ANNUAL REPORT

ANNUAL REPORT
OF TRANSTELECOM

2018

Nur-Sultan 2019

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About the report

Transtelecom Joint-Stock Company (hereinafter - the Company, Transtelecom JSC) hereby presents to the reader's attention the Annual Integrated Report of the Company for the year 2018. This report covers key performance indicators, necessary information for consumers, investors and partners, as well as the prospects for Company's further development. The Company also focuses on high standards of corporate governance and sustainability.

Transtelecom JSC seeks to submit on time complete information about results of its performance that meet the expectations of all stakeholders. Since 2015, Transtelecom JSC publishes annual reports that cover information about results of its operations and sustainability, in particular, on issues of labor and environmental protection, industrial safety and social responsibility.

To make the Integrated Report useful and concise, we included to it the links to additional sources of information, including to the Company's website.

Reporting period and report boundary

The reporting period is from January 1 to December 31, 2018. Company's performance indicators are presented in dynamics for 2016, 2017, 2018.

Information about financial and economic results is provided in financial statements as of December 31, 2018 and published on the corporate website at www.ttc.kz.All financial performance indicators of Transtelecom JSC are expressed in tenge in accordance with the audited financial statements prepared in conformity with IFRS.

Integrated report has been drawn up in English, Russian and Kazakh languages and will be posted on the corporate website: www.ttc.kz.

Paper copies of the Report may be submitted to stakeholders upon request. We will also prepare a Web version of the report this year.

Report determination process

In an effort to fully and objectively cover the results of its activities, the Company discloses in its Reports both the achievements and difficulties of the reporting period.

Principles of Report determination:

- Interaction with stakeholders;
- Sustainability Context;
- Relevance;
- Completeness;

The report covers a wide range of issues in accordance with the Company's priorities, including long-term economic growth of the Company, labor and environmental protection, human assets development.

The information in the report is comprehensible for stakeholders and the general public, does not include complex technical terminology and generally does not contain information requiring special technical, technological and economic knowledge and skills. The information in the Report is reliable. The Report includes charts, tables and graphs for a more visual and accessible presentation of the material as well as list of abbreviations.

Statements for the Future

The information provided in the Report relates to the future events and is based on predictions. Such words as "believes", "anticipates", "expects", "estimates" "intends", the indicators marked as "plan" and similar expressions indicate that the issue is about the forward-looking statement. Actual results may differ materially from planned and target indicators, expected results, estimates and intentions contained in forward-looking statements. Forward-looking statements are only valid on the date of the Report release. The Company does not guarantee the actual achievement of the expected results provided for n the forward-looking statements, therefore, they should not and cannot be considered as the most likely and standard scenario.

Certification

The drawing up of integrated annual reports is important for improvement of the information transparency of the Company and also contributes to effectiveness of internal business processes.

01

INTRODUCTION

The message of the Chair of the Board of Directors

Speech of the Company's CEO

Key indicators

Highlights of the year 2018



Transtelecom rebranded. Part of the rebranding is the change of name from Transtelecom to TTC



Transtelecom reached a partnership agreement with Waves Platform to integrate Vostok blockchain platform on the basis of Transtelecom JSC.



Transtelecom entered into the largest joint PPP project in Kazakhstan to provide Kazakhstani villages with broadband Internet.



The share of Transtelecom JSC revenue from the sale of IT services over the past year increased and amounted to 24.4% of total revenue from core activities



TTS launched ICO laboratory as part of the international presentation of the technology park of IT startups Astana Hub

The message of the Chair of the Board of Directors

Dear shareholders, investors, partners, and customers!

Transtelecom JSC, according to the plan, is transforming into a digital service provider and at the same time optimizes its organizational structure and business processes.

In 2018, Kazakhstan proceeded to the implementation of the Digital Kazakhstan national program. This Program aims at speed-up of economic development of the Republic of Kazakhstan and life quality improvement through digital technologies and conditioning of Kazakhstan economy transition to a digital line.

In this regard, Transtelecom JSC is conducting a large-scale reformation, which makes the Company one of the largest players in the digital market of Kazakhstan and makes the Company one of the leading drivers in the development of digital and IT technologies in the country.

About two years have passed since the approval of the Company's Development Strategy. During this time, both the external environment of the Company and the Society itself have changed. Thereby during the achievement of its goals, the Company faces multiple external and internal challenges that prompt the Company to revise the existing provisions of the Development Strategy.

Over 2018, we took several important steps towards the development of our Company and the achievement of strategic goals approved by the Board of Directors.

The current operational and financial results achieved testify that the chosen development model of the company, aimed at fundamental internal transformations is effective.

Traditional operator services that bring a significant share of revenue continue to be systematically improved towards customer loyalty improvement through the quality of services provided, optimization of internal processes.

Also, since the Company has been transformed into an IT integrator, except for cloud services development, the Company designs other products under world-class trends.

The sustainability principles are integrated into our business strategy, which is expressed in the daily activities of the Company. The Company strives to reduce the negative impact on the environment, ensure high standards of occupational safety, as well as build a constructive dialogue with all stakeholders.

I am sure that further implementation of the Strategy will allow the Company to continue strengthening its leading position in the telecommunications market through the steady growth of business in new areas, services expansion, and customer service improvement, which will ultimately contribute to the Company's investment attractiveness.

On behalf of the Board of Directors, I express gratitude to all the employees of the Company who, as part of the corporate strategy, have provided decent work results for 2018. We plan to continue to work in the interests of shareholders and customers of Transtelecom JSC to increase the value of our assets, increase profits and capitalize the Company.

Vice President for Infrastructure projects,
NC KTZ JSC,
Chair of the Board of Directors, Transtelecom JSC
Bauyrzhan Pazylbekovich Urynbassarov



Speech of the Company's CEO

Dear shareholders, partners and colleagues!

I am pleased to present to you the Annual Report for 2018 on behalf of the Management Board of Transtelecom JSC.

The year 2018 has become for us a year of stable growth and market share increase through development of drivers of technological advantages and improvement of the company's brand positioning.

In compliance with our Strategy, the share of Transtelecom JSC revenue from IT services sale over the past year increased and amounted to 24.4% of total income from core activities. The prove of positive dynamics is the increase in sales revenue from satellite communications and data transmission services, which grew by 33%, international transit services - by 9%, Internet access services - by 8%.

Transtelecom JSC also continues to support the digitalization vector in the country, remaining a reliable partner of the state: the Company since 2017 provides free Internet access at all Population Service Centers (PSCs) in Astana.

As part of the Digital Kazakhstan Program, Transtelecom JSC makes maximum efforts to promote and qualitatively develop ICOs, which contributes to the further dynamic growth of the Kazakhstan ICT industry. At Astana Hub international presentation of the technology park of IT startups, Transtelecom JSC launched an ICO launch laboratory built under the blockchain technology. The platform is a fully domestic development and is designed to attract investment capital.

One of the priorities of Transtelecom JSC is to support talented youth. The Company annually holds active educational events. And as we approach the Year of Youth in Kazakhstan, one of these events was the Academic Competition of TTC which elicited a wide response among graduates of the country's universities. Speaking as a leader of opinions, Transtelecom JSC became the organizer of the "TTC cup" - the first corporate cyber tournament on DOTA 2 for non-professionals with the participation of teams from various companies of Kazakhstan. The limelight event relished the media attention to the Company's brand.

Transtelecom JSC also took part in "The Second Five-Year Plan of Industrialization. Made in Kazakhstan" the national teleconference.

Building on the customer-focused product offers, Transtelecom JSC launched a project with Passenger Transportation JSC - a flexible tariff management system taking into account the main factors (seasonality, competitive market, weather conditions, passenger demand, historical data, etc.) thus affecting the ticket price of all commercial and socially significant routes within Kazakhstan. The system will increase the competitiveness of railway transport compared to other modes of transport (air and auto), expand the range of services provided for passengers, allow analytical work to identify the current situation, based on historical data, thereby identifying the periods of high and low demand depending on the number of available seats to provide more flexible tariffs for all segments of the population.

Along with IT brand, Transtelecom JSC develops own HR brand making the optimization of business processes and human resources of a particular priority. Thereby the labor productivity per person in 2018 amounted to 24,409 thousand tenges/person.

The Company tends the issue of development and arrangement of the internal corporate culture, since this gives an opportinuty to each employee to reveal and maximize his potential, which allows the team to grow and achieve professional success.

Qualitative incentives by means of competitive and transparent remuneration system, a decent social packages create opportunities for personal growth, which affects the success of the Company's mission as a whole.

Transtelecom JSC continues to effectively perform strategic tasks by increasing brand awareness and public loyalty, maintaining a reputation of a reliable partner and a successful major player in the business environment. Through improvement of our services we strive to be in the global trend of innovative IT integrators based on creativity, customer focus and the latest digital services in our portfolio of projects.

Through the development and improvement of the corporate governance system, we are aimed at systematization and improvement of the current procedures and processes. They are focused on identification of new drivers for system efficiency growth, searching for mechanisms and methods that accelerate routine procedures to free up TOP management time for more intellectually complex tasks and making objective, balanced, well-thought-out decisions.

We continue to focus on leading business trends in energy- saving technologies with a positive environmental vector. This is our contribution to the care of the future of Kazakhstan, of the younger generation.

I express my gratitude to the employees, partners and shareholders of Transtelecom JSC for the hard work and unity of the team, the high degree of responsibility to the Company and the willingness to follow our Mission. I am sure that the high professionalism of each of you makes our Company strong, successful and modern, allowing you to lead in your industry and be an active business initiator in the international arena.

I am pleased to present to you the Annual Report for 2018 on behalf of the Management Board of Transtelecom JSC.

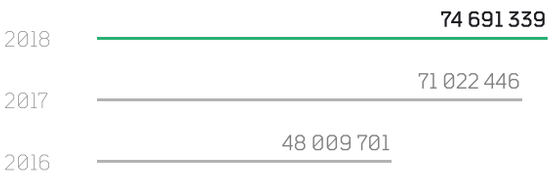
CEO
Transtelecom JSC
Zhanbolat Urakovich Nadyrov



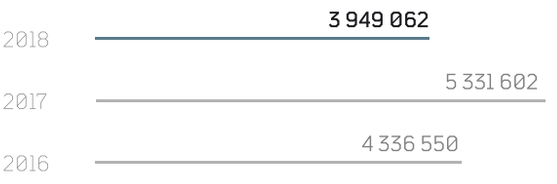
Key indicators

Financial performance

5% ↑ Revenue, KZT th.



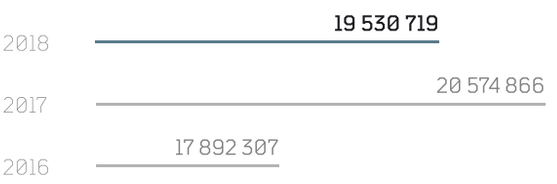
-26% ↓ Net profit, KZT th.



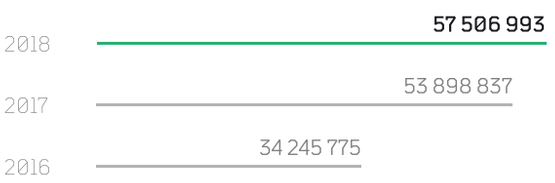
-10% ↓ EBITDA MARGIN



-5% ↓ EBITDA

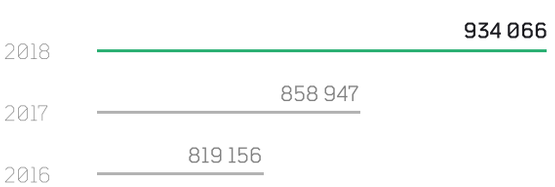


7% ↑ Sale cost, KZT th

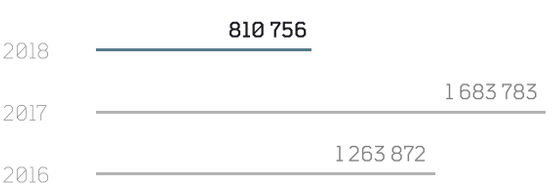


Revenue structure

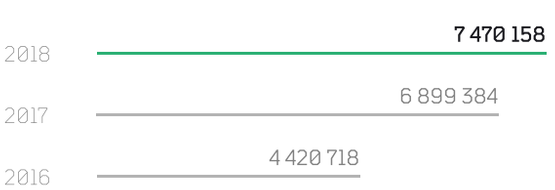
9% ↑ Local telephony, KZT th.



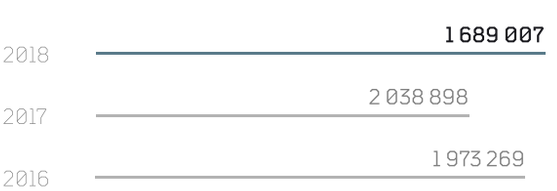
-52% ↓ Long-distance and international telephone communication services, KZT th.



8% ↑ Internet access services, KZT th.



-17% ↓ Telegraph communication, KZT th.



33% ↑ Satellite communications and data transmission services

2018	3 435 447
2017	2 586 225
2016	2 342 052

-56% ↓ IT services, KZT th.

2018	18 098 931
2017	41 378 154
2016	20 703 734

-12% ↓ FOLC channel rental services, KZT th.

2018	10 719 463
2017	12 179 355
2016	11 680 410

31% ↑ Average ARPU for 1 subscriber in the who Company

2018	44 724
2017	34 024
2016	27 194

-11% ↓ Average income per 1 OTA

2018	3 672,0
2017	4 118,3
2016	4 299,7

5% ↑ SRC

2018	244 726
2017	233 981

Revenue structure by customer groups

7% ↑ Individuals

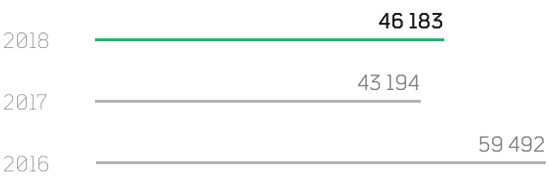
2018	1 264 742
2017	1 183 439
2016	1 114 201

-3% ↓ Legal entities

2018	27 318 400
2017	28 242 153
2016	23 577 742

Non-financial indicators

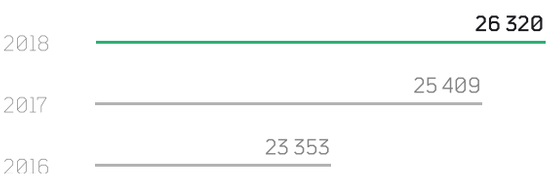
7% ↑ Subscribers individuals



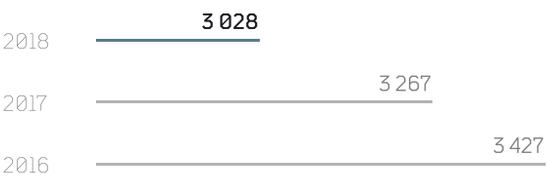
-6% ↓ Subscribers legal entities



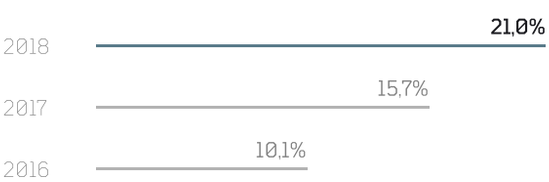
4% ↑ Used capacity for ADSL ports, pcs



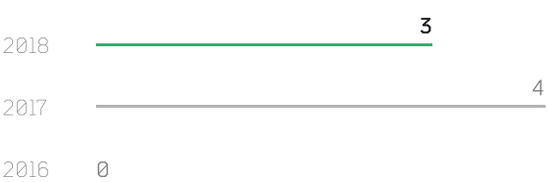
-7% ↓ The total number of staff, prs



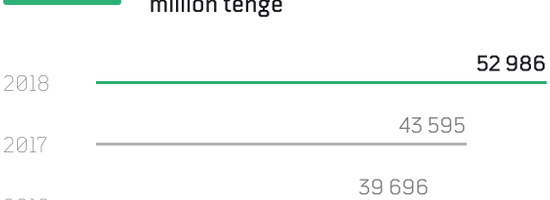
5,3% ↑ Personnel turnover



-25% ↑ Injury rate coefficient



22% ↑ Membership fees, payment to trade unions, charity programs, million tenge

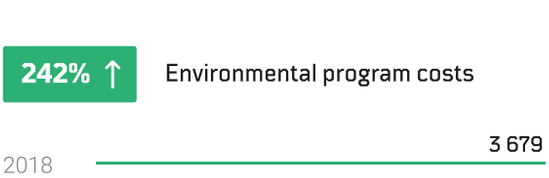


Environmental protection

305% ↑ Air emissions of gaseous pollutants, tons

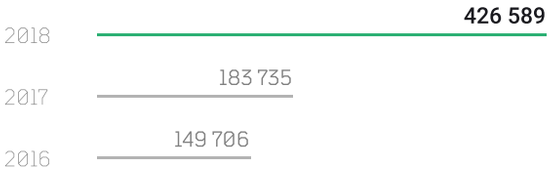


242% ↑ Environmental program costs

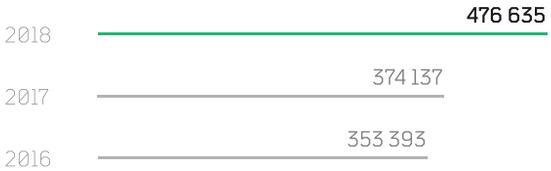


Social matters

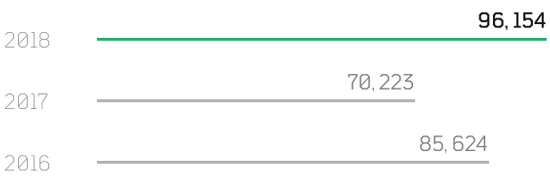
132% ↑ Social payments, KZT th.



27% ↑ Social tax, KZT th.



37% ↑ Labor protection, KZT million



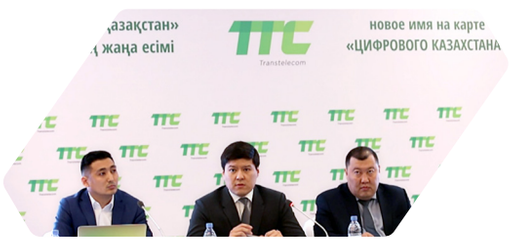
Highlights of the year 2018

February

- All local precinct police stations of Petropavlovsk have been equipped with video surveillance systems supplied and serviced by Transtelecom JSC.
- The Call center of Transtelecom JSC with a single dial-up number - 191.

April

- Participation in the press conference "New Name on the Digital Map of Kazakhstan"

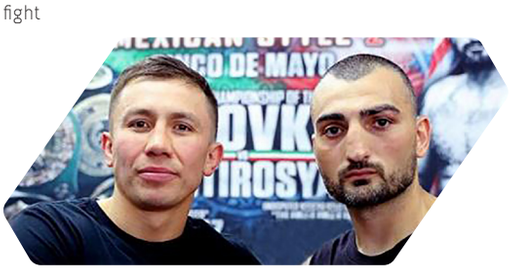


- Transtelecom has been rebranded. The rebranding included the change of name from Transtelecom to TTC



May

- TTC was an advertising partner of Golovkin vs.Martirosyan fight



- TTC organized discussions by way of Town Hall meeting on the topic of "Integration of businesses, educational institutions and the state in training the sought-after qualified professionals in I".

June

- The Kazmedia Center hosted the DOTA 2 TTC cup LAN-final of the cyber tournament.



- TTC celebrated The Day of Communication
- Transtelecom JSC entered into major transaction with Eurasian Development Bank on mutually agreed terms, and pledged its property worth five or more percent of the Company's assets.
- Supported by Transtelecom JSC, schools in the Karaganda region are moving to electronic grade book.

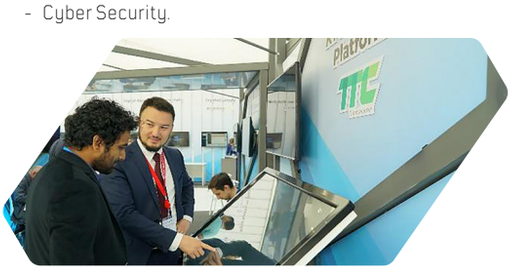
July

- Transtelecom JSC in search of talented youth holds an educational competition among graduates of the bachelor's degree of 2018 in 3 areas:
  1) IT;
  2) Telecommunications;
  3) Information security;



- Transtelecom JSC was the General Partner of AIFC DIGITAL EXHIBITION

  At the exhibition, the Company showcased 3 key projects. KYC (Know your customer) - person identification and verification based on biometrics and blockchain.ICO (Initial Coin Offering) - is a convenient platform to raise funds for startups.And the third project related to the cyber security - Cyber Security.



- Transtelecom reached a partnership agreement with Waves Platform on integration on the basis of Transtelecom JSC of the Vostok blockchain platform.



August

- Transtelecom JSC held a training seminar on topic of: "Demonstration of WRC ACS and the Car Repair portal".

September

- TTC provides the Kuryk port with high-speed Internet access



- The Company held the third sports and athletic contest among employees of Transtelecom JSC was held.
  This event was held in the winner's branch in the Burabay district.
  As part of the sporting event, the Akmola branch initiated a charity event for children from orphanages in the Akmola and North Kazakhstan regions

October

- We introduced Passenger Transportation introduced a flexible system of price regulation for all commercial and socially significant routes within Kazakhstan
- Transtelecom concluded the largest PPP joint project in Kazakhstan to provide Kazakhstani villages with broadband Internet



- The Company concluded a memorandum with State Technical Service RSE of the National Security Committee of the Republic of Kazakhstan and Transtelecom JSC striving to establish relations for consolidation of mutual efforts, technical and human resources, development of cooperation on informatization matters in part of IS incident response

November

- TTC launched an ICO laboratory as part of Astana Hub international presentation of IT startups technology park



- TTC became the sole Internet service provider at the regular meeting of "The Council of the CIS States leaders"



- TTC supported the K23 eSports team



- TTC supported the country's boxing championship



December

- TTC was a provider of high-speed Internet the Open Republican tournament on Dota2 e-sports discipline



- Participation in the conference on "Information Security in the Industrial Sector jointly organized with the Ministry of Defense and Aerospace Industry of the Republic of Kazakhstan (MDAI RK)



- During the national teleconference "The Second Five-Year Plan of Industrialization. Made in Kazakhstan" the Head of State in on-line mode was introduced to the results of the project entitled "Providing broadband access to villages of the Republic of Kazakhstan using the fiber-optic communication lines technology"



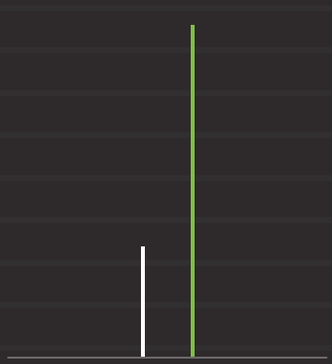
02

COMPANY PROFILE

Timeline

Company Description and Structure

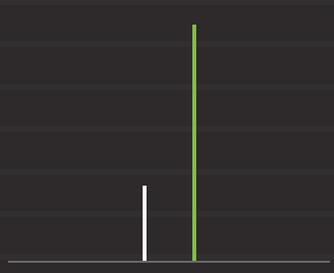
Investment attractiveness



ASTANA TTC

6 515
subscribers

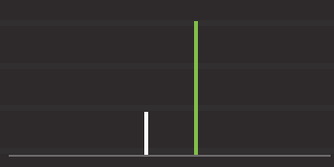
2 212 406
KZT. th



AKTOBE TTC

5 181
subscribers

1 603 809
KZT, th



KYZYLORDA TTC

4 947
subscribers

1 068 407
KZT, th

Timeline

Transtelecom JSC is one of the largest communication operators in the Republic of Kazakhstan. The Company specializes in providing a wide range of telecommunications services, digitalization and system integration in IT, communications, automation and energy.

Stages of development and memorable events of the timeline of Transtelecom JSC

1998

Based on the order of the Republican State Enterprise "Kazakhstan Temir Zholy" "On Optimization of the Alarm and Communication Management System," a subsidiary state enterprise - Transtelecom SSE was established.

1999

August.
The Government of the Republic of Kazakhstan passed a Decree "On reorganization of Kazakhstan Temir Zholy RSE and Transtelecom OJSC spin-off with 100% state participation"

November.
Date of initial state registration of Transtelecom OJSC.

2003

Implementation of an automated billing and technical accounting system

Design of a satellite communication network.

Start of installation and integration of the nodes of data transmission network and provision of a wide range of new customer services, including the Internet access service.

September.
Introduction of a digital automatic telephone exchange (Automatic telephone exchange) at the Almaty station.

Signing of a centralized contract for connection to the network of Kazakhtelecom JSC as a telecom operator.

2004

Transtelecom Open Joint Stock Company was transformed into Transtelecom JSC

Installation of more than 30 new digital ATEs (Automatic telephone exchange)

2005

March.
Transtelecom completed building of 1,340 kilometers of fiber-optic communication line on the Almaty-Astana section

April.
Opening of the Communication Networks Management Center and startup of single monitoring and administration system of FOCL (fiber-optic communication lines) on the Almaty-Astana trunk section.

November.
Transtelecom JSC received an ISO 9001-2000 - a certificate of compliance with the International Quality Management Standards.

2006

March.
Transtelecom JSC took part in the international telecommunication exhibition CEBIT in Hannover, Germany

March.
Transtelecom JSC was awarded the gold medal of the International Fund "For high quality in business practice".

November.
Two operating telegraph stations APSK 120/120 and AT-PS-PD 72/64 were replaced in the city of Almaty with the first digital TSS Vector-2000 (Telegraphic Switching Server)

2007

September.
Implementation of POTOK automated billing system.

2008

January.
The start of telegraph stations upgrading in the cities of Astana (2 pcs.), Kokshetau, Karaganda, Kostanay, Ekibastuz with the replacement of 6 operating telegraph stations AT-PS-PD with one digital Vector-2000 Telegraphic Switching Server

February.
The "Primary Backbone Network" Center was established to coordinate the activities of the primary backbone network and FOCL sections (Fiber-optic communication lines)

March.
Transtelecom JSC for the first time commissioned and put into operation a 45 Mbit Astana-London channel for Orange company.

April.
Building of the SDH OTC KTZ network (Operational and technological communication) on the Almaty-Astana section (equipment & software configuring and testing).

July.
Arrangement of territorial sections of the backbone network (TSBN) in the cities of Almaty, Shu, Kokshetau, Karaganda, Astana

August.
Arrangement of a virtual POP node in the city of Moscow at M9, with capacity of STM1 for rational use of the Company's resources, as well as for operational work to provide customer services outside Kazakhstan

October.
Completion of testing of Astana-Petropavlovsk-Atyrau STM1 level channel, which made it possible to unite (telephony) of the Atyrau branch with the branches of Almaty, Karaganda, Astana, Kokchetau, as well as provide channel leasing services for customers in the city of Atyrau..

October.
Testing of two VC3 Hong Kong-Almaty-Moscow for "British Telecom". The "British Telecom" project were being implemented in other cities of Kazakhstan on the transport network of Transtelecom JSC.

2009

December.
Execution of agreement with Alcatel-Lucent for supply and installation of a large trunk transportation network. The project has been financed by the European Bank for Reconstruction and Development

128 satellite communication systems commissioned a year before, passed electromagnetic compatibility in RCSKS EMC RES JSC (republican space communication center and electromagnetic compatibility of radio electric equipment) and were registered with the Agency for Informatization and Communication of the Republic of Kazakhstan with the subsequent obtaining of permission for the radio frequency spectrum.

2010

June.
Commissioning of data transmission services for Tulpar-1 and Tulpar-2 train of Astana-Almaty-Astana route (Transtelecom JSC's order No.174-П dated June 1, 2010).

June.
Connection of operator's network of KazTransNet LLP and Space.KZ LLP to the network of Transtelecom JSC for the organization of transit telephone traffic in Almaty in PTN (Public Telecommunications Network) and traffic transmission to international destinations and the network of mobile operators.

July.
The State Commission passed a Decree on commissioning of HUB (central control station) OP-39.

August.
The HSPT (high-speed passenger traffic) terrestrial satellite data and voice transmission network was re-connected to the control station of Transtelecom JSC in the city of Astana (OP-39).

September.
Installation of the satellite terminal on the medical train No. 3, for the organization of VC (videoconferencing), data and voice transmission based on the decision of KTZ NC JSC.

2011

Design and Development Department performed works to connect ATX of Transtelecom JSC in Novoishimsky settlement to PTN (Public Telecommunications Network)

September.
Bypassing of fibers from the main cable with a length of 3.9 thousand km was made for the arrangement of communication channels and connection to the trunk line of the divisions of KTZ NC JSC. At that time, the total length of the FOCL (fiber-optic communication lines) was 6.6 thousand km.

2012

Implementation of the first stage of FOCL (fiber-optic communication lines) building on Aktobe-Kandyagash section with a length of 96 km.

Launch of the monitoring system of a CN (Cable network) lying along the FOCL route (Fiber-optic communication lines).

2013

The arrangement of a channel under "The toll road Astana-Schuchinsk" project and the adjustment of the switch and routers equipment for toll roads for EnergoRemServis company was performed. (AL - "service for monitoring" - in conjunction with Kazsatnet and Astel, "fees charging service" - jointly with Kazteleport)

2014

Installation of a new SkyEdge-1 satellite earth stations was organized at 20 railway stations.

Following the results of the year, as aprt of the strategic project of the "Energy Dispatching Traction" automated control system, the EDU automated control system and hardware were installed and commissioned in 856 sections of diesel locomotives and 983 sections of electric locomotives.

The length of FOCL is 8,139 km.

On an ongoing basis, the telephony, Internet and video conferencing (VC) services are provided for "Salamatty Kazakhstan", "Zhardem" and "Densaulyk" medical trains.

2015

Start of privatization of Transtelecom JSC

September.
Deploying of the Kaizen/Lean Manufacturing Production Improvement and Management Process.

December.
According to the Decree No.1141 passed by the Government of the Republic of Kazakhstan "On some matters of privatization for 2016-2020", Transtelecom JSC has been included in the List of assets subject to priority transfer to a competitive environment - 26% -1 equity stake..

December.
The Company deployed 100G DWDM optical transport equipment of Ekinops company In Paris on an optical network covering the entire territory of the country and on the border with China. This is a part of a large network between China and Western Europe.

December.
The entry of Transtelecom JSC into the Kazakhstan Association of Automation and Robotics.

As part of the project the completed installation of the "Energy Dispatching Traction" automated control system in locomotives; since the beginning of the project the ACS has been installed in 1240 sections of diesel locomotives and in 1043 sections of electric locomotives

The FOCL length (fiber-optic communication lines) is 10,954.2 km.

Completion of R&D on "Magistral" ACS (Automated control system). Start of replication on the railway trunk along the RoK.

2016

February.
Transtelecom JSC is a single integrator for the implementation of IT solutions, automation and telecommunications solution for the group of companies of KTZ NC JSC as part of the Transformation Roadmap.

February.
Accreditation and launch of the Certification Authority of Transtelecom JSC.

May.
Participation in the largest annual event dedicated to the development of the market of telecommunication transport networks in Russia and the CIS - "Transport Networks Russia 2016" 7th International Conference.

May.
Official sponsorship of the World Women's Boxing Championship among women in Astana, where 12 licenses for the Summer Olympic Games in Rio de Janeiro were up for grabs.

June.
The purchase and sale agreement for 49% of the shares of Transtelecom JSC came into force.

July.
According to the "National Business Rating" Union, Transtelecom JSC has been assigned the status of "INDUSTRY LEADER".

August.
In the SKR, the information system "Digital Mining" was put into operation in the uranium mining enterprise.

August.
The 1st Summer Sports and Athletic Event of Transtelecom JSC welcomed 16 sports teams in Khadzhimukan Munaitpassov Stadium.

November.
Within the framework of the bilateral meeting, a memorandum of cooperation was signed between China Telecom Global Limited and Transtelecom JSC for the implementation of the "Provision of broadband Internet access to rural settlements with a population of over 250 people" project.

November.
Transtelecom JSC acted as the general partner of "ASTEX-2016" - the largest international exhibition-conference

The FOCL length (fiber-optic communication lines) is more than 15,000 km.

2017

The results of an open two-stage tender for the sale of a 26% - 1 block of shares were announced, the winner

Adoption of the Development Strategy - 2026 of Transtelecom JSC

Launch of Cyber Security Services, "SOC" - Security Operation Center.

New Organizational Structure Entered into Force

Partner of ASTANA EXPO-2017 international exhibition

2018

The Call center of Transtelecom JSC with a single dial-up number - 191.

Transtelecom JSC made a rebranding. The rebranding included the change of the trade name from Transtelecom to TTC

TTC was an advertising partner of Golovkin vs Martirosyan fight

Searching for talented youth Transtelecom JSC holds an academic competition for bachelor's graduates

Transtelecom JSC signed a memorandum of strategic partnership with Waves Platform on integration on the basis of Transtelecom JSC of the Vostok blockchain platform.

Putting into operation two new modular data centers (data processing centers) in the city of Nur-Sultan near the building of Emerald Quarter business center.

Transtelecom JSC is the first Cloud Provider who connected a private Cloud to ETS GO (Unified transport network of government bodies)

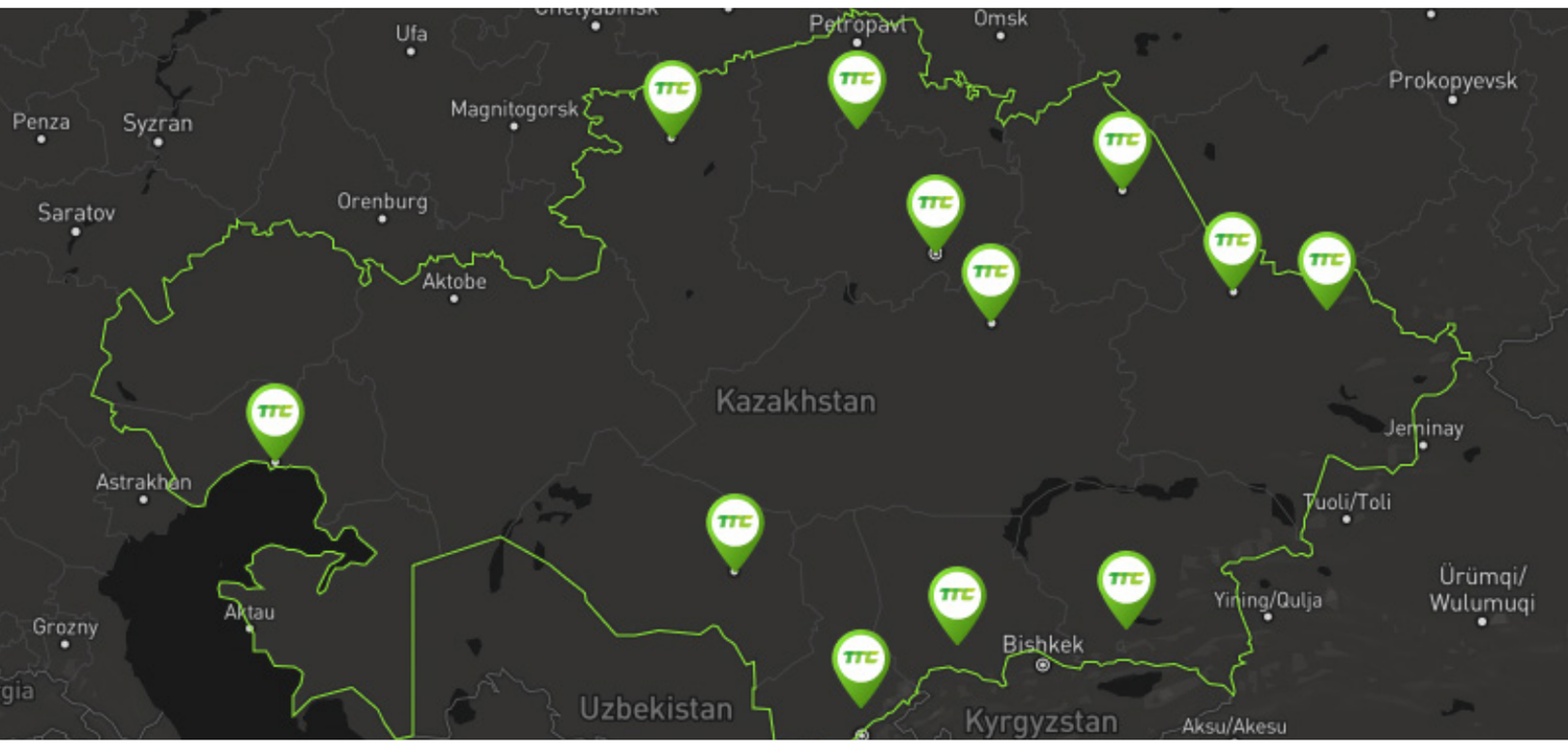
The long-term migration of the KTZ SAP virtual infrastructure from the old TTC Cloud to the new one that started in July successfully completed.

Transtelecom JSC concluded the largest PPP joint project in Kazakhstan to provide Kazakhstani villages with broadband Internet.

Company description and structure

Geography

Our top priority is still to improve the quality of communication and other services rendered in Kazakhstan through networks development and modernization.



Number of subscribers by branches

Branch	Number of subscribers	Revenue 2018
Kostanay TTC	3695	891 949 KZT. th.
Karaganda TTC	4572	1 223 578 KZT. th.
Aktobe TTC	5181	1 603 809 KZT. th.
Atyrau TTC	619	710 563 KZT. th.
Pavlodar TTC	2241	1 074 841 KZT. th.
Almaty TTC	4288	2 104296 KZT. th.
Kyzylorda TTC	4947	1 068 407 KZT. th.

