market share of c. 90% underpinned by developing FMS services
- ✓ Access to subscribers through own infrastructure

Subscribers' dynamics, mm and market share, %



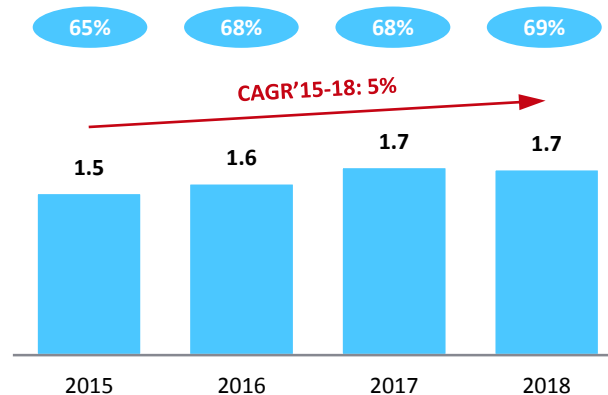
### Fixed broadband

Market share<sup>1</sup> in 2018, %



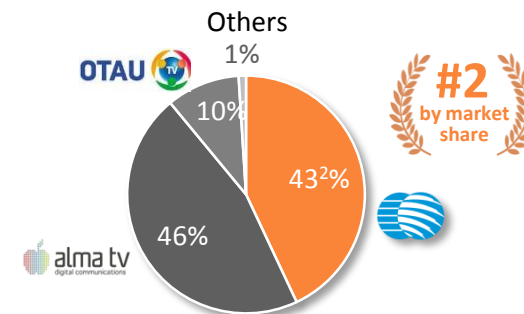
- ✓ Largest market player, best positioned to capitalize on the fast growth of Internet traffic in Kazakhstan
- ✓ Competitive advantage in bundled solutions offerings
- ✓ Further growth potential from increasing fixed broadband penetration in rural areas and digital Kazakhstan project

Subscribers' dynamics, mm and market share, %



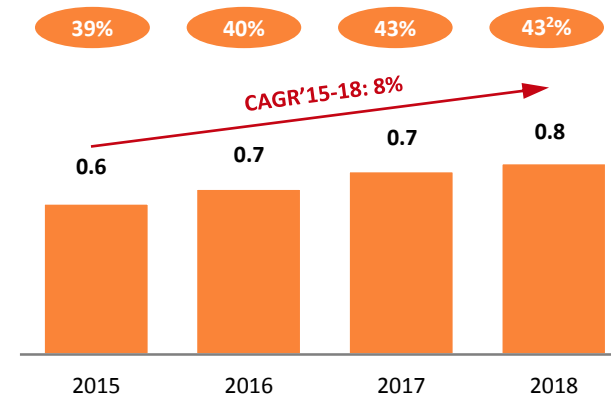
### Pay TV

Market share<sup>1</sup> in 2018, %



- ✓ Strengthening position (through organic growth and acquisitions) in the fast-growing Pay-TV market
- ✓ FTTH infrastructure facilitating market share gains
- ✓ Services available on multiple platforms (TV, mobile, PC) and attractive content proposition

Subscribers' dynamics, mm and market share, %



Source: Company data, Frost&Sullivan industry report

<sup>1</sup> Market shares based on the number of lines for fixed voice, the number of ports for fixed broadband and the number of connected points for Pay TV; <sup>2</sup> Based on preliminary market statistics



# Leading position in corporate segment with broad product

## 2 portfolio

### Individual entrepreneurs, SMEs and large enterprises

- Provides complex solutions for each of the B2B segments: from large corporate clients to individual entrepreneurs



99,000+ B2B clients incl. 62,000+ individual entrepreneurs clients, 33,000+ SMEs and 3,000+ large corporate clients

#### Examples of solutions



#### Bundled solutions for entrepreneurs

Broadband access, telephony, unlimited long-distance calls



#### Video Surveillance Service

Connecting client cameras to a secure communication channel and cloud storage



#### Wi-Fi for business

Provides restaurants, cafes, offices with high-speed Internet



#### VPN

Kazakhtelecom serves 20,000+ points connected to corporate networks

### Telecom operators and wholesale

- Connects telecommunication networks, facilitates inter-network traffic and provides internet access



Partnerships with over 40 international operators



Cooperation with over 100 local operators throughout all of the Republic of Kazakhstan

#### Key operators of intercity-international networks



#### Key mobile operators



### Government

- Provides telecom and ICT services to the Government of Kazakhstan



Government programmes aimed at digitalization of the economy



#### Examples of programs



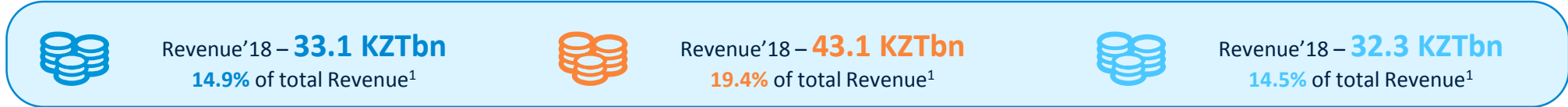
#### Bridging the Digital Divide

Provision of high-speed internet access to rural areas realized through public-private partnership framework



#### E-learning

Kazakhtelecom is a part of the State Program for the Development of Education, implementing e-learning services across the country

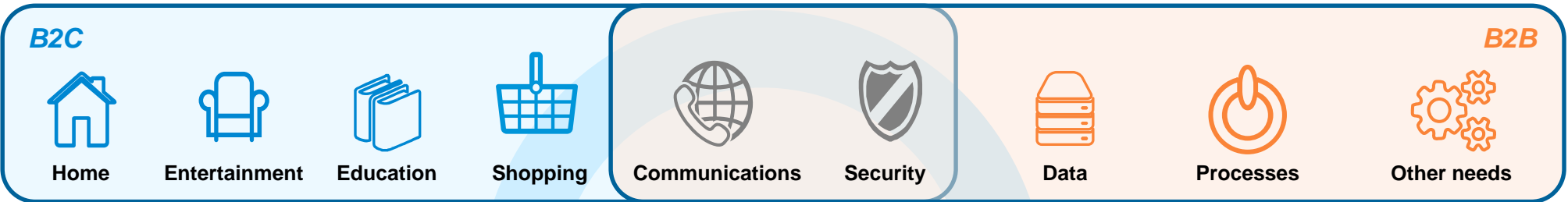


**Integrated services offering allowing Kazakhtelecom to capture demand from multiple business sectors**

Source: Company data  
<sup>1</sup> Kazakhtelecom 2018 standalone revenue

# 3 Diversified product portfolio and access to a wide customer base enabling significant cross sale opportunities and converged offering

## Focus on clients and their needs

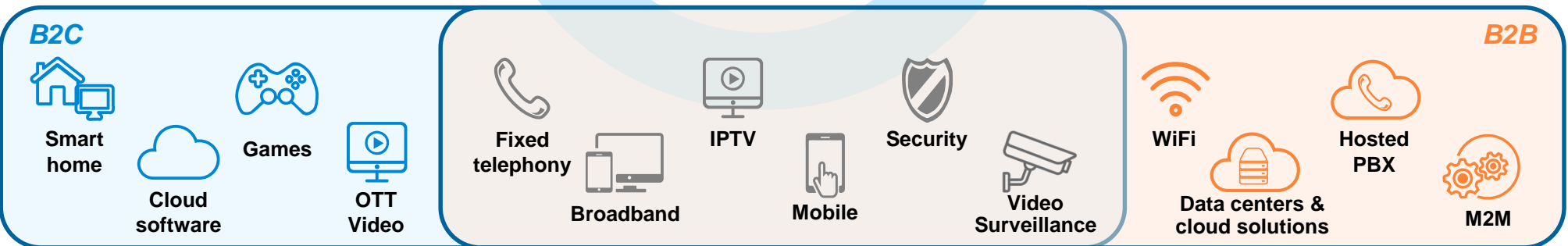


*a leading telecommunications provider in B2C segment*



*99,000+ B2B customers incl. 62,000+ clients-individual entrepreneurs, 33,000+ SMEs and 3,000+ large corporate clients*

## Kazakhtelecom service offering





- ✓ Kazakhtelecom acts as a one-stop shop solution for families and businesses
- ✓ Convenient ecosystem for clients driving cross-selling of services and penetration


# Strong track record of successful introduction of new value-added services


## Unique access to customers ...


- Insight into customers' needs and consumer patterns
- Direct access to large customer base for marketing of new products and services

  
**Mobile network**  
 coverage of **75%** of population

  
**Fixed line**  
 penetration of **over 50%** of households

  
**Fixed broadband**  
 penetration of **over 30%** of households

  
**Pay TV** penetration of **over 15%** of households

  
**99,000+** B2B customers

## ...providing strong foundation for development of innovative value-add services

### Bundled solutions

- **Various bundled solutions** including high-speed internet, TV, mobile communication and telephony
- Over **1.6mm bundled services subscribers** and more than **880,000+ FMS<sup>1</sup> subscribers<sup>2</sup>** (30% of total fixed voice subscribers)



### Premium & exclusive content

- Over **110+ TV channels and programs** (incl. sport)
- Partnerships with **leading content providers** (incl. Megogo, Amedia)
- Innovative partnerships with **game developers** (e.g. special offers for World of Tanks subscribers)



### Value-added services

- Continuous introduction of **new services**
  - Safe internet, parental control
  - Protection against DDoS-attacks, Virtual Firewall, Deferred Payment
  - Cloud based CCTV services



### ICT solutions for businesses

- **Covers all major target markets for ICT services**
- Provides cloud services, IT outsourcing, contact centres, Smart home solutions and virtual hosting



 **Strong access to customers driving introduction and cross-selling of new value-add services**

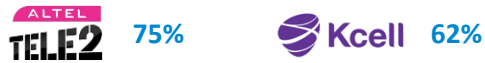
Source: Company data, Euromonitor International  
<sup>1</sup> Fixed Mobile Solution; <sup>2</sup> Data as of 2018

