

# Company's development strategy

## Mission, vision, values

### Mission

Become an irreplaceable and usual part of everyone's life, changing, surprising and exceeding expectations. The key concepts of the Group's Mission are:

**"BECOME"**

to lay the foundation for the transformation of the Group in accordance with its strategy

**"INDISPENSABLE"**

compete by providing a unique proposition in the market through leadership in innovations, price, regional coverage and a range of services

**"REGULAR"**

to ensure convenience, accessibility and stability

**"PART OF LIFE"**

create an environment of communication, ensure the receipt and exchange of information, knowledge management, entertainment and social focus

**"EVERYONE"**

to cover all segments, to apply a differentiated approach

**"CHANGING"**

to build a structure and processes oriented to timely and flexible responses to changes in technology, the market, demand and the competitive situation

**"SURPRISING"**

to ensure the creation of a unique client experience

**"EXCEEDING EXPECTATIONS"**

to shape and satisfy needs, to be a leader in innovation

## Vision

A leading Kazakh integrated service provider in the information communications market.

Coordinated actions of all group members to maintain, strengthen and form leading positions in key segments of the information communications market of the Republic of Kazakhstan through the implementation of strategic initiatives and development areas.

## Current global trends in the telecommunications industry

**The image and development of the telecommunications industry in the world (including Kazakhstan) is now determined by six key trends:**

- 1 increased competition in the market and increasing pressure from players from related industries (banks, digital companies, retail sector players);
- 2 a shift towards simple, intuitive product offerings and digital self-service;
- 3 general internet penetration and shift of preferences towards mobile internet;
- 4 high-growth load from OTT platforms on the network and their involvement in further infrastructure development;
- 5 promotion of 5G mobile networks;
- 6 Impact of the 2020 COVID-19 on consumer demand structure, accelerated digital transformation (ecosystem construction, forced online, etc.).

These trends determine the movement of industry leaders towards the active implementation of new high-performance management models (agile), cost optimisation, including through digitalization of client and internal processes, diversification of operations and participation in ecosystems, and preparation for the next stage of the evolution of network infrastructure.

## Strategy KPIs

The main goal of the new strategy is to increase the shareholder value of the Group through an increase in revenues from core activity in related industries, as well as by optimizing the cost base.

### SSD 1 First choice brand

The goal of SDD 1 is to maintain long-term leadership in mobile communications markets for B2C and B2X (including B2B, B2G and B2O markets), fixed-line B2C communications (including product segments of broadband access, telephony and Pay TV), fixed-line B2X communications with an increase in revenue and optimization of marketing and sales costs through:

- › ensuring leadership in monetizing growing traffic using the More For More principle, as well as control over the aggressive pricing policy of competitors in the markets of fixed and mobile communications;
- › creating a portfolio of competitive products that are mutually complementary;
- › development, pricing and sale of products based on advanced customer segmentation methods;
- › optimization of marketing and sales costs.

### SSD 2 Digital platform

Many examples from various industries clearly demonstrate the inevitability of digital transformation of the economy: the exit of players with fundamentally new, initially digital operating models is accompanied by a significant increase in pressure on the performance of traditional players. Traditional digitalization leaders are the most resilient to market change, able to adapt quickly to the new market situation.

This trend is particularly visible in the most technologically advanced industries, such as telecommunications, where digital and technology companies accounted for the lion's share of this growth, while the share of telecom players fell by 35%. The decline in the financial performance of telecommunications companies around the world indicates the need for urgent implementation of digital methods of work and analytics to reduce costs and find new sources of income. At the same time, the effect of digital transformation has already been proven — the implementation of this set of measures makes it possible:

- › increase revenue **by 15-20%**;
- › reduce operating costs **by 20-30%**;
- › reduce capital expenditures **by 5-10%**.