Number of subscribers by branches

Филиал	Количество абонентов	Доход 2018
Aktau TTC	312	91 025 KZT. th.
Semey TTC	4239	936 003 KZT. th.
Astana TTC	6515	2 212 406 KZT. th.
Shymkent TTC	3992	804 214 KZT. th.
CO	163	
Zhambyl TTC	3992	1 030 142 KZT. th.
Oskemen TTC	3381	472 184 KZT. th.
Kokschetau	3860	807 944 KZT. th.

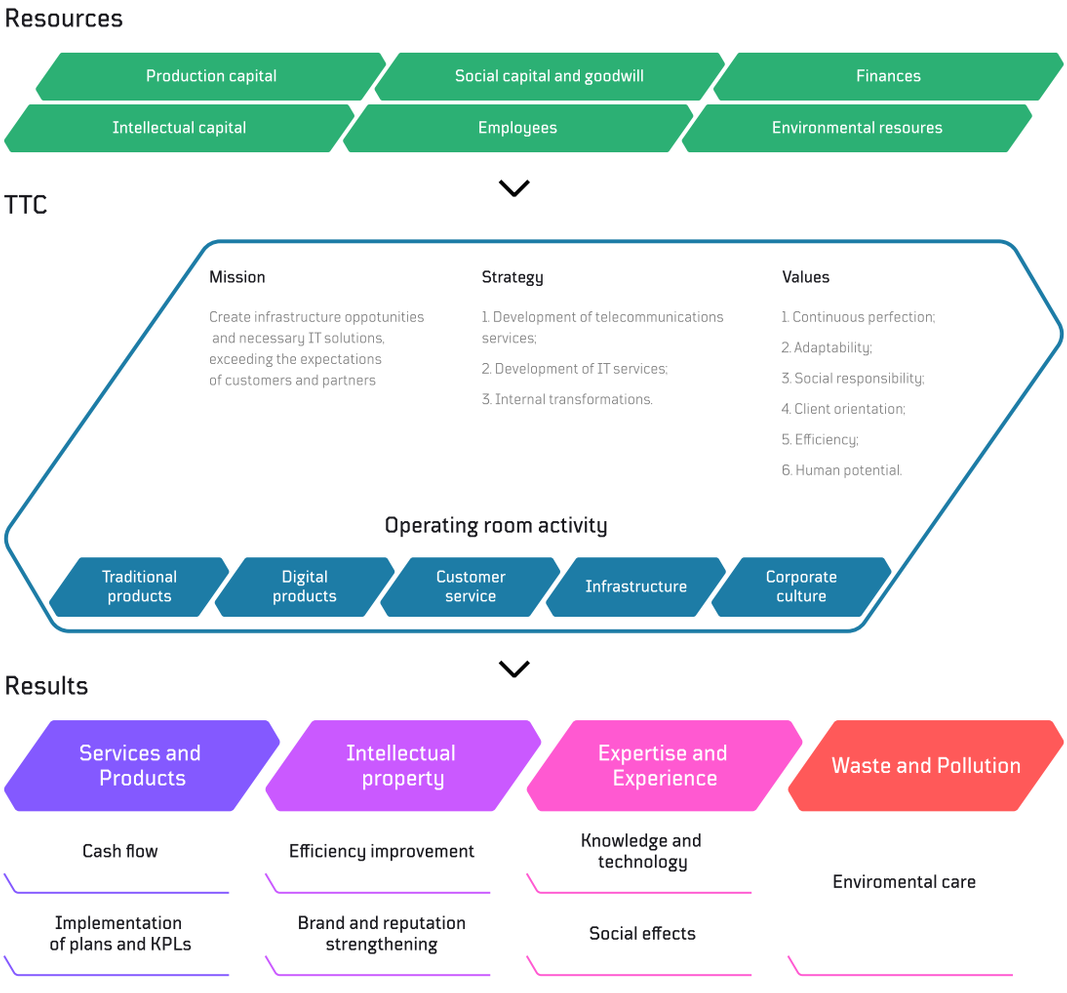
Business model

The Company's business model is aimed at high-quality and modern telecommunication services rendering to its customers and fully complies with the corporate strategy aimed at transformation into an integrated provider of digital services.

Interaction with suppliers is carried out in the framework of open tenders, as well as business meetings, participation in relevant Kazakhstani and international unions and organizations, as well as through publications in the media.

In out relations with suppliers and business partners, we strive to build long-term and stable relationships.

Except for its core business activities, the Company pays great attention to sustainable development issues - creating conditions for the country's economic growth and balancing the interests of key stakeholders. Transtelecom JSC builds a successful business for the benefit of shareholders and also creates value for society, improves the quality of life of its customers throughout the country.



Investment attractiveness

The telecommunications industry in Kazakhstan is an attractive segment of the economy for both long-term and short-term investors.

Thereby, Transtelecom JSC has strong competitive advantages allowing to ensure a stable cash flow and to demonstrate decent operating results even in difficult macroeconomic conditions, supplemented by rapid change of technologies and customer preferences.

Apart from successful responding to market challenges, Transtelecom JSC also effectively uses the newly created opportunities. Thanks to high-quality assets, smooth business processes and accumulated competencies, the Company is able to demonstrate steady growth in the core sectors of its operation.

03

STRATEGIC REVIEW

Telecommunications market analysis

Regulatory Environment Overview

Licenses

Development Strategy



VOLUME OF THE WORLD IT MARKET

According to preliminary estimates by IDC, the volume of the global IT market in 2018 reached $ 4 trillion, an increase of 4.2% compared to 2017.



ANALYTICS FOR 2019

Based on analytical data, the telecommunications market in 2019 will not have significant growth, since the market is more in the stage of stagnation than growth, there are also no visible powerful drivers that can give a powerful impetus to the market.

Telecommunications market analysis

Industries description

4.2% increase in IT costs up to $ 4 trillion - IDC

According to preliminary estimates by IDC , the volume of the global IT market in 2018 reached $ 4 trillion, an increase is 4.2% compared to 2017. At the end of 2019, a 3 percent decline is forecasted due to problems in the economy associated with increased import duties, increased interest rates of the Federal Reserve System USA, damped growth of the Chinese market and the completion of the capital spending cycle in companies.

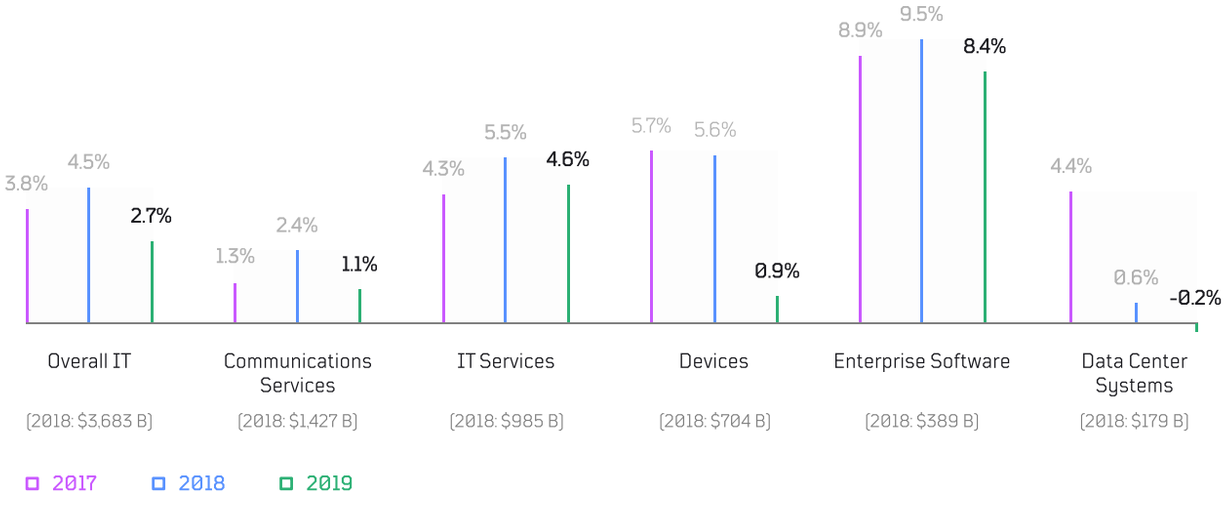
By 2022, global IT costs will exceed $ 4.5 trillion, with a highest growth demonstrated by services and software related to the so-called third platform (cloud computing, mobile technology, big data, analytics and social services) and digital transformation projects. Cloud providers and their investments in data-centers infrastructure will become the main driver of the IT equipment segment.

According to Gartner, the IT Market Growth Accelerates through the Enterprise Software

October 17, 2018 Gartner analytic company presented an updated forecast for the global IT market. Experts predict the cost of information technology on a global scale by the end of 2018 to reach $ 3.7 trillion, an increase is by 4.5% compared to 2017. In January, researchers predicted costs of $ 3.68 trillion and the same increase of 4.5%.In 2017, the market grew by 3.9%.

According to analysts, the main driver of the global IT market growth in 2018 was corporate software, the sales of which will grow by about 10%. SaaS Model (provision of software as a service) stimulates growth in almost all software segments, especially in CRM, since it pays attention to customer service improvement. The experts predict that costs of cloud services will grow by 22% in 2018, while sales of traditional software installed on client computers will increase by only 6%.

Global IT Spending Growth Forecast, by Segment



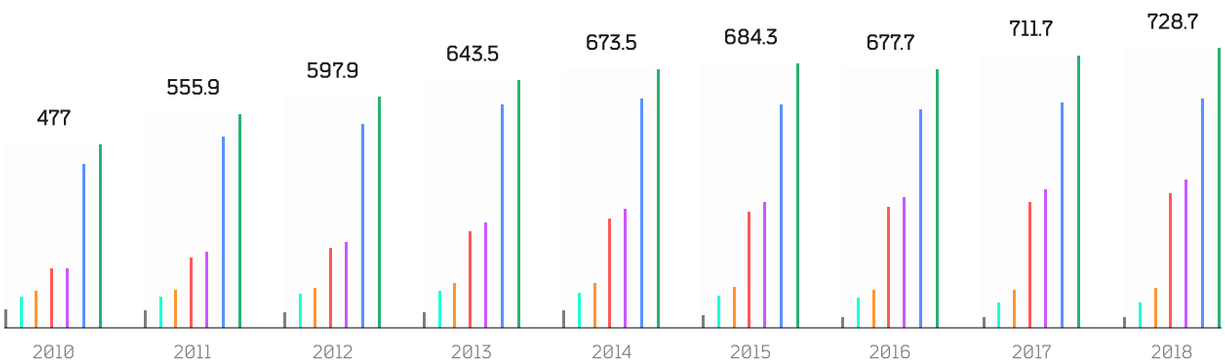
ICT Market Review 2018.

For 12 months of 2018, the entire communications market in Kazakhstan amounted to 728.7 billion tenge ($ 2.1 billion with an average weighted rate of tenge against the US dollar at 344.71) as compared to 711.7 billion tenge for the same period of 2017 - operators earned 17 billion tenge more. The growth to the previous year amounted to 2.4%.It is worth noting that the growth rate has been steadily declining in recent years.

Revenues from long-distance and international telephone services in Kazakhstan in 2018 amounted to 28.8 billion tenge, which is 4.1% less than in 2017; from local telephone services - 39.5 billion tenge (4.4% less); from services of data transmission over telecommunication networks, wire and wireless - 37.15 billion tenge (25.7% more); from the Internet - 244.6 billion tenge (10% more); from distribution services - 33.5 billion tenge (10% more); from mobile services - 214.8 billion tenge (3.4% less); from other telecommunication services - 128.3 billion tenge (neutral).

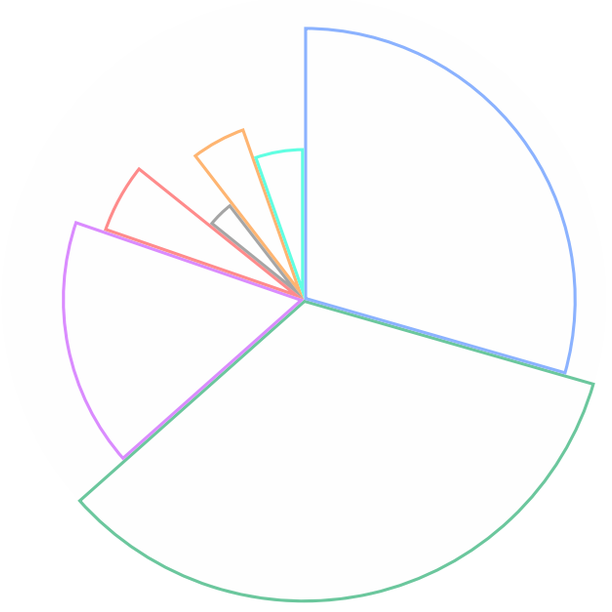
The graph below shows that the the market capacity, expressed in national currency, is growing mostly. Until 2013, the growth rate is very high - at least 7.5%.But since 2014, the growth has been falling sharply with a degradation demonstrated in 2016. In general, recent years indicate that the market has reached a plateau - since 2015 it has grown by only 6.5%.If we compare the revenues that the market generated in 2018 to what it was in 2017, the growth was only 2.4%. This is almost twice less than the growth of the economy of Kazakhstan (in 2018, it grew by 4.1%). Moreover, until the middle of 2018, the industry revenue growth indicator looked very promising - about 6%.But finally it decreased to the above mentioned 2.4%.

The telecommunications market share and its structure, 2019-2018, billion tenge



According to the results of 2018, the market structure is as follows, the three largest segments (mobile communications, Internet services and other telecommunication services) make up near 80.65% (587.7 billion tenge of 728.7 billion tenge) of the communications market revenue as a whole. See details in the diagram below.

The structure of income from communication services in Kazakhstan for 2018



33.56%	Internet
29,48%	Mobile connection
17,61%	Other communication services
5,41%	Local telephone communication
5,10%	Data transfer
4.87%	Program distribution
3,96%	Domestic long-distance telephone communication

Service Penetration Levels

In this part, we will consider how the subscriber base of communication service users has changed. In January 2018, the number of fixed telephone lines amounted to 3.638 million units, mobile subscribers - 26.67 million, and mobile subscribers with Internet access - 14.07 million. Finally, fixed Internet subscribers - 2.63 million units. In December 2018, the number of fixed telephone lines decreased to 3.35 million (-8%), mobile subscribers - to 26 million (subscriber base decrease by 2.5%), mobile subscribers with Internet access increased to 14.43 million (+ 2.6%). The number of fixed Internet subscribers decreased by 6% to 2.47 million. According to the results of December, the penetration rate of SIM cards in Kazakhstan amounted to 141% (the indicator is decreasing), while the proportion of subscribers who use mobile Internet reached 55% (here we can see the growth).

Summary

Based on the analytical data, the telecommunications market in 2019 will not have significant growth, since the market is more in the stage of stagnation than growth, there are also no visible powerful drivers that can give a powerful impetus to the market. It is worth noting that potential drivers enter the market, for example, such as 5G, financial technology products, the development of marketplaces and media, but the main income in the telecommunications market of Kazakhstan is generated mainly by the Internet and voice traffic, and no changes are expected in this segment.

Source: https://profit.kz

Regulatory environment overview

The activities of Transtelecom JSC are regulated by the authorized body in the field of telecommunications - the Communications, Informatization and Information Committee of the Ministry of Investments and Development of the Republic of Kazakhstan (hereinafter referred to as the CIIC MID of the Republic of Kazakhstan).

CIIC MID RK within its competence carries out state regulation of activities in the field of communications, information and "e-government", the implementation of state policy, government regulation and control in the fields of natural monopolies, as well as in regulated markets in the field of telecommunications and etc.

Licenses

The Company is regulated under the following licenses:

Licensor	Number	Date of issue	For a fixed period till	Activity type	Validity area
Communications, Information and Informatization Committee	000677	09.11.2004	No	International telephone services	Republic of Kazakhstan
Communications, Information and Informatization Committee	000578	09.09.2004	No	Telecommunication services on a dedicated communication network	Republic of Kazakhstan
Communications, Information and Informatization Committee	000564	30.06.2004	No	Local telephone services	Republic of Kazakhstan
Communications, Information and Informatization Committee	000570	30.06.2004	No	Data transmission services (including Internet and telegraph services)	Republic of Kazakhstan
Communications, Information and Informatization Committee	000595	30.06.2004	No	Mobile telecommunications (including mobile radio/radiotelephone, trunk and paging services)	Republic of Kazakhstan
Communications, Information and Informatization Committee	000569	30.06.2004	No	Data transmission services (including Internet and telegraph services)	Republic of Kazakhstan
Communications, Information and Informatization Committee	000579	30.06.2004	No	Private networks organization services (leasing of communication channels and network infrastructure elements)	Republic of Kazakhstan
Committee for Construction, Housing and Communal Services, and Land Management	14014979	06.10.2014	No	Building and installation works	Republic of Kazakhstan
Committee for Construction, Housing and Communal Services, and Land Management	14013098	08.09.2014	No	Project activities	Republic of Kazakhstan
The Agency of the Republic of Kazakhstan for Construction and Housing and Utility Services	12015021	25.10.2012	No	Exploration Activities	Republic of Kazakhstan
Communications, Information and Informatization Committee	001885	31.03.2008	No	IP-telephony services (Internet telephony)	Republic of Kazakhstan
Committee of Atomic and Energy supervision and control SE of the Ministry of Energy of the Republic of Kazakhstan	17014561	16.08.2017	Until 16.08.2022	Provision of services in the field of the atomic energy use	Republic of Kazakhstan

Development strategy

In January 2017, the Board of Directors adopted the Development Strategy of Transtelecom JSC until 2026 (Development Strategy), which is aimed at Company's market value (capitalization) increase.

The Company's Development Strategy determines the mission, vision, strategic goal and strategic directions of the Company's development, which correspond to the current state and development prospects of the telecommunications industry. A special attention in the Development Strategy is devoted to the issues of sustainable development and performance improvement.

Mission, vision and values

Transtelecom JSC is engaged in telecommunications, digitalization and system integration in the field of IT, communications, automatics and energy.

Our clients are state and national companies, international and local carriers, authorities, commercial organizations and households.

Our MISSION is to bring Kazakhstan people to digital well-being.

Since the market environment will change in the next three years, resulting in a rapid increase in the use of the Internet and e-business, along with a rapid change in infocommunication technologies, with increasing customer demands for speed of connection/implementation of the product/service and their resiliency, speed of problems resolution upon services rendering and quality of service;

Based on our unique abilities: own fiber-optic backbone network, which unites all major cities of the country, international cross-border crossings, an accredited certification center with a legitimate electronic signature on the territory of the Republic of Kazakhstan and the Russian Federation, an information security center, experience in implementing unique ICT projects, and also our speed and flexibility in decision-making.

By 2021, we will be the first in the Central Asian region in data transit and Internet supply and the first IT integrator in the Republic of Kazakhstan

For this end we:

- Are building a balanced duties-authorities-remuneration system, namely: we shape a flexible organizational structure corresponding to the mission, with the affiliation of the branches for profit; we ensure the adequacy of the branches' authority to conduct business and develop a fair and harmonious remuneration system that takes into account, inter alia, the reliability of the equipment and the quality of customer service;
- Are developing digital strategies that take into account the rapid change of information and communication technologies; increase sales of content and increase the share of foreign exchange earnings;
- Are increasing the borrowing capacity, looking for alternative sources of financing and hedging the currency risks;
- Are entering into an alliance with a mobile carrier;
- Are introducing independently new management tools, carry out separation of operational (run) and strategic (change) functions in management; we are implementing a corporate project management system, a single management reporting information system and a system for expertise control and preservation;
- Are increasing the effectiveness of the marketing function, we are developing a unique positioning and sales proposition, and increasing the Company's awareness in the market;
- Are strengthening the GR function, including to expansion of participation in the Digital Kazakhstan - 2020 program;
- Are developing a partner network for services connection and implementation of solutions; we are introducing the automated application processing systems; ensuring the transparency of the work of linear engineers; we are introducing the integrated automated technical accounting system;
- Are striving to achieve the best quality in customer service, including: a large number of entry points, efficient CRM, a system of standards and quality of service, paperless workflow with the client;
- Are ensuring the infrastructure resiliency by means of the monitoring system improvement, introduction of an optimal system to ensure operation and development (including the supply of materials and spare parts), quality resource planning and cooperation only with quality vendors and contractors;

- Are implementing the incident and technological risk management systems, online monitoring of application execution by the client; we are providing special equipment for quick response to accidents;
- Are opening new junction points and transit routes with carriers with the route optimization to the client, open points of presence at traffic exchange centers in Southeast Asia and North America, provide loyalty and flexibility to partners/carriers;
- Are monitoring and analyzing the trends in the field of ICT, including in other sectors; we are growing the Company's competence in system integration in shopping malls and IT; we are accelerating the creation and launch of new product lines on the market using advanced developments and technologies; we are introducing the specialized services for e-commerce and financial and technical sectors; we are increasing the data center capacity and the number of services for them; we are manufacturing the equipment under our own brand;
- Are introducing a system of SW developers attracting, including a co-working platform, the provision of containers and a CDN platform; we are providing high-quality infrastructure for the sale of their products and place them on our own cloud platform; we are receiving the exclusive rights to distribute products and services of developers;
- Are designing a unified system of business process management and ensuring continuous integrated broadcasting of policies, procedures and news;
- Are creating a corporate university; we are introducing mentoring and continuous staff training, including product training; we are introducing a system for service personnel assessment; we are increasing the level of emotional intelligence in management; we are practicing the rotation of managers;
- Are creating partnerships with universities, conduct practical and laboratory classes on the principles of dual education.

In these activities implementation we rely on our core values:

- We are respectful
- We are constantly improving
- We are a reliable Company, we value our reputation

Company's vision and values

Company's Vision for 2023 is defined as follows:

Diversified carrier of a wide range of ICT services, which implements a large complex projects in the private and public sectors and provides a wide range of services to individuals and organizations.

The key evidences of this statement are the following:

- Provision of services in all market segments
- Combination of service delivery and project implementation
- The presence of a large portfolio of services, that integrate traditional communication services, IT and cloud services.

The key values of the Company stated in the Mission are the following:

- Respect. (We are respectful).

  Perception of clients, partners, competitors as equals, acceptance of their own values and goals, ability to listen and hear them, find common ground and build mutually beneficial relationships, unless this contradicts the values of the Company.

- Perfection. (We are constantly improving).

  The Company continuously strives to both improve the quality of services provided and make their use comfortable for customer use. It also strives to improve its activities, the qualifications of employees and their involvement in Company's activities, the effectiveness of business processes and procedures, and the organizational structure of the Company.

- Reliability and reputation (We are a reliable company. We care our reputation).

  The Company makes efforts to prove and keep the reputation of a reliable service provider and partner, socially responsible and law-abiding market player.

Assessment of the Company's position and prospects for its development

The Company is an active market player with a significant market share in all segments except a b2c one. A proactive approach to work with business clients and a high degree of customer focus, especially in terms of major customers, ensured the Company a good reputation and correct positioning. Experience in major IT projects and creation of cloud infrastructure for their implementation ensured a competitive position of the Company in the cloud services segment. However, business development in the private segment and the provision of services for small businesses was developing on a residual basis, due to the focus on large business, which led to a predominantly project-based approach to the provision of services by the Company and poor development of access networks, delayed actions to create and promote a passive brand, a passive branch positions in terms of securing the revenue side of the budget.

In the framework of the Development Strategy until 2023 the Company will focus on four key strategic areas:

- b2c segment

  In which the Company will increase its share due to the acquisition of a large pay-TV operator and continue its expansion into this market due to additional sales on the combined subscriber base of double and triple-play services, as well as offering subscribers a new set of services - cloud services and non- ICT services of partners sold through the marketplace;

- b2b/b2g segment

  In which the Company will strive to transform its business model towards offering a wide range of services to a wide range of clients in the format of packages formed according to industry characteristics and client size;

- b2o segment

  In which the Company will focus on the formation of a value proposition of services, in which, by improving the quality of services and customer service, it will be able to differentiate from competitors and keep prices for services provided in the context of continuing price competition in the segment

- A segment of new solutions

  In which the Company will expand the range of cloud services offered for other strategic areas in terms of expanding the range of XaaS services in the direction of providing integrated services and packages from them, as well as mass offering of SaaS services and providing subscription software. As part of this segment, the Company will increase its competencies in new markets, such as information security, the Internet of Things, big data and digitalization of business.

Within these strategic directions, the Company sets the following strategic goals:

- The growth of the Company's net profit.
- Operational efficiency increase;
- Expansion of the customer base in all segments, increase of the share of revenue from third-party customers, increase of the share of service revenue.
- Expansion of the Company's product portfolio.

The key factors for successful movement of Transtelecom JSC into the formulated position are internal transformations that ensure the Company's operational efficiency, its adaptability to changing market conditions and the creation of a competitive advantage relative to key competitors.

These transformations are:

- Building a partnership business model within the Company, when the Company retains strategic control over its business, attracting partners to form a product portfolio and perform service functions.
- Transition to a mixed business model, when the project business model which the Company uses is complemented by a product business model oriented to the mass client, both individual and legal entity.
- Arrangement of system of material incentives for all levels of employees of the Company, linked to the performance of the Company as a whole and of each employee as individual.
- The transition to a system of multiple profit centers in the Company, making Company's branches and individual divisions of the central office working with individual clients or groups of clients responsible for financial result.
- Expansion of the planning focus beyond operational and financial performance, introduction of both financial planning practices, but also long-term rolling planning on key non-financial resources of the company – infrastructure, product portfolio, competence set, improvement and automation of business processes.

04

OPERATING RESULTS

Services

Large and strategically important investment projects of 2018

Customer base

Customer Relationship Development

Participation in charters and associations



Office solutions: organization of work-places, service-desk, printing service, network organization service, ITSM services;



Servers: cloud services, data center, sale of hardware and software

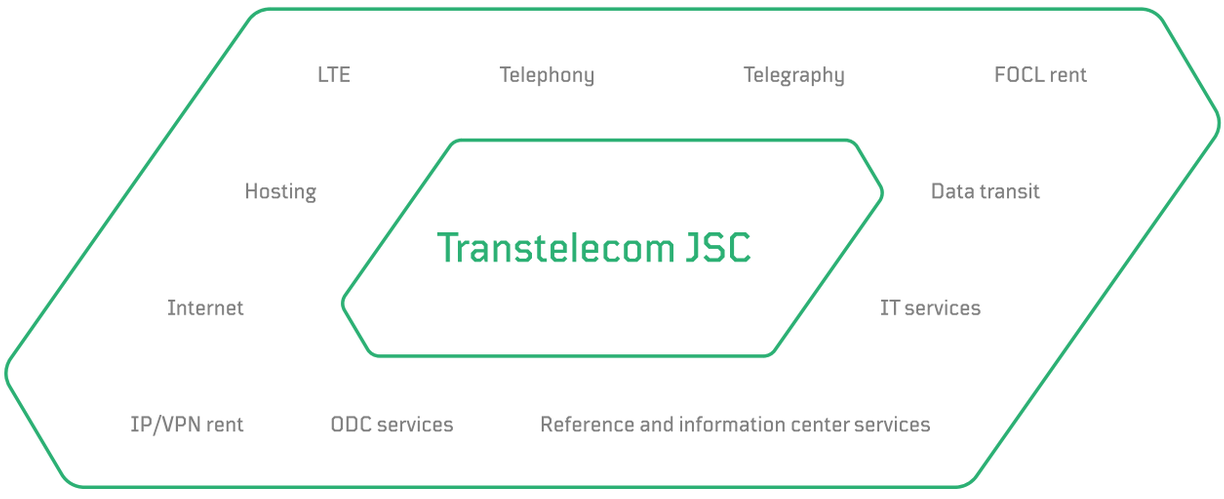


Document management: electronic document management, certification center, electronic archive, information security;



Additional services: implementation and maintenance of IT systems, video conferencing, contact center, E-learning, Implementation and maintenance of IT systems.

Services



Most services are provided for the following user groups:

- To individuals

  Services rendering to the population;

- To legal entities

  Telecommunication services provided to commercial organizations (joint-stock company, limited liability partnership, etc.), non-profit organizations (state institutions, public associations, public funds, etc. defined by legislative acts)

- To individual entrepreneurs

  Services rendered to individuals using subscriber terminals in a non-residential premises or in a dwelling, for the purpose of carrying out entrepreneurial activities for income extraction.

- To telecom operators

  Services rendered to individuals or legal entities that have received a license to render communication services in the manner prescribed by the legislative act of the Republic of Kazakhstan on licensing.

More detailed information on the services that the Company render is presented in the Annual Report for 2017.

Additional services (ASs)

Additional services will help you save time, provide cost control, prevent the unauthorized use of your phone.

Outsourcing services

One of the promising areas of activity and expansion of the information services of the Company is IT outsourcing, resolution of problems related to the design, operation and maintenance of information and technical systems of organizations.

The entities that are not participants of information technologies market, may have an IT support as supporting processes category. Due to the growing complexity of IT infrastructure, as well as the lack of staff, many organizations view IT outsourcing as a true solution to these problems.

During the implementation of the projects, the Company proposes the outsourcing of all functions of the information and communication complex and the consolidation of its ICT structure: centralization of the tasks of development, implementation, management, operation and maintenance of information and communication systems in the information and telecommunications operator's office.

Thus, the Company is focused in a lot of similar tasks, thereby increasing the productivity and quality of their implementation. This is the social and economic sense of the service company specialization on IT outsourcing. For large organizations, IT outsourcing will reduce the costs of information technologies use and improve their quality. IT processes standardization increases the transparency of the organization and increases the cost savings.

Transtelecom JSC being one of the largest communication operators of the Republic of Kazakhstan specializes in provision of a wide range of telecommunication and IT services, such as:

- Office solutions: organization of workplaces, service-desk, printing service, network organization service, ITSM services;
- Document management: electronic document management, certification center, electronic archive, information security;
- Servers: cloud services, data center, sale of hardware and software
- Additional services: implementation and maintenance of IT systems, video conferencing, contact center, E-learning, Implementation and maintenance of IT systems.

Large and strategically important investment projects of 2018

For the transport sector

Magistral ACS

The Magistral ACS is an automated system to control the objects of the railway infrastructure in the railway transport industry.

For several years, Transtelecom JSC was engaged in the construction of the Magistral automatic control system. The uniqueness of the project is the scale of railway facilities diagnostics, and the fact that TTC applied this kind of technology for the first time in the post-Soviet space.

The project aims to create a technical and regulatory framework to ensure the transition from scheduled repairs to maintenance of track facilities at the actual state.

During its implementation, we introduced modern measuring systems, including a unique development for flaw detection and travel measuring equipment on the basis of one wagon for main tracks diagnostics. In this case, the monitoring of the condition of railway station access railroads and secondary control is carried out using manual diagnostic tools.

To ensure high-precision positioning, the adjusted coordinates are assigned to the data about defects and deviations be means of the deployed reference network and the constructed digital path model. These two technologies allow us to move from absolute geographic data to track coordinates.

By introducing a hardware-software complex we modernized the Duomatic track machine. The complex allows for automatic repair work on setting the path to the design position. The advantage of the method is the possibility of using design data until the end of the life cycle of a railway track without periodic adjustments.

The interaction between the described solutions is carried out at the expense of "Maintenance and repair of facilities" licensed software (Maintenance software).

This software helps us to automate the maintenance and repair, to increase the efficiency and control over the execution of work, to monitor the current situation and making the necessary managerial decisions at the level of the leadership of NC Kazakhstan Temir Zholy JSC.

Based on the developed forecasting technique, upon statistic data collection, the Maintenance SW collects forecast data for cost planning. The introduction, further improvement and development of the system can significantly increase the efficiency and objectivity of the diagnostic data of the railway road, ensure the level of safety of train traffic and increase their speed. New diagnostic tools are distinguished by their efficiency, a wide range of indicators of the condition of paths and make it possible to switch to their comprehensive assessment.

Upon data accumulation, the technique allows us to analyze the change in the path, predict its technical condition and proceed with the planning of repair work depending on its actual condition. The advantages of the system are improvement of quality and efficiency of management, optimization of business processes, reduction of the human factor, and overall reduction of the cost of railroad maintenance.

The project helps to prevent repairs before or after economically feasible period, increases turnaround times, and reduces the cost of major repairs. After its introduction, the level of defects detection has increased, the speed of data processing has increased, and the integration of measurement results into a single database has become possible. Labor productivity increased by 30%.

Energy dispatching traction Automated Control System

The Energy Dispatching Traction automated control system (EDT ACS) is one of the largest energy saving projects on the railways of Kazakhstan. Its main goal is to reduce the consumption of fuel and energy resources for traction. It is carried out by comprehensive automation of business processes in a locomotive economy through the introduction of an electronic route for the driver.

Being a single integrator for the implementation of automation and telecommunications solutions for the group of companies of the National Company Kazakhstan Temir Zholy JSC, Transtelecom JSC based on the principles of the service model introduced the EDT ACS project. Today, almost all of the country's locomotive traction is equipped with high-precision equipment for measurement of consumption of diesel fuel and electricity.

Also, within the project framework, we deployed the core of the central level of the energy-efficient management system, which is one of its kind in the post-Soviet space. It is based on the implementation of a unique business scheme for the further support of the system and maintenance of locomotives throughout the project life cycle. Services are provided on the basis of SLA - quality assurance agreement.

The project provides a measurement of the technological parameters of fuel equipment and a diesel generator; reliable and accurate calculation of the remainder and consumption of diesel fuel for certain time periods; control and comparison of the actual consumption of diesel fuel/electricity with standard values for various operating modes of a diesel/electric locomotive; indirect diagnostics of fuel equipment of diesel locomotives.

The created system allows you to create an electronic route for the driver, based on the amount of locomotive operation parameters metered by sensors, information entered from the driver's visualization block and from remote terminals.

The system gives the user an automated tool for assessing the level of skill and discipline of locomotive teams; analysis of the modes and the actual workload of each locomotive to take measures for their rational use at work sites and routes.

ACS contains three levels: central server, locomotive and locomotive depot. The first level is responsible for the accumulation of data, processing, preparation of reports, other information necessary for analytical work. System users are connected to it - employees of the depot and the central office.

At the locomotive level we install several devices such as a GPS receiver; Tetra, GPRS - antenna, fuel sensors; coolant temperature sensor, oil in the oil pipe; speed sensor diesel generator; module for inputting analog and discrete signals. Here, technical parameters are collected and transferred to the central server level.

We generally receive information about 25 parameters from each section of the diesel locomotive and 19 parameters from the electric locomotive. This data is used to generate various reports and to fill in the driver's route in automatic mode.

Measuring equipment (level, density and temperature sensors) manufactured in Russia or similar - made in China. These devices have certificates on the type of measuring instrument and verification certificates of authorized bodies in the field of metrology.

The production visualization and identification unit made in FRG is a monitor with a set of control buttons, as well as an input for installation of driver's portable memory module. This module is an individual driver identifier; it is used as a backup channel for transmitting trip data to the central server level.

A data collection device (on-board equipment for data collection, processing and sending) is assembled in Kazakhstan from imported components. Data transmission is carried out through GSM communication (main channel) and a portable memory module (backup).

When Energy Dispatching Traction ACS reached its design capacity, National Company Kazakhstan Temir Zholy JSC reduced the level of annual diesel fuel purchase from 808 thousand tons (with an annual volume of transportation of 294 159 thousand tons) to 554 thousand tons (with an annual volume of transportation of 255 943 thousand tons). These figures clearly confirm the effectiveness of the implemented energy saving system.

Integrated Security

Digital station: informing, safe

The Digital Station project, created for NC Kazakhstan Temir Zholy JSC, involves the progressive development of the digital ecosystem of railway stations. The widespread introduction of digital technology at railway stations will provide a high level of comfort for passengers.

These technologies will help to correctly form the information flow for passenger service, visually display information on a panel of various types and purposes, signs and stands, watches, etc., send audio messages in automatic mode to different areas of the station. The introduction of these systems will expand the information content of digital stations, which, in turn, will increase passenger loyalty.

As a result of the project, clients will have access to modern information and communication infrastructure at railway stations. It will improve the quality of services and allow the use of open data without restrictions. The project will provide passengers with travel comfort through wide and unhindered access to services through digital technologies.

The project will provide passengers with access to the Internet, allow them to use an interactive web portal and a mobile application, receive online alerts about arriving trains, see online train schedules, availability of seats in trains, and view maps of the country's railways. Intelligent video analytics services will also be provided to passengers.

Our days passengers have become more demanding to receive relevant information on the schedule, delays, availability of tickets. They use smartphones, various gadgets, so at the moment they are not fully satisfied with the passenger information system. Wi-Fi wireless access systems are poorly implemented at the stations; there are no mobile applications that would help simplify access to any kind of information.

High-quality operation of technological systems is difficult due to obsolete equipment, which sometimes fails and represents an unfinished system. This does not meet the needs of passengers.

The implementation of the Digital Station project will improve the situation qualitatively. It consists of the following components: railway station server, content management workstation, video wall, information board, seamless WiFi system, web portal and mobile application system, emergency call desks, assistance desks for people with disabilities, racks using Braille and sixth sense. The project aims to build a safe, reliable and competitive information and communication infrastructure at stations.

Internet on trains

In recent years, the Internet has become, without any exaggeration, one of the most important human needs. The project "Internet on trains" will enable passengers to stay in touch throughout the journey, use the Internet for entertainment, and be aware of the latest news. The customer of the project is Passenger Transportation JSC. The tariff for services rendering in one train is 2.5 million tenge per month. Costs will be covered by additional payment for services at the request of the passenger.

To provide the Internet to passengers in a train traveling at high speed, we use a broadband channel of satellite communication systems with a coverage area throughout Kazakhstan. The bandwidth of the channel is at least 3 Mbit/s per 1 train.