# Leading mobile and nationwide fixed platform underpinning high

## 4 service quality and customer satisfaction

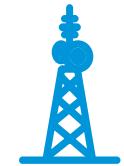


Widest LTE population coverage in Kazakhstan<sup>1</sup>



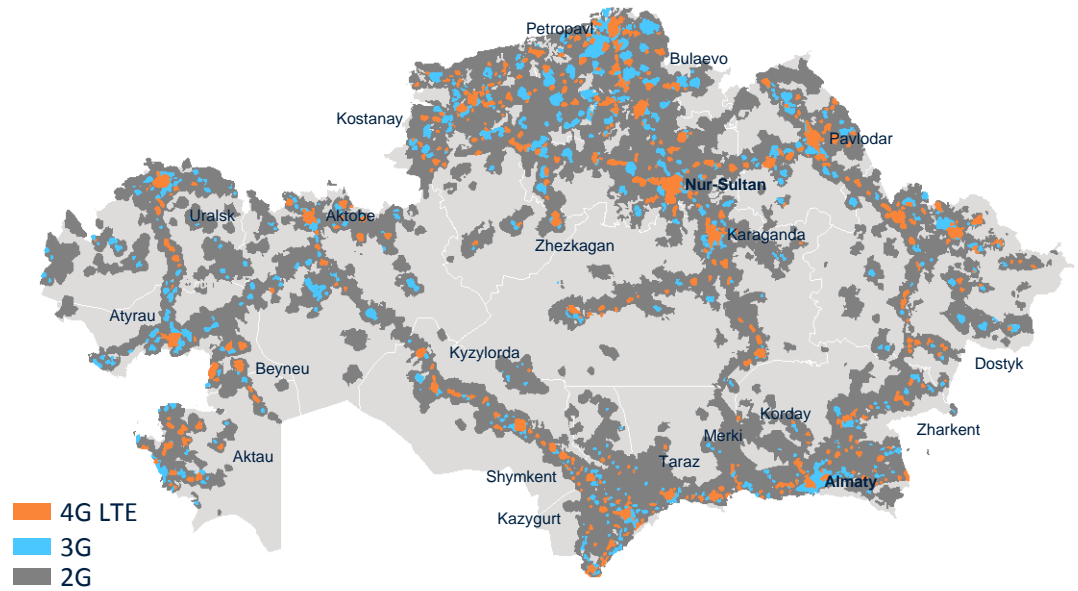
World class mobile network with potential for download speed of up to **390 Mb/s<sup>2</sup>**

~**13,900** sites for the combined company<sup>3</sup>



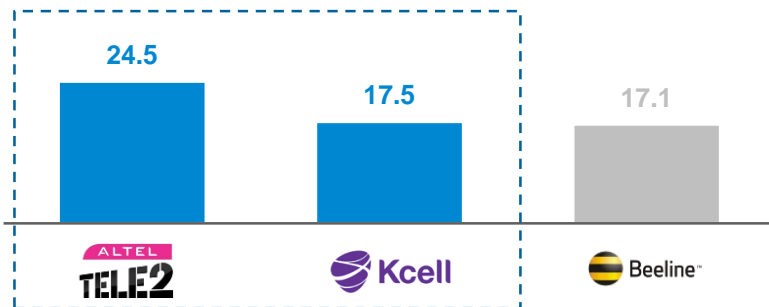
Successful JV's cost savings track record with over **1,700** mobile sites merged

3G/4G combined country coverage

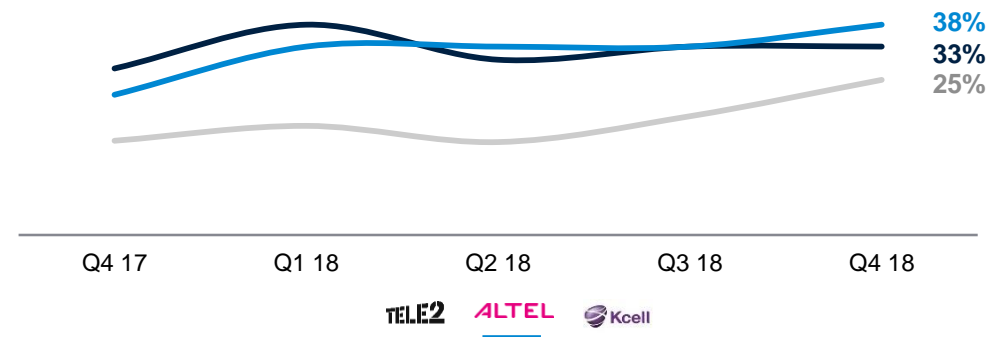


### Superior network quality driving customer satisfaction

Average mobile Internet download speed (Mb/s)<sup>5</sup>



Consistently high NPS (Net Promoter Score)



Source: Company data, DMtel

<sup>1</sup> Altel / Tele2 JV and Kcell standalone LTE coverage as of 31 December 2018; <sup>2</sup> Theoretically achievable download speed in LTE-A; <sup>3</sup> Pro-forma combined figure; <sup>4</sup> Based on 2G sites (majority of 3G and 4G LTE sites are based on 2G sites); <sup>5</sup> Average for Kazakhstan as of Q4'18

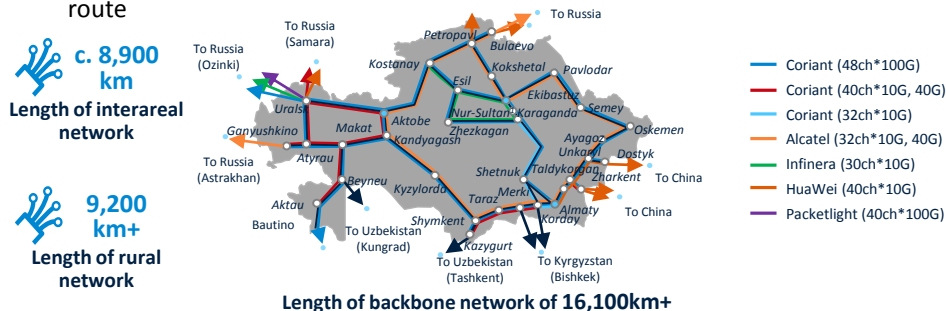


# Leading mobile and nationwide fixed platform underpinning high

## 4 service quality and customer satisfaction (cont'd)

### Nationwide transport network

- **Outstanding transport fibre-optic network with a total length of 34,000km+**
  - Modern network rolled-out taking into account transit purposes
  - Strategic advantages from geographical position of Kazakhstan as the main transit country between Europe and Asia with the shortest Europe-SEA transit route



### Fast data transfer network

- **IP/ Multiprotocol Label Switching (MPLS) based network** with 3 main nodes in Nur-Sultan<sup>1</sup>, Almaty and Aktobe connected with channels up to 6x100 Gb/s
- All regional centers are connected to main nodes with channels starting from 8x10 GB/s
- Connections with multiple Russian operators, maintaining stability of traffic provision
- Unique agreements with the world leading content providers on traffic caching with over 55% of traffic in Kazakhstan cached by Kazakhtelecom
- **Main data hub for Middle Asia** with cache servers located in Nur-Sultan<sup>1</sup>, Almaty, Aktobe and Atyrau



Interconnection points with international operators



Maximum network bandwidth



Latency of Europe-SEA transit route



Capacity of external internet channels



Share of traffic in Kazakhstan cached by Kazakhtelecom

### Access network

- Coverage of over 50% of households in the country and c.2.4mm connected points overall
  - Speed of up to 20 Mb/s through ADSL 2+ mostly outside of FTTH footprint
- c.1.0mm connected points through FTTH network
  - Coverage of all major cities and regional centers
  - Ongoing FTTH deployment

Structure of connected fixed broadband ports by technology, 2018

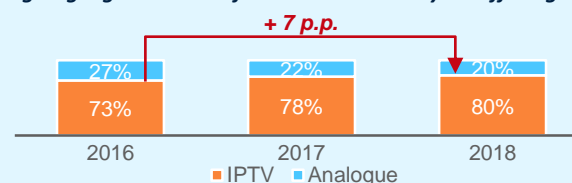
	ADSL	FTTH	Other
	54%	40%	7%
Maximum bandwidth	20 Mb/s	1 Gb/s	n/a
Connected points	1.3mm	1.0mm	0.2mm

Source: Company data  
<sup>1</sup> Former Astana

### Superior switching and IPTV networks

- **100% digital switching network** with 3 ISCs in Nur-Sultan<sup>1</sup>, Almaty and Aktobe
  - Gradual **transition from TDM to NGN technology** with NGN share increasing from 53% to 57% from 2016 to 2018 with consecutive costs reduction
- Modern IPTV network with 2 main nodes in Nur-Sultan<sup>1</sup> and Almaty
  - Continuous increase in the quality of IPTV services on the back of active rollout of FTTH network

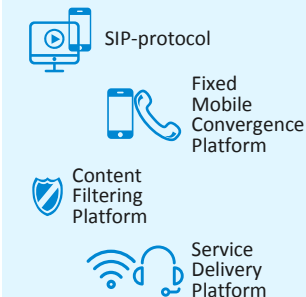
Ongoing digitalization of Kazakhtelecom Pay TV offering



### Network platforms and data center networks

- **Outstanding network platforms**, enabling to offer broad range of additional services to Kazakhtelecom customers
- **State-of-the-art data centers network** supporting introduction of new cloud based services

#### Network platforms



#### Data centers

- 15 data centers
- 11,300+ sqm of server rooms
- 22,700+ units of installed rack capacity

Tier III data center in Pavlodar

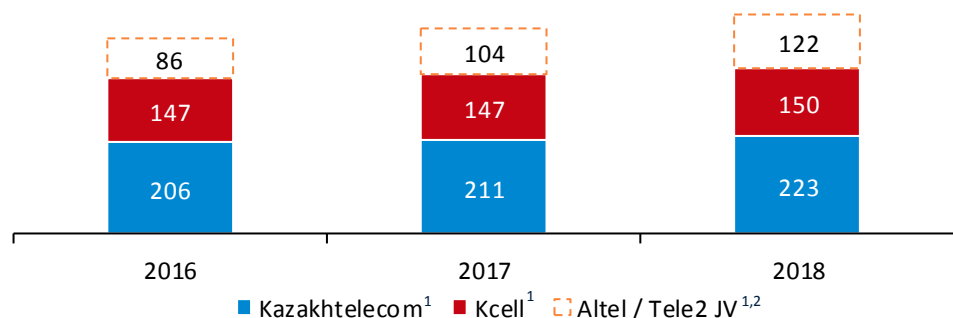


5

# Strong financial position and significant cash flow generation potential

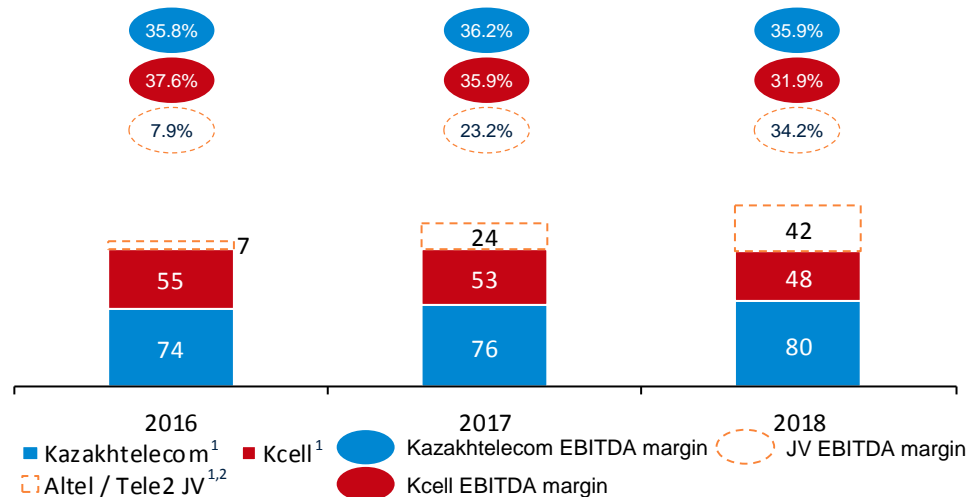
## Stable top-line growth across all companies...