Kazakhtelecom JSC, within the framework of the Digital Platform SDD, aims to digitally transform its core business and network and monetize its unique market position using new digital business models and partnerships:

- › work on the "Everything Online!" principle, with digitalization of client routes, application of digital sales methods, automation and robotization of auxiliary functions;
- › ensuring leadership in CVM and in-depth analytics using internal expertise, experience and data (both within the Group and for external monetization);
- › digitalization of the network through network function automation and 5G network deployment;

- › development of digital business lines and partnerships to diversify the portfolio and enter related industries.

As part of the strategy, Digital Transformation is considered in terms of three areas (digital transformation of the core business, development of new digital lines of business, digital transformation of the network) and two time horizons with different objectives:

- › **The first horizon (up to 2022):** achieving digital maturity through optimization and digitalization of client routes and implementation of digital marketing tools;
- › **Second horizon (2023+):** large-scale implementation of analytics to optimize processes in all areas of activity, robotic automation of back office and support functions, large-scale network automation and 5G launch, development of new digital lines of business.

### SSD 3 Effective organization

The key objectives of SSD 3 are to launch a large-scale performance improvement program and transition to the optimal organizational structure of the Group, including:

- › elimination of duplication in the network infrastructure, transition to wireless technologies in rural areas and increasing the volume of services;
- › automation of routine tasks and advanced personnel performance management;
- › optimization of administrative functions, including further optimization of SSC and outsourcing of certain functions;

- › optimization of the Group's organizational structure with a separation of the Holding Company and key business units.

The SDD also covers the integration of mobile asset networks within the Group to realize operational and capital cost synergies.

The implementation of the new strategy will make it possible to achieve the following strategic goals in the horizon of 5 years (target state for 2024).

**STRATEGIC GOALS OF THE KAZAKHTELECOM GROUP OF COMPANIES ON THE HORIZON OF 5 YEARS**



**First-choice brand**

Maintaining the mobile communications market share at the level

**66-68%**

fixed line on

**73-75%**

Reducing the cost of mobile operators for marketing and sales

↳ **15-20%**

Decreased outflow of broadband subscribers in the B2B segment

↳ **15%**



**Effective organization**

Transfer from copper lines to FTTX

**740,000** customers

Migration of rural settlements to wireless networks

**2,000** villages



**Digital platform**

Selling through online channels

**30%**

Reduced customer service costs

**40%**

Reduced Marketing Costs\*

**20%**

MAU site and application on level of

**30%**

Reducing the number of appeals to call centers and physical departments to

**30-50%**

Improving Customer Satisfaction — NPS Growth

**20 pts**

## Risk assessment when implementing the Strategy

The activities of Kazakhtelecom JSC are exposed to various threats that contribute to the achievement of the Objective. In this regard, in order to ensure preventive risk management measures, potential threats under the SDD were identified, with an indication of the impact and measures to reduce them.

However, Kazakhtelecom JSC does not rule out other threats, including risks not currently known or considered immaterial by Kazakhtelecom JSC.

### First choice brand

#### CHANGES IN LEGISLATION RESULTING IN RESTRICTIONS ON THE COMPANY'S BUSINESS

##### MITIGATION MEASURES

1. Close cooperation with the authorized communications body. Monitoring of draft laws and regulations, timely notification of interested parties of draft/amendments to laws.
2. Participation in working groups on changes to communications legislation in the authorized body, the TTA, and the NCE. Submission of problem issues to the Roundtable in Parliament, ROSPP, and the Economic Policy Council. Organization of meetings with deputies.

##### INFLUENCE

###### Most expected

The growth in subscriber outflow does not exceed 7%.  
Decrease in market share by no more than 3%.

###### Acceptable

No more than 12% growth in subscriber outflow.  
Decrease in market share by no more than 10%.

##### ASSESSMENT IMPACT/PROBABILITY

# 3/4

#### ANNIBALIZATION OF REVENUE AT THE GROUP LEVEL AND INTRA-GROUP COMPETITION

##### MITIGATION MEASURES

1. Establishment of a strategic management unit at the Group level.
2. Creation of balanced KPI at the corporate level for all Group participants.
3. Ensuring the segmentation of client profiles and the performance of business activity of Group members in accordance with it.