To date, 6 Talgo trains of Nur-Sultan - Almaty route have this service. The dining wagons are also equipped with televisions and set-top boxes, which provide broadcasting of satellite TV channels.

The main goal of the project is to provide trains with communications. The project will give a new impetus to the development of passenger transportation and affect customer satisfaction with rail services.

The technology is a combination of satellite signal and 3G/4G signal. The system will significantly increase the data transfer rate for using the Internet in trains. This will ensure uninterrupted and quality communication throughout the route of the train. Passengers will be able to be aware of the latest news, have access to social networks, entertainment services, messenger, surfing the Internet, use e-mail, and video calls.

Dynamic pricing

Dynamic pricing is a system that maximizes total and specific revenue and profit. It allows you to increase the total passenger flow and increase the efficiency of the use of rolling stock through intelligent tariff management for the organization of passenger transportation for all types of communications.

The transition of the railway industry to digital "rails" has brought a lot of new things. Today, each of us can purchase tickets without leaving home, see the availability of seats, order cargo transportation services, etc.

Transtelecom specialists are implementing projects in the railway industry that will make passenger transportation even more comfortable.

The pilot project of Transtelecom is called the Automated Tariff Management System of Passenger Transportation JSC. The system will allow flexible management of fares, taking into account the main factors affecting the cost of a ticket.

This includes seasonality, a competitive market (the need to lower prices in comparison with other carriers, for example, air and auto services), weather conditions, the need of passengers. Using the system, one can even collect and analyze the information issued 5 years ago.

In 2018, Passenger Transportation JSC introduced a flexible system of price regulation for all socially significant routes within Kazakhstan. There are no analogues of such a project in the post-Soviet space.

Today at peak periods (holidays, summer vacations) there is an additional deficit of 200 cars for certain routes. If there is an increased demand for tickets, it is possible to increase the seats offered by the carrier by connecting additional cars to the train.

The fare management system also allows passengers to buy tickets with more favorable fares. A flexible system of price regulation is introduced under the dynamic tariff management program. When passenger buys a ticket 45 days before the travel, a passenger can purchase tickets to any destination within the country with a 25% discount.

Implementation of the project will increase total and specific revenue and profit, total passenger traffic, increase the efficiency of rolling stock use by intelligently managing tariffs for passenger transportation organization for all types of communications.

The project provides for empirical pricing, it helps to respond to customer needs, monitor competitors and adjust business strategies. As a result, a global approach to revenue management is emerging.

The advantages of the profitability management system in passenger transportation allow us to organize an operational analysis of passenger flows, revenues, supply and demand, set dynamic tariff levels for commercial and subsidized routes, generate medium and short-term forecasts of transportation demand, revenues, quickly change tariffs, monitor and analyze efficiency sales.

The system will increase the competitiveness of railway transport compared to other types, expand the range of services, and renew the fleet of passenger cars. Analysis of the current situation, taking into account historical data, will make it possible to identify peak periods and periods of reduced demand, and to regulate passenger flows.

Since project implementation, starting from July 1, 2018, the growth in revenue for 6 months compared to the same period in 2017 on the carrier's commercial routes was + 16.6%, the growth in passenger traffic was + 4.2%. Over the five months of this year, revenue growth compared to the same period in 2018 on the carrier's commercial routes was + 11.1%, passenger traffic growth was + 13.3%.

ISMS

Information Security Management System (ISMS).





Transtelecom JSC is a Leading Managed Security Service Provider. In 2017, based on the best international practices, Transtelecom JSC built an information security operational center (ISOC).

In 2018, Transtelecom JSC arranged its information security incident response service (TTC-CSIRT), which joined the international organization in the field of response to computer incidents - FIRST. This made it possible to obtain the status of a trust center in the world community of similar services in IS.

FIRST currently unites over 400 information security incident response services scattered around the world, including TTC-CSIRT service. This service analyzes information on information security events in order to eliminate the causes and conditions of information security incidents; develops recommendations aimed at countering threats to information security.

In 2018 Transtelecom JSC also won an innovative grant for Development of an operational center for industrial cybersecurity project at Kazakhstan Institute of Industry Development JSC. Project objective is to develop the SOC situational center and the cyber incident response service for industrial sector (CERT/CSIRT) by introducing innovative domestic tLab technology.

The project will make it possible to distinguish the Company on the market as an operational center for information security, which will allow:

- To provide its customers with highly accessible and high-quality asset protection services;
- To stand out among competitors due to a new service;
- To increase significantly the company's revenue and profits, thereby increasing its value;
- To acquire new customers, who can further sell other services of the company.
- To positively affect the economic development of the Republic of Kazakhstan, due to increased reliability and security of critical information systems of Samruk-Kazyna Group.

The application of the service within Samruk-Kazyna Group will increase the security of key information assets and increase IT stability, which will lead to a synergistic effect and an increase in the national welfare of the Republic of Kazakhstan.

TTC-CSIRT
Computer Incident Response Service
AO "Transtelecom"

FIRST
Improving Security Together

The STATE TECHNICAL SERVICE
of the National Security Committee
of the Republic of Kazakhstan RSE

Transtelecom

Also in November 2018, for the purpose of long-term and mutually beneficial cooperation in the field of informatization and information security for the further development of the National Center for Industrial Cyber Security, Transtelecom JSC and the Ministry of Defense and Aerospace Industry of the Republic of Kazakhstan concluded a memorandum of cooperation.

Ministry of Defense
and Aerospace Industry of
the Republic of Kazakhstan

Transtelecom

Nationwide

SMART-projects, Smart City

Smart-city is a complex of innovative projects aimed at population's living standards development and improvement using information and communication technologies that solve the critical components of urban services and infrastructure using more effective methods.

Within the pilot, in one of the districts of the city of Astana the following projects have been implemented:

"Safe City" - as a result of introduction of an Integrated Life Sustenance Assurance System, a significant reduction in the number of violations, incidents and damage to property has been recorded.

"Smart-Street lighting." As a result of the smart lighting system implementation, energy savings of up to 48% and operating costs savings of up to 40% have been recorded.

This technology has been also introduced on the territory of EXPO-2017 international exhibition, for light posts, in the number of over 1,000 units,

"Smart-Education" - with the introduction of a system for society education level enhancement and raising the culture of interaction between parents, students and educators, the savings of 300,000 people/hour per year have been recorded, the efficiency and effectiveness of education monitoring has increased.

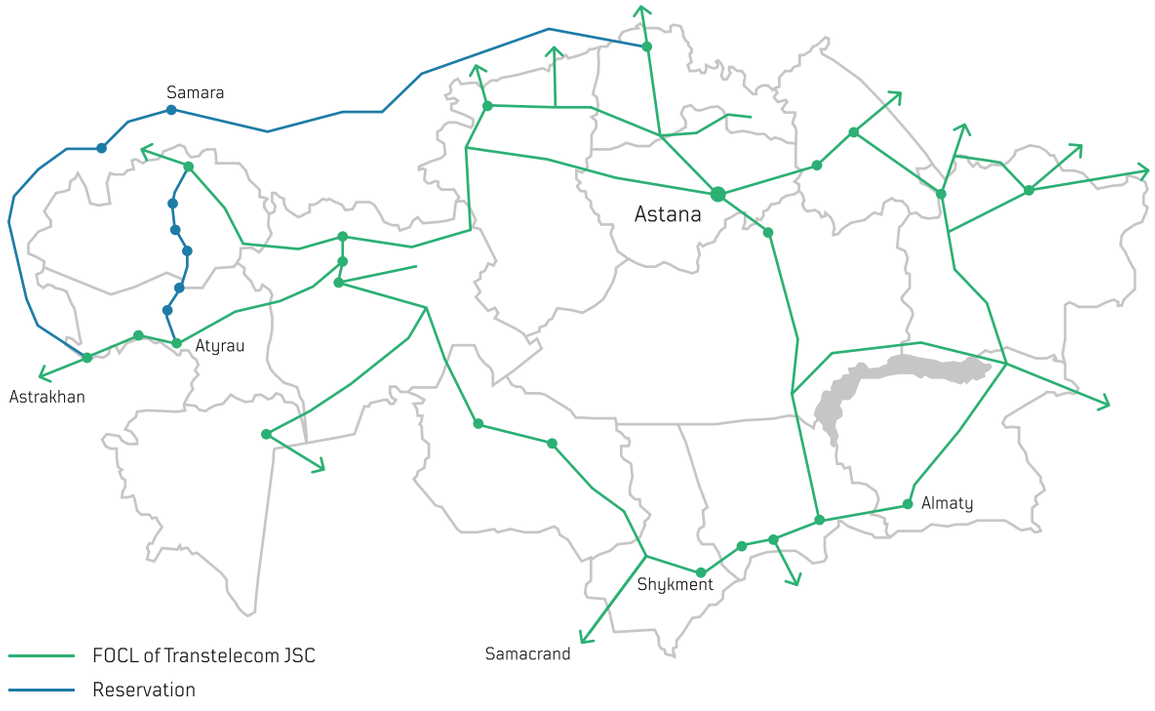
"Smart-Telemetry" - with the introduction of an automated accounting system, the cost of telemetry services has decreased due to the reduction of equipment (repeaters, base stations), software, staff maintenance and communication costs.

"Smart-Utilities" - the introduction of intelligent accounting and monitoring systems allowed to reduce the losses from emergencies, leakages of electricity or heat energy, or their unauthorized siphoning by 80%.

Other projects

The Last Mile Project

Trunk network diagram of Transtelecom JSC



The Last Mile project is designed to unite all structural subdivisions of NC Kazakhstan Temir Zholy JSC at stations with their inclusion to the transmission network of data sent after processing to the cities of Nur-Sultan and Almaty.

Currently, the entire existing communication network of NC Kazakhstan Temir Zholy JSC and of telecommunications operator of the railway - Transtelecom JSC are being upgraded. Installation of Digital IP/MPLS equipment, which is used to connect digital subscribers.

The constructed network combines disparate sites into a single geographically distributed network and creates a single information space. The formation of the Last Mile network is envisaged using digital switches with the integration of IP/MPLS and fiber optic cables.

When cables are hanged on supports or between buildings, the self-supporting cables are used, when they are laid in the sewers the armored ones are used, cables laid in the ground are inside of a 40 mm polyethylene pipe, cables used in the buildings are put into a corrugated PVC pipe for fire safety.

At some individual points, the design of the network and network infrastructure was completed; the construction of a fiber-optic communication line in the ground and overhead; supply, installation and configuration of equipment and uninterruptible power supplies. The Last Mile structure is being built with the formation of an optical ring to reserve connection points in case of damage to the FOC on the line.

At the moment, the digital backbone network using FOCL is used on almost all railways in Kazakhstan. At the same time, the existing local network (the last mile) was built using copper lines and analog modems, which significantly impairs the quantitative and qualitative data processing, and also does not allow integrating the local network with the digital backbone network.

After the Last Mile transition to FOCL, we resolved the issue of combining disparate segments and information security systems as a whole. This made it possible to increase the availability of network subscribers and, in turn, ensured the timely response of the operators of any of the services of NC Kazakhstan Temir Zholy JSC.

The use of a universal IP environment allows the transfer of various technological data streams used by NC Kazakhstan Temir Zholy JSC, such as voice and signal channels VF, operational and technological communication.

Currently, the backbone FOCL of Kazakhstan Temir Zholy NC JSC and Transtelecom JSC has been laid on 800 km in the offices of Zhambyl, Shymkent, Kyzylorda, Atyrau, Mangistau, Oskemen, Semey, Kostanay, Pavlodar, Kokshetau, Almaty, Aktobe, Uralsk, Karaganda branches.1,057 subscribers have been connected to this FOCL.

IT outsourcing

IT outsourcing is one of the fastest growing and promising sectors of the IT market. With the development of business and increased competition, companies increasingly refuses to invest in non-core businesses. Including from independent construction and maintenance of IT infrastructure. Professional IT outsourcing allows to optimize capital and operating costs, business processes, creates unique competitive advantages for companies related to applying the latest approaches to the development of an important and in many respects critical part, as information technologies.

Automated system of commercial electricity metering (ASCEM)

Automated system of commercial electricity metering (ASCEM) is a complex of hardware and software that provide remote collection, storage and processing of information on energy flows in electrical networks. The task of ASCEM is to accurately measure the amount of energy consumed or transmitted, taking into account the specified parameters and tariffs, and also to automatically bring the process data into a form convenient for analysis.

The objective of the project is to maintain the health of the system and the operation of the measuring and computing complex.

Servicing is provided at 23 power supply distances of KTZ NC JSC.

The maintenance work includes work for each power supply distance at each point of recording, starting with data collection/transmission devices (controllers, modems, antennas, etc.) and ending with the transfer of messages from the central database server to the FTP server of KEGOC system operator.

Customer base

Currently, the Company is one of the leading telecommunications operator in Kazakhstan, that provide not only international, long distance, local telephony and Internet access services, but also trunk communication channel services. Company's clients are both individuals, legal entities and telecom operators. Our partners are the largest companies in which the high-quality telecommunication services is a necessary condition for doing business.

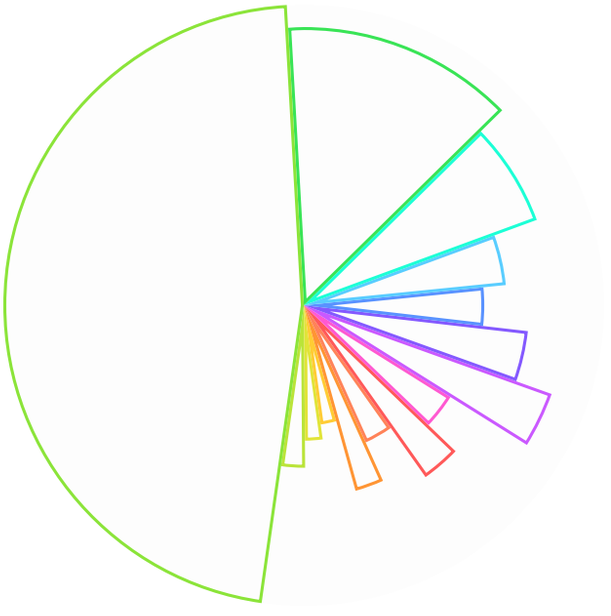
Compared to 2015, there is an increase in the share of income received from third parties. Later we expect the preservation and minor changes in this dynamics.



Revenues from third-parties

Revenues from backbone network services and transit

The revenue from TTC's FOCL backbone network will grow by KZT 3.6 billion in 2018.



49% Others

13% Novakor Universal LTD

7% TOO "TNS-Plus"

4% China Telecom Global Limited ("CTG")

4% Alma Telecommunications Kazakhstan JSC

3% RENT LTD

3% British Telecom Global Services LTD

3% VEON Wholesale Services B. V.

3% Telegraph42 Management GmbH

3% "Megaphone"

3% CITIC Telecom CPC Netherlands

2% Kcell JSC

2% "Ministry of Internal Affairs"

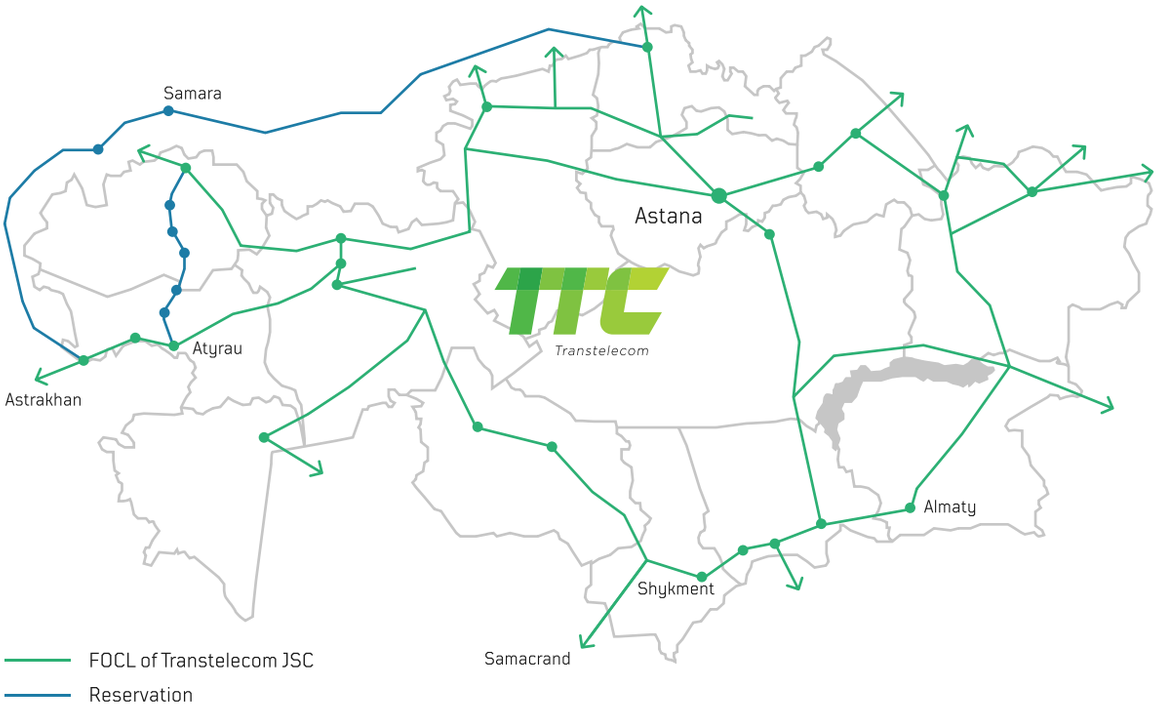
1% TOO "Soft Technology Utilities"

The share of revenues from large customers with an annual turnover of from KZT 187 million to KZT 1 789 million is 51%, other revenues are from other customers.

Over the years the Company's corporate customers are such well-known international operators as BritishTelecom (Great Britain), TransTeleCom CJSC (Russian federation), ChinaTelecom (PRC), Transtelecom CJSC (Russia), Ekvant LLP (Russia) and others, which is the sign of opportunity for reliable cooperation at the highest level.

Being the long-distance operator, the Company is interested in mutually beneficial cooperation with all communication operators - "recognized" and "alternative" ones, engaged both in fixed and mobile communications. The capabilities of the main and regional operators always complement each other favorably, which creates an objective basis for attractive schemes of inter-operator interaction.

The company has relations with foreign operators - from the Russian Federation, the People's Republic of China, the Kyrgyz Republic, the Republic of Uzbekistan and the Republic of Turkmenistan. These foreign relations give the Company the status of a primary provider in the domestic market of the Republic of Kazakhstan, allow purchasing the Internet access services from various providers and thereby create a full reserve of Internet services and improve the quality of services provided. International relations also allow receiving new orders from international partners for the lease of communication channels and transit channels to the countries of Central Asia and China, thereby significantly increasing the Company's revenues.



Partners and counterparties

Over the years Transtelecom JSC has been active in providing high-quality communication services in the domestic and international markets.

Our partners are the largest companies for whom the high-quality telecommunication services is a necessary condition for doing business.

- Citic Telecom (Amsterdam)
- RETN LTD (London)
- Quantum Telecom JSC (RF)
- PJSC Megafon (RF)
- Transtelecom JSC (RF)
- Vympel Communications PJSC (RF)
- China Telecom (PRC)
- China Unicom (PRC)
- China Mobile (PRC)
- Uzbektelecom JSC (Uzbekistan)
- Kyrgyztelecom OJSC (Kyrgyzstan)
- Elkat LLC (Kyrgyzstan)
- Alma Telecommunications LLP
- KazTransCom JSC
- TNS plus LLP
- Astel JSC
- Kazteleport JSC
- Mobile Telecom Service LLP (Tele2)
- Kcell JSC
- 2Day Telecom LLP
- Interregional Transit Telecom OJSC (ITT) (RF)
- MMTS
- Retn
- Transneft Telecom

Customer relationship development

The main corporate clients of the Company are:

- National Company Kazakhstan Temir Zholy JSC and its subsidiaries
- Patentes Talgo S.A. (Spain)
- ALPA Centrums (Latvia)
- Pipe Transport Company (RF)
- Astana Innovations JSC
- KazTransOil JSC
- Kazakhstan Electricity Grid Operating Company "KEGOC"
- General Electric International Inc.
- Hewlett-Packard LLP
- Kazsatnet national Company JSC
- ENRC Kazakhstan LLP
- National Bank of Kazakhstan JSC
- Embassy of the Republic of Poland
- Kazakhstan RTRC
- Ekvant LLP (Orange)
- BT Global Services
- Megaphone
- RETN
- China Telecom
- China Mobile;
- China Unicom;
- Uzbektelecom
- Tajiktelecom
- Orange
- Transneft Telecom
- Quantum Telecom

and others, which proves Transtelecom JSC's ability to have reliable cooperation at the highest level.

Transtelecom JSC has international connections, cross-border transitions, is a first level provider and participant in international peer-to-peer centers specially designed for traffic exchange in order to improve the provision of services.

Participation in charters and associations

The Company does not carry out any kinds of donations to political parties, politicians and related organizations, as well as any investment in the community. During the reporting period, as part of interaction with external parties, Transtelecom JSC assumed no obligation and did not support any charter or initiatives in economic, environmental and social sectors.

The Company is a member of the following organizations which often determine ng the effective operation of the telecoms operator:

- National Chamber of Entrepreneurs
- National Telecommunications Association
- Internet traffic exchange center
- RIPE
- FIRST

The National Chamber of Entrepreneurs (NCE)

Is a non-profit organization established to strengthen the negotiating power of business with the Government of the Republic of Kazakhstan and state bodies. The Chamber of Entrepreneurs represents the interests of small, medium and large business, covering all fields of business, including domestic and foreign trade.

We are members of this organization since its establishment in 2013.

The National Telecommunications Association (NTA)

Is a non-profit organization, an association of legal entities having appropriate licenses, the core business of which is the provision of telecommunications services. This is a voluntary association of companies which are the recognized leaders of the telecommunications market, which most fully reflects the diverse interests of alternative telecom operators. Membership in this organization allows companies to gain the experience of other telecom operators at first hand, to participate in design of proposals for improvement of the legislative framework in the field of telecommunications, to receive assistance in the field of measures aimed at improvement of personnel qualification, to participate in the development of unified technical standards for telecommunications equipment.

We are one of the oldest members of the NTA and have been therein since 2003.

The Internet Traffic Exchange Center

Is an association that provides primary Kazakhstani Internet service providers with the ability to exchange IP traffic on the uniform rules and connection conditions. The company is a member of a Center for the Exchange of Internet Traffic since 2010.

RIPE (Réseaux IP Européens)

Is an international organization of Internet registrars that performs the distribution of Internet resources, as well as related registration and coordination of activities aimed at global support of the Internet functioning. Since 2006 we are members of RIPE.

FIRST (The Forum of Incident Response and Security Teams)

is an international organization for responding to computer incidents. Membership in FIRST enables incident response teams to more effectively respond to reactive and proactive security incidents.

FIRST brings together various computer security incident response teams from government, commercial, and educational organizations. The objective of FIRST is to foster collaboration and coordination in incident prevention, to stimulate a quick response to incidents and to facilitate the exchange of information between members and the community at large.

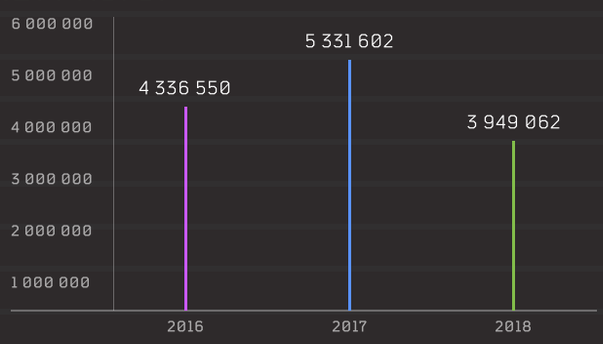
> In addition to the trust network that FIRST forms in the global incident response community, FIRST also provides additional services. Here are some of them:
>
> - Access to the latest best practice documents
> - Technical colloquiums for safety experts
> - Practical lessons
> - Annual incident response conference
> - Publications and web services
> - Special interest groups

FIRST currently has over 400 members located in Africa, America, Asia, Europe and Oceania.

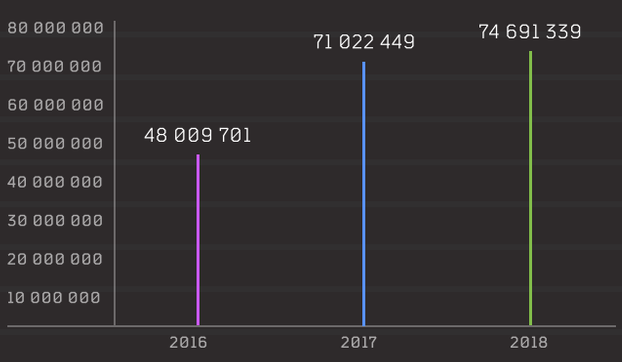
05

FINANCIAL RESULTS

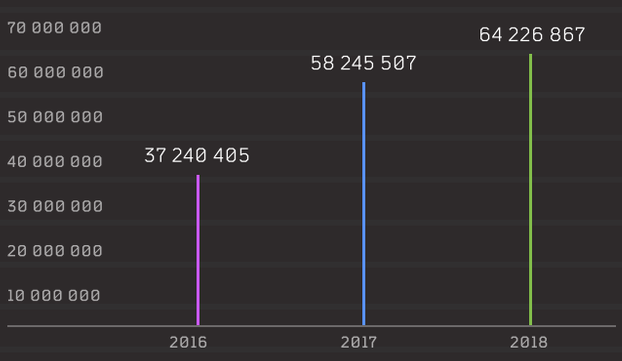
NET PROFIT



INCOME FROM MAIN ACTIVITIES



OPERATING EXPENSES



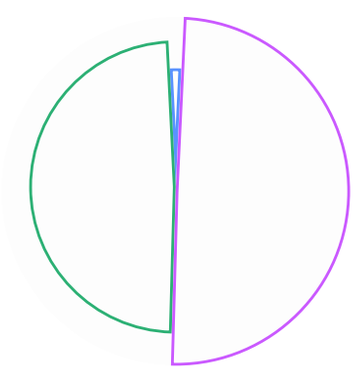
Key financial indicators

The financial analysis of Transtelecom JSC is executed on the basis of the accounting reports and the management report on incomes and expenditures for 2015-2018. The reliability of the financial statements of Transtelecom JSC for the period from 2015 to 2017 was confirmed by an independent auditor - Deloitte LLP - during the audit conducted under the Kazakhstan Accounting Standards and International Financial Reporting Standards.

Income analysis

Revenues from services that Transtelecom JSC rendered in 2018 amounted to 74 691 million tenge, actual income indicators remained at the level of 2017 (71 022 million tenge). Revenues from communication services in 2018 also remain at the level of the previous year, 29 445 million tenge and 28 583 million tenge, respectively.

Structure of income from core business	2016	2017	2018
Communication services	24 691 943	29 445 022	28 583 142
IT services and projects	23 187 178	41 378 155	45 941 944
Other services	130 580	199 272	166 253
Total operating income	48 009 701	71 022 449	74 691 339

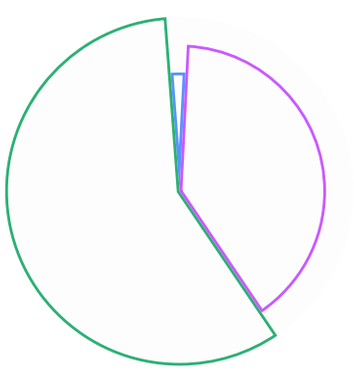


2016

48% IT-services and projects

51% Communication services

1% Other services

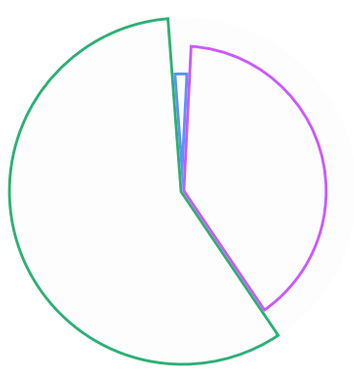


2017

58% IT-services and projects

41% Communication services

1% Other services



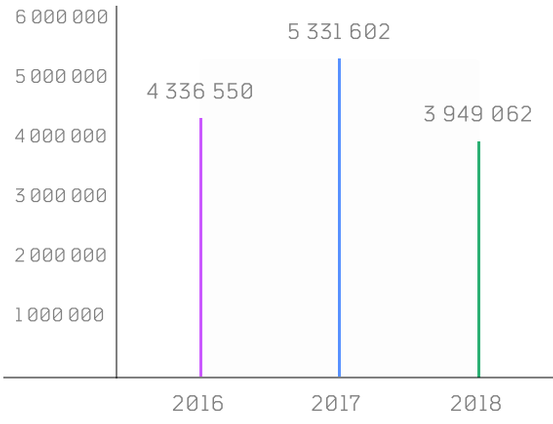
2018

61% IT-services and projects

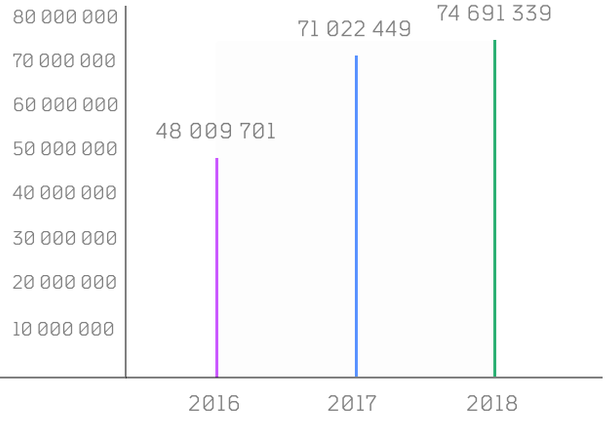
38% Communication services

1% Other services

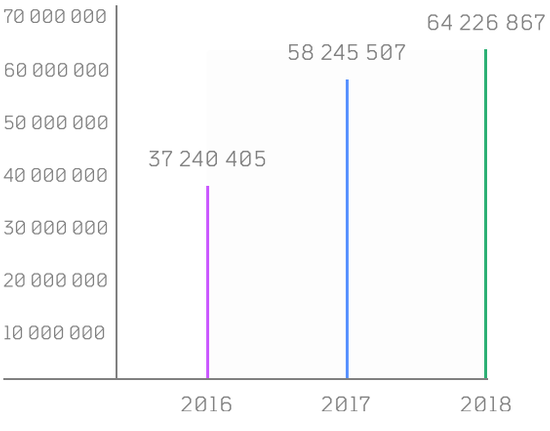
Net profit, thousand tenge



Revenues from core activities, thousand tenge



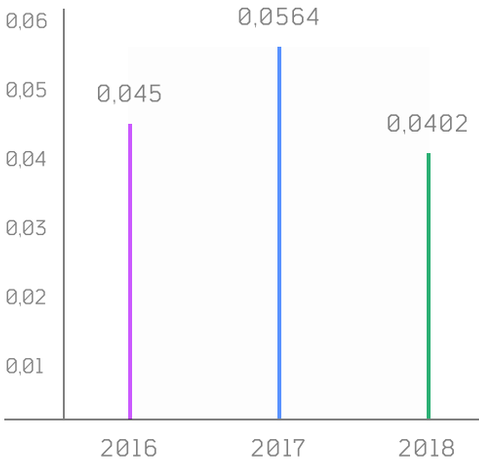
Operating expenses, thousand tenge



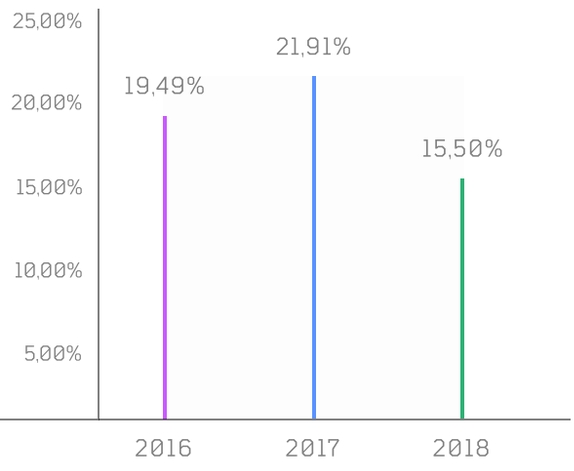
Name	2016	2017	2018
Production costs, including:	**34 245 775**	**53 898 837**	**57 506 993**
Salary and other labor costs	5 060 425	5 484 795	6 349 318
Professional Services	1 688 748	2 304 364	1 874 085
Operating lease expenses	3 670 542	4 690 967	7 225 583
Communication services	1 400 290	2 972 349	1 573 980
Оплата услуг сторонних организаций	3 361 351	25 574 974	25 576 266
Payment for third-party services of organizations	333 071	793 734	605 080
Cost of sales of inventory items		1 716 280	209 291
Software cost	7 536 994		
Depreciation and amortisation	7 408 342	7 666 780	8 338 324
Other costs	1 412 628	1 364 792	2 600 522
Employee benefit cost	85 606	23 409	102 152

Name	2016	2017	2018
Expenses of the period, including:	**9 058 558**	**10 423 558**	**12 845 434**
Salary and other related expenses	1 166 943	1 458 493	1 755 691
Allowance for impairment of other non-current assets			1 102 052
Provision on remuneration of key management personnel	91 327	367 775	1 065 590
Taxes, other than income tax	508 793	459 389	798 499
Third Party Services	351 200	464 322	704 056
Rent of premises		214 700	265 813
Advertising Costs		572 150	202 150
Professional Services	400 734	141 052	166 383
Depreciation and amortisation	111 672	127 173	122 187
Allowance for doubtful debts	1 412 628	1 364 792	2 600 522
Employee benefit expenses	16 306	4 459	25 538
Other expenses	294 599	529 152	762 656
Finance Costs	6 035 743	6 054 435	5 832 792
Expenses of the period, including:	9 058 558	10 423 558	12 845 434

ROA

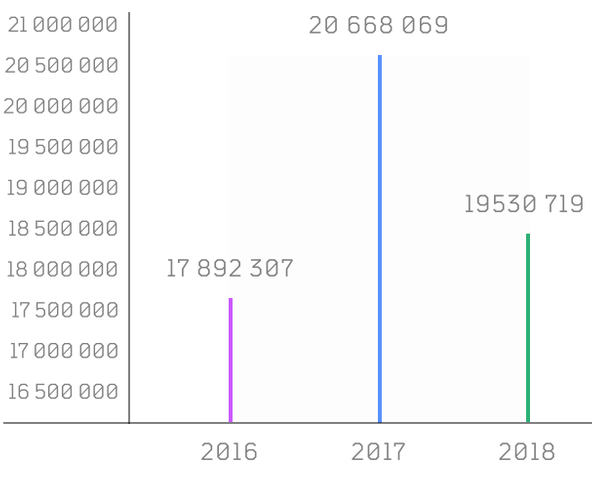


ROE

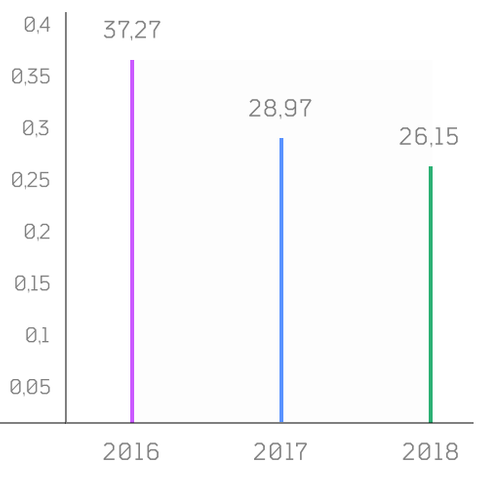


Return on assets and return on equity showed a negative trend associated with a decline in net profit.

EBITDA

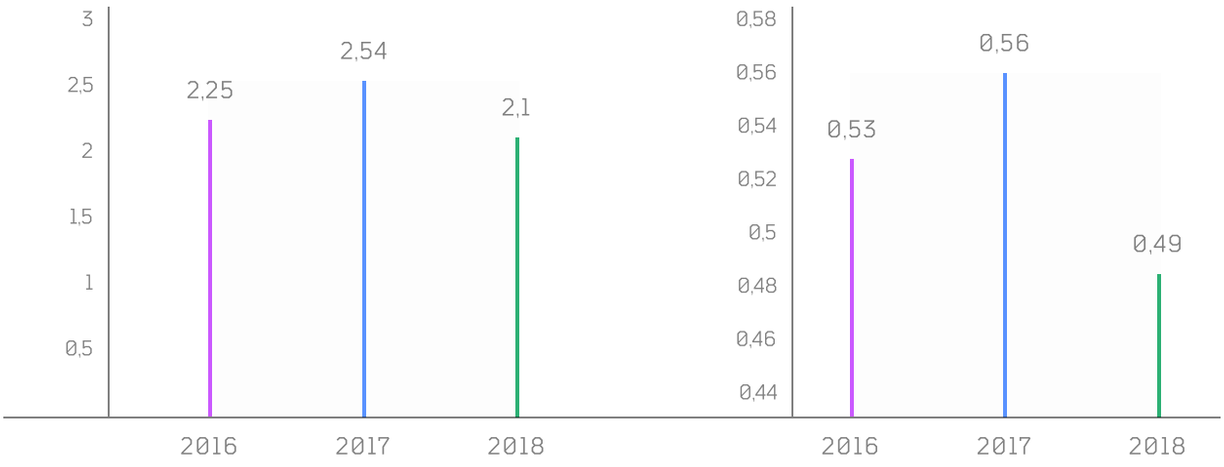


EBITDA margin



The decrease in EBITDA margin is associated with an increase in prices for purchased goods and services at fixed basic tariffs for services, with implementation of Astana EXPO 2017 project in 2017 with a specific weight of 27.4%, KazTransOil JSC project in 2018 with a specific weight of 26.1% of total revenue with margins below the weighted average for the Company.