Revenue dynamics (KZT bn)



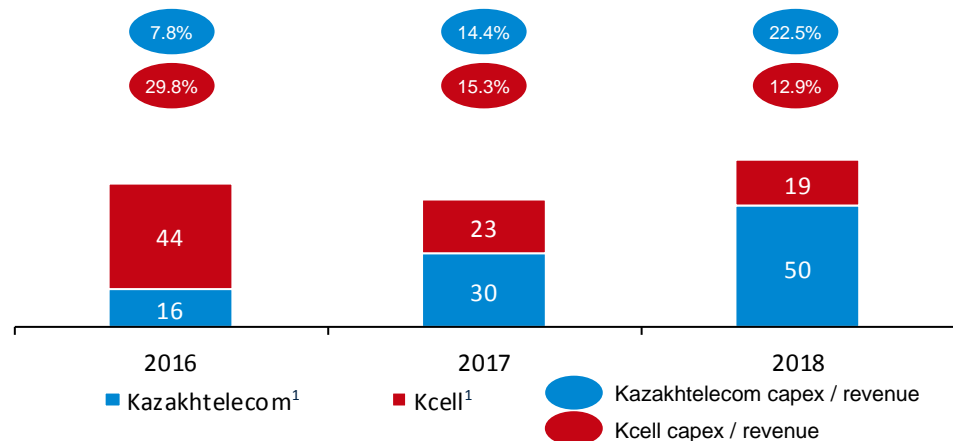
## ...with increasing EBITDA margins

KZT bn



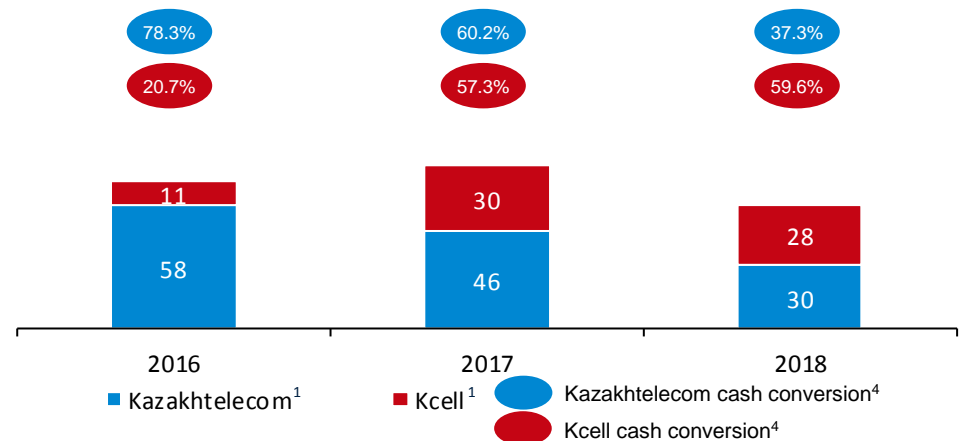
## Disciplined capex<sup>3</sup> program...

KZT bn



## ...allowing for high cash conversion

EBITDA – Capex (KZT bn)



Source: Audited IFRS accounts, Pro-forma financials

Notes:

<sup>1</sup> Kcell, Altel / Tele2 JV and Kazakhtelecom ("KT") standalone Revenue/EBITDA/Capex may be calculated on a different basis and may not be comparable. The Kcell acquisition was completed in December 2018 and Kcell's results will not be consolidated with KT's for the periods shown; <sup>2</sup> Altel / Tele2 JV's full results are not consolidated with KT's results; KT accounts Altel / Tele2 JV share as its investment under the equity method and has 49% / 51% voting/economic ownership;

<sup>3</sup> BS Capex; <sup>4</sup> Cash conversion calculated as (EBITDA - Capex) / EBITDA

# 6

# Multiple avenues for further growth and shareholder value creation

## Digital Kazakhstan

### “Bridging the Digital Divide”

- Provision of high-speed internet access to rural areas realized through public-private partnership framework
- The Company plans to construct more than **15,000+ km** of fibre-optic lines in 2018-2020

**2,400+**  
of points to be connected, 19-20

**KZT 44bn**  
Capex, 19-21

**KZT 140bn**  
Revenue, 19-32

Kazakhtelecom to own the network	Nationwide scale Government focus	Guaranteed usage of service	NPV positive (IRR>WACC)
----------------------------------	-----------------------------------	-----------------------------	-------------------------



### M2M

- Innovative solutions based on the Smart City concept on the basis of IoT / M2M technologies
- Roll-out of the largest IoT / M2M network in CIS countries started in 2017

Around 22,000 cameras are already installed  
45,000+ cameras to be installed overall

**Cloud CCTV services**

97 LoRa base stations in 4 cities set up in 2018  
400+ LoRa base stations covering 19 cities to be set up overall

**Energy efficiency**

Infrastructure already set-up  
Home solution enabling subscriber to control home security via mobile application

**Smart Home**



Source: Company data

## Cloud-based infrastructure solutions

### QazCloud



- JV with Samruk-Kazyna created in 2017, offers a wide range of ICT services (IaaS, SaaS, Security, IT outsourcing)
- Kazakhtelecom has an option to acquire Samruk-Kazyna’s stake in QazCloud

Presence of customer support in all 14 regions and cities of Almaty and Nur-Sultan

LT contracts with blue-chip companies

**KZT 1.5bn**  
Value of signed LT contracts for 2019

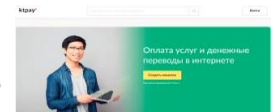
Cost efficient IT solution for businesses	Captures industry-wide trends for transition to less capital intensive model
---	--

## Ecommerce and financial services

### KT Pay



- Own online payment platform
  - Launched in Q2 2018 in test mode
  - Plans to increase the number of services that can be paid and to implement transfers to bank accounts



### Chocomart and Intermarket

- From the end of 2017 e-commerce services are offered through chocomart.kz and intermarket.kz:
  - Main electronic appliances retailers in Kazakhstan are connected to the store platforms
  - 50,000+ SKUs ranging from household appliances, cell phones to toys
  - 300,000+ registered users and 130,000+ monthly visitors
  - Own call center, delivery service and warehouse
  - Various payment methods available (cash, online credit card, bank transfer)

Chocomart

Intermarket



# 7 Experienced management team and effective corporate governance

## Effective corporate governance

*Kazakhtelecom focuses on high corporate governance standards*

- Effective Board of Directors with all required committees<sup>1</sup>
- Strong presence of independent directors on the Board of Directors (4/9)<sup>2</sup>
- Centralized system of internal audit and risk management
- Transparent remuneration system linked to the Company's performance

## Experienced management team with strong professional competencies and industry experience



**Kuanyszbek Yessekeyev**  
Chief Executive Officer

Member of the Board of Directors

Total experience of over 20 years



**Askhat Uzbekov**  
Chief Financial Officer

Total experience of over 18 years



**Batyr Makhanbetazhiyev**  
Chief Director, Strategy

Total experience of over 22 years



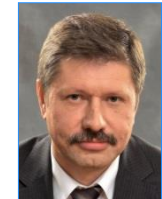
**Rafael Abykhanov**  
Chief Director, B2B

Total experience of over 27 years



**Marat Abdildabekov**  
Chief Director, IT

Total experience of over 30 years



**Alexander Lezgovko**  
Chief Technical Officer

Total experience of over 33 years

Source: Company data

<sup>1</sup> The Audit Committee, the Committee for personnel, remuneration and social issues and the Committee for strategic planning under the Law of the Republic of Kazakhstan; <sup>2</sup> In accordance with criteria stipulated by Article 1 of the Law of the Republic of Kazakhstan "On joint-stock companies"

# Transformation of Kazakhtelecom's strategy

## Strategy 2019–2029



### Brand of first choice



### Digital platform



### Cost transformation

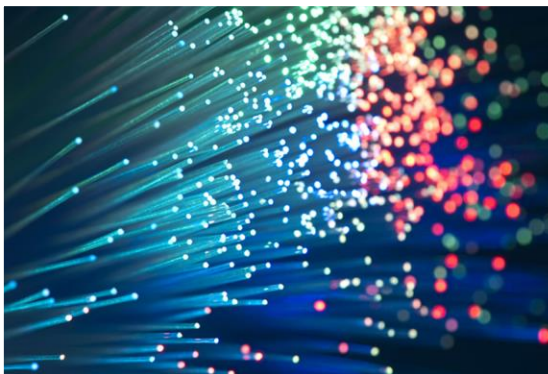
## Strategy 2016–2025

- Family services supermarket
- Information foundation for Kazakhstan business
- Construction of an integrated operator
- An effective business model
- New businesses

- Product portfolio development: launch of new businesses, cooperation with partners and development of own products
- Single brand formation
- Digitalization of marketing, sales and client service
- Digitalization of product development processes

- Digitalization of network resources
- Digitalization of operations support systems
- Creation of digital service platforms and ecosystems for partners, API development
- Centralized data management (big data)

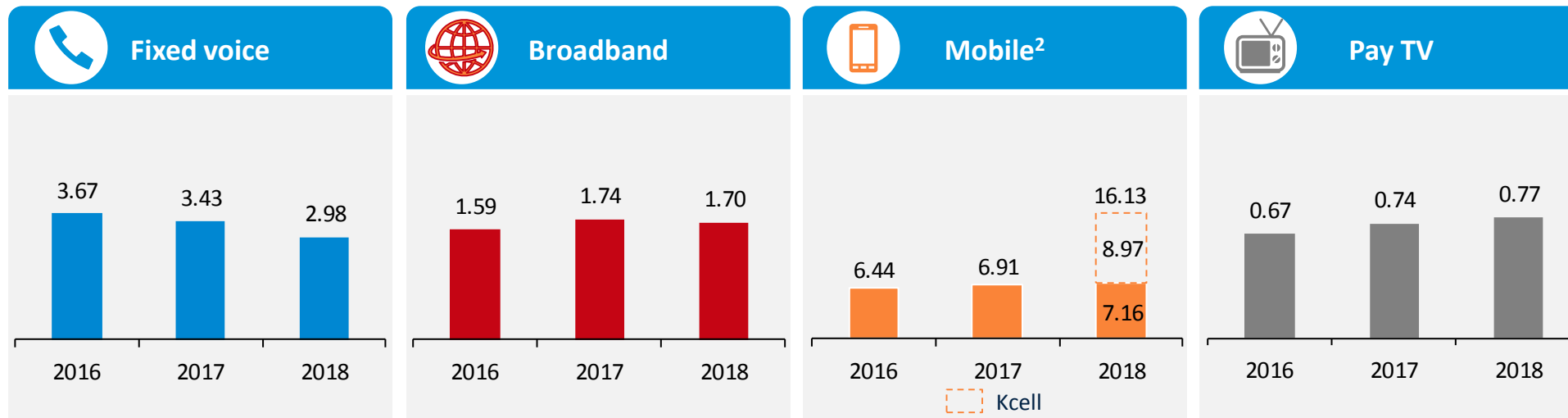
- Assets / balance sheet optimization
- Increase of organizational effectiveness
- Reduction of costs
- Enhancement of labor productivity
- Increase of business-units margins
- Disciplined CAPEX program



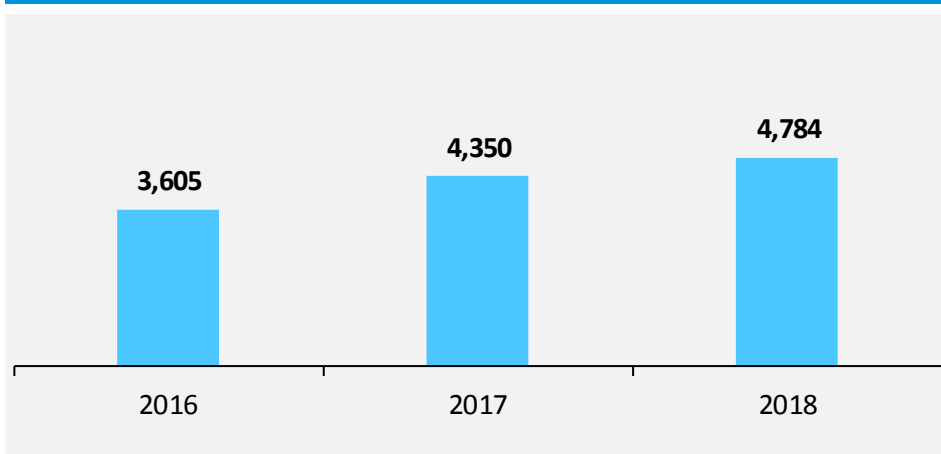
## Financial overview

# Key operational metrics

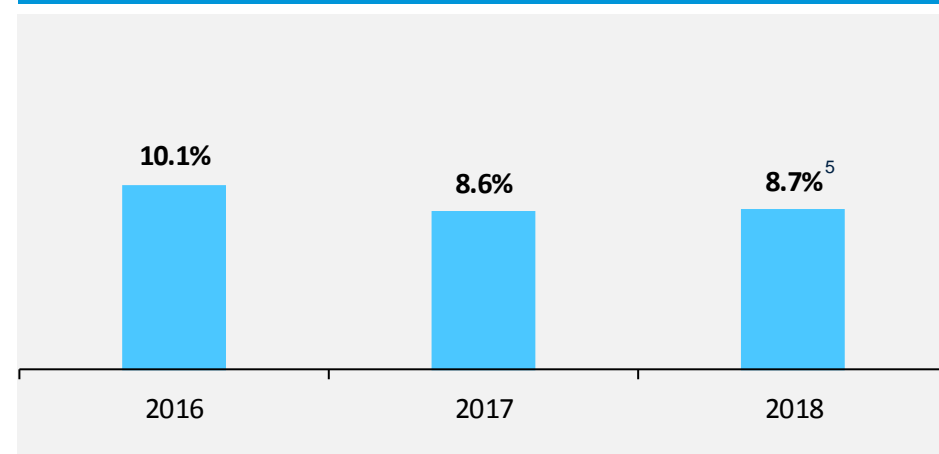
## Number of subscribers<sup>1</sup>, mm



## Monthly ARPU<sup>3</sup>, KZT



## ROIC<sup>4</sup>, %



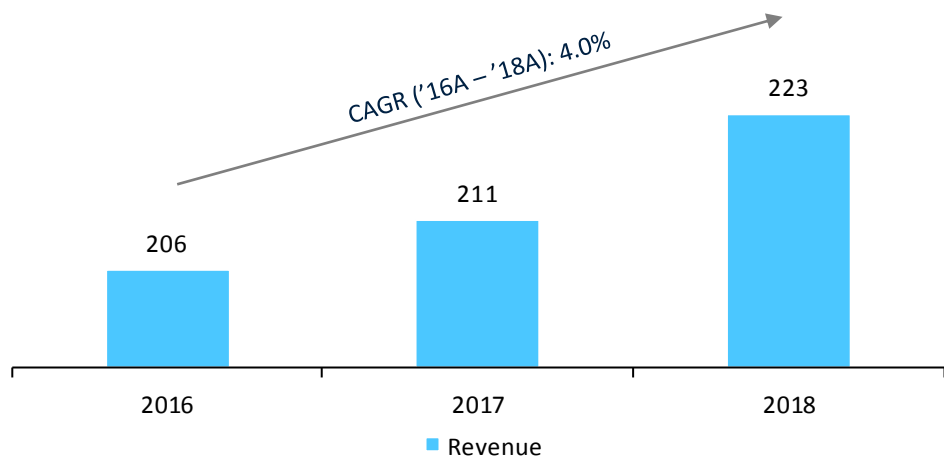
Source: Company data

<sup>1</sup> Number of fixed lines for fixed voice, number of data ports for broadband, number of connection points for PayTV; <sup>2</sup> Altel/Tele2 JV in 2016-17, Altel/Tele2 JV + Kcell in 2018; <sup>3</sup> Average ARPU calculated as Total revenue / Users for B2B, B2C and B2G segments, excluding mobile segment; <sup>4</sup> Calculated as NOPLAT/(Average operating assets – Average operating liabilities + Average debt + Average fin. lease liabilities); <sup>5</sup> Excluding Kcell acquisition

# Kazakhtelecom standalone key financial metrics

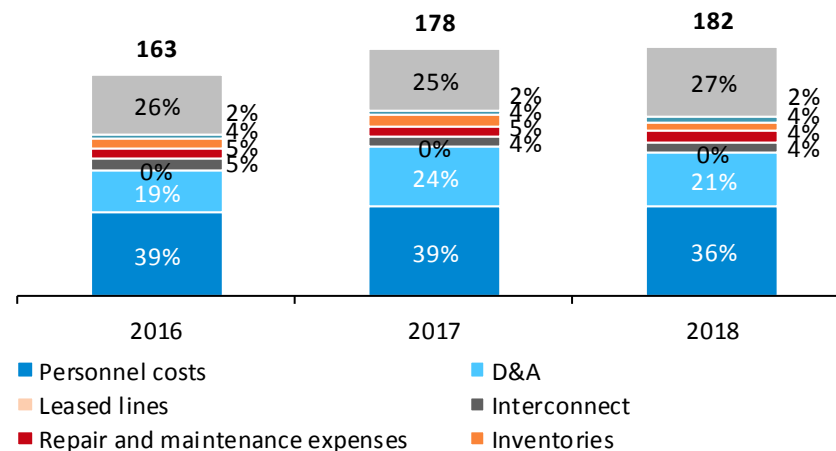
## Stable top-line growth of 4.0%...

Revenue dynamics (KZT bn)



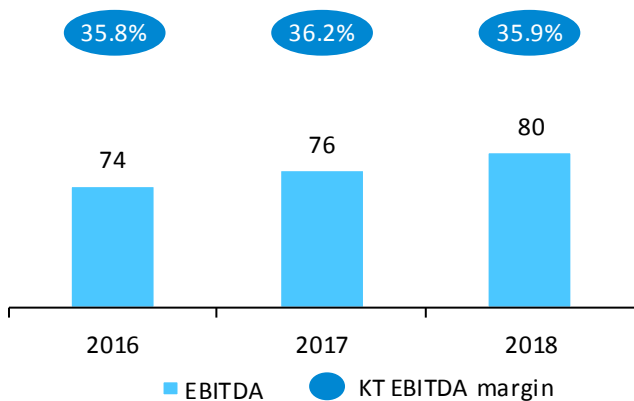
## ...with efficient cost control in place...

Cost structure (KZT bn)



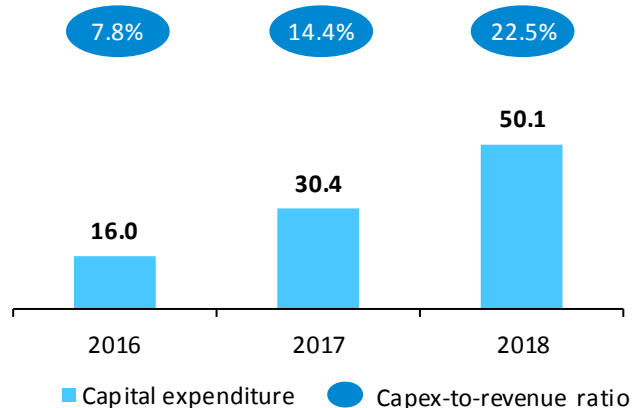
## ...resulting in increasing EBITDA margins...

KZT bn



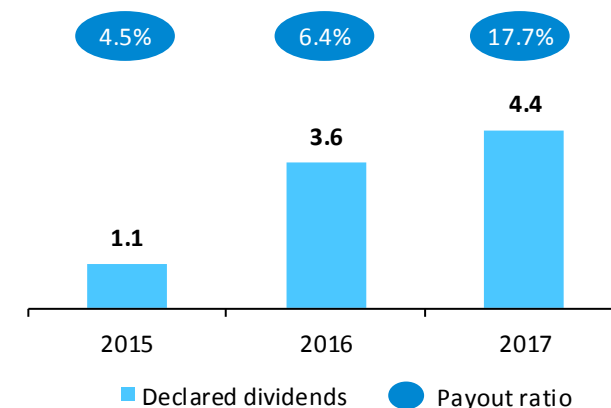
## ...and disciplined capex program...