Debt to Equity



Debt to EBITDA

ROE, ROA Return on assets and return on equity showed negative dynamics associated with a decrease in net profit.

Debt to equity

Debt to assets

EBIDTA th. KZT, Decrease in EBITDA margin is associated with an increase in prices for purchased goods and services, at fixed tariffs for basic communication services. The Company also implemented the KazTransOil JSC project. The specific weight of the project is 26.1% of the total revenue, the gross margin of the project was 8.9%

The decrease in cash in 2018 was associated with the financing of investment projects, including: Magistral ACS, Integrated safety system of railway stations: 17 stations

06

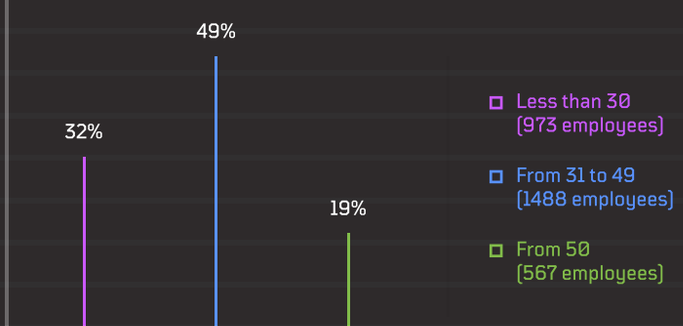
SUSTAINABILITY

Interaction with stakeholders

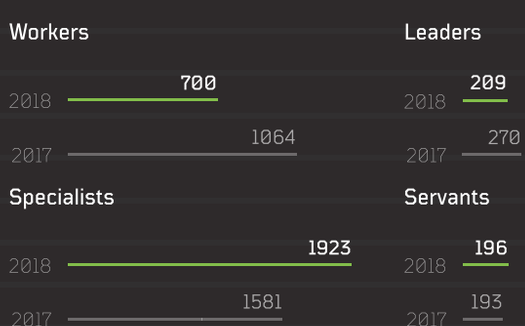
Personnel

Workplace safety

PERSONNEL DISTRIBUTION BY AGE GROUPS



COMPOSITION OF THE BoD BY QUALIFICATIONS



"Sustainability" is a kind of development that meets the needs of the present, but does not threatens the ability of future generations to meet their own needs," the United Nations International Commission on Environment and Development formulated this definition in 1987 and it is the guide for the Company in its activities.

The Company's actions towards sustainable development are largely determined by the specifics of the telecommunications sector. To date, information technology has been integrated to almost all areas of the Company's life and has become a driving force for society development. The ability to use advanced technologies on the telecommunications market in combination with a high level of professional competencies allows the Company to systematically improve the quality of work and life of people of Kazakhstan.

Sustainable development is an integral element of the business strategy of Transtelecom JSC. This principle defines our approach to innovation, development and implementation of new products. The Chairman of the Management Board of the Company, the Board of Directors and the Management Board of Transtelecom JSC jointly carry out strategic leadership in sustainability, while specialists from among employees implement specific programs and initiatives.

Contribution of Transtelecom JSC to the community

Name	Unit of measurement	2016	2017	2018
Shareholders				
Dividends	KZT mln.	1 263 059	4 336 550	1 580
Employees				
Total number of employees	thousand people	3,427	3,267	3,028
Labor costs	KZT mln.	5 482 953	6 177 799	6 954 491
Training investment	KZT mln.	129,88	256,610	203,887
Deposits to the pension fund	KZT mln.	522 876	557 583	673 838
Expenses for work safety raising	KZT mln.	85,624	63,967	96,154
State				
Income tax	KZT mln.	1 140 485	1 680 741	1 447 581
Other taxes	KZT mln.	987 350	6 755 879	2 777 071
Company				
Membership fees, payments to unions, charity programs	KZT mln.	39 696	435 964	52 986
Environment				
Environmental program costs	KZT mln.	1 023	1 075	3 679

Transtelecom JSC gives job to more than 3000 people. Employees of the Company are the main component of sustainable growth, and the Company pays special attention to favorable and safe working conditions. HR policy of the Company is aimed at strengthening the human resources, building an effective system of motivation and creating conditions for the full development of personnel. Transtelecom JSC has the sustainability-regulating documents such as Corporate Governance Code, the HR Policy, the Environmental Policy, and the Corporate Social Responsibility Policy that defines the principles of the Company's social responsibility. The introduction of energy-efficient and environment friendly technologies is an obligatory component of the short- and long-term plans of Transtelecom JSC.

Transtelecom JSC's actions towards sustainability include the creation of favorable working conditions, assurance of safety in the workplace, environmental protection, socio-economic development of presence regions and populations' life quality improvement. The Company strictly adheres to the principles of economic, environmental and social well-being of its stakeholders and believes this to be an investment in the future.

Sustainability management structure

Implementation of sustainability principles is performed within the frameworks of interaction of the HR Development Department, Organizational Development Department and OHS Department.

HR Development department (hereinafter- HRD) cover socially important issues from sustainability point of view. Among them, the key issues are: personnel development and training, creation of a productive and pleasant working environment, support and motivation of employees. To monitor the successful implementation of sustainability principles, as well as identify potential areas for improvement, the HRD conducts annual surveys and questionnaires of the Company's employees.

Operational control in the field of occupational health and safety as well as environmental protection is performed by the Organizational Development Department, Occupational Health and Safety Department, which provide methodological support, supervision and overall coordination of Labor and Environmental Protection Service in all structural divisions of the Company. Moreover, the Organizational Development Department collects and analyzes data on the results of environmental monitoring at the Company's enterprises and draws up a report based on the results of this work, which is subsequently submitted to the Quality Council.

All structural subdivisions of Transtelecom JSC have the OHS Service and Environmental protection service. All SDs regularly conduct comprehensive and targeted inspections.

Interaction with stakeholders

Realizing the principle of active dialogue with stakeholders, the Company strives to ensure the highest level of openness and transparency of its operations. The Company maintains active communications with all stakeholders, providing timely information on all aspects of its activities, responding to requests and applications of stakeholders.

The approach of Transtelecom JSC to the interaction with stakeholders

Interaction with stakeholders is a guarantee of the necessary conditions for the creation of long-term value, achievement of strategic goals and the formation of a positive reputation of Transtelecom JSC. Constructive relationships building with external as well as with internal stakeholders allows for more equitable and sustainable social development, better management of risks and reputations, and a comprehensive assessment of the business environment and the market. It is important for us to know how the stakeholders attribute to the Company, what are their needs and expectations from business and social, environmental and charitable initiatives.

Social partnership, mutually beneficial cooperation, respect, openness and trust are the main rules that guide the Company during interaction with stakeholders.

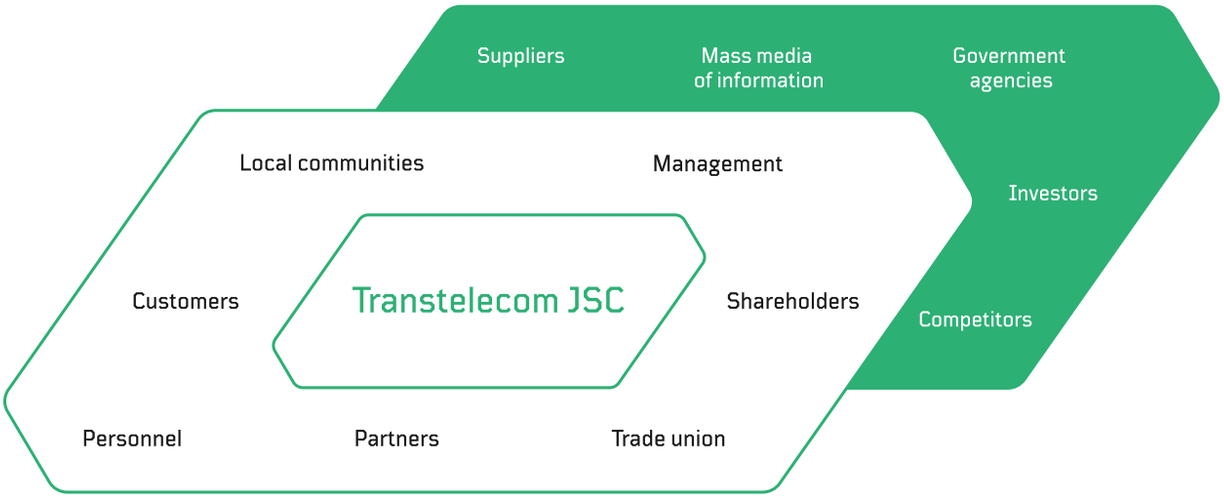
The basic principles and priorities of interaction with stakeholders are covered by the Company's corporate documents: the Code of Business Conduct and the Corporate Governance Code. Transtelecom JSC through the creation of new and constant improvement of existing mechanisms and procedures for corporate governance, strives to ensure the protection of rights and harmonize the interests of all stakeholders.

In accordance with the action plan to improve corporate governance, all stakeholders of the Company will be covered by the Stakeholders Map where the degree of influence of a particular group is indicated. Thus, the Company plans to allocate a "near" and "long" circle of stakeholders depending on whether they have a direct or indirect impact on the Company's operations, as well as on the influence the Company has thereon.

The interaction approach is based on the following principles:

- Regular constructive dialogue;
- Partnership;
- Mutually beneficial cooperation;
- Confidence and sincerity;
- Publicity and transparency;
- Fulfillment of obligations

Key stakeholders of the Company are employees, trade unions, shareholders, suppliers, consumers, government agencies, the media and local communities.



Shareholders and investors

The Company is aimed at constant development and the increase in its value in the interests of shareholders. The Company follows the best practices of corporate governance and cares about its goodwill. The Company provides all shareholders with equal access to information about the Company and its financial position, and also respects the absolute equality of shareholder rights. The main sources of information are mandatory disclosure documents, Annual Report, financial statements, corporate Internet website.

According to the Charter of Transtelecom JSC, the Company is managed by the General Meeting of Shareholders. The Board of Directors and the Management Board of the Company respect and protect the rights of shareholders. Shareholders are interested in the financial results of the Company, but do not lose sight of non-financial indicators that indicate the quality of the management of the Company, such as corporate governance, relations with customers and suppliers, industrial safety and contribution to the development of local communities.

Personnel

The interaction of the Company and personnel is aimed at development of human capital and formation of relationships through cooperation.

Salaries of employees, social benefits and social guarantees, career growth, safety and working conditions fully comply with the laws of the Republic of Kazakhstan/ they are regulated by an employment contract and the Code of Business Conduct. The Company appreciates the contribution of each employee and builds relations with personnel based on respect and cooperation; encourages initiative, responsibility and achievement of ambitious goals. These principles help employees increase their efficiency and achieve high professional results.

In 2017, the Company paid special attention to personnel involvement, satisfaction and loyalty.

The results of employees' involvement studies help identify pressing problems and affect the situation in advance. In the face of increasing competition, qualified and motivated employees are the driving force behind the development and maintenance of sustainable business processes, so the Company plans to continue working in this area.

Suppliers and Consumers

Company's long-term success is impossible without a comprehensive consideration of external environmental factors of the Company. Key external factors include the sustainable development of suppliers and consumers.

The Company is a reliable and conscientious partner and timely fulfills its obligations to suppliers and consumers. Transtelecom JSC adheres to the principles of transparency, fair competition and anti-corruption. The Company does not accept unscrupulous methods of competition and does not participate in collusion. The Company is focused on long-term business cooperation and provides its partners with all the necessary information, remaining open to dialogue and taking into account the position of the second party.

The Company regularly monitors the quality of services to meet requirements of State standards of the Republic of Kazakhstan and Standards of the Corporate Standardization System.

Government bodies

The Company strives to build and maintain stable and constructive relationships with state authorities and local self-government based on the principles of responsibility, good faith and respect for mutual interests. Transtelecom JSC actively participates in meetings of committees and working groups related to introduction of amendments to laws and legislative acts of the Republic of Kazakhstan. The Company took an active part in preparing for the Astana-Expo 2017 international exhibition, pursuant to the Action Plan approved by resolution of the Akim of Astana dated September 15, 2014, No.180-1526, the Company is implementing projects to include Astana in the rating of 50 smart cities of the world etc.

The Company does not support political parties and politicians, the Company's voluntary contribution to the welfare of the country, in addition to the legislative minimum, is a large-scale charitable and sponsorship activity.

Local communities

Local communities have a significant impact on the Company, creating an environment and being a source of key resources for the Company. Transtelecom JSC implements a number of projects related to education, job security, cultural events, health care, infrastructure development, landscaping of regions for local communities. Company's interaction with local communities is a systematic activity that positively influences the atmosphere and psychological climate in the presence regions.

In 2018, the Company 100% ensured jobs provisions to the local population.

Mass media

Without violation of the information disclosure rules of Transtelecom JSC, the Company maintains a high degree of transparency and stays in touch with the media.

The most important information dissemination channel available to the largest number of stakeholders is the official website of the Company (http://www.ttc.kz), in particular, the section about the Company (https://ttc.kz/ru/About/history/). At the website you may find the latest news of the Company, review financial and production indicators, read reports and other useful information about Company's operations, and look at documents regulating the activities of the management and control bodies of Transtelecom JSC, such as: Charter, Regulations on the Board of Directors, Regulations on the Management Board. Being committed to the principle of equal access to information for all stakeholders, Transtelecom JSC posts the information on the official website in three languages: Russian, Kazakh and English.

Consumer privacy

The high priority of Transtelecom JSC is privacy and non-disclosure of customers information.

The Company has a limited number of assigned employees who have authorized access to the data of Company's consumers and customers. Moreover, the Company considers the client base as a strategic and commercial secret.

Transtelecom JSC discloses the information about its client database to third parties only at the request of the authorized bodies of the Republic of Kazakhstan.

During the reporting period, the Company did not have any instances of customer data loss, and there were no complaints regarding violation of privacy of consumers and loss of data on consumers.

Personnel

The market economy sets totally new requirements for organizations wishing to successfully exist and develop in the current unstable conditions. Thereby, the Company's priority is the Company's management system. We set the task to maximize the effect of the Company's personnel potential. Employees are a critical strategic resource for success and market leadership.

Over 2018 the Transtelecom JSC gave jobs to 3028 people of Kazkahstan. In 2018, 117 people were employed to the CO after the competitive selection. Competitive Commission held 77 meetings.

Composition of the BoD by qualifications

Leaders



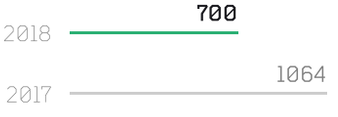
Specialists



Servants



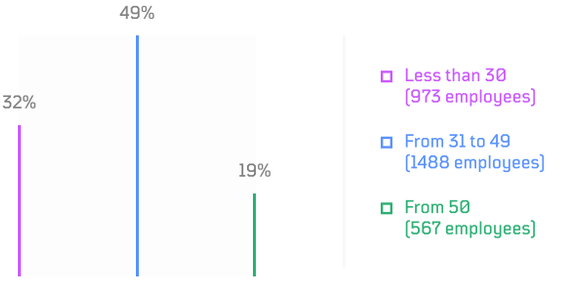
Workers



A Company which is based on information technology sets a high standard for the quality of human resources, especially for the intellectual component - its main driving force. In connection with the change in the technology of the services provided, the number of specialists is growing, thus, the number of advanced IT specialists is 224, while the number of low-skilled personnel decreased, respectively.

The Company has a tendency to rejuvenate personnel, so for the current period the average age of an employee in the Company was 37 years.

Personnel distribution by age groups



According to the data for 2018, 32% of the total number of personnel were employees under 30 years old, 49% employees under the age of 49 years, 19% employees were from 50 years and above, respectively.

As part of the onboarding procedure for new employees, the Company conducts an introductory welcome training course "Welcome to Transtelecom", the purpose of which is to interactively give new employees maximum knowledge about the Company's infrastructure, information about the benefits of working in the company, about structure, mission, vision and values. The training includes team role-playing games, discussion of the information received and meeting new employees. Over 2018 we held 4 quarterly trainings, in which 84 people took part.

Paperless HR

In 2018, the processes of personnel records management were automated with the complete transfer of employees' applications processing to the paperless office. Automation of all types of personnel applications and revision of approval business processes allowed to reduce the time for issuing orders and free up additional resources for other tasks resolution.

The registration of new employees was also automated by sending of a link to fill in the data on the GREEn portal.

Pay policy

Payroll increase in 2018

In the Address to the people of Kazakhstan "Growing the welfare of Kazakhstanis: improving income and quality of life" dated October 5, 2018, the President of the Republic of Kazakhstan N. Nazarbayev instructed the Government to increase the minimum wage by 1.5 times from January 1, 2019. He also expressed the hope that this initiative will be supported by large companies in terms of raising the salaries of low-paid workers. The President of the Republic of Kazakhstan N.A. Nazarbayev also said about the need for salaries raising to low-paid employees in his Address to the nation entitled "Five social initiatives of the President" dated March 5, 2018.

Transtelecom JSC fully implemented the initiative by raising salaries of employees in 14 branches of the company. By quoting the Address of the President of the Republic of Kazakhstan: "Revenues grow when a person is hardworking, is a professional in his field, gets a decent salary ...", Transtelecom JSC approached this task comprehensively.

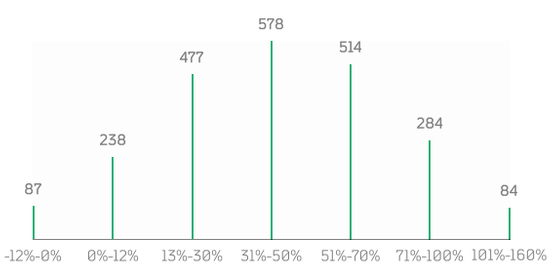
The approach to raise salaries was based on several principles:

- On the basis of jobs assessment taking account of the content, complexity of work, responsibility and required knowledge;
- Through the comparison of market salaries and accounting for regional income levels for various categories of positions;
- Through the assessed of employee qualifications, correlations with job descriptions and setting a fair level of remuneration.

As a result, employee wages increased differentially, on average, by 44%, in absolute terms, from 130,000 tenge to 186,500 tenge.

More than 2,800 of all levels employees have their salaries increased. To accomplish the task and improve the social status of its employees, Transtelecom JSC increased the wage fund by 36%, thereby ensuring competitive salary levels.

Change in salary for 14 branches, person



Along with the increase in permanent salaries, high-potential personnel were identified for the further development of human capital and incentives provision not only financially, but also by development, training, involvement in interesting projects of the company, which increases the effect for business and the Company as a whole.

Thus, Transtelecom JSC, representing telecommunication, digitalization and system integration services in the field of IT, communications, automation and energy, fully supported the initiative of the Head of State and ensured financial stability and a competitive level of salaries to all of its employees.

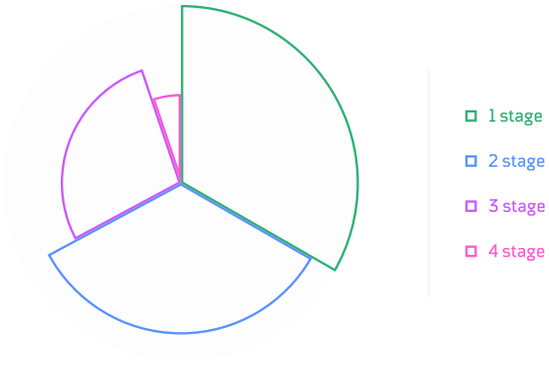
Transition to a grading system

For building an effective system of motivation and incentives for personnel, the Company introduced a grading pay system in its branches. The transition was carried out in stages on the basis of a comprehensive assessment of personnel, which included the assessment of competencies by the immediate supervisor, testing of professional knowledge, assessment of biographical data, length of service in the position held and in the Company, based on the conclusion of the Qualification Commission, which assessed a total of 2539 people.

As a result, the staff of the Company's branches was divided into stages: 1 stage - the level of minimum requirements for the position, 2 stage - the level of development, 3 stage - the level of experience, 4 stage - the level of skill, 5 stage - super-professionals, specialists with unique competencies in the Company.

All business processes for personnel assessment in branches and the work of the qualification commission were automated on the GREEn corporate portal.

The distribution of workers by grades, %

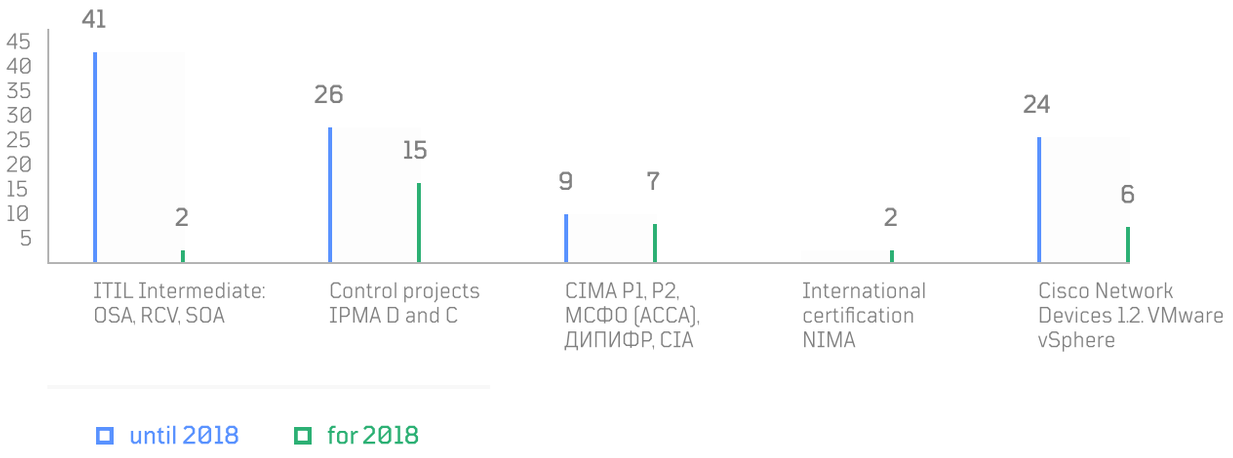


Staff development

Personnel training

Sustainable development and the acquisition of a leading position in the market directly depends on the qualifications and professionalism of employees. To increase the employee professionalism and Company's competitiveness, Transtelecom JSC pays special attention to certification of its specialists. Over 2018, 32 specialists passed certification program, including in the field of project management, economics, finance and marketing, information technology infrastructure, network equipment, routing and virtualization. The total number of certified specialists of the Company increased by 32%.

Growth of certified specialist in the Company, pers.



The cost of staff training in 2018 amounted to 227 824 thousand tenge, which amounted to 3.2% of the payroll.

Personnel reserve and talent pool

In 2018, the Company has drawn up the Rules for personnel reserve and talent pool arrangement and development. Thereby, at the end of the year, we arranged a personnel reserve, a talent pool of 110 promising and potential employees.

A group of employees who show positive results in their work and have potential are selected to the pool for subsequent transfer to managerial positions. If necessary, selected specialists are able to work fruitfully in their own and related areas. A pool reduces the costs of searching and subsequent onboarding of newcomers since the personnel has been already trained, and their intangible motivation and loyalty to the organization increases.

The Personnel Pool is aimed at identification and development of promising employees who are effectively working in their positions in order to maximize their potential: for appointment to key positions, for participation in projects, for training employees as internal trainers.

The works related to pool arrangement included the following steps:

- Assessment of the level of candidates development by 10 competencies under the 360 degree method. 183 candidates passed the competency assessment, 706 employees of the Company took part in the assessment process;
- Organization of meetings of the Calibration Session for approval of the personnel pool by categories: Management, Expertise, Internal Trainer.
- Coordination of individual plans for pool members development, taking into account developmental measures, including vocational training, self-education, development in the workplace, exchange of experience, internal coaching.

Personnel pool



All business processes related to formation of a personnel pool were automated on the GREEn portal.

Academic competition of TTC

In June 2018, Transtelecom JSC, in search of talented youth, organized the Academic Competition among 2018 Bachelor's program graduates of universities. The Competition was held in 3 areas: information technology, telecommunications and information security.

Information about "TTC Academic Competition" was widely broadcast on social networks and on the corporate website of the Company. The Competition was held in 2 stages:

- First stage: online testing, in which 42 graduates took part;
- Second stage: assessment of competencies "Assessment by action" of 10 graduates. At this stage, the participants presented an essay on the topic of "What I want to bring to the society through my profession", passed tests to identify logical and verbal abilities, passed an interview and an internship in the structural divisions of the Company.

According to the results of stages 1 and 2, the organizing committee of the Academic Competition determined 5 winners of the TTC Academic Competition, who received a chance of employment in the structural divisions of the Company. These winners are graduates of L.N. Gumilev Eurasian National University: Saltanat Aubakirova and Saule Saparbek (specialty - "Information security systems), Aigerim Telman (specialty "Radio engineering, electronics and telecommunications"); graduate of Tomsk University of control systems and radio electronics - Dayan Kazhkenov (specialty "Infocommunication technologies and communication systems"), a graduate of the Aktobe regional state university named after K. Zhubanov - Makhambet Tanzhanov (specialty - "Computer engineering and software").

All winners of the Academic Competition were successfully employed in the structural divisions of the Company in accordance with the qualifications.

Collaboration with universities

Transtelecom JSC is interested in attracting talented young professionals. In order to provide the Company with young specialists, interaction with higher and secondary professional educational institutions is carried out. The Company has agreements on cooperation with the International University of Information Technologies, with L.N. Gumilyov Eurasian National University, S.Seifulin Kazakh Agro Technical University. In 2018 TTC also entered into cooperation agreements with the Kazakh National University named after Al-Farabi, D. Serikbayev East Kazakhstan State Technical University, Pavlodar State University named after S. Toraigyrov, Pavlodar College of Transport and Communications. In 2018, 131 students completed internships in the structural divisions of the Company.

In 2018, in order to train narrow-profile specialists in information security, an the Company signed an agreement a Dual training agreement with Kazakh Agro Technical University. This Agreement provides for training on Master's degree in Information Systems for an expert of Information Security Services sector.

Social politics

Social benefits and benefits for employees play an important role in personnel motivation. The Company's social policy, as an instrument of motivation, directly affects staff satisfaction, which, in turn, affects the production and economic performance of the Company. The social policy of Transtelecom JSC is aimed at improving the standard of living of the Company's employees, providing assistance and support to persons in need of social assistance (employees, retirees, veterans of the Great Patriotic War and persons equated with them, etc.) by increasing personnel satisfaction indicators.

In 2018, Transtelecom JSC and its employees concluded a Collective Agreement for 2018-2020, where the Company revised the amount of payments and introduced new types of social benefits and guarantees.

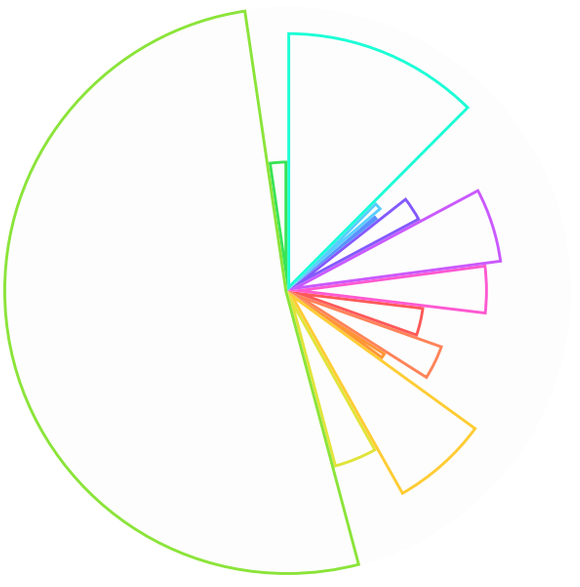
The main areas of social support in the form of material assistance:

- To employees: for anniversary date, for the birth of a child, for registration, for prosthetics, for rehabilitation and treatment, for burial, financial assistance in connection with an unforeseen circumstance, medical insurance;
- To workers with children: for preparing children for school, for Children's Day, for September 1, for Family Day, for the Day of Persons with Disabilities, for organizing and conducting events for children's holidays;
- To pensioners registered with the Company: upon the commencement of the anniversary date, payment by holidays - Communication and Information Day, Day of the Elderly, New Year.

The Company also introduced new types of benefits for prosthetics, for paying for the education of gifted children, for the rehabilitation of a disabled child, for participating in creative contests, sports competitions, compensation for layoff 3 years before retirement age.

Expenditures to pay social benefits in 2018 amounted to 426,589 thousand tenges. As compared with 2017, the cost of social benefits increased by more than 2.3 times (actual for 2017 - 183 735 tenge).

The average costs per employee of the Company in 2018 amounted to 140 thousand tenge.



- Carrying out of cultural and sports events, 221 943 th. tenge
- Social tax deduction, 9 298 th. tenge
- For summer vacations of employees' children, 53 814 th. tenge
- To the jubilee of the employee, 4 920 th. tenge
- For marrisge registration, 3 710 th. tenge
- Retirement, 12 146 th. tenge
- Gifts, carrying out of celebratory campaigns for children of workers, 24 581 th. tenge
- Support of non-working pensioners, 16 462 th. tenge
- For ritual services, 15 006 th. tenge
- For the birth of a child, 15 734 th. tenge
- Payment of additional vacations, 2 683 th. tenge
- For treatment, 29 213 th. tenge
- Compensation for reduction, 17 088 th. tenge

Sport and health

The Company pays great attention to the promotion of a healthy lifestyle and constantly allocates funds for sports and recreational activities. From year to year, the TTC Sports game has become a good tradition and an integral part of our corporate culture. The third Summer Games in the history of TTC JSC welcomed the sports teams in the city of Kokshetau. Our colleagues have once again proved that they are not only excellent employees, but also wonderful athletes. This sporting event is aimed at implementing the Address of the Head of State, attracting the people of Kazakhstan to a healthy lifestyle, systematic physical education and sports, involving people in sporting events, promoting the values of a healthy lifestyle.

The team from Kokshetautranstelecom branch was the winner of the third summer Sports games of Transtelecom JSC, Karagandatranstelecom branch was the second, and Kostanaytranstelecom branch was the third. The next 4th Sports Games will be held in Aktobe.

As part of the Games among the employees of NC KTZ JSC, held from November 10 to December 8, 2018 in five sports, our athletes showed a high level of professionalism, teamwork and physical fitness, taking the team 8th place from among 26 teams.

Football team of Transtelecom JSC

The football team of the Company - FC TTC began its existence in January 2018. According to the rules of KLLF Public Association, new teams are obligated to start their performance from the lowest division (League - D, futsal). The final result of participation was 9th place with 16 points out of 14 teams in the standings, due to the lack of experience in this level tournaments.

In April 2018, on the initiative of team captain A. Annabayev and approval received from the leadership for team development, we invited the coach D. Buzayev. Under his leadership, the team entered the League C (futsal) season in Spring 2018 and took 4th place in the standings, as a result of which the team received the right for a higher division (League B).

Further, in the "Autumn 2018" season (futsal) playing with experienced rivals, the team performed at a rather high level, as evidenced by the result: the final 4th place among 18 teams, as a result, the team received the right to play in a higher division (League A).

The team's task for 2019 is to upgrade qualifications, transition to the Super League (the prestigious League of KLLF Assoiation), where the strongest teams of the city of Astana compete to defend the honor of the Republic of Kazakhstan at various international tournaments abroad.

Charity, social projects

In 2018, with the support of the trade union, the Company held various campaigns and cultural events:

- A charity event on Victory Day - visiting WWII veterans at their homes and delivery of a branded package with products;
- By June 1, we arranged a holiday at Kukuruku Cafe on Children's Day, where children of workers under age 3 received toys, and children under 12 years old received a certificate for a trampoline complex;
- At the Kurban Ait state holiday, we held a fair with pastries and sweets;
- The union assisted an employee to purchase a kimono to participate in taekwondo competitions, in which the employee's daughter took the first place;
- The union provided assistance to employees for the treatment of close relatives in the amount of 380,000 tenge;
- To celebrate the Day of the Company's foundation, the union organized mass skating at the Alau ice rink and festive table for employees;
- In 2018, the Chess Club was organized;
- Events and festive tables were organized for the celebration of March 8 and May 7;
- The union organized presentation of New Year's gifts and tickets for hockey, ballet and opera;
- The company organized a New Year party for children where they received gifts; union members - Santa Claus and Snegurochka congratulated the children of employees at their homes.

Industry and Government Awards

Award from KTZ NC JSC

For fruitful work, high rates of labor productivity, for active participation in production issues, as well as for a great contribution to the development of the company, the following employees received their awards:

- M.S. Akhmetov - Vice-President for IT and Innovations, received Watches engraved with name of the President of KTZ NC JSC;
- Managing Director of Kokshetautranstelecom branch A.N. Serebrennikov received a Certificate of Honor of the Minister for Investment and Development of the Republic of Kazakhstan;
- Executive Director for Projects G.B. Donenbay received a Letter of thanks of the Minister for Investment and Development of the Republic of Kazakhstan;
- Executive Director for Network Operations A. Kalzhanov received a Certificate of Honor of Samruk-Kazyna JSC;
- "Uzdik maman" title was awarded to 5 employees of the Company;
- "Kasibi Boiynsha uzdik" title - 12 employees of the Company;
- "Adal enbegi ushin" breastplate - 8 employees;
- A letter of gratitude from Kazakhstan Temir Zholy - 11 employees of the Company;
- Certificate of Honor from Kazakhstan Temir Zholy - 9 employees of the Company.

Awards of Transtelecom JSC

For the holidays, the Day of Communication and Information of the Republic of Kazakhstan and the Independence Day of the Republic of Kazakhstan for fruitful work, high labor productivity and active participation in resolving production issues, distinguished employees received Company's awards with relevant financial incentives:

- Certificate of Honor of CEO, Transtelecom JSC - 39 employees of the Company, they also received remuneration of 2 minimum salaries;
- Letter of thanks of the Chairman of the Management Board of Transtelecom JSC - 121 employees of the Company, they also received financial remuneration in the amount of 1 minimum salary;
- 8 LCB teams were awarded with a letter of thanks from the Chairman of the Management Board of the Company for ensuring the smooth operation of the backbone network in the nomination "The Best Line-Cable Brigade". The best teams of LCB received souvenirs - a wall clock with the company logo and 84 employees received material remuneration in the amount of 1 minimum salary;
- 8 employees of the Company received a memorable souvenir "For the best idea on the GREEn portal", they also received a remuneration in the amount of 2 MSs.

All awards were presented in a festive atmosphere in the presence of employees of the Company's CO and branches

Trade Union

As of December 31, 2018, the staff number of employees in the Company is 3028 people.

The main task of the union is to protect the socio-economic and legal interests of union members.

The main activities of the trade union committee for the past period are as follows:

- Consideration of proposals for supplementing, changing the sections of the collective agreement, monitoring of its implementation;
- Drawing up and examination of documents relating to the socio-economic status of workers and their labor guarantees;
- Organization and participation in collective actions and campaigns of the trade union;
- Control over observance of labor protection conditions;
- Health-improving work, organization of leisure, cultural leisure of employees and their children;
- Material support of the trade union members.

It is currently impossible to imagine the life of the Company's employees without various cultural and sporting events - holidays, anniversaries, competitions, excursions, trips to nature, where they can both relax, chat, and discuss pressing issues in informal atmosphere. A great part of such events are organized thanks to the Company's trade unions activity.

During the reporting period, the following cultural events were held with the support of the trade union:

- Celebration of the March 8, all women - members of the trade union were prersented with the gifts - certificates for the purchase of cosmetics and perfumes;
- Celebration of "Nauryz Meiramy", a concert was organized by the forces of workers with the holding of national competitions and rituals;



- May 7th celebration with competitions and festive table;
- Congratulation of veterans, homefront workers of the Great Patriotic War and veterans of labor (and equated war veterans in Afghanistan) on the Victory Day of May 9, charitable assistance (delivery of grocery baskets and material assistance);





- Celebration of Children's Day on June 1, the Company organized an event in the Kukuruku cafe for children aged 4 to 8 years;

  1) Small children aged 0 to 3 years old received toys;
  2) Children from 9 to 12 years old received certificates for visiting the KANGO trampoline park;



- To celebrate Oraza Ait holiday, the trade union committee organized festive tables with food for employees.



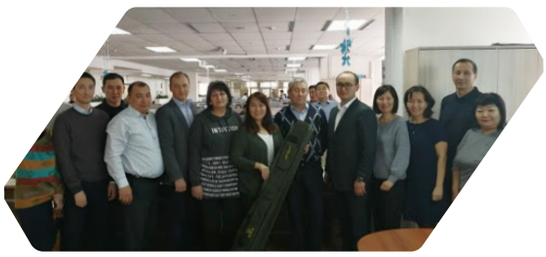
- Throughout the year, the trade union has organized cultural events for employees of the Company on a monthly basis.

- Financial assistance was provided to the following employees:

  1) Kanybekov Serzhan, to buy a kimono for his daughter (48,000.00 tenge), who became the champion of the Almaty Judo Championship.



  2) Mukhit Mussabek received 150 000 tenge due to serious illness of the spouse.
  3) Eldar Shokanov received 200 000 tenge due to the illness of his daughter.
  4) A. Tulekhanova received 30 000 tenge for treatment.
  5) A gift to Ye. Osspanov due to the 60th anniversary.



- On the eve of the New Year, Santa Claus and Snegurochka went with congratulations to the homes of union members and congratulated the children (they arranged a holiday in each house, presented souvenirs and gifts). Trade union jointly with the Company organized a New Year's party for the children.