KZT bn



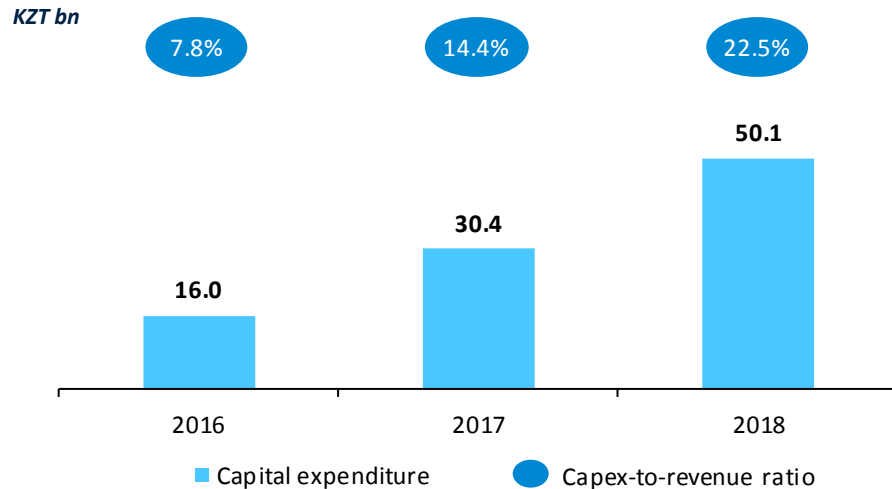
## ...bring significant value to shareholders

KZT bn



# Kazakhtelecom standalone investment program and leverage evolution

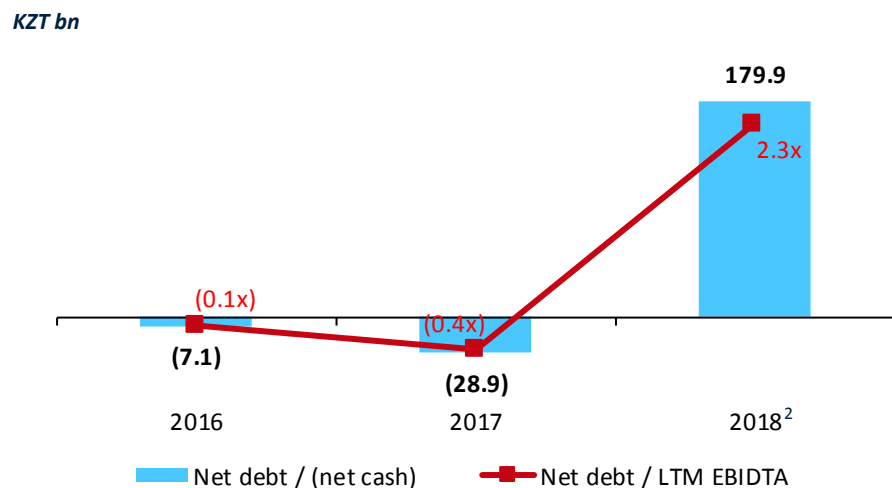
## Historical capital expenditures



## Comments

- Efficient capex programme aimed at network development, higher quality and better coverage of telecommunications services in Kazakhstan
- In 2018, capex increased up to c.KZT50bn mostly due to public-private partnerships development (e.g. high speed internet in rural areas)
- Starting from 2016, capex is almost fully financed out of Kazakhtelecom's own funds with the remainder financed by financial leasing

## Evolution of Net Debt and Net Debt/LTM<sup>1</sup> EBITDA



## Comments

- Kazakhtelecom historically had one of the lowest leverage among key regional telecom players with a recent surge in debt position related to its acquisition of Kcell in December 2018
  - Net debt position of KZT179.9bn as of 2018YE with net debt/LTM EBITDA ratio of 2.3x
  - Positive credit ratings from major rating agencies: BB+ (stable outlook) by S&P and BB+ (stable outlook) by Fitch vs Kazakhstan's sovereign rating of BBB- (stable outlook) by S&P and BBB (stable outlook) by Fitch
- Prudent financial policies with 100% borrowings in local currency fixed rate in 2018

Source: Audited IFRS accounts

<sup>1</sup> For the last 12 months

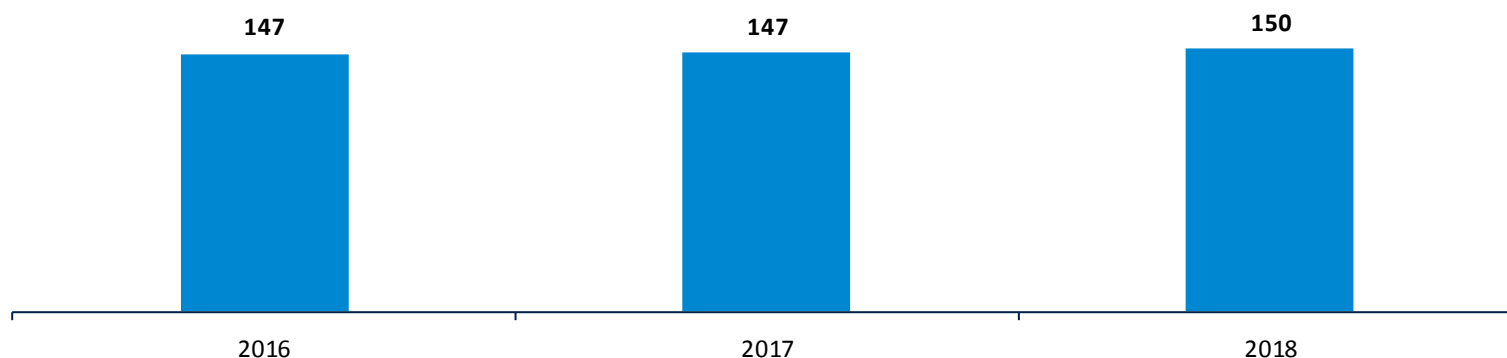
<sup>2</sup> Net debt includes all outstanding liabilities of Kcell; EBITDA includes Kcell EBITDA only for the period of 11 days (from 21 December 2018 until 31 December 2018)



# Mobile – Kcell

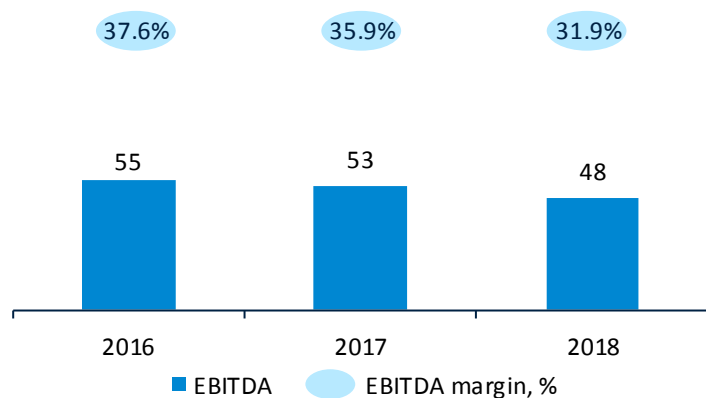
## Net sales

KZT bn



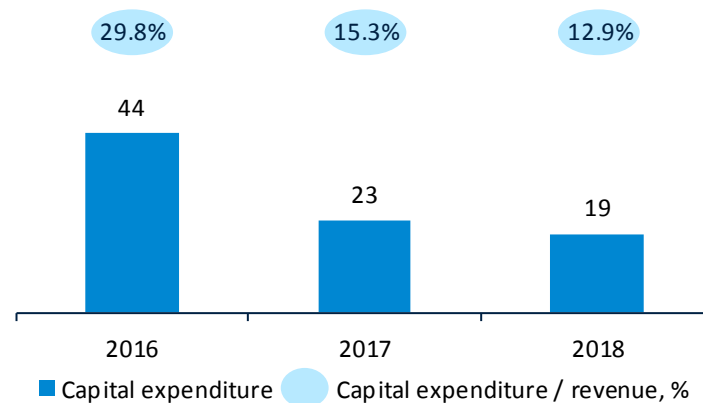
## EBITDA

KZT bn



## Capital expenditure<sup>1</sup>

KZT bn



## Comments

- On 12 December 2018, Telia Company and Fintur Holdings, jointly owned by Telia Company and Turkcell, agreed to sell their 75% holding in Kcell, to the telecom operator Kazakhtelecom. On 21 December 2018, Kcell announced completion of the transfer of 75% of ordinary shares in Kcell to the account of Kazakhtelecom
- Kcell delivered KZT150bn in net sales in 2018, an increase of 1.7% y-o-y
  - Increase in net sales is mainly driven by stronger B2B revenue from business solutions and handset sales
- EBITDA margin declined by 4.0% to 31.9% in 2018, primarily due to higher cost of sales and SG&A expenses related to recognised expenses from interconnection charges as well as additionally accrued taxes and penalties, higher consulting expenses and staff costs

Source: Audited IFRS accounts

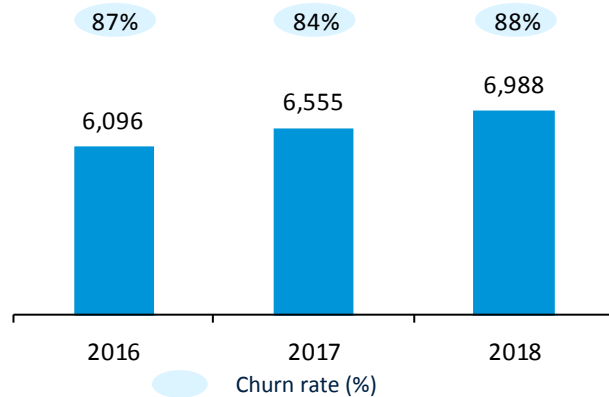
Notes:

<sup>1</sup> Capital expenditures figures are provided on the cash basis

# Mobile – Altel/Tele2 JV (1/2)

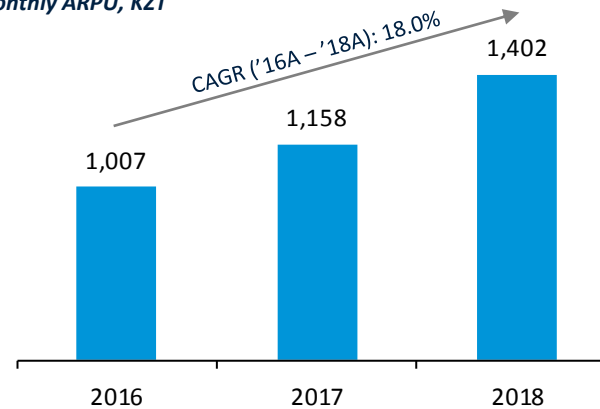
## Mobile voice subscribers

Number of subscribers, '000



## Voice ARPU

Monthly ARPU, KZT

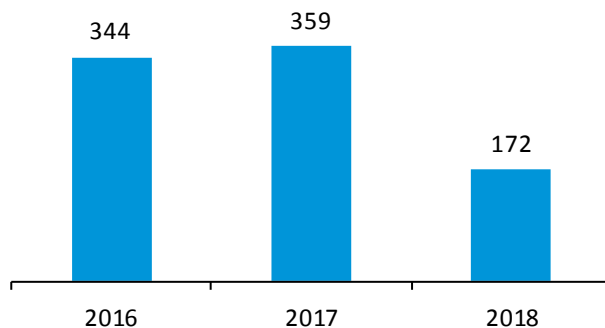


## Comments

- In 2016 Tele2 and Altel (Kazakhtelecom's mobile business) created Joint Venture (JV) in Kazakhstan, where Kazakhtelecom and Tele2 respectively own 51% and 49% of the share capital and 49% and 51% of the voting rights
  - Tele2 has exercised its put option and Kazakhtelecom expects to acquire full control in 2019

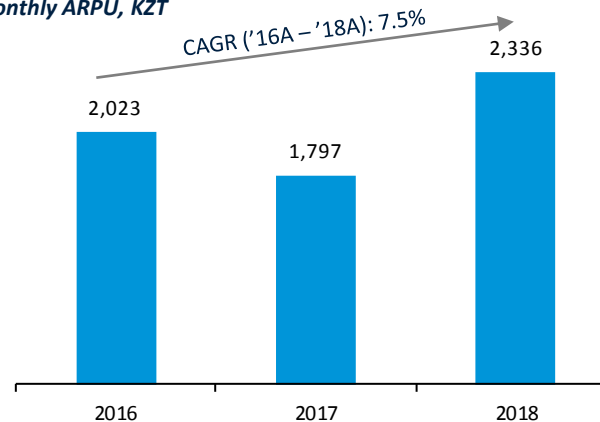
## Mobile data subscribers

Number of subscribers, '000



## Data ARPU

Monthly ARPU, KZT



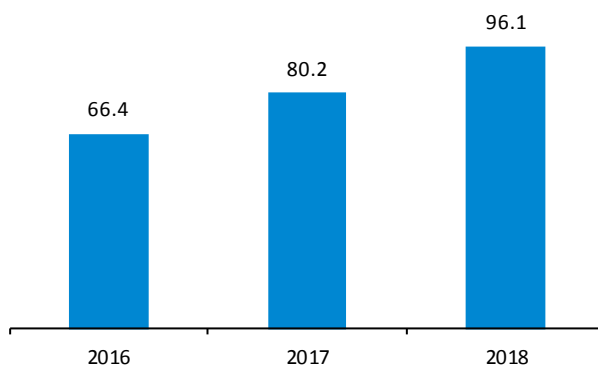
- Number of mobile voice subscribers of Altel/Tele2 JV increased for last three years ('16-'18), while number of mobile data subscribers significantly decreased in 2018 due to reclassification of mobile broadband subscribers in accordance with new accounting policies
- Monthly voice ARPU of Altel/Tele2 JV increased for last three years ('16-'18) and reached KZT1,402 in 2018 while monthly data ARPU increased to KZT2,336 in 2018

Source: Company data

# Mobile – Altel/Tele2 JV (2/2)

## End-user service revenue

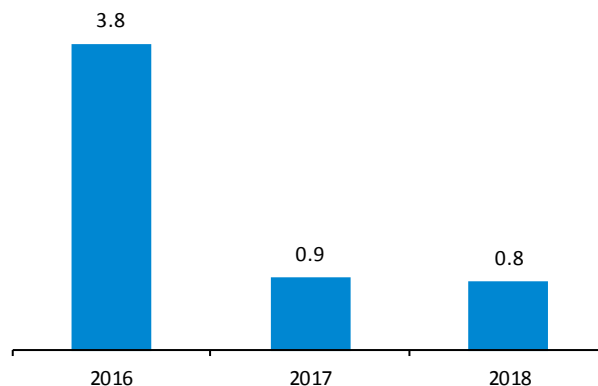
KZT bn



- Altel/Tele2 JV end-user service revenue sharply increased for last three years ('16-'18)
- Share of end-user service revenue amounted to ca. 79% in total JV revenue in 2018

## Revenue - Terminals and Equipment

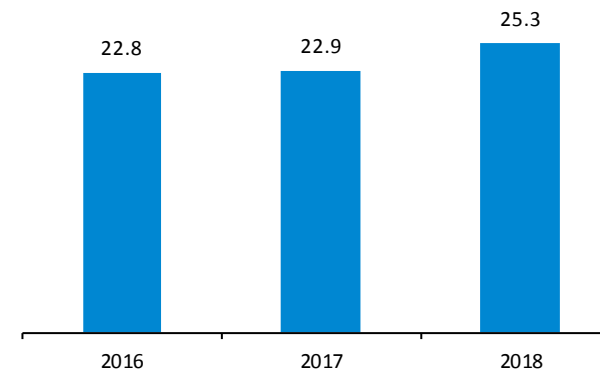
KZT bn



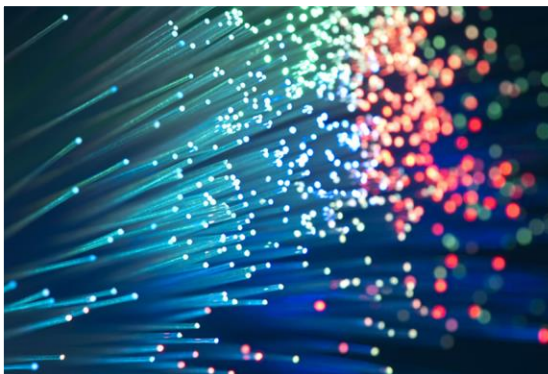
- High JV revenue from sale of terminals and equipment in 2016 is explained by short-term special projects with electronics retail shops

## Revenue - Other

KZT bn



- Other JV mobile revenue includes voice & SMS interconnect revenue, visitor roaming revenue, and revenue from FMS, JOA & WLL

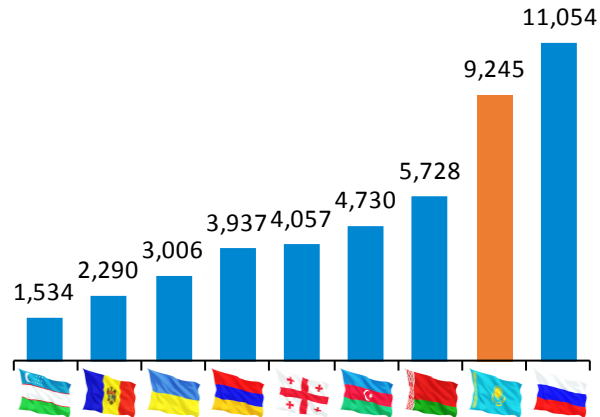


## Appendix

# Macroeconomic environment (1/2)

The second highest GDP per capita in CIS...

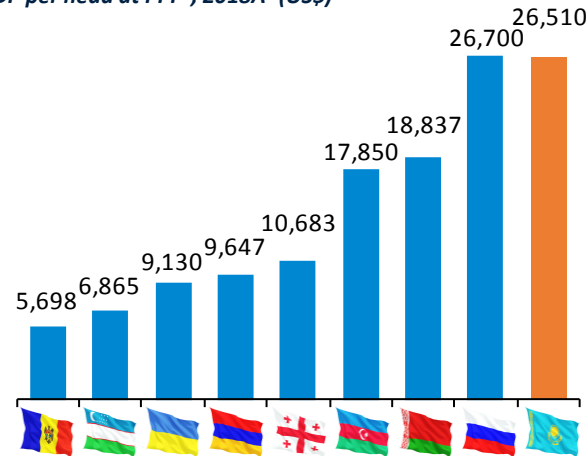
GDP / capita, 2018A<sup>1</sup> (US\$)



Source: EIU, World Bank

...translating into real economic wealth...

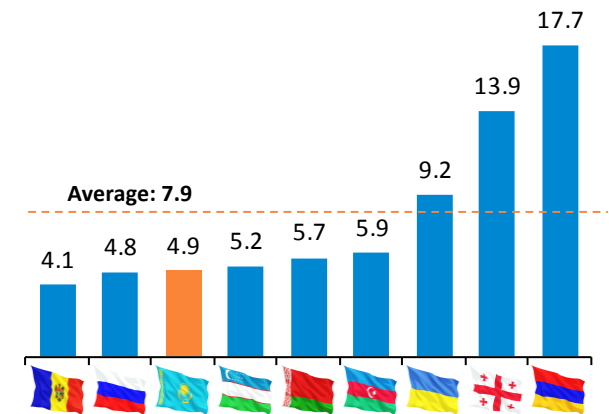
GDP per head at PPP<sup>2</sup>, 2018A<sup>1</sup> (US\$)



Source: EIU, CIA

...and a low unemployment rate...

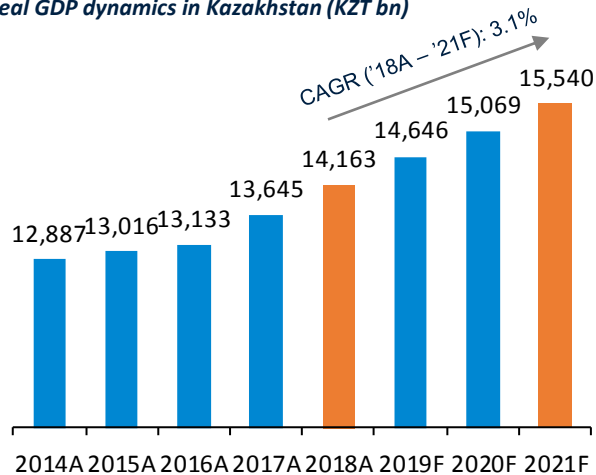
Unemployment rate, 2018A<sup>1</sup> (%)



Source: EIU, World Bank

...with clear growth envisaged in the mid-term...

Real GDP dynamics in Kazakhstan (KZT bn)



Source: EIU

Notes:

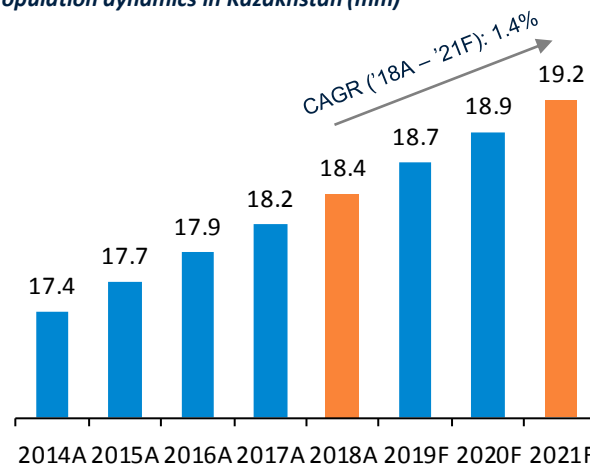
<sup>1</sup> 2017 data for Uzbekistan, Moldova, Armenia, Georgia and Belarus

<sup>2</sup> PPP – Purchasing power parity

<sup>3</sup> 16-62 for male and 16-57 for female; 63+ for male and 58+ for female

...supported by the growing population...