- Carrying out of teambuilding dedicated to the "Day of Communications and Information Workers", competitions, photo collages, team presentations, etc.

Human Rights Observance

The main goal of the Company in the field of sustainable development in relations with personnel is the realization of the human right to work. The Company respects the religious beliefs and political preferences of its employees, provided that they do not conflict with the current legislative framework of the Republic of Kazakhstan. Also, the Company does not impede the participation of its employees in political, religious and public activities as private individuals and after business hours.

In 2018, there was not a single case of violation in Transtelecom JSC that affected the rights of indigenous and small peoples. The Company recognizes the principle of equality of rights and opportunities. Workers have the right to freedom of association and collective bargaining under applicable law.

Throughout 2018, the Company strictly complied with the requirements prohibiting the use of labor of persons under 18 in places with harmful and (or) dangerous working conditions, and also did not allow any kind of discrimination against employees and business partners.

The Company has implemented the practice of hotline operation to register internal complaints of employees, as well as special boxes of complaints and appeals, and a personal blog of the head of the Company (CEO) has been created and is operating.

Workplace safety

Health protection

Workplace safety

OHS work in the Company is aimed at achievement of the main goal of labor protection - creation of working conditions that meet the requirements of employees' life and health preservation in the work process, reduction of the risks of accidents at work and orientation of the Company's subdivisions to the safest technological processes and equipment .

In order to fulfill these tasks, we carefully study all the features of production and analyze emergency situations. This gives an opportunity to develop a specific scheme used to prevent the negative consequences of the production process.

The motivational maps of senior employees for 2018 provide for KPIs taking into account the number of accidents. The KPI Motivation Map and Passport (accidents) have been adopted by the Board of Directors of Transtelecom JSC. At the same time, they set a formula that provides for the quality of ongoing OSH processes aimed at accidents prevention.

By awarding distinguished engineers for their work to the Day of Labor Protection, celebrated annually on April 28, the evaluation category "engagement on OSH issues" was introduced. We also integrated a unified system for evaluating biotechnological engineering of branches.

42 measurable assessment indicators reflect the requirements of the model regulation on occupational safety and labor protection, as well as issues of involvement in OSH.

Thus, according to the developed system, it is possible to establish a rating for each engineer of biotechnological engineering of branches. When exercising internal control under a single checklist of a biotechnical engineer of a branch, the overall work of the entire branch is evaluated. At the end they receive a Certificate of the audit.

We invest in labor safety improvement

Transtelecom JSC annually develops and implements a labor protection program, the main expenses of which are for the purchase of personal protective equipment, special shoes and special clothes, mandatory medical examinations, certification of workplaces as regard the working conditions, training in safe methods of work, as well as improvement of working conditions.

According to the results of the analysis of a fatal accident in Almaty that took place on April 11, 2017 (Sorokin), they made a decision to isolate the grounding slopes of telecommunication equipment on wooden poles. This decision is considered as a norm in the Rules for maintenance of linear subscriber facilities of local telecommunication networks SOP 6.3-29/02-17, approved by order of the Vice President for Development and Legal Affairs dated July 20, 2017 No.302-VP.

According to the action plan, the company shall acquire a communication cable with an internal cable, which prevents the accidental touch by electricians and electric shock.

In 1999-2000, when the Company was its early stage of foundation, Transtelecom JSC inherited overhead communication lines from NC KTZ hanged both on the communication and electrical poles, as well as the poles of third-party organizations. When the Company makes an annual budget, the technical services of the CO and branches provided for expenses for not using the electric poles and poles of other organizations. However, due to the fact that priority was given to revenue-generating projects, the costs of maintenance of aerial lines have been minimized.

Due to the increasing incidence of injuries and fatal accidents during the performance of work by personnel at the branches of Transtelecom JSC in 2017, as well as the unsatisfactory condition of aerial communication lines (ACL laid was hanged on electric poles, lighting poles, as well as on roofs and attics, fences where communication cables pass in close proximity to electric cables), "Modernization and development of the network" and "Network operation" blocks, they have drawn up a Plan of "Comprehensive work on getting off the lines and electric networks" that provide for the costs in the amount of 2.3 billion tenge. The Plan includes work on dismantling overhead communication lines from power transmission towers and electric networks with the subsequent construction of their own towers, channels and sewers for cable laying. The total mileage of communication lines to be transferred from power lines (voltage of 10 kV and 0.4 kV) is 380 km.

It was decided to carry out work requiring urgent measures to get off the power lines at the expense of the operating budget.

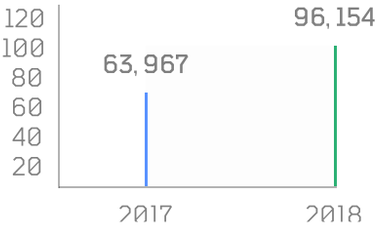
For this end, the supply of reinforced concrete bailiffs was made in full to all branches in the Republic of Kazakhstan. Also, under the concluded agreement with ACCA 2016 LLP No. 88/01 of August 15, 2018, the communication poles are being delivered to 14 branches of Transtelecom JSC.

At the same time, taking into account the optimization of the Company's expenses, parts of key costs were allocated: 46.689 million tenge (31.455 million tenge of work + 15.234 million tenge of registration) for urgent work on moving communication lines from the most dangerous sections. The "General technical support of networks" sector sent an application for the introduction of the procurement procedure for this work in the APP 2019.

The plan of comprehensive actions aimed at improving the safety and labor protection conditions for 2018 provides for 96 million 154 thousand tenge, which is 1.26% of the payroll fund of the Company.

Compared with the previous year (2017 - 63 million 967 thousand tenge) in 2018, the planned costs increased by 32 million 187 thousand tenge, that is by 50%.

Costs of the Comprehensive plan to improve working conitions, mln.



Overalls and PPE

In order to avoid recurrence of untimely delivery of overalls and personal protective equipment as it was in 2016, they carry out a weekly monitoring of delivery. For feedback on the quality of the supplied overalls and personal protective equipment, safety and labor engineers at the branches and the central office, as well as trade union representatives, are involved. To ensure safe operation in accordance with the legislation of the Republic of Kazakhstan, the "Instruction on the procedure for providing employees of Transtelecom JSC with protective clothing, safety shoes and other personal protective equipment" was approved. According to this instruction, they perform and schedule procurement procedures.

Work in pulling chambers

When working in pulling chambers, to ensure safe operation, the branches were equipped with fans for blowing out toxic gases, with gas analyzers that determine the content of toxic gases in the pulling chambers. The branches have been also instructed to conduct technical classes on the use of tools and devices for safe work in pulling chambers.

We improve the occupational health and safety issues management system

The Company has a modern OSH management system aimed at creation of safe working conditions, preventing occupational injuries, and developing a culture of safe work and training of employees in safety rules.

Transtelecom JSC has developed and approved the Occupational Safety and Health Policy and adopted the documented procedure titled "Safety and Health Management System", "Operations Manual on the organization of control over labor safety and protection", "Operations Manual on the procedure of Transtelecom JSC's employees provision with overalls, special footwear and other personal protective equipment", which defines the main goals, principles and directions of the Company's activities to ensure healthy and safe working conditions and a unified system of labor protection management is established.

To improve the processes of assignment of tasks among the electric staff, the Company is working on the introduction of a system of electronic job assignments on mobile devices using electronic digital signatures.

Taking into account the norms of the Law of the Republic of Kazakhstan "On electronic document and electronic digital signature", the company is negotiating with the authorized body in the field of energy regarding amendments to the Safety Rules for the operation of electrical installations of consumers, a program is being developed for electronic document turnover among electric staff.

According to the planned calculations, the costs until the end of 2022 amount to 121.7 million tenge (85 million tenge - communication services and smartphones, 35 million tenge - program).

Rate of accidents

The most susceptible to high levels of injuries are workers employed in jobs with high risks, harmful and dangerous production factors - electricians employed in the operation of overhead communication lines (work at heights) and communication lines laid in pulling chambers (work in pulling chambers). We pay special attention to provision them with safe working conditions.

The measures developed and the anticipated expenses of 2018 helped to prevent the recurrence of accidents that occurred in 2017 (electrical injuries, falls).

At the same time, in 2018 3 production-related cases were registered (two cases dated 10.11.2018, one dated 12.10.2018).

All 3 cases occurred as a result of road traffic accidents on vehicles and are not related to the core business of the Company.

Branch	Degree of employee's guilt	Degree of employer's guilt	Comment
Aktobetranstelecom	80	20	
Kostanaytranstelecom in Shymkent	80	20	
Zhambyltranstelecom		100	By a court ruling of the Chu district of the Zhambyl region No. 3-1062/18 dated 12/13/2018, the third-party B.Ye. Zhazybay was found guilty

To prevent these cases, they provided measures (increasing of drivers' responsibility, as well as the obligation of passengers to use safety equipment in vehicles).

Procurements arrangement

Procurement in Transtelecom JSC is governed by Procurement Rules of Samruk-Kazyna SWF JSC and organizations whose fifty and more percent of voting shares (participatory interests) directly or indirectly belong to Samruk-Kazyna SWF JSC by right of ownership or trust management approved by the decision of the Board of Directors of Samruk-Kazyna SWF JSC, No.126 dated January 28, 2016

Procurement management

The need for material resources is determined on the basis of the production program and (or) the investment program and/or budget and/or the development plan and/or the business plan and the procurement plan (s) of the Company made up at the request of the Company's structural divisions, based on service and production needs.

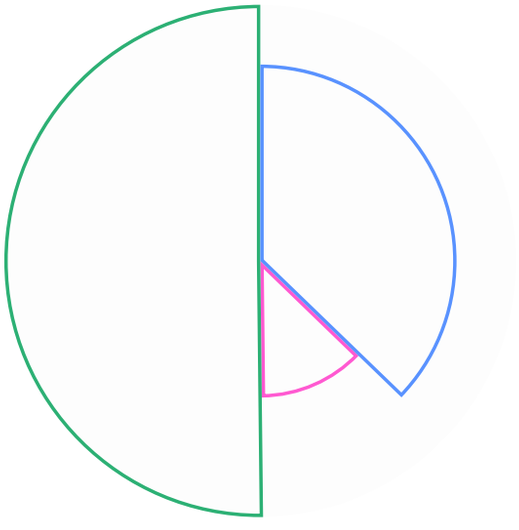
As part of the marketing studies of prices for goods, works and services (hereinafter referred to as GWS), we sent the requests to the Procurement Prices Department of KTZ NC JSC, which allows to determine the objective market value of GWS purchased by Transtelecom JSC and identify and standardize codes, according to format of Samruk-Kazyna JSC;

The selection of supplier will be determined by the results of the procurement procedures regulated by the Rules.

According to the Rules, procurement procedures for selecting a supplier by tender or request for quotation, as well as from one source are carried out in the Electronic Procurement Information System, available at http://zakup.sk.kz.

The procedures for selecting a supplier for procurement from one source are carried out by conducting market research in order to purchase high-quality GWS at acceptable prices and taking into account fair competition.

Total purchases



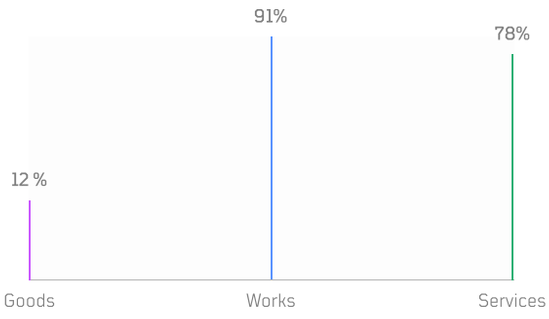
50,28% Perfeormed works

43,09% Rendered servise

6,63% Perfeormed works

The total volume of purchases of the Company in 2018 amounted to 22 334 867 thousand tenge, including goods purchased in the amount of 8 209 490 thousand tenge, work in the amount of 5 462 185 thousand tenge and services in the amount of 8 209 490 thousand tenge.

Local content in purchases of Transtelecom JSC for 2018, percentage ratio



The share of local content in the total volume of purchases was 70%, including

- Purchased goods – 12 %
- Completed work – 91 %
- Rendered services – 78 %

Monitoring of the share of local content in the procurement of GWS is carried out on the portal of the authorized body of the Fund for procurement - "Map of monitoring of Kazakhstani content in procurements" on http://www.kmks.kz website.

The program of measures aimed at the local content increase in Transtelecom JSC's purchases includes the following areas:

- Conclusion of long-term contracts;
- Provision of all potential suppliers with equal opportunities to participate in the procurement process, subject to the support of organizations of disabled persons (physical persons with disabilities who carry out entrepreneurial activities) which are in the Register of organizations of disabled persons (physical persons with disabilities who carry out entrepreneurial activities) of the Holding;
- Information provision to entrepreneurs according to the needs for goods, works, services;
- In order to optimize the terms of procurement and improve the quality of procured GWS by the Customer, procurement of GWS is carried out among Potential suppliers who have passed prequalification in accordance with the Procurement Rules.

In general, Transtelecom JSC performs all the necessary measures to optimize the procurement activities, the development of local producers and the achievement of strategic goals.

Environmental protection

Environmental initiatives and approach to environmental protection

The environmental protection of Transtelecom JSC is carried out in accordance with the Environmental Code of the Republic of Kazakhstan and other laws and regulations in the field of environmental protection

Transtelecom JSC does not cause significant harm to the environment while operating and does not conduct business in the fields which are potentially dangerous from the environment point of view. Nevertheless, we understand that the tasks of increased energy efficiency of activities, resource saving, reduction of negative impact on the environment are urgent for the Company as a leading player in the telecommunications and IT-technologies market operating throughout the territory of Kazakhstan.

We recognize the importance and priority of the environmental factor in the implementation of any activity and strive to contribute to ensuring a healthy life for future generations. Possessing all the advantages of a high-tech telecommunications operator, we have all the prerequisites and conditions to help society move towards increasing energy efficiency, reducing greenhouse gas emissions into the atmosphere and reducing resource consumption.

In 2018, environmental protection was ensured in the framework of drawing up and approval of standards, regulations, instructions aimed at compliance with the requirements of national legislation and international obligations taken. Transtelecom JSC strives to minimize its impact on the environment and apply the most advanced technologies to manage such impacts.

In order to improve the environmental management system, increase environmental responsibility at all stages of the production process, the Company has implemented ISO 14001 international environmental management standards (EMS) and ISO 50001 energy management.

The nature and environmental protection management is the assurance of environmental legislation, the requirements of the EMS of the Company, in relation to the subject of this industry the point is as follows: the disposal of natural resources, the maintenance of rational use and reproduction of natural resources, the preservation of the environment, the protection of environmental rights and legitimate interests of individuals and legal entities.

Based on the order of the head of the Company's branches, an employee responsible for environmental safety was appointed.

To maintain the EMS in working order, as well as to continuously improve its performance, the bylaws on EMS have been drawn up:

- Identification and assessment of environmental aspects (hereinafter - EA);
- EA Register;
- Significant EA register;
- Regulatory requirements register;
- Goals, objectives and programs in the field of environmental management;
- Guidelines for EMS.

On September 26, 2017, the Company passed recertification of activities for compliance with ISO 14001 in the field of environmental protection.

The Company's management assumed responsibility for the implementation of the Environmental Policy, undertook to constantly improve the effectiveness of the environmental management system and assured that every employee of the Company is aware of personal responsibility for the implementation of legally established environmental requirements and norms. While carrying out its activities in the field of telephone and telegraph services, IP telephony services; telecommunications services, development and operation of communication networks, the Company fully realizes that its operation has an impact on the environment.

To achieve environmental goals, the Company intends to:

- To follow the principle of a sound combination of the economic, environmental and social interests of the Company, the city and the region during the Company's Development Strategy drawing up;
- To maintain and continuously improve the Company's environmental management system in accordance with ISO 14001:2004 requirements, considering it as one of the most important components of the advantages in the area of its work;
- Reduce and prevent all types of negative environmental impacts by allocating the necessary resources for environmental protection activities, developing and implementing measures to reduce negative environmental impacts;
- Reduce the risks of environmental pollution associated with potential accidents and emergencies;
- Monitor the environmental performance of suppliers when purchasing services and goods;
- Use modern, highly efficient equipment to clean the emissions and discharges, waste utilization during project implementation;
- Carry out an internal audit of the environmental management system of the Company with the aim of increasing the efficiency of environmental protection activities and continuous improvement of environmental indicators;
- Strive to establish a constructive dialogue with authorities, the public and public organizations, publicly informing all stakeholders on environmental issues related to the Company's activities;
- Constantly improve the qualifications of the Company's employees and managers in the field of environmental protection to ensure their compliance with the requirements of the environmental legislation of the Republic of Kazakhstan and this Environmental Policy at their workplaces;
- Act in accordance with the requirements of the environmental legislation of the Republic of Kazakhstan.

Environmental Compliance

The draft MPE standards have been drawn up in all branches of the Company, there are permits for emissions into the environment, emission limits for air pollutants, and declarations on payment for emissions to the environment for 2018. A program of industrial environmental control and an environmental action plan for 2018 has been drawn up.

The prescriptive regulatory authorities did not make any comment over 2017-2018 period.

Over 2018 there were neither penalties nor other non-financial sanctions imposed for non-compliance with environmental legislation.

Use of energy resources and energy saving

The activities of telecommunications companies have almost no negative impact on the environment. Sources of minor adverse effects may be wastes that are generatet as a result of the Company's offices operation, emissions to the atmosphere from the Company's vehicles, discharges of pollutants into water bodies. But all the objects of Transtelecom JSC - office buildings, sales offices and contact centers - consume electric energy. Therefore, one of the key tasks for the Company is to reduce electricity consumption, as well as introduce energy-efficient technologies, the Company is implementing the Energy Conservation and Energy Efficiency Program.As part of the program the Company performs the planning and monitoring of energy consumption, identification of best practices in the telecommunications industry, and implements the activities aimed at energy efficiency improvement.

The most important priority of the Company in the field of energy conservation is to increase energy efficiency and the optimal use of energy resources.

In order to improve and further develop the ENM the bylaws have been drawn up and adopted:

- Energy policy of the Company;
- Goals and objectives of the Company in the field of energy efficiency improvement;
- Action Plan to achieve energy goals and targets for 2015-2020;
- Methods of energy analysis, monitoring and calculation of energy efficiency;
- Register of areas of energy significant use (consumption);
- The list of power equipment significantly affecting energy use;
- Register of legislative and other requirements in the field of energy management.

In 2017, the Certification Association "Russian Register" conducted an Energy management system audit in the Company. The audit found the Company to comply with the requirements of ISO 50001: 2011.

The main direction of the energy policy of Transtelecom JSC is to increase energy efficiency, provide services with a high level of quality, meet the requirements and expectations of consumers, reduce the specific energy intensity of their production, complying with all legislative requirements in the field of energy conservation and energy efficiency.

The Company conducted an energy analysis

Specificity of the Company's energy consumption lies in the necessity of constant use of electric and thermal energy for the Company's production and administrative needs. Also, these types of energy provide the potential for energy efficiency improvement.

According to the information provided in the list of power equipment of the Company's branches, the equipment and personnel that significantly affect the use of energy have been identified:

- Air conditioners and power supply devices of telecommunication equipment (table 1);
- Employees of the administrative and economic department, energy specialists, specialists of the quality management system of the Company's branches, the "Economic Support" department and "Telecommunications network management" department of the CO.

According to the list of power equipment of the branches, they identified the equipment that significantly affect the use of energy: air conditioners, power supply devices for telecommunication equipment and employees of the central telephone exchange, TTS, MS, fiber optic link, production department, AMP, and the branch support service. Weather conditions also indirectly affect the modes of significant energy use.

Actual consumption of fuel and energy resources by TTC over 2018.

Table 1

№	Months	Electricity, kW*h		Heat energy, Gcal	Gasoline, liters		Diesel, liters	
		FOCL	TTC and CH		Auto	BGU	Auto	DGU
1	January	388 824,02	643 130	611,1079	54 326,67	253	22 007,09	417,9
2	February	388 634,76	664 474	666,7997	67 653,746	143	7 527,3	897,56
3	March	378 314	563 047	592,8935	62 185,219	63	8 898,87	378,67
4	April	349 714	554 046	262,9388	64 505,151	63	3 087,9	289,95
5	May	306 892	544 993	28,462	66 773,048	43	11 259,34	524,05
6	June	299 079	565 244	1,295	69 334,017	323	11 419,66	2 069,89
7	July	354 999	582 279	1,505	69 493,416	227	10 899,29	836,74
8	August	368 818	574 484	1,411	62 594,103	343	9 802,8	729

№	Months	Electricity, kW*h		Heat energy, Gcal	Gasoline, liters		Diesel, liters	
		FOCL	TTC and CH		Auto	BGU	Auto	DGU
9	September	318 481,12	510 351,6	1,904	64 957,137	350	9 212,857	753,4
10	October	302 137	503 763	245,4197	61 109,153	223	6 072,17	1 112,47
11	November	305 302	586 496	586,4015	72 442,891	123	6 472,204	1 756,88
12	December	354 827	565 393,6	658,8151	60 459,545	430	2 460,23	1 165,08
	Total:	**4 116 021,9**	**6 857 701,29**	**3 658,9532**	**775 834,1**	**2 584**	**109 119,71**	**10 931,59**

The main energy efficiency indicator are the following indicators: electric energy consumption for FOCL equipment, heat energy consumption, gasoline costs for motor vehicles during FOCL maintenance, emergency manual start-up of BGU, diesel fuel costs for motor vehicles for FOCL maintenance, during ATS or scheduled manual start-up of the diesel generator set.

Specification and summary of data about equipment, buildings and structures of TTC

Table 2

Months	FOCL length, km	Building area, sq.m	BGU working hours	DGU working hours
January	12 023,75	35 302,81	57h. 20m.	66h. 52m.
February	12 023,75	35 302,81	33h.10m.	78h. 40m.
March	12 023,7	35 302,8	1h. 30m.	39h. 50m.
April	12 023,75	35 302,81	2h. 35m.	52h. 34m.
May	12 023,75	35 302,81	2h. 20m.	115h. 45m.
June	12 023,75	35 302,81	86h. 10m.	206h. 28m.
July	12 023,7	35 302,8	30h. 10m.	202h. 55m.
August	12 023,7	35 302,8	11h. 10m.	150h. 41m.
September	12 023,76	35 302,8	3h. 30m.	104h. 52m.
October	12 023,76	35 302,8	22h. 30m.	167h. 36m.
November	12 227	35 299,8	8h. 20m.	65h. 17m.
December	12 241,7	35 298,9	60h. 50m.	141h. 13m.

TTC Energy Efficiency Indicators for 2018

Table 3

Months	W focl	W TTC&SN	Q foe	V car petr.	V bgu	V auto diz.	V dgu
January	30,07	23,78	0,01	4,46	2,55	1,84	8,92
February	28,06	22,74	0,01	5,68	2,57	0,98	10,71
March	31,03	22,35	0,01	5,07	23,38	1,24	11,46
April	24,12	22,69	0,00	5,09	20,12	0,39	32,99
May	20,66	22,89	0,00	5,75	18,13	1,89	7
June	19,36	23,6	0,00	6,19	2,5	1,83	34,38
July	24,16	25,43	0,00	5,69	9,06	1,9	7,86
August	25,27	23	0,00	4,79	26,68	1,59	9,39
September	20,6	21,51	0,00	5,4	54,62	1,35	11,78
October	22,73	21,9	0,00	4,79	2,74	0,76	15,72
November	23,57	22,51	0,01	6,16	16	0,44	27,67
December	33,81	21,84	0,01	5,15	2,6	0,09	23,12
Total:	**25,29**	**22,85**	**0,01**	**5,35**	**15,08**	**1,19**	**16,75**

The electric energy indicator Wfocl and Wttc&SN shows that in the summer months the energy consumption increases due to connection of the air conditioning system, namely industrial and domestic air conditioners. Also, an increase in energy consumption occurs in the autumn-spring period due to connection of electric heaters.

Fig. 1. Indicator of electric energy W focl

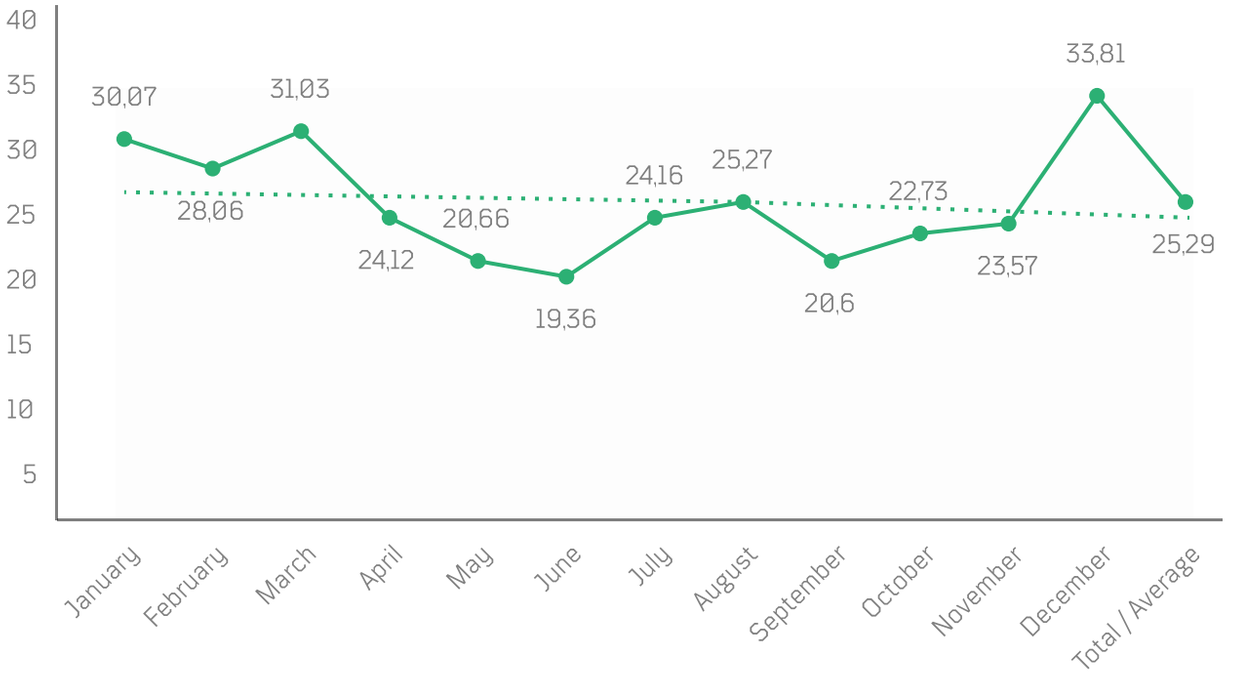


Fig. 2. Indicator of electrical energy W TTC&SN

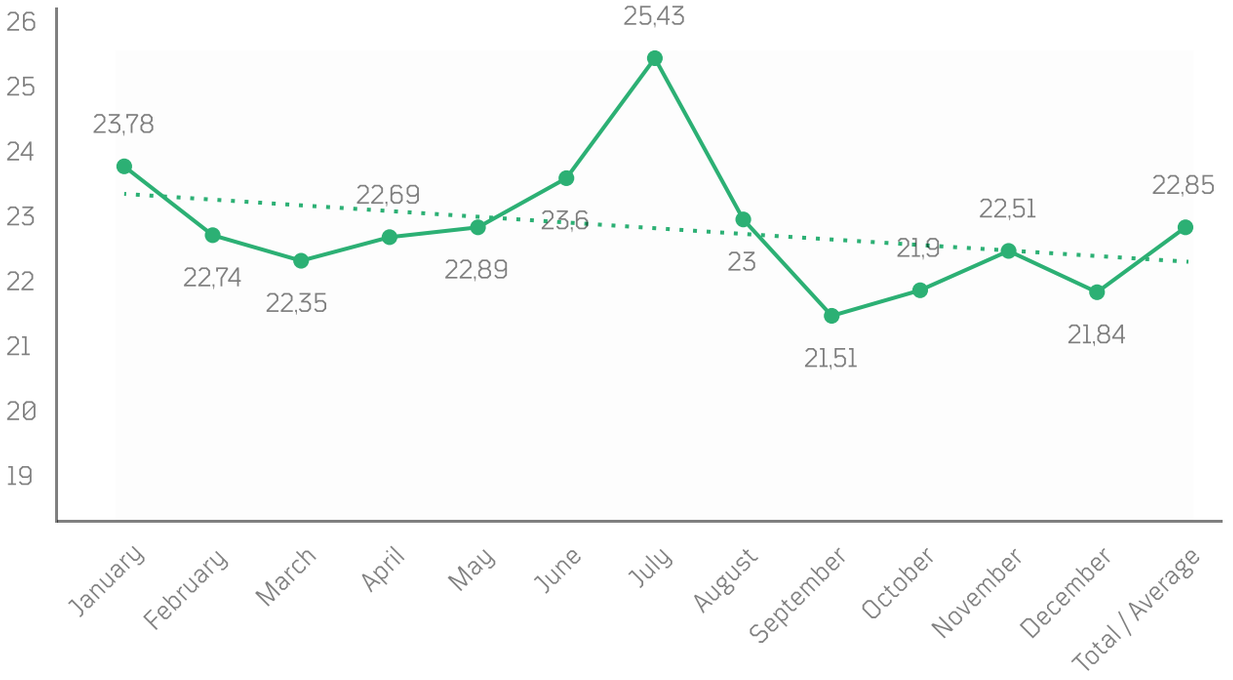


Fig. 3. Fuel indicator V auto petr.

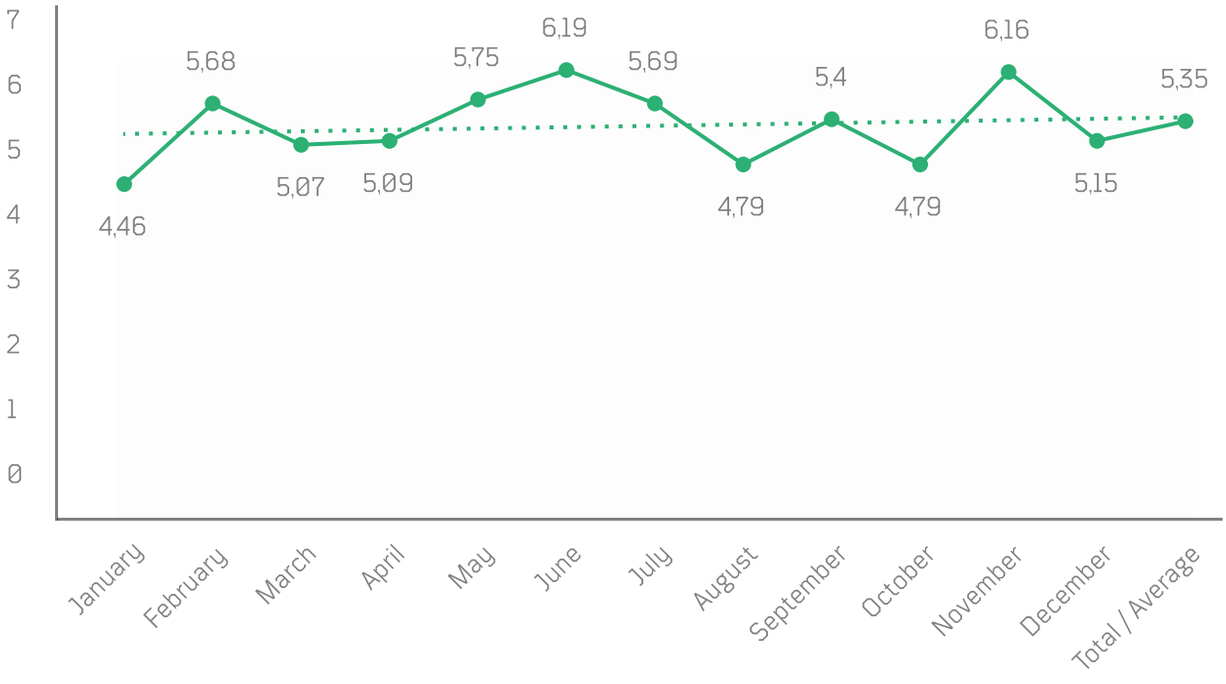
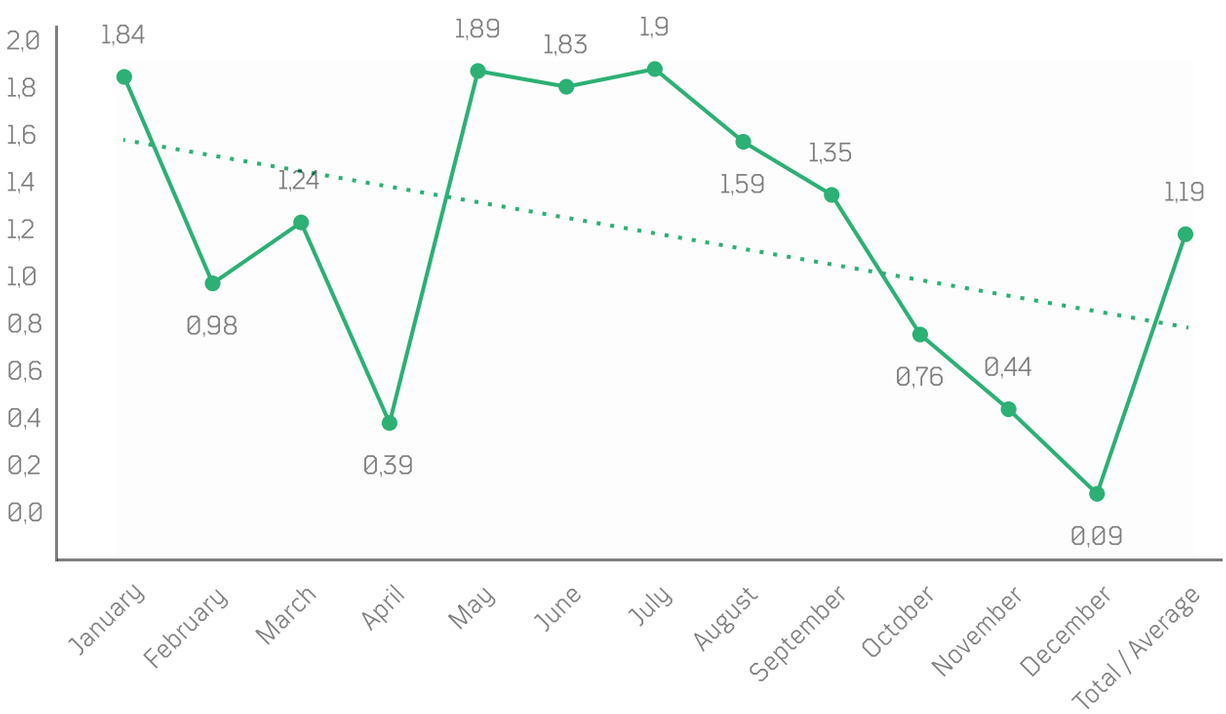


Fig. 4. Fuel indicator V auto d.tf



As for the indicator of fuels and lubricants V auto petr and V auto d.f., there were no significant jumps in 2018. Insignificant jumps depend on departures for autumn-spring examinations from September to November and from April to June. The increase in consumption is also affected by the quarterly scheduled preventive repairs of equipment.

Fig. 5. Indicator of thermal energy Q foe



The thermal energy indicator Q foe for 2018 did not demonstrate significant jumps.

As for Fuel and lubricants indicator Vbgu and V dgu jumps depend on emergency and preventive launches of gas-generator devices and diesel-generator sets.

Fig. 6. Fuel indicator Vbgu

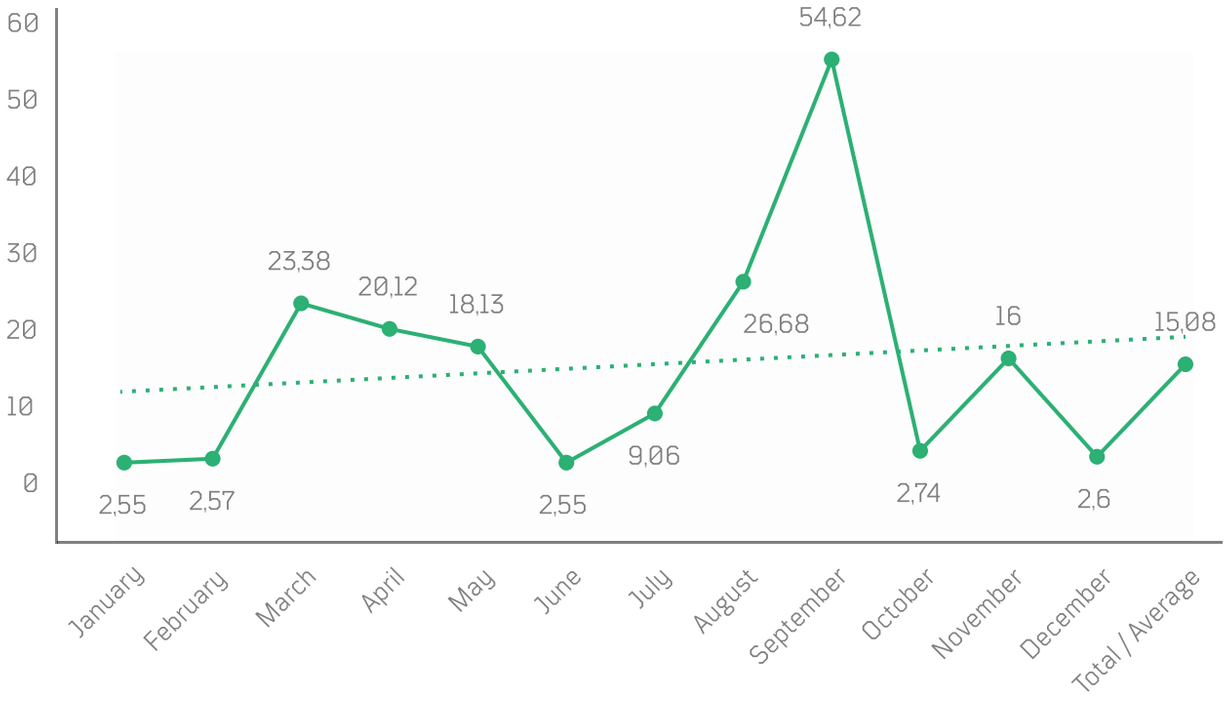
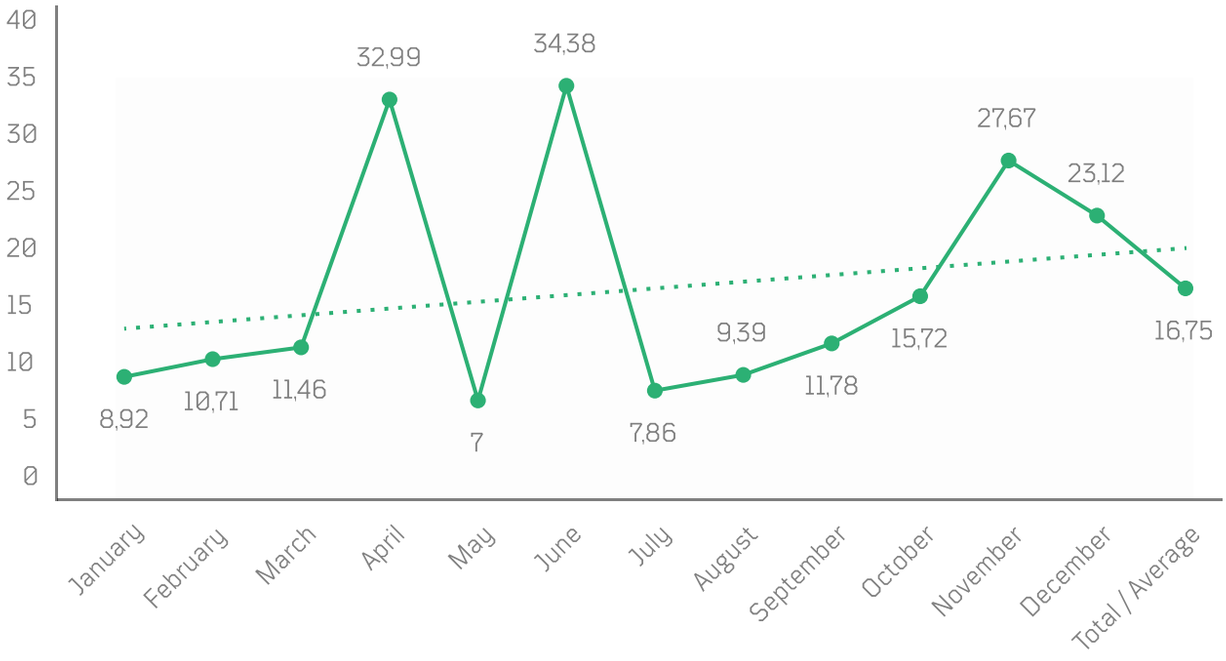


Fig. 7. Fuel indicator Vdgu

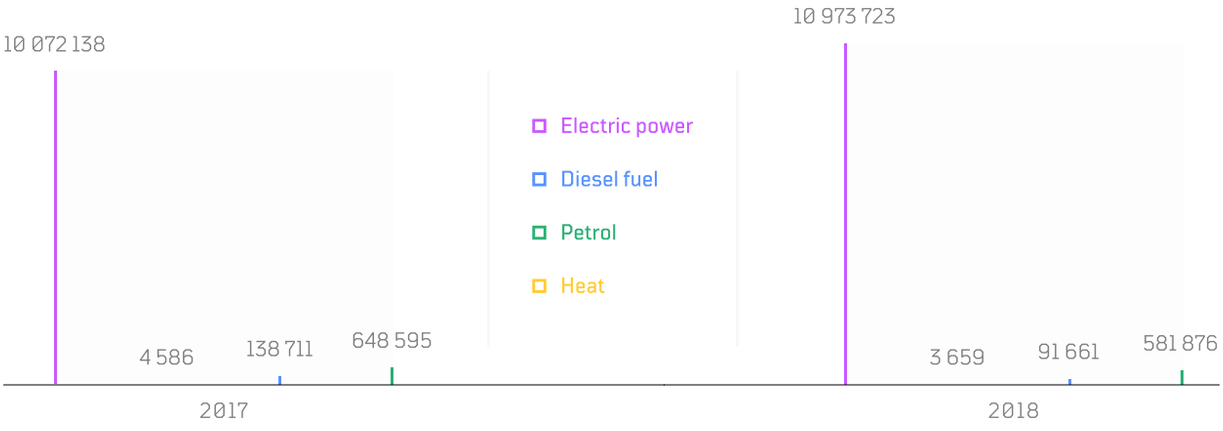


Energy Efficiency Monitoring for 2017/2018

Table 4

Types of fuel and energy resources	Unit	2017	2018	Difference (+/-) 2017/2018	Deviation (%) 2017/2018
Electric power	KW/h*	10 072 138	10 973 723	901 585	+ 8,95
Heat	Gcal	4 586	3 659	- 927	- 25,34
Diz. fuel	Tonnes	138 711	91 661	- 29 591	- 33,92
Petrol	Tonnes	648 595	581 876	127 239	- 10,29

Types of fuel and energy resources



The potential for energy efficiency improvement over the next three years is no more than 3% of the baseline energy consumption in 2018.

In the future, electricity consumption will increase in connection with the implementation of new projects. The construction of a hardware and software complex, a communication platform along the railway line has been scheduled for 2019-2020.

In 2019, Transtelecom JSC plans to continue the implementation of the "Last Mile" project, providing for the installation of additional active equipment.

According to these projects, the consumed power of telecommunication equipment according to preliminary estimates will be approximately 1,265,900 kW per year.

Air Emissions and Climate Change

Guided by the principles of sustainable development, Transtelecom JSC pays special attention to control and reduction of the amount of pollutant emissions into the atmosphere. As part of production activities, all enterprises of the Company receive appropriate permits, and statistical information is provided annually to the supervisory authorities.

Total amount of pollutants emissions into the atmosphere in 2018 compared with 2017 decreased and amounted to 656.41 tonnes.

Branches	2016		2017		2018	
	actual volume	amount	actual volume	amount	actual volume	amount
CO	3,76	2 632,00	3,9	56 740,00	86,53	68 676
Astana	59,12	71 569,00	40,32	41 076,00	49,99	49 686,81
Almaty	114,75	212 155,00	165,56	178 612,00	109,71	179 494,28
Aktobe	66,8	92 608,00	63,09	93 753,00	66,851	99 377,00
Aktau				54 140,00	1,04	1 659
Atyrau	25,67	35 931,00	35,95	113 405,00	35,24	992 175
Zhambyl	67,87	103 795,00	68,42	72 643,11	59,95	104 857
Karaganda	65,77	73 970,00	60,57	48 796,00	67,19	2 223 057,248
Kostanay	36,3	40 638,00	38,07	67 730,00	34,16	44 437

Emissions of gaseous pollutants by branches, tonnes

Branches	2016		2017		2018	
	actual volume	amount	actual volume	amount	actual volume	amount
Kokshetau	68,79	62 648,00	68,92	65 537,00	74,106	74 801
Kyzylorda	44,02	65 430,00	41,2	50 005,00	40	61 112,75
Oskemen	30,05	42 072,00	33,27	68 951,00	37,047	59 114
Pavlodar	39,95	55 924,00	46,01	50 549,00	44,243	70 636
Semey	38,5	53 898,00	33,75	51 936,00	36,5	73 436,41
Shymkent	33,96	48 372,00	34,16	0,00	0,38	75 807,6
Total	**695,31**	**961 642,00**	**733,19**	**1 013 873,11**	**656,4055712**	**4 104 890,69**

The Company's operation does not adversely affect the flora and fauna. The Company has no facilities located on the territory of national parks or nature reserves, specially protected natural areas.

Resource saving

From year to year, the Company continues to reduce the impact of its operations on the environment by the rational use of resources, in particular water and paper, in the offices and branches of the Company.

Reduction of paper consumption takes pace due to the electronic document management system and electronic office notes. Moreover, we encourage the use of electronic tools in daily work instead of paper, and all settings of printing and copying equipment operate in an economical mode by default.

The Company promotes ecological culture in the society as a basis for a more responsible attitude of people to the environment. The Company actively supports environmental initiatives of representatives of local communities, which form a responsible attitude towards nature and are aimed at nature preservation, its study and recovery. Employees of Transtelecom JSC act as volunteers, taking part in projects for landscaping, gardening and territories cleaning: the Company holds voluntary Saturday work every year in April, attended by thousands of our employees.



07

CORPORATE GOVERNANCE

Key Corporate Governance Principles

Report of the Board of Directors of the Company

Report on the work of the corporate secretary, 2018

Executive Management

Meetings of the Management Board of the Company in 2018

Internal Audit Service

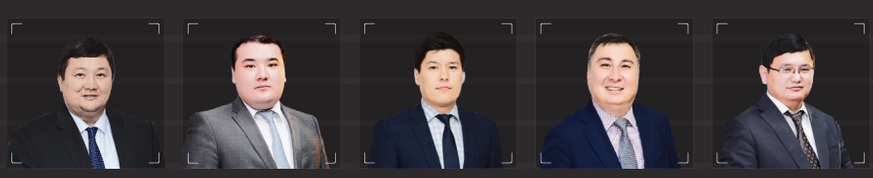
Conflict of Interest Resolution

Values and Ethical Principles

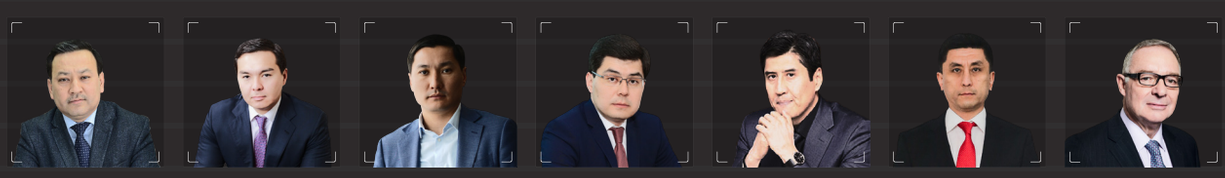
Risks Management

Quality management

MANAGEMENT BOARD



BOARD OF DIRECTORS



General information on corporate governance in the Company

The company provides equal rights to all shareholders and continuously improves the corporate governance system.

The Board of Directors and the executive body of the Company build effective corporate governance, which is designed to ensure the successful development of the TTC while maintaining a balance of interests of shareholders, investors and management.

The Company has a mechanism for the collection and confidential review of information about violations. The hot line makes it possible to declare confidentially about known instances of corruption, fraud, discrimination, as well as other violations of the norms of the legislation of the Republic of Kazakhstan by the employees of Transtelecom JSC.

Key Corporate Governance principles

In accordance with the Corporate Governance Code of the Company (hereinafter - the Code) approved by the decision of the General Meeting of Shareholders of Transtelecom JSC dated August 4, 2016 (Minutes No.1), the corporate governance in the Company is based on the principle of shareholders' rights and legitimate interests protecting and respecting and contributes to effective operation of the Company, including the growth of the Company's assets and maintenance of the Company's financial stability and profitability.

The basic principles of the Code are the following:

- The principle of shareholders' rights and interests protection;
- The principle of effective management of the Company by the Board of Directors and the Management Board;
- The principle of independent activity of the Company;
- The principle of transparency and objectivity of information disclosure on the Company's activities;
- Principles of legality and ethics;
- Principles of the dividend policy effectiveness;
- Principles of effective personnel policy;
- Principle of environmental protection;
- Policy of corporate conflicts and conflicts of interest regulation;
- Principle of responsibility.

Thus, the Company acts in full compliance with international corporate governance standards, which provides shareholders with the ability to effectively control and monitor management activities and helps increase investment attractiveness.

Corporate Governance Improvement

Key events aimed at improving corporate governance practices in 2018:

- Preliminary approval of the new version of the Company's Development Strategy;
- Adoption of the report on the work of the Board of Directors of Transtelecom JSC for 2017;
- Consideration of the results of performance evaluation of the Board of Directors of Transtelecom JSC for 2017;
- E-voting method for Board of Directors of the Company;
- Disclosure of remuneration of members of the Management Board and Board of Directors;
- Timely disclosure of information on a corporate website;
- The Company's report on the results of financial and economic activities in accordance with the IFRS Guide “Management's Comment”.

Major and related party transactions

The interested-party transactions are governed by Article 71 of the Law of the Republic of Kazakhstan "On Joint Stock Companies" dated May 13, 2003 № 415-II. In accordance with the requirements of the legislation, a decision to enter into transaction in which there is an interest of shareholders, members of the Board of Directors or members of executive bodies is made by the Board of Directors or the General Meeting of Shareholders.

In accordance with the Charter of the Company, the exclusive competence of the Board of Directors includes the decision to conclude major transactions, as well as interested-party transactions, as well as the consideration of quarterly reports on major transactions and interested-party transactions.

Pursuant to Clause 10 of the Rules of Transactions between Samruk-Kazyna JSC group's member-organizations, conclusion of which is subject to special conditions established by the Republic of Kazakhstan Law "On Joint Stock Companies", adopted by the Board of Directors of Samruk-Kazyna JSC in its resolution passed on April 27, 2009 (Minutes No.18), in the frameworks of procurements, the transactions are concluded in the manner determined by the Board of Directors of Samruk-Kazyna JSC pursuant to Article 19 of the Republic of Kazakhstan Law "On the Sovereign Wealth Fund".

Thus, pursuant to Article 19 of the Republic of Kazakhstan Law "On the Sovereign Wealth Fund", the procurement of goods, works and services by the Fund and organizations, where fifty or more percent of shares (participatory interests) directly or indirectly belong to the Fund are made on the basis of the rules approved by the Board of Directors of the Fund. Pursuant to Procurement Rules of Samruk-Kazyna Sovereign Wealth Fund Joint Stock Company and organizations in which Samruk-Kazyna JSC directly or indirectly owns fifty or more percent of shares (participations) under the ownership or trust management, which have been adopted by the Board of Directors on January 28, 2016 Minutes No.126 (hereinafter - the Procurement Rules) a corporate resolution is not required with regard to interested-party transactions.

The Company pays close attention to the identification of interested party transactions and control over their commission. Pursuant to clause 2-2 of Article 79 of the Law of the Republic of Kazakhstan "On Joint-Stock Companies" dated May 13, 2003 No. 415-II and a resolution of the Management Board of the National Bank of the Republic of Kazakhstan dated August 27, 2018 189 On the Approval of the Rules for Issuer's Disclosure of Information, Requirements for Information Content, as well as the deadlines for information disclosure by the issuer on the Internet resource of the financial reporting depository, the Company in its Order approved the procedure for posting information on the Internet resource of the financial reporting depository. Using the Unified Reporting System, the Company posts information about corporate events.

The list of major transactions and interested-party transactions concluded by the Company in 2018 is available on the Company's website at: www.ttc.kz in the section "Information on Transactions"

Information about Shareholders

In accordance with the Decree of the Government of the Republic of Kazakhstan dated March 31, 2014 No. 280 "On approval of the Comprehensive Privatization Plan for 2014-2016" Transtelecom JSC was included in the list of companies subject to privatization and alienation in the competitive environment. According to the register of securities holders as of December 31, 2017: KTZ NC JSC owns 51%, M. Mukhanov - 49% of the shares.

Shareholders' General Meeting

The supreme management body of the Company is the General Meeting of Shareholders. According to the Charter of the Company and the current legislation of the Republic of Kazakhstan, the participation of shareholders is necessary for making various most important corporate decisions.

The procedure for holding the General Meeting of Shareholders is set out in the "Regulations on the General Meeting of Shareholders", which is available on the Company's website at: http: //www.ttc.kz// ...

The annual General Meeting of Shareholders is held no later than five months after the end of the financial year. The said period shall be deemed extended up to three months if it is impossible to complete Company's audit for the reporting period.

In 2018, the General Meeting of Shareholders was held on May 3.

Report of the Board of Directors of the Company

Organization of work of the board of directors

The Board of Directors carries out general management of the Company's activities, except for resolution of issues that are within the competence of the General Meeting of Shareholders of the Company. The Board of Directors plays a key role in the formation and development of the corporate governance system, ensures the protection and exercise of shareholders' rights, and oversees the activities of the executive body.

The formation procedure, the competence of the Board of Directors, the procedure for convening and holding meetings of the Board of Directors are determined by the Charter and the Regulation on the Board of Directors of the Company (approved by the decision of the General Meeting of Shareholders of Transtelecom JSC dated August 4, 2016, with subsequent amendments and additions).

The Board of Directors conducts annual work on the basis of approved plans, sums up the activities for the past year, determines the priority activities of the Company, makes decisions on concluding major transactions and interested-party transactions as well as other transactions in accordance with the Charter of Transtelecom JSC

The competence of the Board of Directors, in particular, includes:

- Determination of priority areas of activity and development strategies of the Company;
- Assurance of compliance with and assessment of the effectiveness of the Company's internal control and risk management systems;
- Determination of the number of members, the term of office of the executive body, and decisions making on the appointment of the head of the Internal Audit Service and the Corporate Secretary;
- Convening of the annual and extraordinary General Meeting of Shareholders, as well as preliminary consideration of issues submitted to the General Meeting of Shareholders;
- Adoption of the Company's Development Plan and its follow-up;
- Approval of the total number of employees and the structure of the Company's Central Office;
- Approval of Motivation Maps and KPIs Passports of the Chairman, members of the Management Board, the head of the Internal Audit Service and the Corporate Secretary of the Company;
- Approval of bylaws of the Company, except for the bylaws the approval of which is within the competence of the General Meeting of Shareholders and executive bodies of the Company;

The Board of Directors of the Company consists of 7 (seven) directors. Members of the Board of Directors of the Company are elected by the General Meeting of Shareholders.

Composition of the Board of Directors

The General Meeting of Shareholders of Transtelecom JSC in its resolution No.1 dated August 4, 2016 determined the composition of the Board of Directors of Transtelecom JSC in the amount of 7 (seven) members.

During 2018, the composition of the Company's Board of Directors has changed as follows:

On December 19, 2018, A. Baimyrzauly left the composition by submitting a written notice of the early termination of his powers as a member of the Board of Directors.

The Chairman of the Board of Directors of the Company was Bauyrzhan Pazylbekovich Urynbassarov - a representative of the National Company Kazakhstan Temir Zholy JSC.

The composition of the Board of Directors of the Company is stable and includes highly professional members. The Company considers the composition of the Board of Directors to be optimal in terms of the number of members and balanced in terms of the number of Independent Directors. A high proportion of Independent Directors (43%) ensures objectivity in the consideration of issues, and the independence of the judgments of these directors increases the efficiency of the Board of Directors and also helps to improve the corporate governance system of the Company as a whole.

The composition of the Board of Directors as of December 31, 2018:

Bauyrzhan Pazylbekovich Urynbasarov	Chairman of the Board of Directors of the Company; representative of the shareholder's interests;
Nurali Rakhatovich Aliyev	Member of the Board of Directors of the Company; representative of the shareholder's interests;
Marlen Savitovich Mukhanov	Member of the Board of Directors of the Company; representative of the shareholder's interests;
Kanat Mukhametkarimovich Dosmukametov	Independent Director, member of the Company's Board of Directors
Yerlan Orentayevich Issekeshev	Independent Director, member of the Company's Board of Directors
David Richard Hexter	Independent Director, member of the Company's Board of Directors

The Corporate Governance structure of Transtelecom JSC

Corporate governance is a key factor in ensuring sustainable business development and one of the most important criteria in making management and investment decisions. High-quality and effective corporate governance contributes to improvement of efficiency of financial and economic activities of organizations, ensures effective risk management and a reliable system of internal control.

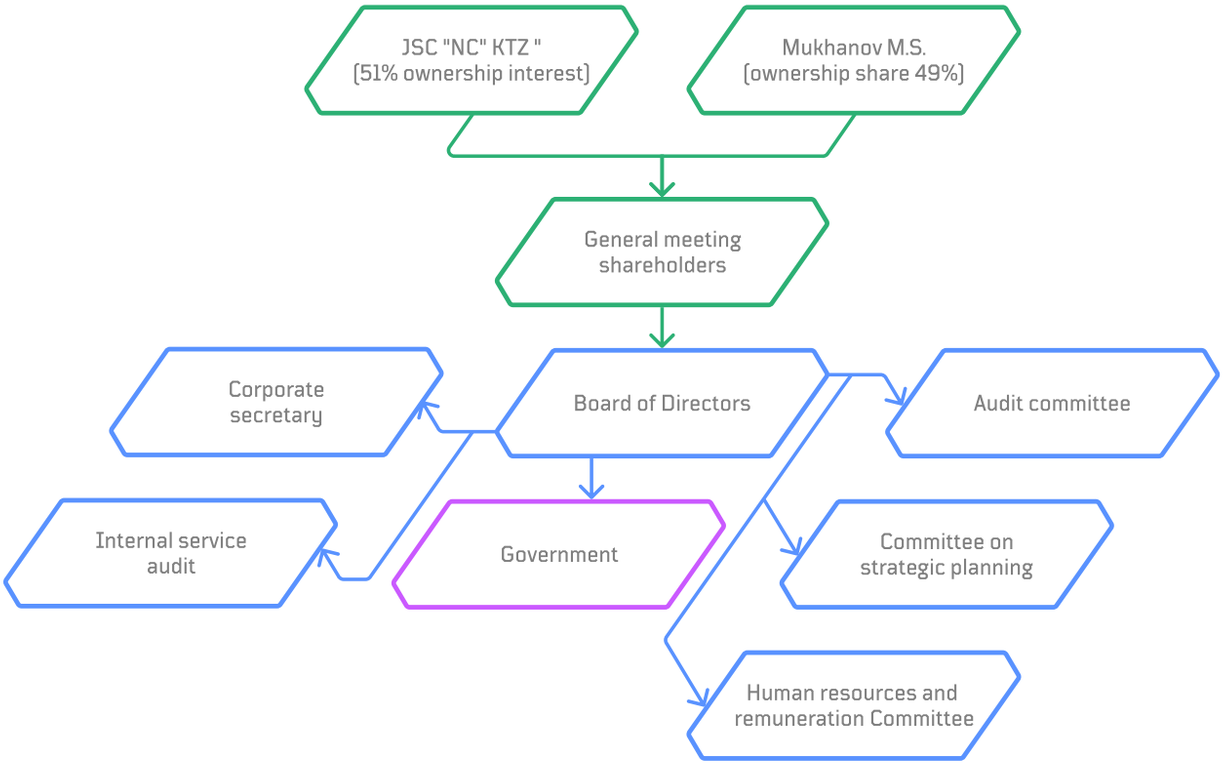
The Company pays significant attention to the corporate governance system improvement and to the shareholder's interests.

The Company has an advanced corporate governance system that is built on the basis of international standards of corporate governance and business ethics, the requirements of the legislation of the Republic of Kazakhstan and the principles of the Corporate Governance Code.

On May 3, 2018, the General Meeting of Shareholders of Transtelecom JSC in tis resolution of May 3, 2018 adopted the Charter of Transtelecom JSC as amended.

On May 29, 2018, a report on the work of the Board of Directors for 2017 was reviewed at the General Meeting of Shareholders of Transtelecom JSC.

Corporate governance system of Transtelecom JSC



Criteria for selectin Independent Directors, the Chairman of the Management Board and members of the Committees under the Board of Directors

The Board of Directors believes that the majority of members of the Committees should be Independent Directors. Thereby, in 2016 the Board of Directors of the Company ap proved the composition of the Audit Committee and the Human Resources and Remuneration Committee, which is 100% composed of Independent Directors, the Strategic Planning Committee consisted of three Independent Directors and one member of the Board of Directors. Independent Directors were elected to Chair the Committees, that meets the requirements of clause 3, Article 53-1 of the Law of the Republic of Kazakhstan "On Joint Stock Companies" dated May 13, 2003 No. 415-II.

The independent directors of the Company over the reporting period fully complied with the independence criteria stipulated in Article 1 of the Joint Stock Companies Law of the Republic of Kazakhstan.

- An independent director shall not be an affiliated person of Transtelecom JSC and did not represent it within three years preceding his/her election to the Board of Directors (except for the case of his/her being the independent director of this joint-stock company);
- An independent director shall not be an affiliated person in relation to affiliated persons of Transtelecom JSC;
- An independent director shall not be bound by subordination to officials of Transtelecom JSC or affiliated entities of Transtelecom JSC and was not bound by subordination to these persons during three years preceding his/her election to the Board of Directors;
- An independent director shall not be a civil servant;
- An independent director shall not participate in the audit of Transtelecom JSC as an auditor working for the audit firm, and did not participate in such an audit for three years preceding his/her election to the board of directors.

The Regulation of the Board of Directors establishes additional requirements for candidates to the position of Independent Director, which are also met by Independent Directors of the Company. Thus the candidate shall be as follows:

- Shall have special skills in certain areas related to the functional responsibilities of an independent director, membership in committees of the Board of Directors;
- Should have general information about key issues specific to the organization, similar in scope and nature of operations with the Company, including an understanding of: regulatory obligations; competitive environment in the national and international markets; specifics in the field of corporate finance, audit and internal control, strategy and / or on matters of appointment and / or remuneration to ensure expert opinion on membership in the relevant committee of the Company's Board of Directors;
- Shall have an impeccable reputation/positive achievements in the business and/or industry environment, adhere to high ethical standards. The candidate shall not have the criminal records in economic activity field, as well as administrative offenses in business activity;
- Shall have sufficient time to participate in the work of the Board of Directors, not only during meetings of the Board of Directors, but also for proper study of materials for meetings of the Board of Directors.

Criteria for independence relating to the Chairman of the Management Board are not provided for by the legislation and Company's bylaws.

Directors remuneration

Representatives of shareholders in the Board of Directors do not receive a remuneration.

For performance of duties of a member of the Board of Directors of the Company, independent directors receive a fixed remuneration determined by the resolution of the General Meeting of Shareholders dated August 4, 2016, Minutes No. 1.

If the Independent Director took part in less than half of all in-person meetings of the Board of Directors held during the reporting period, except for absence at in-person meetings due to illness, vacation, business trip, he shall not receive a fixed remuneration.

The independent director's expenses (travel, accommodation, per diem), related to traveling for the purpose of meetings of the Board of Directors and Committees under the Board of Directors of the Company held outside the permanent residence of the independent director shall be recovered.

Performance assessment of the Board of Directors, its Committees, individual members of the Board of Directors, the Management Board, the Internal Audit Service and its head

In 2018 the Board of Directors passed a self-assessment of the work in 2017. The assessment was carried out through a survey (questioning) of members of the Board of Directors on the activities of the Board of Directors and Committees (as regard members of the Committees) for the period from January 1 to December 31, 2017.

The performance assessment of the Board of Directors is conducted to obtain a comprehensive analysis of the main areas of the Board's responsibility and allows the Board of Directors:

- To analyze and determine the strengths and weaknesses of the Board and its Committees' work;
- To adjust the work of the Board of Directors;
- To determine the effectiveness of the BoD members' remuneration system;
- To determine the need for training, advanced training of the BoD members.

The subject of the BoD performance assessment is an assessment of its activities as a whole and activities of each individual Committee.

According to the results of the conducted self-assessment of the activities of the Board of Directors, a positive assessment was given to the work of the Board of Directors in 2017. The results of the assessment were taken into account when preparing work plans for the Board of Directors and Committees under the Board of Directors.

In order to assess the performance of the Company's Management Board, the Board of Directors on September 25, 2017 (Minutes No. 5/2017) adopted the Rules for performance assessment and Payment of Remuneration to the Management of Transtelecom JSC. Based on the above Rules, on June 19, 2018 (Minutes No.8/2018), the Key Performance Indicators Maps were adopted with actual values and calculations of the remuneration amounts of the Chairman of the Management Board and members of the Management Board of Transtelecom JSC for the year 2017.

Performance evaluation of the head of the Internal Audit Service is carried out on the basis of the Rules of performance evaluation and remuneration payment to the head of the Internal Audit Service of Transtelecom JSC, adopted by the decision of the Company's Board of Directors dated December 12, 2017 (Minutes No.10/2017). On June 19, 2018 (Minutes No. 8/2018), a motivational map of key performance indicators was adopted with the actual values of the Head of the Internal Audit Service of Transtelecom JSC based on the results of work in 2017.

The work of the board of directors in 2018

Number of meetings and attendance by BoD members

In 2018, 14 meetings of the Board of Directors were held, including 8 in-person and 6 absentee meetings. At the same time, the overwhelming number of issues was considered at the in-person meetings (75 - at in-person meetings and 19 - at in absentee-meetings).

In total, BoD considered 94 issues related to key aspects of Transtelecom JSC's business.

Information on BoD members presence at the meetings of the Board of Directors in 2018

Full name	Meeting of the Board of Directors		Meeting of Strategic Planning Committee		Meeting of Internal Audit Committee		Meeting of HR and Remuneration Committee		Period of membership in the Board of Directors in the reporting period
	Qty	%	Qty	%	Qty	%	Qty	%	
B.P. Urynbassarov	12/14	85%	do not attend						01.01.2018-31.12.2018
N.R. Aliyev	14/14	100%							01.01.2018-31.12.2018
M.S. Mukhanov	14/14	100%							01.01.2018-31.12.2018
A. Baimyrzauly	12/13	92%	3/4	75%					01.01.2018-31.12.2018
Ye.O. Issekeshev	14/14	100%	4/4	100%	9/9	100%	5/5	100%	01.01.2018-31.12.2018
K.M. Dosmukametov	12/13	92%	4/4	100%	9/9	100%	5/5	100%	01.01.2018-31.12.2018
David Richard Hexter	14/14	100%	4/4	100%	9/9	100%	5/5	100%	01.01.2018-31.12.2018

The key issues that the BoD considered in 2018

Over the reporting period, the Board of Directors at its meetings considered both strategic and current issues of the work within its competence. The list of issues and decisions thereon are recorded in the relevant minutes and resolutions of the meetings of the Board of Directors.

During the reporting period, the Board of Directors considered a number of key issues governing the following areas:

Financial and economic activities

- On the pre-approval of the annual financial statements of Transtelecom JSC
- On proposals to the General Meeting of Shareholders of Transtelecom JSC on the procedure of Transtelecom JSC's 2018 net income distribution and the size of dividend per one ordinary share of Transtelecom JSC
- On the conclusion of major transactions and interested-party transactions of the Company.

Strategic development

- Acquisition of common shares in Alma Telecommunications Kazakhstan JSC;
- Consideration of the budget execution report of Transtelecom JSC for 2017;
- Adoption of the budget of Transtelecom JSC for 2019;
- Adoption of the Development Plan of Transtelecom JSC for 2018-2022

Corporate governance

- Decisions were made as part of the preparation for holding the annual and extraordinary General Meeting of Shareholders of the Company;
- Adoption of the report on the work of the Board of Directors of Transtelecom JSC for 2017;
- Consideration of the results of performance evaluation of the Board of Directors of Transtelecom JSC for 2017;
- Adoption of Motivation Maps of CEO, members of the Management Board and Head of the Internal Audit Service of Transtelecom JSC for 2018 as well as their KPIs passports;
- Hearing of reports of executed instructions issued by the Board of Directors of Transtelecom JSC;

Internal audit

- Adoption of the Guidelines for the organization of internal audit in Transtelecom JSC as amended;
- Adoption of the annual audit plan of the Company's Internal Audit Service for 2019;
- The Board of Directors quarterly hears the reports of the Internal Audit Service.

Sustainability

- Approval of the provisions on the branches of Transtelecom JSC as amended;
- Approval of the new edition of the Code of Business Ethics of Transtelecom JSC;
- Approval of the Accounting Policy of Transtelecom JSC in the new edition;
- Approval of the tax accounting policy of Transtelecom JSC as amended.

The measures taken by the Board of Directors for noting the shareholders' opinions with respect to the Company

Representatives of both shareholders of the Company are represented equally in the Board of Directors in order to take into account the shareholders' opinions regarding the Company.

Representatives of shareholders generate opinions on the agenda items of the Board of Directors meeting and voice this position at the Board of Directors meeting. This fact is recorded in the minutes of the meeting of the Board of Directors and is taken into account by other members of the Board of Directors when voting on items of the agenda. Shareholders through their representatives in the Board of Directors have the right to initiate issues, affecting the interests of shareholders, to be considered by the Board of Directors of Transtelecom JSC.

The Board of Directors is the representative of the interests of shareholders and must respond promptly to complaints and appeals received from shareholders through their consideration at the meetings.

During the reporting period, the Board of Directors did not receive any opinions of shareholders regarding the Company.

Employment record of the members of the Board of Directors of Transtelecom JSC



Bauyrzhan Pazylbekovich Urynbassarov

Chairman of the Board of Directors
the Vice-President for Infrastructure Projects of KTZ NC JSC

For the first time, Mr.Urynbassarov was elected to the Board of Directors of Transtelecom JSC on February 19, 2016 (minutes No. 02/07 of the NC KTZ JSC dated February 19, 2016).

On August 4, 2016, by the decision of the General Meeting of Shareholders of Transtelecom JSC (Minutes No.1), he was reelected as a member of the Board of Directors and Chairman of the Board of Directors of Transtelecom JSC.

Date of birth: October 22, 1970.

Citizenship: Republic of Kazakhstan.

Education, including basic and additional:

1993 - Almaty Institute of Railway Engineers, organization of transportation and traffic management in railway transport.

Work experience:

Mr.Urynbassarov began working in 1993 on the West Kazakhstan Railway.

During 1994-1997 he was the duty officer in the park of Kzyl-Orda station, the duty officer of Almaty 2 station, train dispatcher of the Almaty branch of the road;

1997 - 2004 - road dispatcher, lead engineer, chief specialist, head of the department of the Main Transportation Directorate of Kazakhstan Temir Zholy RSE. Assistant to the First Deputy Director General, Adviser to the First Deputy Director General, Chief Engineer of the Transportation Process Coordination Authority of Kazakhstan Temir Zholy RSE;

2004 -2010 - Chief Engineer of the Transportation Directorate, Chief Engineer of the Backbone Network Directorate, Director of KTZ NC JSC's branch - Karaganda Branch of the Road, Director of KTZ NC JSC's branch - Transportation Process Directorate. Director of KTZ NC JSC's branch - Almaty branch of the road;

2010 - 2014 - Managing Director-Chief Engineer, Managing Director for Operations of Kazakhstan Temir Zholy NC JSC;

from February to April 2014 - acting CEO of Kaztemirtrans JSC;

2014 - 2016 - Vice-President of Kazakhstan Temir Zholy NC JSC;

2016 - 2017 - Chief Engineer of Kazakhstan Temir Zholy NC JSC;

2017 - Vice President for Infrastructure, Kazakhstan Temir Zholy NC JSC.



Nurali Rakhatovich Aliyev

Member of the Board of Directors of Transtelecom JSC

For the first time, Mr.Aliyev was elected to the Board of Directors of Transtelecom JSC by the General Meeting of Shareholders in its resolution dated August 4, 2016 (Minutes No.1).

Date of birth: January 1, 1985.

Citizenship: Republic of Kazakhstan.

Educational background:

2001-2002 - Pepperdine University, Malibu, California, USA

2002-2003 - International University, Vienna, Austria

2003-2005 - Abai Kazakh National Pedagogical University,Abay, city Almaty, Kazakhstan. Bachelor of Economics and Finance.

2006 - University of Texas, McCOMBS Business School, USA. Marketing Strategies (EMBA Training Course)

2005-2006 - "IMADEK" University, Vienna, Austria. Master of Business Administration.

Labor activity:

2003-2004 - Corporation "SUCDEN ET DENREES SA", France

Employee of the International Trade Department

2004-2005 - Sugar Center JSC, Kazakhstan. Head of International Department/Deputy Head of International Department.

2005-2006 - Sugar Center JSC, Kazakhstan, CEO

2007-2010 - Nurbank JSC, Almaty. Chairman of the Board of Directors/First Deputy Chairman of the Management Board/Deputy Chairman.

2008-2013 - Development Bank of Kazakhstan JSC, Astana Astana Managing Director - Member of the Management Board

2013-2014 - Transtelecom JSC, CEO

2014-2016 - Akimat of Astana, Astana, Deputy Akim

Social work:

Since 2013 - Member of the Board of Trustees of Ana uy Public Foundation

Since 2015 - Member of the Coordination Council of the "Machine Builders Union of Kazakhstan"

Since 2016 - Chairman of the Board of Trustees of "Astana Invest" Association

Since 2016 - the founder of "ZHANARTU" charitable fund

Since 2017 - CEO of Federation of Mountaineering and Sport Climbing of the Republic of Kazakhstan.



Marlen Savitovich Mukhanov

Member of the Board of Directors of Transtelecom JSC

For the first time, Mr. Mukhanov was elected to the Board of Directors of Transtelecom JSC by the General Meeting of Shareholders in its resolution dated August 4, 2016 (Minutes No.1).

Date of birth: January 17, 1982.

Citizenship: Republic of Kazakhstan.