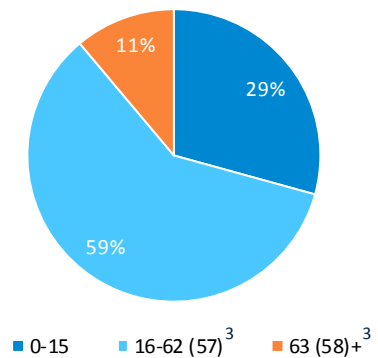
Population dynamics in Kazakhstan (mm)



Source: Frost & Sullivan

...with attractive demographics

Age distribution in Kazakhstan, 2018E (%)

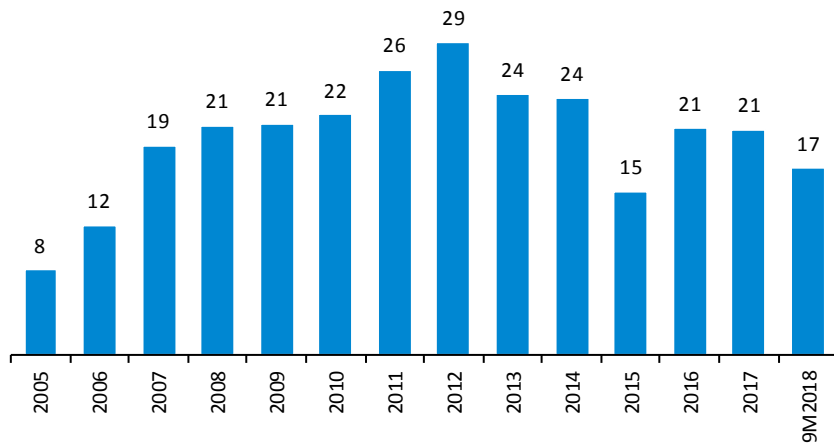


Source: Frost & Sullivan

# Macroeconomic environment (2/2)

Kazakhstan has attracted more than US\$280bn of FDI over the last decade...

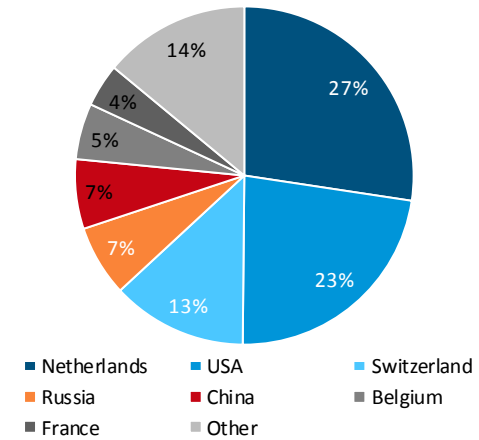
Gross FDI inflows (US\$ bn)



Source: National Bank of Kazakhstan

...from a diversified pool of countries

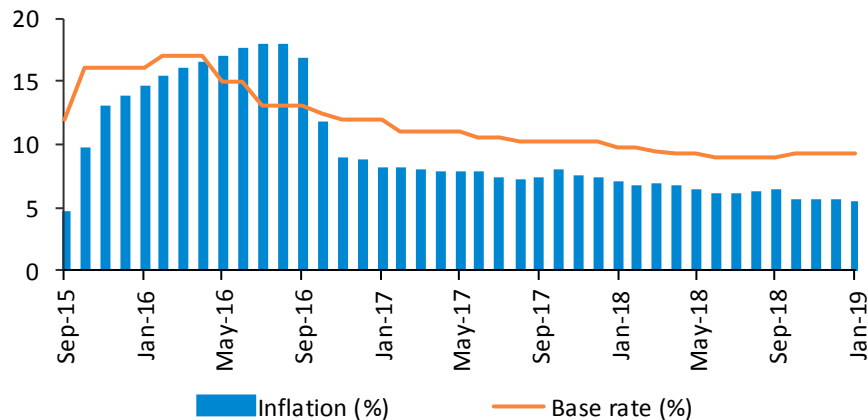
Gross FDI by country (9M2018)



Source: National Bank of Kazakhstan

Decreasing inflation and base rate

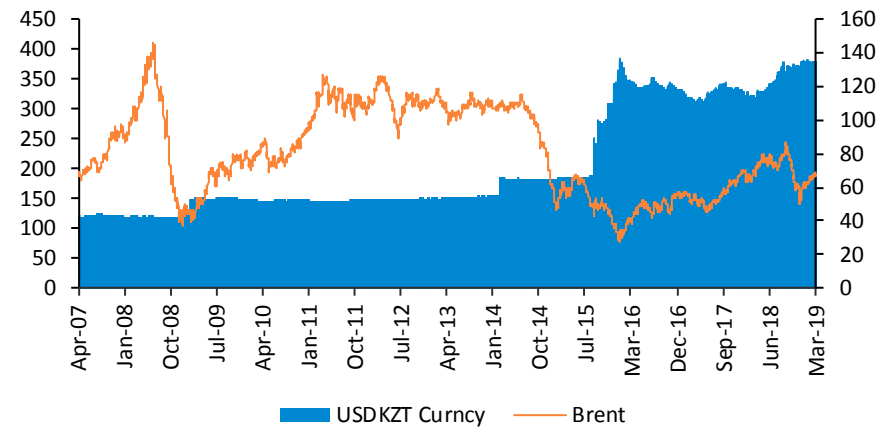
Base rate and inflation in Kazakhstan



Source: National Bank of Kazakhstan

Strengthening of KZT recently supported by growing oil price

US\$/KZT vs. Brent price (2007-2019)

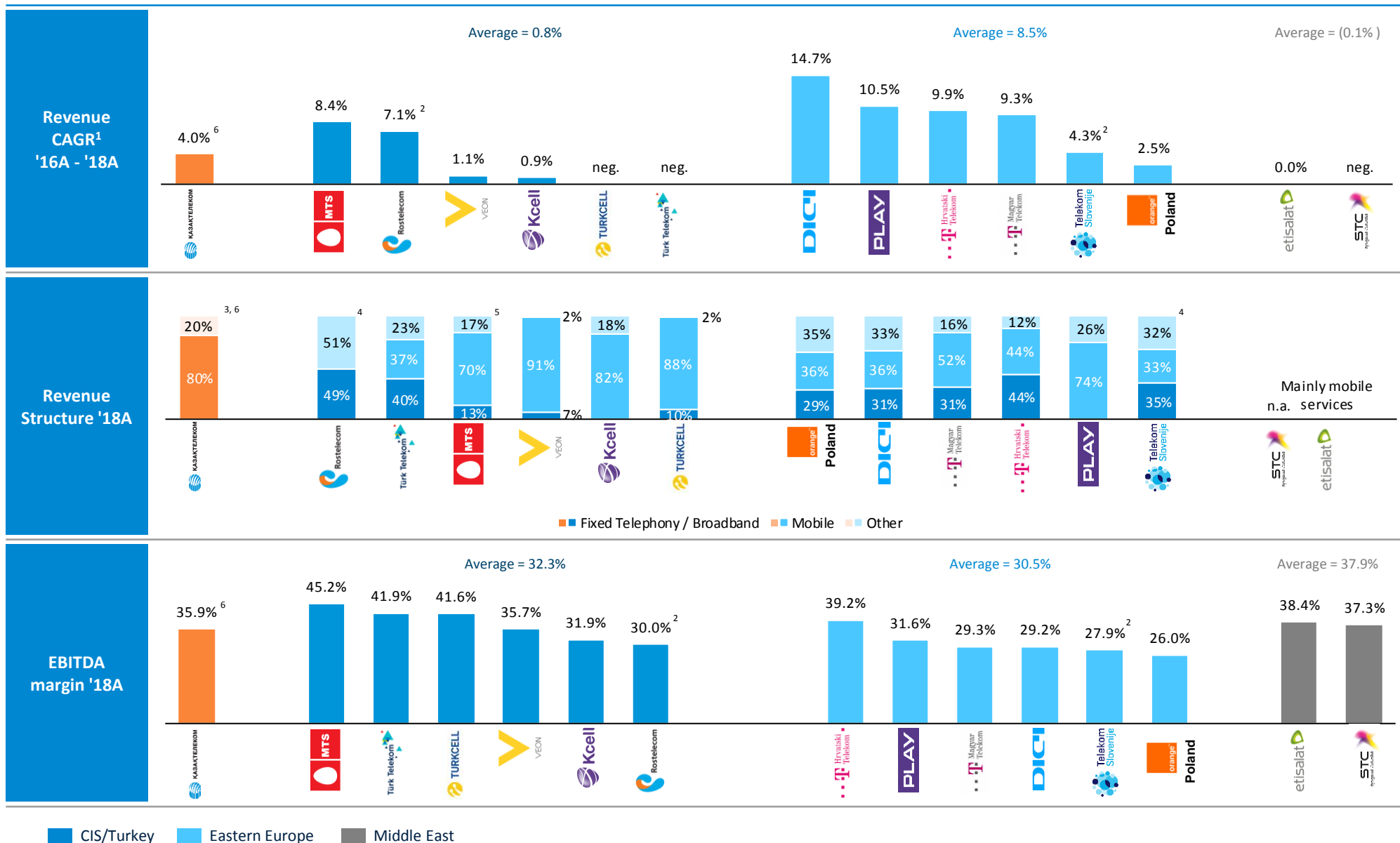


Source: Bloomberg as of 27 March 2019

# Regulatory environment overview

<b>Telecommunications Committee of the Ministry of Information and Communication</b>	<ul style="list-style-type: none"><li>■ Regulates the telecommunications sector in Kazakhstan, responsible for a number of functions including: licensing, radio frequencies permissions granting, MNP, Legislation on communication</li><li>■ Profile laws: Law on Communication, Regulations of rendering cellular services</li></ul>
<b>Committee on Regulation of Natural Monopolies &amp; Protection of Competition and Consumer rights of the Ministry of National Economy</b>	<ul style="list-style-type: none"><li>■ Promotes and maintains market competition in Kazakhstan by monitoring and regulating anti-competitive conducts</li><li>■ Carries out investigations into possible violations of the antimonopoly legislation</li><li>■ Profile law: Entrepreneurial code</li></ul>
<b>National Security Committee</b>	<ul style="list-style-type: none"><li>■ National Security Committee (NSC) is responsible for SORM compliance and a number of functions, including:<ul style="list-style-type: none"><li>■ Participation in developing and carrying out measures for ensuring security of communication facilities, a list of which is approved by the Government</li><li>■ Identifying and blocking radio signals which threaten security of Kazakhstan</li><li>■ Secure government communication organization</li></ul></li></ul>
<b>Mobile Number portability</b>	<ul style="list-style-type: none"><li>■ Introduced on 1st January 2016, MNP offers the opportunity to migrate to another operator with the same number. In 2016-17, over 145,000 subscribers migrated to Altel / Tele2 and c. 85,000 subscribers left</li></ul>
<b>Liberalisation of telecom market</b>	<ul style="list-style-type: none"><li>■ After Kazakhstan became a member of the WTO, the Government is required to eliminate foreign ownership limits in respect of fixed inner-city and international communications operators; however, Kazakhtelecom remains subject to these limits</li></ul>
<b>MTR and MVNOs</b>	<ul style="list-style-type: none"><li>■ In 2015, all mobile operators signed agreements to drop MTR from KZT 8 in 2015 to KZT 5 in 2016</li><li>■ There are no ongoing discussions to change MTRs. MTRs are now in line with neighbouring countries</li><li>■ There are currently no mobile virtual network operators (MVNOs) licensed in Kazakhstan</li></ul>

# Benchmarking with international peers (1/2)



Source: Kazakhtelecom audited IFRS accounts, Bloomberg as at 27 March 2019, public sources