Education, including basic and additional:

2003 - O.A.Baikonurov Zhezkazgan University, OA Baikonurova Zhezkazgan, specialty "Fundamentals of Law and Economics"

2014 - Almaty Management University, Almaty, Master of Corporate Governance

Work experience:

2003 - Specialist of the Small and Medium Business Lending Department of Halyk Bank of Kazakhstan JSC, Zhezkazgan;

2004 - Leading Specialist of the Small and Medium Business Lending Department of AB Nurbank JSC;

2005 - Head of the SME Lending Department of ASB of Bank Center Credit JSC;

2006 - Head of department of the Corporate Business Authority of Nurbank JSC;

2007 - Head of Corporate Business Authority of Nurbank JSC; since May 2008 General Director of Capital Holding LLP.



Askar Baimyrzauly

Member of the Board of Directors of Transtelecom JSC, Head of the Legal Body of the Legal and Claims Department of KTZ NC JSC.

For the first time, Mr. Baimyrzauly was elected to the Board of Directors of Transtelecom JSC by the General Meeting of Shareholders in its resolution dated August 4, 2016 (Minutes No.1).

Date of birth: January 9, 1985.

Citizenship: Republic of Kazakhstan.

Education, including basic and additional:

2006 - Al-Farabi Kazakh National University, Almaty, specialization - Jurisprudence

2008 - Al-Farabi Kazakh National University, Almaty, Master of Law.

2010 - T.Ryskulov Kazakh Economic University, Almaty, department of Economics

Work experience:

2011-2016 - Senior Manager of Legal Support Department of KTZ NC JSC

2016 - Head of the Legal Support Group, Legal Support and Judicial Claims Department, KTZ NC JSC.



Yerlan Orentayevich Issekeshev

Independent Director,
Member of the Board of Directors
of Transtelecom JSC;

For the first time, Mr.Issekeshev was elected to the Board of Directors of Transtelecom JSC by the General Meeting of Shareholders in its resolution dated August 4, 2016 (Minutes No.1).

Date of birth: July 1, 1968.

Citizenship: Republic of Kazakhstan.

Education, including basic and additional:

1992 - Alma-Ata Power Engineering Institute, Electrical Engineer, specializing in "Electric drive and automation of industrial plants and technological complexes";

2003 - "Turan" University, Economist in "Taxes and taxation" specialty

2003 - "Energy Industry for the Countries of Central Asia and Transcaucasia" seminar (Tokyo, Japan);

2003 - "Energy Development in Malaysia" seminar (Kuala Lumpur, Malaysia);

2004 - "Management of Energy Companies and Stations in the Transition to the Energy Pool in the Conditions of the Liberalized Market" seminar (London, England);

2010 - "HEC" French Business School, Paris. "International Executive MBA", specialization - "Management in the field of "Oil, Gas, Energy.""

Work experience:

1992 - 1993 - Engineer for the equipment of Kazakhgas state holding company, Uralsk;

1992 - 2000 - Director of Tabys LLP, Alex LLP, financial director of Rauan LLP;

1993 - 2000 - Financial Director of Karagandy Power LLP, Deputy Director of the Petrochemical Plant, Atyrau, work in senior positions of commercial structures;

2000 - 2002 - Deputy Director of Astana Energy Service LLP, Astanaenergoservise JSC, Astana;

2002 - 2005 - Commercial Director of Karagandy Zhylu LLP, Karaganda;

2005 - General Director of Karagandy Zharyk LLP, Karaganda;

2005 - 2007 - General Director of Karagandy Zhylu LLP, Karaganda;

2007 - 2008 - Deputy Akim of the Karaganda region for public utilities;

2008 - advisor to the Chairman of the Management Board of KazynaCapitalManagement JSC on the issues of establishment and development of "Ithmaar Kazyna CIS Regional Energy Fund" investment Fund for Energy;

2009 - 2011 - Managing partner of "Falah Partners" investment fund;

2009 - 2012 - Independent director, member of the Board of Directors of Samruk-Energy JSC;

from 2011 - to the present - Chairman of the Board of Directors of the multidisciplinary holding company "ISS Corporation" LLP.



Kanat Mukhametkarimovich Dosmukametov

Independent Director,
Member of the Board of Directors of
Transtelecom JSC

For the first time, Mr. Dosmukametov was elected to the Board of Directors of Transtelecom JSC by the General Meeting of Shareholders in its resolution dated August 4, 2016 (Minutes No.1).

Date of birth: December 22, 1973.

Citizenship: Republic of Kazakhstan.

Education, including basic and additional:

1994 - Kazakh State Academy of Management, specialty - Business and Management.

PhD in Economics.

Work experience:

1994 - 2000 - Lead, chief economist, head of the Licensing Department, head of the Methodology Department, deputy head of the Banking Supervision Department, deputy director of the Banking Supervision Department of the National Bank of the Republic of Kazakhstan;

2000-2003 - Head of the Coordination Department of the National Bank of the Republic of Kazakhstan (Astana)

2003 - Deputy Director of the Department of Financial Supervision of the National Bank of the Republic of Kazakhstan;

2004 - 2006 - Deputy Chairman of the Agency for Regulation of the Financial Market and Financial Organizations;

2006 - 2007 - Managing Director of SAFC Investment Company;

2007 - Deputy Chairman of the Management Board of KazAgro National Holding JSC;

2007 - 2009 - Chairman of the Management Board of Delta Bank JSC;

2009 - Managing Director of Deloitte TCF LLP;

2009 - 2012 - Chairman of the Treasury Committee of the Ministry of Finance of the Republic of Kazakhstan;

2012 - Managing Director of Samruk-Kazyna joint-stock company;

2012-2015 - Deputy Chairman of the Management Board of the Eurasian Development Bank;

2015 - Deputy Chairman of the Managemen Board of Development Bank of Kazakhstan JSC;

2016 - General Director of Polymetal Eurasia LLP.

In different years:

Chairman of the Board of Directors of JV Pana Insurance JSC; Member of the Board of Directors of Development Bank of Kazakhstan JSC, Export-Credit Insurance Corporation KazExportGarant JSC, Investment Fund of Kazakhstan JSC, Alliance Bank JSC, Bank VTB JSC (Kazakhstan).



David
Richard Hexter

Independent Director,
Member of the Board of Directors of
Transtelecom JSC

For the first time, Mr.Hexter was elected to the Board of Directors of Transtelecom JSC by the Management Board of KTZ NC JSC in its resolution in 2011. By the decision of the General Meeting of Shareholders dated August 4, 2016 (Minutes No.1), he was re-elected to the Board of Directors.

Date of birth: March 11, 1949.

Citizenship: United Kingdom of Great Britain and Northern Ireland.

Education, including basic and additional:

1970 - University of Oxford, studied philosophy, politics and economics. MA.

1973 - Cranfield School of Management, MBA

2008 - University College London at the University of London - Jurisprudence and Political Theory

2011 - Birkbeck (University of London) - studied ethics and political philosophy. Master of Philosophy degree.

2016 - Queen Mary University of London, Ph.D. in Political Philosophy.

Work experience:

1970 - 1992 - held various positions at Citibank.

1992 - 2004 - worked at the European Bank for Reconstruction and Development

2002 - 2004 - Member of the Board of Directors of Small Business Bank

Mr. Hexter is currently an Independent Director on the Board of Directors of Piraeus Bank SA, Independent Director on the Board of Directors of Bank Zachodni WBK, Chairman of the Supervisory Board of Private Equity New Markets.

Work of Committees under the Board of Directors

In order to increase the efficiency of decisions made by the Board of Directors, Transtelecom JSC has three committees under the Board of Directors that are engaged in a detailed preliminary review of the most important issues and the preparation of relevant recommendations:

- Audit Committee;
- HR and Remunerations Committee;
- Strategic Planning Committee.

Pursuant to the Regulation on the Committees under the Board of Directors, each of the committees submits to the Board of Directors an annual report on the work done.

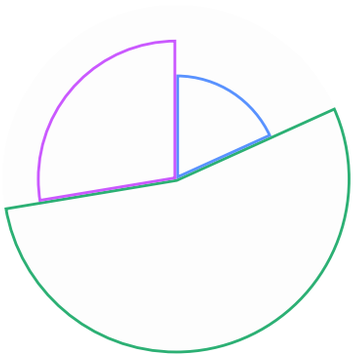
Structure of issues considered by Committees under the Board of Directors

Audit committee



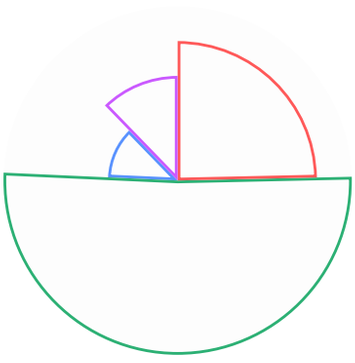
- For internal audit
- For internal control and risk management
- For financial reporting and external audit
- By organizational issues and issues the activities board of directors

HR and Remuneration Committee



- For questions remuneration
- By organizational issues and issues by activity board of directors
- On personnel issues

Strategic Planning Committee



- On organizational matters
- Concerning the activities of the Board of Directors
- On budgeting
- According to the Charter

Assessment of the Committees

In pursuance of the resolution issued on April 19, 2018 (Minutes No.3/2018), the Board of Directors evaluated the activities of the Board of Directors of Transtelecom JSC and its Committees for 2017 by conducting a survey in the manner established by the Regulations on the Board of Directors of Transtelecom JSC. The assessment was carried out from January 1 to December 31, 2017.

The work of the Committees under the Board of Directors was assessed as effective. Committee's composition in the matters of professional knowledge and skills is balanced. It is recommended to ensure control over the execution of key performance indicators of the Company's Development Strategy.

Over 2018, the Committees fully implemented the goals, objectives and functional responsibilities in accordance with the Regulation on the Committee.

The Committee has studied in detail all the issues of the Committee's agenda, provided weighted and detailed recommendations, which were adopted by the Board of Directors.

Report on the work of the corporate secretary, 2018

The Corporate Secretary Institute is designed to maintain effective interaction between the shareholders of the Company, the Board of Directors and the executive body. In the framework of this interaction, the activities of the Corporate Secretary are aimed at improving the efficiency of managing the development of the Company in the interests of its owners, increasing the investment attractiveness of the Company, increasing its capitalization, and increasing the profitability of the business. The Corporate Secretary ensures the proper work of the Board of Directors and its Committees.

Corporate Secretary Regulation

The Regulations on the Corporate Secretary have been adopted by the Board of Directors in its resolution dated November 17, 2016 (Minutes No. 9/2016). Pursuant to the Regulations, the Corporate Secretary is an employee of the Company who is not a member of the Board of Directors or the Management Board of the Company, who is appointed by the Board of Directors of the Company and is accountable to the Board of Directors of the Company.

The main tasks of the Corporate Secretary are:

- Assurance the compliance of the bodies and officials of the Company with the legislation of the Republic of Kazakhstan in the field of corporate governance, listing rules (when securities are circulated on the stock exchange), the Charter, the Corporate Governance Code and bylaws of the Company, as well as improvement of corporate governance policies and practices;
- Assurance of efficient operation of the Board of Directors and its committees.
- Assurance of decisions making by the General Meeting of Shareholders in accordance with the requirements of the legislation of the Republic of Kazakhstan, the Charter and other bylaws of the Company;
- Assurance of Company's important information storage, disclosure and submission, as well as maintenance of a high level information transparency.
- Assurance of a clear and effective interaction between the Company's bodies, including between the Company and the General Meeting of Shareholders.

In 2018, the Corporate Secretary of the Company organized and held 14 meetings of the Board of Directors, including 8 in-person and 6 in absentee-meetings. At the same time, the overwhelming number of issues was considered at the in-person meetings (75 - at in-person meetings and 19 - at in absentee-meetings). In total, the BoD considered 94 issues relating to key aspects of Transtelecom JSC's business. There were also 4 meetings of Strategic Planning Committee and 5 meetings of HR and Remuneration Committee.

Executive Management

Appointment of CEO and members of the Management Board, their duties and responsibilities

Members of the Management Board are obliged to protect interests and execute resolutions of the General Meeting of Shareholders and the Board of Directors of the Company in accordance with the Regulations on the Management Board of Transtelecom JSC. Pursuant to the Regulations on the Management Board, the Company's Charter and the legislation of the Republic of Kazakhstan, the Board of Directors of Transtelecom JSC appoints the members of the Management Board and preliminary terminates their powers, and determines the number of members and term of office. The number of members of the Management Board must be at least five.

There are labor contracts between the Company and the members of the Management Board (additional agreements to the employment contract if the member of the Management Board is an employee of the Company), which stipulate the direct dependence of the material encouragement of CEO and members of the Management Board on Company's KPIs goals achievement.

The functions, rights and obligations of the members of the Management Board are determined by the legislation of the Republic of Kazakhstan, the Charter of the Company, the regulation on the Management Board, as well as the labor contract. The members of the Management Board, as well as the heads of the Company's structural units, are liable to the Company and shareholders for the timely and high-quality execution of decisions made by the Management Board, as well as for the Company's losses incurred as a result of violation of the information provision procedure as established by the law.

Composition of the Management Board of the Company (as of December 31, 2018)

Zhanbolat Urakovich Nadyrov	CEO (Chairman of the Management Board)
Daniyar Takhirovich Zheksembekov	Vice President for Economy, Procurements and Commerce, Member of the Management Board
Yelnar Ruslanovich Adaibekov	Vice President for Development and Legal Affairs
Saken Madikhanovich Baituganov	Executive Director of Commerce
Aidos Magauinovich Kanapin	Executive Director for Legal Affairs, Member of the Management Board

Composition of the Management Board of the Company (as of December 31, 2018)



Zhanbolat Urakovich Nadyrov

Chairman of the Management Board. CEO

Mr.Nadyrov was born on April 18, 1974 in the Karaganda region.

In 1998 he graduated from Satpayev Kazakh National Technical University. In 2002 he graduated from Baikonurov Zhezkazgan University, majoring in "Finance and Credit" with "Financier-Economist" qualification

Zhanbolat nadyrov began his career as a metalworker of the third grade at the Balkhash-Copper Company

From April to August 2002 - Head of the Department, General Director of KMT LLP

From March 2002 to September 2004 - Deputy Director of the branch of TPK Asia LLP

From February 2005 to March 2006 - Deputy Chairman of the Management Board of AMO JSC

From April 2007 to August 2008 - Head of Corporate Business Department of Nurbank JSC

From August 2007 to September 2008 - Managing Director of Nurbank JSC

From September 2008 to May 2010 - Deputy Chairman of the Management Board of Nurbank JSC

From May 2010 to October 2013 - Director of the Representative Office of Development Bank of Kazakhstan JSC

From November 26, 2013, according to the resolution of the Board of Directors of the Company was elected as Vice-President for Economy and Procurements - member of the Management Board of the Company

From December 31, 2014, according to the resolution of the Board of Directors of the Company, was elected to the position of Acting First Vice-President - Member of the Management Board of the Company.

From November 17, 2016 according to the resolution of the Board of Directors of the Company Mr.Nadyrov was elected as Company's CEO

From January 20, 2017 in accordance with the resolution of the Board of Directors was re-elected as Company's CEO.



Daniyar Takhirovich Zheksembekov

Vice President for Economy, Procurements and Commerce

Mr.Zheksembekov was born on August 18, 1988.

Daniyar Takhirovich graduated from London Metropolitan University with a degree in Finance. He began his labor activity in Bukhuchet-NAP LLP, an assistant accountant.

In 2012, Daniyar Zheksembekov became a leading specialist of the Department of Planning and Cash Flows Regulation of the E&FD and OD&ITA in Transtelecom JSC.

Thereafter he continued his work activity as a manager at TauKen Samruk JSC.

In 2014, Mr.Zheksembekov became the senior specialist of the department of planning and regulation of cash flows of the E&FD of Transtelecom JSC.

In 2015, he was transferred to the position of the head of the Procurement department of Transtelecom JSC with the subsequent promotion to the position of acting Executive Director for Economy and Finance.

From November 8, 2016, Daniyar Zheksembekov was transferred to the position of acting Vice President for Economy, Procurements and Commerce.

Advanced Trainig Courses: Accounting, Leadership Development, Media Competence for Managers, Organization and Conduct of Purchases in SWF Samruk Kazyna Group, Safety and Health at Work, Performance Management (CIMA P1), TM Forum Invoice No.17184407 dated March 31 .2016, "Changes Management: A Strategic View".

From November 17, 2016, according to the resolution of the Board of Directors of the Company, Mr.Zheksembekov was elected as Vice-President for Economy, Procurements and Commerce - a member of the Management Board of the Company

From January 20, 2017, according to the resolution of the Board of Directors of the Company, he was elected as Vice-President for Economy and Finance

From December 12, 2017, according to the resolution of the Board of Directors of the Company, Daniyar Zheksembekov was elected as Vice-President for Economy, Finance and Procurements.



Yelnar Ruslanovich Adaibekov

Vice President for Development and Legal Affairs

Mr.Adaibekov was born on February 18, 1986 in Almaty. He graduated from Kings College London, University of London with a degree in BSc Computer Sciense.

From 2008 to 2009 Yelnar Adaibekov held a position of project manager in Nurbank JSC in Almaty.

From 2009 to 2010 Mr.Adaibekov worked as the head of the risk department in Nur-Trans JSC, Almaty.

From 2010 to 2011 held the position of a senior risk manager at Rompetrol Gas SRL Bucharest, Romania.

From April 14, 2015, according to the resolution of the Board of Directors of the Company, Mr.Adaibekov was elected as the Vice President for Corporate Governance and Legal Affairs - Member of the Management Board of the Company.

From January 20, 2017, according to the resolution of the Board of Directors of the Company, Yelnar Adaibekov was elected to the position of Vice President for Development and Legal Affairs - Member of the Management Board of the Company.



Saken Madikhanovich Baituganov

Executive Director of Commerce

Mr.Baituganov was born on July 14, 1974 in the South Kazakhstan region. In 1997 he graduated from the Kazakh Chemical and Technological University majoring in Mechanical Engineering.

From January 1996 to April 2003, Saken Baituganov worked at various positions in the representative office of WrigleyGmbH in Kazakhstan.

From June 2003 to March 2008 he held the positions in Gillette Group LLC and Procter & Gamble.

From 2008 to 2012 Mr.Baituganov held the position of Regional Business Development Manager/Director in GSM Kazakhstan LLP, Kazakhtelecom JSC/Kcell JSC.

From December 2012 - Commercial Director of Ayu Corporation LLP.

From December 2013 - Executive Director of ABConsult LLP.

From April 29, 2014, according to the resolution of the Board of Directors of the Company, Mr.Baituganov was elected to the position of Executive Director for Commerce - Member of the Management Board of the Company.

From April 14, 2015, according to the resolution of the Board of Directors of the Company, Saken Baituganov was re-elected to the positin of a member of the Management Board of the Company.

From January 20, 2017, according to the resolution of the Company's Board of Directors, Saken Madikhanovich Baituganov was elected to the position of Executive Director for sales of telecommunication services of the Company.

From December 12, 2017, according to the resolution of the Board of Directors of the Company, Mr.Baituganov was elected as Vice-President for Commerce.



Aidos Magauinovich Kanapin

Executive Director for Legal Affairs

Mr.Kanapin was born on December 10, 1976 in Nurtaldy village, Shetsky district, Karaganda region.

He graduated from Ye.Karaganda State University. named after Ye.A. Buketov, majoring in jurisprudence.

From 1999 to 2000 Aidos Magauinovich worked as the leading economist of the department of customs legislation drawing up of the Tax and Customs Policy Authority of the Department of Fiscal Policy and Forecasts of the Ministry of Finance of the Republic of Kazakhstan.

From 2000 to 2001, he held the position of Acting Director of Gross Ost Time LLP.

From April 2001 to July 2001 held the position of Acting Chief Economist of the Department of Customs Legislation Drawing Up of the Tax and Customs Policy Authority of the Fiscal Policy and Forecasts Department of the Ministry of Finance of the Republic of Kazakhstan.

From August 2001 to 2003 Aidos Kanapin held the position of regional manager of the representative office at Temirtau TP of I.C.S. Inspection and Control Services Kazakhstan LLP.

From 2003 to 2004 he held the position of Deputy Director of Gross Ost-Time LLP.

From 2004 to 2006 Mr.Kanapin held the position of Acting Chief Specialist of the Bills Legal Expertise Authority of the Legal Expertise Department Authority of the Legal Department, Head of the Normative Activity Authority of the Legal Department of the Ministry of Transport and Communications of the Republic of Kazakhstan.

From 2006 to 2008 he held the position of the head of the control and reaction department of the Competition protection Committee of the Ministry of Industry and Trade of the Republic of Kazakhstan.

From 2008 to 2009 he worked as a lawyer of the Legal Affairs Group of the Department of Legal Services in Olympex Advisers LLP.

From May 2009 to November 2009 Aidos Kanapin held the position of Deputy Director of the Product Markets Monitoring and Analysis Department of the Agency of the Republic of Kazakhstan for Competition Protection (Antimonopoly Agency)

From December 2009 to July 2010 Mr.Kanapin worked as deputy general director of the "Satpayev Channel" RSE of the Committee on Water Resources of the Ministry of Agriculture of the Republic of Kazakhstan

From September 2010 to August 2012 he worked as deputy production director at Balkantau LLP, general manager

From January 2013 to May 2013, he held the position of the chief inspector of the organizational and inspection department of Karaganda region akim

From May 2013 to June 2014 Aidos Kanapin held the position of director of the Legal Service Department of the Agency of the Republic of Kazakhstan for Competition Protection (Antimonopoly Agency)

From June 2014 to January 2015 he held the position of the First Deputy Chairman of the Management Board of AB Ipoteka JSC

Starting in June 2015 Acting Executive Director for Legal Affairs of Transtelecom JSC in the city of Astana.

From August 14, 2015, according to the resolution of the Board of Directors of the Company, he was elected to the position of executive director for legal affairs - member of the Management Board of the Company.

From December 14, 2018, he has been elected to the position of Executive Director for Supplies

From January 20, 2017, according to the resolution of the Board of Directors of the Company, Mr.Kanapin was reelected as a member of the Management Board

Since December 14, 2018 he left the composition of the Management Board.

Meetings of the Management Board of the Company in 2018

The activities of the Management Board of the Company are determined by the Charter, the Corporate Governance Code and the Regulation on the Management Board. In 2018, the Management Board held 41 meetings, at which the Board considered and took decisions on 196 issues referred by the Charter of the Company to the competence of the executive body. The Management Board performed its activities in accordance with the resolution of the General Meeting of Shareholders and the Board of Directors of the Company.

Full name	Total number of meetings	Presence at the meetings (number)	Presence at the meetings (%)	Comment
Zhanbolat Urakovich Nadyrov	47	32	68	Re-election by resolution of the Board of Directors of January 20, 2017 No. 1/2017
Daniyar Takhirovich Zheksembekov	47	47	100	Re-election by resolution of the Board of Directors dated January 20, 2017 No.1/2017, dated 12.12.2017 No.10/2017
Yelnar Ruslanovich Adaibekov	47	45	96	Re-election by resolution of the Board of Directors of January 20, 2017 No.1/2017
Saken Madikhanovich Baituganov	47	36	76	Re-election by resolution of the Board of Directors of January 20, 2017 No.1/2017, dated 12.12.2017 No.10/2017
Aidos Magauinovich Kanapin	43	40	93	Re-election by resolution of the Board of Directors dated January 20, 2017 No. 1/2017 (December 14, 2018 (on December 14 he left the composition of the Management Board)

The Management Board of the Company considered operational and strategic issues, including for the procurement of related services and works.

Remuneration of members of the Management Board

Remuneration of the members of the Management Board made in performed in accordance with the Rules of performance assessment and bonuses payment to to-managers of Transtelecom JSC (hereinafter referred to as the Rules), which have been drawn up in accordance with the legislation of the Republic of Kazakhstan, the Charter of Transtelecom JSC, and the Model Rules of Performance assessment and bonuses payment to top-managers of Kazakhstan Temp Zholy NC JSC.

The rules are based on the following principles:

- The relationship of remuneration with the performance of tasks that meets the interests of the Company and Kazakhstan Temir Zholy NC JSC;
- Simplicity and transparency of the remuneration level determination guidelines;
- Dependence of the remuneration amount on the results of the Company's performance and the performance of top-level managers.

The procedure of the top-level managers' performance assessment consists of the following stages:

- Choice of motivational KPIs, the target values setting;
- Approval of motivational KPIs;
- Performance monitoring;
- Calculation and approval of actual performance.

Motivational KPIs are designed in the form of a KPI map with target values by cascading the Company's strategic goals into specific indicators. At the same time, a KPI passport is designed for each KPI.

Bonuses payable for performance (short-term and long-term bonuses), as well as based on the results of performance for the year are paid depending on the results of work with a view to material incentive for the successes achieved and to improve the efficiency of work, these bonuses are not of a permanent nature and are not taken into account when the average salary is calculated.

Performance assessment is carried out on the basis of KPIs that characterize the effectiveness of the Company's financial and economic performance (corporate KPIs) and the degree of results achievement by the members of the management board in functional areas of activity (functional KPIs).

Corporate KPIs are common for all members of the Management Board. Functional KPIs is a KPI that is set individually for each employee, and is usually aimed at achievement of objectives in the supervision areas.

Corporate and functional KPIs have a threshold and target value, as well as the "Challenge" value. The threshold value characterizes the minimum expectations of the result of the activity, which are highly likely to be achieved provided that the duties are performed in good faith. Target values characterize the expected level of high performance. The value of the "Challenge" KPI characterizes outstanding results of the KPIs that contributed to the implementation of the Company's ambitious goals.

The maximum amount of bonuses payable based on performance of senior employees over the year can not exceed their 4-fold annual salary (official salary).

In the reporting year, the amount of remuneration paid to key executives of the Company (the total amount of salaries and all types of incentives in cash) amounted to **688 812 441.47**

№	KPI name	Union	2018		Performance
			Plan	2017 Actual	
	Performance indicators				
1	Labor productivity of Transtelecom JSC's employees	KZT th./ person	22 148	24 409	125
2	Level of the backbone network reliability	%	99,3	100	125
	Financial indicators				
3	EBITDA margin	%	27,51	24,9	77
4	Net income	KZT th.	3 879 643	3 949 062	104
5	ROE - return on equity	%	15,13	15,5	105

Internal audit service

The Internal Audit Service (IAS), which is directly subordinate and accountable to the Board of Directors performs the organization and implementation of internal audit in Transtelecom JSC. The Audit Committee under the Board of Directors of the Company supervises the IAS's work. The manager and employees of the Service are appointed by the Board of Directors of the Company.

The mission of the Service is to provide the required assistance to the Board of Directors and Management in the performance of their duties for Company's strategic goals achievement.

The key objective of the Service is to provide the Board of Directors and the Audit Committee with independent and objective information through the assurance of guarantees and consultations aimed at internal control, risk management and corporate governance systems improvement in the Company.

The IAS Regulations set out the goals, powers and responsibilities of the Service, as well as qualification requirements. The IAS Regulations are based on the International Professional Standards. The IAS Regulations fully corresponds to the specific business needs of Transtelecom JSC.

Organizational subordination and functional accountability of IAS to the Board of Directors is achieved by the following conditions:

- Approval of the Regulations and other policies in the field of internal audit that regulate the goals, tasks, functions and procedures of the IAS by the Board of Directors (preliminary review by the Audit Committee);
- Approval (preliminary review by the Audit Committee) of a risk-oriented annual audit plan by the Board of Directors;
- Provision of quarterly and annual reports on the implementation of the annual audit plan and other information on the activities of internal audit to the Board of Directors (Audit Committee);
- Approval of resolutions on appointment, dismissal, remuneration of the head and employees of the internal audit department by the Board of Directors (preliminary consideration by the Audit Committee);
- BoD's (Audit Committee) consideration of significant restrictions on the authority of the IAS or other restrictions that could adversely affect the implementation of internal audit .

The bylaws regulating the operations of the IAS (the Regulations, the Manual on the organization of internal audit, etc.) have been drawn up by the head of the IAS. These documents were reviewed, preliminarily approved by the Audit Committee and adopted by the Board of Directors of the Company.

IAS performs its activities on the basis of a risk-oriented annual audit plan, approved annually by the Board of Directors of the Company and revised, if required.

The IAS regularly evaluates the effectiveness of the internal control system and the risk management system using generally accepted performance standards and best practices.

In 2018, the actual staff number of the IAS was 3 people.

In 2018, in accordance with the Annual Audit Plan approved by the decision of the Board of Directors of the Company dated December 12, 2017 (minutes No. 10/2017), 10 scheduled audits were conducted. The main areas of audit included risk management procedures, internal control and corporate governance in various areas of the Company's activities, including telecommunication processes, information technology, information security, commercial, personnel and procurement processes.

In total, according to the results of audits of the IAS, 78 recommendations were issued, which have been agreed and accepted for execution by the audit entities. IAS performs continuous monitoring over the implementation of recommendations issued during the audit. Reports of the IAS with the results of audits and monitoring results are submitted quarterly to the Board of Directors of the Company for consideration.

Conflict of interest resolution

The Company has a Corporate Conflict Settlement Policy of Transtelecom JSC, adopted by a resolution of the Board of Directors, which regulates the procedure of corporate conflicts settlement between KTZ NC JSC and other bodies of the Company.

The Company provides the most complete and speedy identification of corporate conflicts, if they may arise in the Company, and clear coordination of actions of the Company's bodies, namely:

- Ensures the identification of corporate conflicts at the earliest stages of their development and their careful consideration by the Company, its officials and employees;
- Assigns the accounting of corporate conflicts, registration of messages received from shareholders, letters and demands to the Corporate Secretary of the Company. The Corporate Secretary of the Company gives them a preliminary assessment and transfers them to that body of the Company the competence of which includes the consideration of this conflict.
- Within the shortest possible period determines its position on the conflict matter, makes an appropriate decision and brings it to the attention of shareholders.

The Corporate Secretary ensures proper consideration of shareholders 'appeals by the Company and resolution of conflicts related to the violation of shareholders' rights. In the branches of the Company, the organization of such work should be assigned to the persons who lead them. However, in this case, the Corporate Secretary of the Company must have full information about corporate conflicts that have arisen in the Company's branches;

In 2018 there were no instances of conflict of interest in the Company.

Anti-corruption activity. Ethics and Integrity

Transtelecom JSC considers manifestations of corruption as one of the systemic threats to national security and in order to increase legal literacy and zero tolerance for its occurance, focuses on the principles and priorities that are recorded in the state anti-corruption policy, takes into account all applicable requirements of the legislation of the Republic of Kazakhstan in this area.

Anti-Corruption Office

An important feature of the Law of the Republic of Kazakhstan "On Anti-Corruption" dated November 18, 2015 and other normative acts of anti-corruption legislation is that, in addition to guarantees on protecting entrepreneurial activity from corruption challenges, entrepreneurs are classified as entities implementing measures to combat corruption, which means that they must take measures to localize the causes and conditions conducive to the commission of corruption offenses.

In accordance with the Anti-Fraud and Corruption Policy approved by the Company in November 2015, employees of the company must strictly observe and be guided by its principles:

- Legality;
- Recognition, provision and protection of fundamental human and civil rights and freedoms, publicity and openness in the activities of the Company's employees;
- The inevitability of responsibility for committing corruption offenses;
- Assistance in the formation of a legal culture among the Company's employees, rejecting fraud and corruption, ensuring the principles of honesty and integrity in the exercise of official duties;
- Implementation of anti-corruption propaganda;
- Complex use of political, organizational, informational, social, economic, legal, special and other measures;
- Cooperation in the field of anti-fraud and anti-corruption with the Company, government bodies, counterparties of the Company.

The objectives of the Policy are as follows:

- Prevention of illegal actions;
- Development of strict observance of the RoK legislation attitude at the Company's employees, as well as observance of bylaws regulating the Company's activities;
- Elimination of the causes and conditions that generate fraud and corruption.

For the purpose of practical measures implementation for corruption combating in the areas of corporate governance, interaction with partners, counterparties and customers during the procurements, as well as in relations with government authorities the Company:

- Brings the norms of the current legislation of the Republic of Kazakhstan on anti-corruption to attention of all employees;
- Controls the conduct of purchases and services rendering (during 2018 there were no instances of regulatory acts violations during the procurement and services rendering processes);
- Assures timely drawing up of procurement plans, publicity and involvement of procurement procedures using modern information systems for automation of their processes organization and conduct.

In order to eliminate vulnerable areas of possible corruption, Transtelecom JSC introduced anti-corruption standards in procurement activities developed by KTZ NC JSC for subsidiaries. The Company also improved the control over the compliance with the Procurement Rules of Samruk-Kazyna SWF JSC.

Since 2016, the Company has a "Helpline" used by employees and business partners of the Company to inform in person or on an anonymous basis about possible instances of corruption, fraud, violations in financial, accounting and personnel work. All the facts of violations reasonably received by the helpline are immediately communicated to the Company's management, followed by relevant measures taking.

When hiring and relocating employees, the Company controls the assurance of publicity, openness and transparency of competitive selection procedures for vacant positions, in accordance with regulatory enactments. Information about the results of the competitive selection is available on the official website.

Currently, there is ongoing monitoring of corruption preventive activities in the central office and in the branches of the Company. Over 2015-2018 employees received no complaints related to corruption, except for the case at the Atyrautranstelecom branch identified by the anti-corruption service.

In total, in 2018, the Internal Security of the Company conducted 17 official investigations, some of them were transferred to the "Legal support" sector to organize judicial claims for recovery of 87 million tenge, of which 5 million tenge have been already recovered. In addition, in this year upon the theft of the Fuels and Lubricants in the Company, the audit materials and the application were sent to the internal affairs bodies, a criminal case is being investigated.

Anti-terrorism

In accordance with the Law of the Republic of Kazakhstan "On Countering Terrorism" dated July 13, 1999 No. 416-I, the Company continued to carry out targeted planned work to implement anti-terrorism activities.

Organizational events

- An action plan to ensure antiterrorist protection of facilities for 2017 was drawn up;
- Changes were made to the organization of staff training based on updated methodological materials;
- An analysis of security system in the facilities of the Company's branches, and preparations for counter terrorism;
- According to the developed and approved plan, the technical equipping of the most important facilities of the Company was phased.

The responsible employees regularly hold classes to study the application of the "Rules for the organization and functioning of the state system for monitoring information and alerting the public about the threat of an act of terrorism" by the government bodies, developed by the Headquarters of the Antiterrorist Center of the Republic of Kazakhstan in April 2015.

Thus, according to the approved Action Plan 2018 to provide anti-terrorist protection, in April and July in the administrative buildings of the branches of Almatytranstelecom and Atyrautranstelecom respectively, the responsible employees carried out exercises/trainings to develop warning schemes and emergency evacuation from high-rise buildings and premises with a massive stay of people with the participation of law enforcement officers and other relevant services. Based on the results of the exercises, the branches received a satisfactory overall rating.

Regime, security and preventive measures :

- There is an access control and management system for the buildings of the Company's branches, newly hired employees received electronic access cards;
- Round-the-clock and daily physical security posts were arranged at the Company's facilities;
- A monthly inspection of the administrative buildings, territory and the line-cable facilities fencing condition for the detection of foreign objects;
- The facilities are equipped with modern engineering and technical security equipment, an access control and video surveillance and control system;
- The passports of antiterrorist protection of administrative buildings were drawn up and approved;
- Every month, scheduled classes are held to train working personnel in actions during terrorism incidents;
- The notification schemes and lists are adjusted and updated in case of a threat or terrorism act at the Company's facilities.

Technical measures:

- The serviceability of illuminating means in the territory of Company's facilities at night is ensured;
- Visual agitation on the topic of anti-terrorism protection is updated;
- A monthly security check is performed;
- The check and preventive maintenance of individual protection means available in Company's branches are carried out quarterly;
- Monthly inspections of basement, attic rooms and adjacent territory of the Company's branches are carried out;
- Periodic inspection of the linear communication structures is carried out for the presence of foreign objects.

Assurance of the implementation of the Law of the Republic of Kazakhstan "On Religious Activities and Religious Associations" dated October 11, 2011 No. 483-IV

The Company systematically carries out propaganda work aimed at religious tolerance, mutual respect and non-admission of religious extremism.

The following activities were carried out as part of this work:

- Classes and lectures on the study of the legal framework for the fight against religious extremism and terrorism;
- Classes at small stations of branches with employees and young specialists on anti-terrorism security and the prevention of religious extremism;
- Ongoing control was for prevention of the penetration of terrorism and extremism literature onto the Company's objects;
- Practical exercises on working out of actions with the working personnel at occurrence of natural and technogenic extreme situations;
- Study of the religious situation in the branches with an explanation of the requirements of the Labor Code of the Republic of Kazakhstan, the Code of Administrative Violations and the articles of the Criminal Code of the Republic of Kazakhstan, laws of the Republic of Kazakhstan "On Countering Terrorism" dated July 13, 1999 No. 416-I and "On Religious Activities and Religious Associations" dated October 11, 2011 No. 483-IV.

Values and Ethical principles

Corporate Values

The fundamental corporate values which serve as the basis for the Company's business are the decency, reliability and professionalism of its employees, the effectiveness of their work, mutual assistance, respect for each other, stakeholders and company as a whole.

The Company is guided by the following principles of business conduct:

- Honesty;
- Justice;
- Conscientiousness;
- Transparency;
- Responsibility.

The Code of Business Conduct of Transtelecom JSC is in the bylaw, which forms the corporate culture and consolidates the corporate values of the Company. The Code defines the most important rules of business conduct of the Company and its employees, the ethical norms of intra-corporate relationships, social responsibility, as well as issues of business conduct of corporate governance.

The Code of Business Conduct was drawn up on the basis of generally accepted norms of business ethics, taking into account the experience of the best Kazakhstani and foreign practices of corporate governance.

The Code is mandatory for all employees of the Company (including employees of branches) and members of its management bodies.