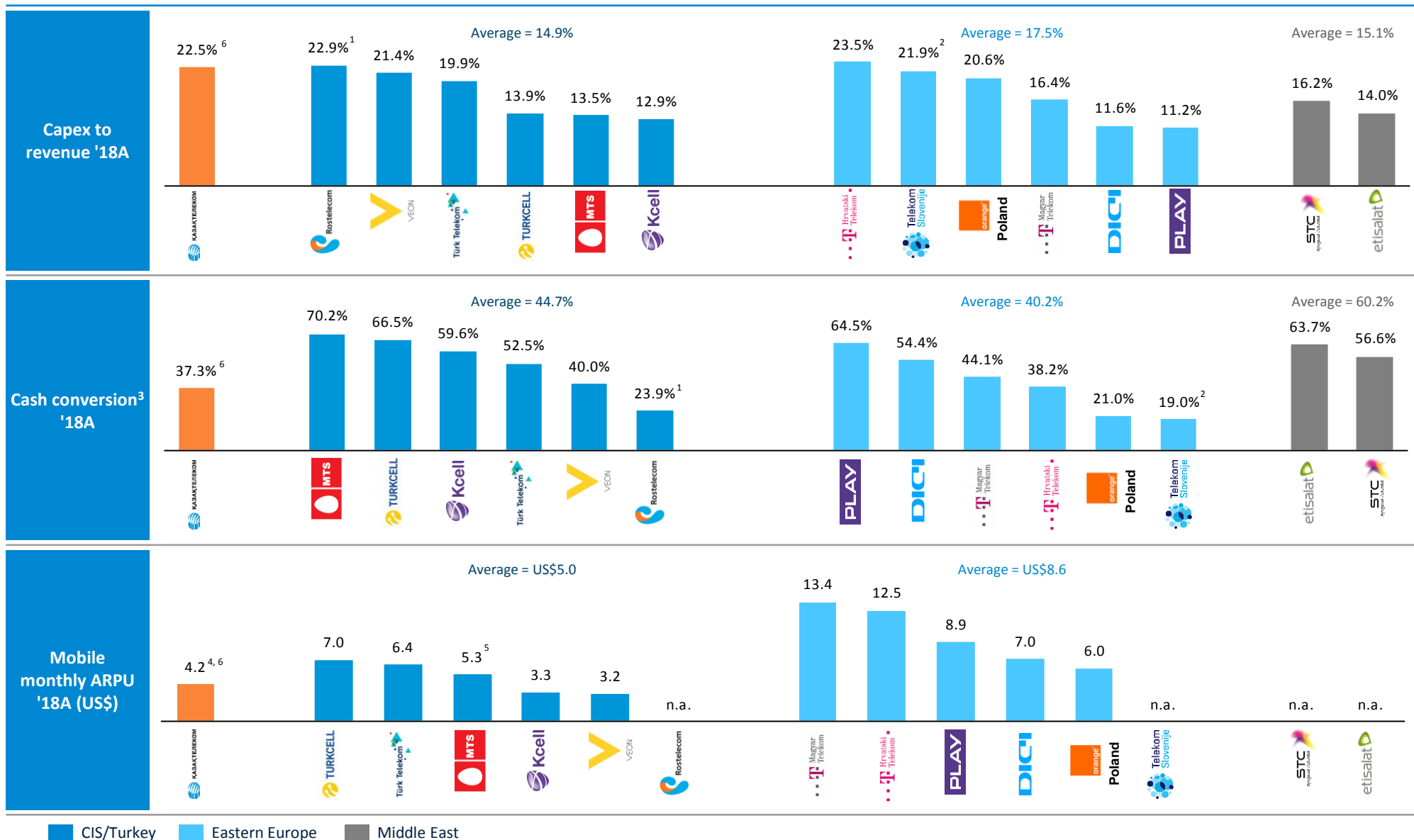
<sup>1</sup> Growth in US\$ (growth in local currency for Kazakhtelecom); <sup>2</sup> 2018 results as per brokers' estimates;

<sup>3</sup> Breakdown is provided for standalone Kazakhtelecom JSC (not consolidated and excluding Altel / Tele2 JV and Kcell); <sup>4</sup> As at

2017; <sup>5</sup> For Russia region only; <sup>6</sup> Net debt includes all outstanding liabilities of Kcell; Revenue and EBITDA includes Kcell results only for the period of 11 days (from 21 December 2018 until 31 December 2018)



# Benchmarking with international peers (2/2)

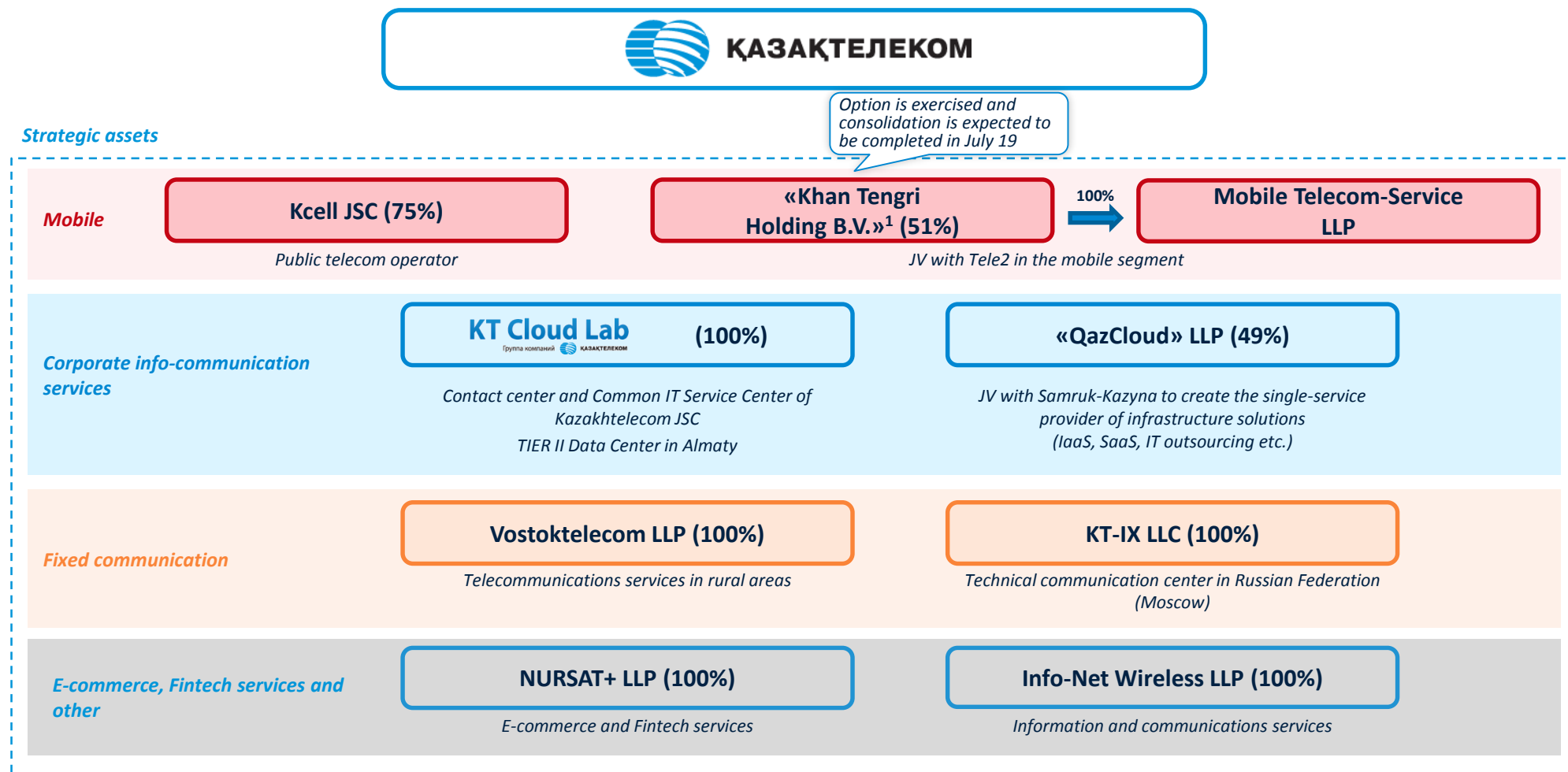


Source: Company data, Bloomberg as at 27 March 2019, public sources

<sup>1</sup> 2018 results as per brokers' estimates; <sup>2</sup> As at 2017; <sup>3</sup> Calculated as (EBITDA – Capex) / EBITDA; <sup>4</sup> Average ARPU for JV Altel/Tele2; <sup>5</sup> For Russia region only; <sup>6</sup> Net debt includes all outstanding liabilities of Kcell; Revenue, EBITDA and Capex includes Kcell results only for the period of 11 days (from 21 December 2018 until 31 December 2018)

# Kazakhtelecom group structure

## Kazakhtelecom's subsidiaries and affiliates



<sup>1</sup> JV with Tele2 Sverige AB. Kazakhtelecom JSC holds 51% of the total outstanding shares (49% voting shares)

# Summary of financial and operating performance

	2016	2017	2018	CAGR (‘16A – ‘18A)
<b>Key operating indicators</b>				
Number of fixed telephony lines (mm)	3.67	3.43	2.98	(9.9%)
Number of fixed broadband data ports (mm)	1.59	1.74	1.70	3.4%
Number of mobile subscribers <sup>1</sup> (mm)	6.44	6.91	16.13	58.3%
Number of Pay TV connection points (mm)	0.67	0.74	0.77	7.4%
<b>Key financial indicators (KZT bn)</b>				
Revenue	206	211	223	4.0%
EBITDA	74	76	80	4.1%
<i>EBITDA margin</i>	35.8%	36.2%	35.9%	
Net income	56 <sup>2</sup>	25	43	(12.4%)
<b>Financial position</b>				
Net debt / (net cash)	(7.1)	(28.9)	179.9 <sup>4</sup>	n.m.
<i>Net debt / LTM EBITDA</i>	(0.1x)	(0.4x)	2.3x <sup>4</sup>	
<b>Capex</b>				
Capex <sup>3</sup>	16	30	50	77.0%
<i>As % of revenue</i>	7.8%	14.4%	21.5%	

Source: Company data

<sup>1</sup> Altel/Tele2 JV subscribers in 2016-17 (Kazakhtelecom and Tele2 own 51% and 49% of share capital and 49% and 51% of voting rights of the JV respectively), Altel/Tele2 JV + Kcell subscribers in 2018

<sup>2</sup> Net income in 2016 includes the profit from the discontinued activity of ALTEL JSC in the amount of KZT40,959.8mm

<sup>3</sup> Excluding capital expenditure of mobile segment

<sup>4</sup> Net debt includes all outstanding liabilities of Kcell; EBITDA includes Kcell EBITDA only for the period of 11 days (from 21 December 2018 until 31 December 2018)