For individuals who work under civil agreements concluded with the Company, as well as for contractors and consultants who are agents performing orders, or representing the Company before third parties, if their actions are carried out on behalf of the Company, the Code, in the part that is not contradicting the essence of existing obligations, has a recommendation nature.

The provisions of the Code are of subordinate importance in relation to the current legislation and can be taken into account during disputes resolution.

Relations with competitors

The Company builds relations with competitors on the principles of mutual respect and mutually beneficial cooperation, avoiding the instances of unfair competition and abuse of dominant position, scrupulously observing antimonopoly legislation and avoiding harsh statements about competitors.

Employees of the Company do not have the right to unreasonably criticize the products and services of competitors, and in cases of complications with them should be guided by instructions of immediate managers.

Risks management

Transtelecom JSC realizes the importance of risk management as a key component of the Company's corporate governance system aimed at timely identification and taking measures to reduce the level of risks that could adversely affect the Company's cost and reputation.

The risk management policy of the Company is implemented through the introduction of the Corporate Risk Management System (hereinafter referred to as the "CRMS"). The CRMS is a set of interrelated elements, united in a single process, within which the Board of Directors, executives and employees, each at their own level, participate in identification of potential events that may affect the Company's activities and these events management within the risk level admissible for shareholders.

The introduction and improvement of the CRMS is a necessary condition for Company's strategic and operational goals achievement and is one of the most important tasks in the short term.

The implementation of CRMS in the Company implies the establishment and development of the necessary infrastructure and culture, and also covers the application of logical and systematic methods of identification, analysis and assessment, monitoring, control and risk management inherent in all areas of the company's activities, functions or processes in order to prevent losses and maximize benefits.

The main goal of the CRMS is to increase the effectiveness of threats and opportunities management, which should contribute to the process of capitalization increasing.

The CRMS also has the following objectives:

- Design and application of uniform and consistent approaches to Company's risks identification, assessment and management, simplification of procedures for the exchange of vertical information on risks (management) and horizontal one (exchange of experience);
- Arrangement of an opportunity for the Company to set and monitor the quality of risk management in the Company on the basis of clear and understandable criteria;
- Formation of an information base for building an asset accounting system, their market value and valuation of the share capital;
- Prompt response to emerging risk events, changes tracking in the external and internal environment;
- Organization of purposeful risk management activities in order to reduce them to an acceptable level or transfer to third parties (insurance, hedging);
- Systematization and further accumulation of information about the Company's risks, business manageability raising;
- Finally - increase of the Company's capitalization by means of efficiency improvement and risk management optimization.

The Company annually or as necessary establishes alternative ways to achieve its goals and determines the risks associated with such alternatives or events that may affect the achievement of goals Such an analysis provides a basis for risks identification.

Each of the risks of the Register undergoes a procedure of its occurrence probability level and the magnitude of the consequences. In addition, during the year, the Company's risk managers drafted additional reports on financial risks, key risks and occurred risks, and also monitored the Company's business processes.

For assurance of horizontal communication and effective implementation of the register, the Company has a Risk Committee, which is an advisory body to the Management Board of the Company that develops proposals regarding risk management.

The main results and conclusions of the risk management process in the Company are displayed in the form of regular reporting on risks and measures to respond to them, on organization and supporting an effective risk management system of the Company.

Within the framework of the CRMS effectiveness increase in 2017, a number of the following key events were conducted:

- Quarterly reports on risk management were drafted for the Board of Directors of the Company with description and analysis of key risks of Transtelecom JSC, as well as information on the implementation of plans and programs aimed at risks reduction.
- In order to improve qualifications in risks and develop a risk culture in the Company, in 2018 they held a training on self-assessment of risks with the Company's sectors and risk owners, as well as training for risk coordinators.

Depending on the sources of origin and sphere of influence, the following classification of risks for the past year was made in the Company:

- Strategic risks

  The risks of losses arising from changes or errors (shortcomings) in the definition and implementation of the activity and development strategy, changes in the political environment, regional conjuncture, sectoral decline, and other consistent external factors;

- Financial risk

  The risk associated with the structure of equity and financial profitability reduction. Financial risks include market risks (fluctuations in interest and currency rates, fluctuations in prices for natural resources), liquidity risks, credit risks (for corporate counterparties, second-tier banks and requirements in other countries);

- Operational risk

  The risk of loss, accidents at work as a result of deficiencies or mistakes in the implementation of internal processes committed by employees (including personnel risks), the operation of information systems and technologies (technological risks), industrial safety, as well as due to external events;

- Legal risk

  The risk of losses resulting from non-compliance with the requirements of the legislation of the Republic of Kazakhstan, in relations with non-residents of the Republic of Kazakhstan - the laws of other states, as well as internal rules and procedures.

The Company pays special attention to risks assessment and control, both strategic and operational and other risks that may affect the achievement of long-term strategic goals and key performance indicators.

Following the results of risk assessment and identification, the following key risks of the Company were identified, which could adversely affect its operations and achieve strategic goals:

- Liquidity loss risk

  Risk factors in the Company are the imbalance of financial assets and financial liabilities, overdue receivables. According to the results of the year, the current liquidity ratio is at the level of 0.8, in connection with the resulting receivables of the group of companies of KTZ NC JSC, which as of December 31, 2018 amounted to 15.71 billion tenge.

- Information security risk

  Information security risk represents the possibility of IS breach with negative consequences.

  During the first half of 2018, in connection with cyber attacks, measures were taken to reduce this risk, such as disconnecting the PC from the local network and blocking the accounts of infected PCs of the Company's employees in all systems, namely Active Directory, TTCdocs EDMS, Green Corporate Portal before reinstalling all workstations, as well as formatting disks and reinstalling the operating system and changing passwords, the agent and antivirus protection of Kaspersky Endpoint Security 10 for Windows were installed on workstations.

- TELCO Income Loss Risk

  Risk associated with the lost revenues from TELCO projects provided by the Company.
  According to the results of the year, income from TELCO amounted to 28.58 billion tenge, which is 76% of the plan.

- Risk of untimely project implementation

  The risk associated with the failure to perform a number of project activities, such as the incompleteness of ToR, design, planning, inefficiency of information flows, lack of funding and delayed approval by authorized bodies.

Quality management

Integrated management system

Based on the recertification results, the following certificates were obtained:

The international certificate of compliance with the requirements of **ISO 9001: 2015**, issued by the "Russian Register" Association for Certification, which is a member of the International Association of Certification Bodies IQNet.

The international certificate of compliance with the requirements of **ISO 14001: 2015**, issued by the "Russian Register" Association for certification, which is a member of IQNet International Association of Certification bodies.

The international certificate of compliance with the requirements of **ISO 50001:2011**, issued by the "Russian Register" Certification Association, which is a member of the IQNet International Association of Certification Bodies.

The Company also has Kazakhstani certificates of compliance with the requirements of the national standard - ST RK ISO 14001:2016, ST RK ISO 9001:2016 and ST RK ISO 50001-2012 registered in the state system of technical regulation of the Republic of Kazakhstan.

The development of the IMS in the Company is carried out in accordance with the objectives defined in the Policy of Transtelecom JSC in the field of quality, the Policy in the field of ecology and the Energy Policy. Certificates apply to the management system of the entire Company. The ISO 9000 standards provide for the requirements not on the quality of services, but on the management system, which should establish and ensure the achievement of goals related to customer satisfaction with the quality of services. The ISO standards of this series are currently the most common - they are recognized almost worldwide and adopted as national standards in more than 140 countries.

The presence of certificates testifies to the ability of Transtelecom JSC to render services that meet the constantly growing requirements of consumers and promotes effective and successful business development, which is important for winning and retaining the leading positions in various market segments.

The availability of certified services in the Company is an additional confirmation that the Company provides high quality telecommunication services that meet the requirements of consumers and comply with technical standards.

The Company annually conducts inspection audits of management systems.

Internal audit of the integrated management system (hereinafter - IMS)

The effectiveness of the IMS is ensured through continuous monitoring of the system operation through measurements, analysis and process adjustments.

In the reporting year, Transtelecom JSC continued work on further improvement of the certified quality management system in the Company.

According to the requirements of ISO 9001:2015, ISO 14001:2015, ISO 50001:2011 standards, the organization must conduct internal audits in order to determine compliance of the IMS with the planned activities and requirements of this standard, as well as the requirements of the IMS established by the organization, and also the effectiveness of its implementation and maintenance operative.

Pursuant to the requirements of the standards, the schedule of the IMS internal audits holding for 2018 was designed and adopted.

In accordance with the order of the Vice President for Development and Legal Affairs "On the approval of the schedule for the internal audit of the IMS by the Company, an internal audit was conducted at Atyrautranstelecom, Kyzylordatranstelecom, and Semeytranstelecom branches". On the basis of the schedule, the plan for the IA holding in the structural subdivisions of the Company was adopted.

Based on the results of internal audits, the reports on each of the audited branches were compiled and provided to the audited party. Based on the identified deviations, the Action Plans to eliminate deviations were drawn up, as well as reports on the elimination of identified deviations.

Employees of the "Organizational Development" sector underwent training under the program "training of internal auditors of the service management system in accordance with ISO/IEC 20000-1:2011 requirements"

In July 2018, the Company audited and recertified. During these procedures it was found that the IMS is operative, is developing in accordance with the principle of continuous improvement and, is generally effective and meets the audit criteria. ISM certification area is maintained.

Kaizen/lean production

In his Address to the people of Kazakhstan, the President N.A. Nazarbayev set the task to enter the top 30 highly developed countries until 2050. The head of state noted that it was necessary to introduce modern management tools and principles of corporate governance in the public sector .In the current economy, the issue of production development, the task of competitiveness raising are s acute. Modern life, accelerated by the progress development, sets the task of experience study, accetion and development of all the best. One of the world's best practices to improve the organization's work is the Kaizen/Lean production system.

Transtelecom JSC launched the Kaizen/Lean Production movement in September 2015.

In order to increase the involvement of the company's employees, through the change of corporate culture in 2017, the gamification system of Transtelecom JSC for performance assessment of Transtelecom JSC's branches (hereinafter referred to as gamification) was launched.

The developement of the GREEn movement which is the basis of lean culture

A new approach to branch management

Start of the gamification for incentive purposes and performance improvement in the branches.

GREEn-movement in the branch offices

Currently, the GREEn-movement is spreading to the branch offices.

Directors Forum

Convey of the new ideology of transformation to the heads of branches who accepted the ideology positively

GREEn-movement

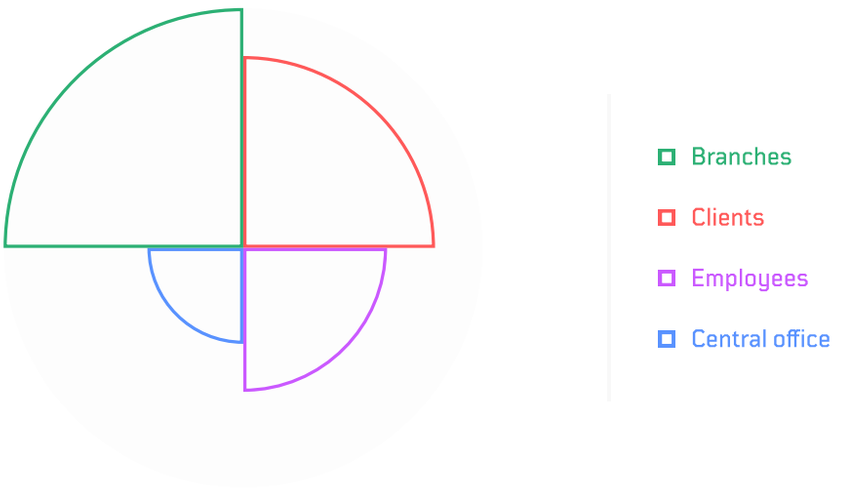
Design of an internal brand of transformations to unite people around ideas for improvements.

Kaizen start

Launch of a kaizen project in November 2015 to improve the efficiency of processes and create a lean culture.

Gamification is a modern way of motivation for results achievement, by involving and activating internal interest, making processes more efficient and accelerating the achievement of the company's business goals. This system of performance evaluation comprehensively assesses the activities of branches, and for the fair assessment purposes, the principles that allow you to compare results, to evaluate objectively and systematically have been designed.

Gamification rates



Color	Parameters	Specifications
	Branches	Improvement of operational efficiency and business processes Reduction of the staff turnover Increase of the affiliates' accountability for performance
	Clients	Service quality improvement Faster servicing Receipt of more client-focused service
	Employees	Motivation to achieve results Increased interest in the work Team environment in branches
	Central office	Achievement of the key business indicators Improvement of the process efficiency Convey of the policy on quality and efficiency Changes speed up

As a result of summing up the results of the second gamification season, held from 1.04.2018 to 31.12.2018, the following branches became winners:

1st place – Pavlodartranstelecom;

2nd place – Kyzylordatranstelecom;

3st place– Astanatranstelecom;

The analysis showed a high degree of employee involvement in this event, as a result of which it was decided to conduct this event on an ongoing basis.

08

OUR COMPANY FOR SHAREHOLDERS AND INVESTORS

Equity Structure and Securities

Dividend policy and profit distribution

Registrar

External audit of annual financial statements

PROMOTIONS

Number of authorized common shares

2 212 406

Number of placed shares

5 638 097

Number not placed

832 992

Par value of one share

1000

Amount of funds raised from the placement of shares

12 241 487

Equity structure and securities

Detailed historical information on the issue and allotment of shares is presented in the annual report for 2017 in the "Share capital structure" section.

As of December 31, 2018, the authorized capital in the amount of **12,241,487** (twelve billion two hundred forty-one million four hundred and eighty-seven thousand) tenge was formed.

Currently, the total number of authorized ordinary shares is **6,471,089** pieces, including **5,638,097 pcs. of allotted shares, 832,992** pieces have not been allotted. The nominal value of one share is **1000** tenge. Preferred shares are not provided.

During 2018, there were no changes in the authorized capital of the company and additional shares were not offered.

Number of authorized common shares	6 471 089
Number of allotted shares	5 638 097
Number not-allotted shares	832 992
Par value of one share	1000
Amount of funds raised from the placement of shares	12 241 487

As of December 31, 2018, the Company's shareholders are Kazakhstan Temir Zholy NC joint stock company (51%) and Marlen Savitovich Mukhanov (49%).

Dividend policy and profit distribution

The General Meeting of Shareholders in tis resolution dated August 4, 2016 adopted the Dividend Policy (Minutes No. 1).

The purpose of the dividend policy of the Company is to ensure a balance of interests of the Company and Shareholders, predictability and transparency of the approach in determining the size of dividends, conditions and the procedure for their payment.

The main principles of the dividend policy of the Company are:

- The principle of a guaranteed payment of dividends for the entire block of shares of the Company in circulation, as well as making payments and expenses on the instructions of the General Meeting of Shareholders;
- The principle of the Company's operation funding, including financing of new types of activities and investment projects implemented at the expense of the Company's funds.

The conditions for payment of dividends by the Company are the following ones:

- The Company has a net income (total profit) for the year in accordance with the financial statements, confirmed by independent auditors or retained earnings;
- No restrictions on the dividends payment provided for by applicable law;
- Recommendation of the Board of Directors of the Company on the amount of dividends;
- Resolution of the General Meeting of Shareholders of the Company.

In compliance with the legislation of the Republic of Kazakhstan, the Company's Charter and the Regulations on Dividend Policy, the Board of Directors of the Company makes a proposal on the procedure for the Company's net profit distribution for the reporting financial year and dividend amount per one ordinary share of the Company based on the audited financial statements.

The final decision on the amount of dividends is made by the General Meeting of Shareholders.

By the decision of the General Meeting of Shareholders dated August 31, 2018, the following procedure for the distribution of net income for 2017 in the amount of 2,399,221 thousand tenge was approved. Part of the dividends was paid off by offsetting the receivables of the parent company, part of the dividends was paid in cash.

Registrar

The Company maintains the register of holders of the Company's registered securities by Single Securities Registrar Joint Stock Company.

Single Securities Registrar Joint Stock Company (hereinafter referred to as the "Single Registrar") was established by Resolution No.1 of 01.12.2011 of the National Bank of the Republic of Kazakhstan and registered on January 11, 2012 by Almaty Department of Justice.

The unified registrar began provision of services for its activities from January 1, 2014.

The key objective of the Single Registrar is to carry out activities to maintain the system of registers of securities holders and other activities subject to implementation in accordance with the legislation of the Republic of Kazakhstan on the securities market.

Since January 1, 2014, the Single Securities Registrar JSC was the registrar of Transtelecom JSC, however, on the basis of paragraph 13 of Article 2 of the Law of the Republic of Kazakhstan dated July 02, 2018 No. 166-VI "On Amendments and Additions to Some Legislative Acts of the Republic of Kazakhstan on issues of insurance and insurance activities, the securities market", the Single Registrar is obliged to carry out the reorganization procedure by January 1, 2019 in the form of a merger with Central Securities Depository JSC. Since January 01, 2019, the Central Securities Depository has become the full assignee of all the rights and obligations of the Single Registrar.

Mailing address:

Republic of Kazakhstan

050040, Almaty, "Samal-1" microdistrict, building 28

www.kacd.kz

External audit of annual financial statements

External auditor selection

The procedure for an audit organization selection is performed in accordance with the Procedure for an audit organization selection for Sovereign Wealth Fund joint-stock company and organizations, where more than fifty percent of voting shares are directly or indirectly owned by Samruk-Kazyna JSC on the right of ownership or trust management, adopted by the resolution of the Management Board of Samruk-Kazyna JSC of September 10, 2013 (Minutes No.49/13)

The list of evaluation criteria:

- Approach to the services rendering;
- Project team competency;
- Quality of services;
- Serious Intent and Reputation;
- Working hours and cost of services;
- Independence;
- Additional benefits and services;
- Verbal presentation and suggestions

Information about the audit organization

In accordance with the Procedure of an audit organization selection for Samruk-Kazyna SWF JSC and organizations, where more than fifty percent of the voting shares belong to Samruk-Kazyna JSC, directly or indirectly, under ownership or trust management, the Unified Commission for the group of companies of KTZ NC JSC including for Transtelecom JSC, determined the audit organization - Deloitte LLP for a period of 3 years, from 2016 to 2018.

Deloitte company in Kazakhstan is part of Deloitte CIS Holdings Limited, a member of Deloitte Touche Tohmatsu Limited.

Deloitte's branches are open in 9 CIS countries, and Georgia and Ukraine, where they employ more than 3,300 employees. Branches in Kazakhstan are open in 4 cities: Almaty, Astana, Atyrau and Aktau. In the Kazakhstan market, Deloitte provides a full range of professional services, including audit, tax, legal and consulting services, risk management services, and corporate finance advice. Deloitte is a leading international company providing professional services to public and private sector companies in various sectors of the economy. Deloitte uses extensive industry knowledge and long-lasting practical experience of its specialists in customers services from any industry in more than 150 countries. Cross-functional groups, which include leading market experts, carefully monitor the latest changes and trends in industries and provide an expert point of view on their potential impact.

Independent Auditor's Report

According to the external auditor - Deloitte LLP, the consolidated financial statements present fairly, in all material respects, the financial position of Transtelecom JSC as of December 31, 2018, as well as its financial results and cash flows for the year 2018 in accordance with International Financial Reporting Standards.

09

APPENDICES

Consolidated Financial Statements

GRI Standard Elements Table

Glossary

Contacts

Consolidated financial statements

TRANSTELECOM JSC

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2018

Management is responsible for the preparation of the financial statements that present fairly the financial position of Transtelecom JSC (the "Company") as at 31 December 2018, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- making an assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- maintaining statutory accounting records in compliance with IFRS and legislation of the Republic of Kazakhstan;
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- detecting and preventing fraud and other irregularities.

The financial statements for the year ended 31 December 2018 were authorized by the management of the Company and approved for issue on 20 May 2019.

On behalf of Company management:

D. T. Zhexembekov
Acting President

20 May 2019
Nur-Sultan

K. S. Bozchshina
Chief Accountant

20 May 2019
Nur-Sultan

Deloitte.

Deloitte LLP
36 Al Farabi Ave.,
Almaty, 050059,
Republic of Kazakhstan
Tel: +7 (727) 258 13 40
Fax: +7 (727) 258 13 41
deloitte.kz

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of Transtelecom JSC

Opinion

We have audited the financial statements of Transtelecom JSC, which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As described in Notes 23 and 19 to the financial statements, 71% of the Company's trade accounts receivable as at 31 December 2018 and 51% of its revenue from contracts with customers for the year ended 31 December 2018 were to National Company Kazakhstan Temir Zholy JSC (NC KTZh JSC) and its subsidiaries, which are related parties of the Company. Our opinion is not modified in respect of this matter.

We draw attention to Note 25 to the financial statements, which describes the uncertainty related to the outcome of the unresolved issue between NC KTZh JSC and the Company in respect of the payment of dividends declared for 2015. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

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In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Alua Yessimbekova
Engagement Partner
Certified Public Accountant
New Hampshire, USA
License No. 07348
dated 12 June 2014

Nurlan Bekenov
General Director
Deloitte LLP
State license for the audit activity in the Republic of Kazakhstan
No. 0000015, type MFU-2, issued by the Ministry of Finance of the Republic of Kazakhstan
13 September 2006

Daulet Kuatbekov
Qualified Auditor
Qualification certificate No. 0000523, dated 15 February 2002, Republic of Kazakhstan

20 May 2019
Almaty

TRANSTELECOM JSC

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018
(in thousands of tenge)

	Notes	31 December 2018	31 December 2017
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	6	74,515,648	60,018,120
Intangible assets	7	4,720,758	3,558,749
Other non-current assets	8	2,705,552	5,864,701
		81,941,958	**69,441,570**
CURRENT ASSETS:			
Inventories		941,552	1,333,086
Trade accounts receivable from related parties	23	18,460,166	7,249,101
Trade accounts receivable	9	3,705,991	3,056,320
Prepaid income tax		1,397,682	917,530
Other current assets	10	688,401	2,240,646
Advances paid		166,272	371,505
Cash and cash equivalents	11	1,612,814	3,193,658
		26,972,878	**18,361,846**
TOTAL ASSETS		**108,914,836**	**87,803,416**
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	13	12,241,487	12,241,487
Additional paid-in capital	13	244,190	244,190
Retained earnings		13,653,859	12,346,486
		26,139,536	**24,832,163**
NON-CURRENT LIABILITIES:			
Long-term borrowings	14	38,851,836	34,126,544
Long-term portion of finance lease obligations	15	577,964	1,526,422
Employee benefit obligations		463,595	379,700
Deferred tax liabilities	18	4,139,571	3,470,534
Deferred revenue		15,982	-
		44,048,948	**39,503,200**
CURRENT LIABILITIES:			
Short-term borrowings and current portion of long-term borrowings	14	13,416,145	12,984,884
Current portion of finance lease obligations	15	1,242,650	481,521
Trade accounts payable	16	17,674,958	6,213,225
Dividends payable	13	2,339,661	2,162,824
Taxes payable and other obligatory payments		345,721	279,918
Other current liabilities	17	3,671,531	1,318,135
Current portion of employee benefit obligations		35,686	27,546
		38,726,352	**23,468,053**
TOTAL LIABILITIES		**82,775,300**	**62,971,253**
TOTAL EQUITY AND LIABILITIES		**108,914,836**	**87,803,416**

On behalf of Company management:

D. T. Zhexembekov
Acting President

20 May 2019
Nur-Sultan

K. S. Bozchshina
Chief Accountant

20 May 2019
Nur-Sultan

The notes below are an integral part of these financial statements.

TRANSTELECOM JSC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousands of tenge)

	Notes	2018	2017
REVENUE	19	74,691,339	71,022,449
COST OF SALES	20	(57,506,993)	(53,898,837)
GROSS PROFIT		**17,184,346**	**17,123,612**
General and administrative expenses	21	(7,012,642)	(4,369,123)
OPERATING PROFIT		**10,171,704**	**12,754,489**
Finance costs	22	(5,832,792)	(5,988,767)
Finance income		485,842	257,117
Foreign exchange gain/(loss), net		98,169	(275,632)
Other income, net		314,495	81,933
PROFIT BEFORE INCOME TAX		**5,237,418**	**6,829,140**
INCOME TAX EXPENSE	18	(1,288,356)	(1,497,538)
PROFIT FOR THE YEAR		**3,949,062**	**5,331,602**
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation		(29,718)	4,710
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,919,344**	**5,336,312**

On behalf of Company management:

D. T. Zhexembekov
Acting President

20 May 2019
Nur-Sultan

K. S. Bozchshina
Chief Accountant

20 May 2019
Nur-Sultan

The notes below are an integral part of these financial statements.

TRANSTELECOM JSC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousands of tenge)

	Share capital	Additional paid-in capital	Retained earnings	Total equity
As at 1 January 2017	**12,241,487**	**244,190**	**11,346,724**	**23,832,401**
Profit for the year	-	-	5,331,602	5,331,602
Other comprehensive income for the year, net of income tax	-	-	4,710	4,710
Total comprehensive income for the year	-	-	5,336,312	5,336,312
Dividends (Note 13)	-	-	(4,336,550)	(4,336,550)
As at 31 December 2017	**12,241,487**	**244,190**	**12,346,486**	**24,832,163**
Effect of the application of IFRS 9 (Note 3)	-	-	(212,750)	(212,750)
As at 1 January 2018 (restated)	**12,241,487**	**244,190**	**12,133,736**	**24,619,413**
Profit for the year	-	-	3,949,062	3,949,062
Other comprehensive income for the year, net of income tax	-	-	(29,718)	(29,718)
Total comprehensive income for the year	-	-	3,919,344	3,919,344
Dividends (Note 13)	-	-	(2,399,221)	(2,399,221)
As at 31 December 2018	**12,241,487**	**244,190**	**13,653,859**	**26,139,536**

On behalf of Company management:

D. T. Zhexembekov
Acting President

20 May 2019
Nur-Sultan

K. S. Bozchshina
Chief Accountant

20 May 2019
Nur-Sultan

The notes below are an integral part of these financial statements.

TRANSTELECOM JSC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousands of tenge)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		5,237,418	6,829,140
Adjustments for:			
Finance costs	22	5,832,792	5,988,767
Depreciation and amortisation	20, 21	8,460,511	7,793,953
Accrual of allowance for doubtful debts		42,027	30,458
Accrual of allowance for other long-term assets		1,102,052	-
Change in provision on remuneration of executive personnel	21	1,065,590	367,775
Recovery of provision for staff reduction		-	(4,980)
Accrual of VAT, fines and penalties provision		-	10,743
Foreign exchange (gain)/loss, net		(98,169)	275,632
Finance income		(485,842)	(257,117)
Loss from disposal of property, plant and equipment and intangible assets		93,254	22,452
Employee benefit obligations		127,690	27,868
Cash flows from operating activities before changes in working capital and other balances		**21,377,323**	**21,084,691**
Changes in working capital and other balances:			
Change in trade accounts receivable		(12,556,856)	3,499,517
Change in inventories		391,534	(642,555)
Change in advances paid		(205,233)	2,945,013
Change in other current and non-current assets		1,554,798	(1,392,477)
Change in trade accounts payable		8,640,521	(1,684,736)
Change in taxes payable and other obligatory payments		413,913	18,644
Change in advances received		(45,231)	(6,704,357)
Change in other current liabilities		1,321,015	(202,461)
Change in employee benefit obligations		(65,373)	(34,303)
Cash generated from operating activities		20,826,411	16,886,976
Interest paid		(6,102,536)	(6,481,525)
Interest received		64,545	267,717
Income tax paid		(1,447,581)	(1,680,741)
Net cash generated by operating activities		**13,340,839**	**8,992,427**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment and advances paid for non-current assets		(17,297,219)	(10,445,270)
Purchase of intangible assets		(1,616,264)	(575,086)
Withdrawal of deposit accounts		47,981	26,965
Net cash used in investing activities		**(18,865,502)**	**(10,993,391)**

GRI standard elements table

Code GRI	Indicator name	Indicator disclosure	Page
Strategy and Analysis			
1.1	A statement from the most senior decision-maker of the organization	+	Management Board Chaiperson's address
1.2	Description of key impacts, risks and opportunities	+	Operational Results, Risk Management System
2.1	Organization name	+	About Report
2.2	Primary brands, products and/or services	+	Company Profile Operating results
2.3	Functional structure of the organization, including primary divisions, operating companies, subsidiaries and joint ventures	+	Company Description and Structure
2.4	Location of Organization's Headquarters	+	Contacts
2.5	Number of countries where the organization operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the report.	+	Services, Partners and Counterparties
2.6	Nature of ownership and legal form	+	Company Profile
2.7	Markets served (including geographic breakdowns, sectors served, and categories of consumers and beneficiaries)	+	Company Profile, Operations
2.8	Scale of the organization	+	Company Profile
2.9	Any significant variations in scale, structure or ownership during the reporting period	+	Company Profile
2.10	Awards received during the reporting period	+	Industry and Government Awards

Code GRI	Indicator name	Indicator disclosure	Page
3.1	Reporting period	+	About Report
3.2	Date of most recent report	+	About Report
3.3	Reporting cycle	+	About Report
3.4	Contact point for questions regarding the report	+	Contacts
3.5	Report determination process	+	About Report
3.6	Report boundaries (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	+	About Report
3.7	Limitations on the scope or boundaries of a report	+	About Report
3.8	Grounds for inclusion in the report of data on joint ventures, subsidiaries, leases of production, transfer of some functions to external contractors and other organizational units, which may significantly affect comparability with previous reports and/or other organizations	+	About Report
3.9	Methods of measuring data and calculations, including assumptions and methodologies used to prepare the Indicators and other information included in the report	+	About Report
3.10	Description of the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	-	Not applicable
3.11	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	+	About Report
3.12	Table showing the location of the Standard Elements in the report	+	GRI Standard Elements Table
3.13	Policy and Practical Approaches Regarding External Report Validation	+	About Report

Code GRI	Indicator name	Indicator disclosure	Page
4.1	Governance structure, including the main committees of the highest governing body, responsible for specific tasks, such as strategy development or overall oversight of the organization	+	Corporate governance
4.2	Report whether the Chair of the highest governance body is also an executive officer	+	About Report
4.3	For organizations having a unitary board of directors, indicate the number of independent members of the highest governing body and/or members not related to the executive management of the company	+	Corporate governance
4.4	Mechanisms by which shareholders or employees of an organization can govern the activities of the highest governing body or give recommendations	+	Corporate governance
4.5	The relationship between payments to members of the highest governance body, representatives of senior management and senior executives (including termination benefits) and organizational performance (including social and environmental outcomes)	+	Corporate governance
4.6	Current processes in the highest governing body designed to avoid conflicts of interest	+	Corporate governance
4.7	The processes for determining the qualifications and competencies of members of the highest governing body to determine the organization's strategy on economic, environmental and social issues [sustainable development]	+	Corporate governance
4.8	Statement of mission or values developed internally by the organization, codes of corporate conduct, and principles relevant to economic, environmental, and social performance, as well as the degree of their practical implementation	+	Strategic review Sustainability
4.9	Procedures used by the highest governing body to oversee how the organization assesses and manages its economic, environmental, and social performance, including risks and opportunities, as well as following or complying with international standards, codes of corporate conduct, and principles	+	Corporate governance

Code GRI	Indicator name	Indicator disclosure	Page
4.10	The processes of evaluating their own performance by the highest governing body, in particular, in connection with economic, environmental and social performance the organization	+	Corporate governance
4.11	An explanation of whether the organization applies the precautionary principle and application method	-	Not applicable
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or supports	+	Operating results
4.13	Membership of associations (e.g. industry) and / or national and international advocacy organizations	+	Operating results
4.14	List of stakeholders with whom the organization interacted	+	Interaction with stakeholders
4.15	Reasons for identifying and selecting stakeholders for further interaction with them	+	Interaction with stakeholders
4.16	Stakeholder engagement approaches, including frequency of engagement by forms and stakeholder groups	+	Interaction with stakeholders
4.17	Key topics and interests raised or identified during of interaction with stakeholders, and how the organization responded to these topics and interests, including through its reporting	+	Interaction with stakeholders

Code GRI	Indicator name	Indicator disclosure	Page
EC	Management approach	+	
EC1	Direct economic value created and distributed, including income, operating costs, employee benefits, donations, and other community investments, retained earnings, payments to capital providers and states	+	Key performance indicators, operating results, key financial indicators, personnel
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	-	Not applicable
EC3	Coverage of the organization's defined benefit plan obligations.	+	Personnel
EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	+	Personnel
EC6	Policies, practical approaches to procurement from local suppliers and the share of such purchases in significant regions of the organization	+	Procurements arrangement
EC7	Recruitment procedures for the local population and the proportion of senior managers hired from the local population in significant regions of the organization	+	Personnel
EC8	Development and impact of infrastructure investments and services provided primarily for the public good through commercial, in-kind or charitable participation	+	Charity and sponsorship
EC9	Understanding and describing significant indirect economic impacts, including the extent of influence	+	Personnel, environmental protection

Code GRI	Indicator name	Indicator disclosure	Page
EN	Management approach	+	Enviromental protection
EN1	Materials used with weight or volume	+	Enviromental protection
EN2	Percentage of materials that are recycled	-	Not applicable
EN3	Energy consumption within the organi-zation.	+	Enviromental protection
EN4	Indirect energy use with primary sources indication	-	Not applicable
EN5	Energy saved as a result of measures to reduce energy consumption and improve energy efficiency	+	Enviromental protection
EN8	Total water withdrawn by source	-	Not applicable
EN10	Percentage and total volume of water recycled and reused.	-	Not applicable
EN11	The location and area of land owned, leased, managed by the organization, and located in protected natural areas and territories with high biodiversity value outside their borders, or adjacent to such territories	+	Enviromental protection
EN20	Air emissions of NOx, SOx and other significant pollutants indicating type and weight	+	Enviromental protection
EN21	Total volume of discharges indicating the quality of wastewater and the receiving facility	-	Not applicable

Code GRI	Indicator name	Indicator disclosure	Page
LA	Management approach	+	Personnel
LA1	Total labor force by employment type, employment contract and region	+	Personnel
LA2	Total number of employees and staff turnover by age group, gender and region	+	Personnel
LA3	Payments and benefits provided to full-time employees that are not provided to temporary or part-time employees, by core business	+	Personnel
LA4	Percentage of employees covered by collective bargaining agreements	+	Personnel
LA5	Minimum notice period (s) for significant changes in the organization's activities, as well as whether it is defined in a collective agreement	+	Personnel
LA7	The level of occupational injuries, the level of occupational diseases, the coefficient of lost days and the coefficient of absence from the workplace, as well as the total number of deaths associated with work, by region	+	Occupational Health and Safety
LA8	Existing education, training, counseling, prevention and risk control programs to help employees, their families and members of the public with respect to serious illnesses	+	Occupational Health and Safety
LA10	Average number of training hours per employee per year, disaggregated by employee category	+	Training and continuing education
LA12	Percentage of employees for whom periodic performance and career development evaluations are conducted	+	Training and continuing education
LA13	Composition of the governing bodies and personnel of the organization, disaggregated by sex and age group, indicating the representation of minorities, as well as other indicators of diversity	+	Personnel

Code GRI	Indicator name	Indicator disclosure	Page
HR	Management approach	+	Personnel
HR4	Total number of cases of discrimination and actions taken	+	Personnel
HR6	Activities in which the right to exercise freedom of association and collective bargaining may be exposed to significant risks, and actions taken to support these rights	+	Personnel
HR7	Activities in which there is a significant risk of incidents of forced or compulsory labor, and actions taken to participate in the eradication of forced or compulsory labor.	+	Personnel
HR9	Total number of cases of violation affecting the rights of indigenous and small peoples and actions taken	+	Personnel
SO	Management approach	+	Interaction with stakeholders
SO2	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.	+	Anti-corruption activities
SO3	Percentage of employees trained in anti-corruption policies and organization procedures	+	Anti-corruption activities
SO4	Response to Corruption	+	Anti-corruption activities
SO5	Position on public policy and participation in shaping public policy and lobbying	+	Interaction with stakeholders

Code GRI	Indicator name	Indicator disclosure	Page
PR	Подход менеджмента	+	Управление качеством
PR8	The total number of well-grounded complaints regarding violation of consumer privacy and loss of consumer data	+	Interaction with stakeholders
EU16	Health and safety policies and requirements for contractors and subcontractors	+	Occupational Health and Safety
EU18	Percentage of employees of contractors and subcontractors who have completed relevant occupational health and safety training	+	Occupational Health and Safety
EU21	Emergency Planning, Disaster / Emergency Plan of Activities and Training Programs and Recovery Plans	+	Occupational Health and Safety
EU25	The number of injuries and deaths involving the Company's assets, including court decisions, settlements and court cases pending, related to diseases	+	Occupational Health and Safety

Glossary

KTZ NC JSC	National Company Kazakhstan Temir Zholy Joint Stock Company
Company	Transtelecom Joint Stock Company
BoD	Board of Directors
BBA	Broadband access
FOCL	Fiber optic communication lines
ARPU	Average revenue per user
SLA	Service Level Agreement

M2M	Machine-to-machine interaction
CL	Cable line
ACS	Automated control system
QAS	Quality Assurance System
EMS	Environment management system
EMS	Energy management system
LTE	Wireless High Speed Data Standard for Mobile Phones and Other Data Terminals
MPLS	A mechanism in a high-performance telecommunications network that transfers data from one network node to another using labels
ATE	Automatic telephone exchange
ANIE	Automatic number identification equipment
KPI	Key perfomance indicators
ICT	Information and communication technology

Contacts

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When using the information contained the reference is required.

Nur-Sultan, 2019