##### ASSESSMENT IMPACT/PROBABILITY

# 3/3

## First choice brand

### LAUNCH OF A NEW STAGE OF THE PRICE WAR ON THE TELECOMMUNICATIONS MARKET

#### MITIGATION MEASURES

1. Creation of a strategic management division at the Group level (approval of tariffs, investment, interaction with the regulator).
2. Creation of balanced KPI at the corporate level for all Group participants.
3. Implementation of management accounting for business units and Group products to assess margins and shareholder value effect.

#### INFLUENCE

##### Most expected

Decrease in the Group's revenue by 7-15%.

#### ASSESSMENT IMPACT/PROBABILITY

# 3/3

### DISRUPTION OF VALUE IN THE TELECOMMUNICATIONS MARKET DURING THE FORCED DEVELOPMENT OF FMS PRODUCTS

#### MITIGATION MEASURES

1. Creation of a strategic management unit at the Group level (approval of tariffs, investment, interaction with the regulator).
2. Creation of balanced KPI at the corporate level for all Group participants to maintain parameters:
  - › ensuring FMS KPI at the level of ARPU of at least KZT1,050.
  - › the number of SIM cards does not exceed 1.1 million units.
  - › and revenue of at least KZT 13 billion.
3. Implementation of management accounting for business units and Group products to assess margins and shareholder value effect.
4. Search for new growth points in the retail market.

#### ASSESSMENT IMPACT/PROBABILITY

# 3/3

**SANCTIONS IMPOSED BY THE REGULATOR  
(NATURAL MONOPOLIES REGULATION COMMITTEE  
OF THE MINISTRY OF NATIONAL ECONOMY OF  
THE REPUBLIC OF KAZAKHSTAN)**

**MITIGATION MEASURES**

- 1. Building a position, organizing interaction with the regulator to revise the conditions (limited in time and constant).
- 2. Search for new growth points in the mobile market.

**INFLUENCE**

**Most expected**

Not assessed due to unconditional nature.

**Acceptable**

Not assessed due to unconditional nature.

**ASSESSMENT IMPACT/PROBABILITY**

**3/3**

**DELAYS AND DISRUPTIONS IN MAJOR  
INFRASTRUCTURE PROJECTS INVOLVING  
THE STATE**

**MITIGATION MEASURES**

- 1. Introduction of management accounting to calculate the actual effectiveness and effect on shareholder value.
- 2. Cooperation with the state body to revise the terms of the project in the event of the identification of material threats to the failure of the projects.
- 3. Creation of balanced KPI at the corporate level for all project participants.

**INFLUENCE**

**Most expected**

Failure to achieve expected effects by 20-30%.

**Acceptable**

0 Failure to achieve expected effects.

**ASSESSMENT IMPACT/PROBABILITY**

**3/3**



## Digital platform

### LIMITED EXTERNAL REGULATORY FRAMEWORK FOR NEW TECHNOLOGIES

#### MITIGATION MEASURES

1. Implementation of standards on new technologies.
2. Use of equipment and solutions from leading manufacturers.

#### INFLUENCE

##### Most expected

A 3-month shift in the timeframe for implementing new businesses.

##### Acceptable

A 6-month shift in the timeframe for implementing new businesses.

#### ASSESSMENT IMPACT/PROBABILITY

# 3/3

### LACK OF RESOURCES TO IMPLEMENT INITIATIVES

#### MITIGATION MEASURES

1. Recruitment and/or reclassification of employees to implement initiatives.
2. Introduction of new approaches to the digital platform, provision of training.
3. If necessary, ensure certification.

#### INFLUENCE

##### Most expected

Provision of resources to implement initiatives of at least 80%.

##### Acceptable

Provision of resources to implement initiatives of at least 95%.

#### ASSESSMENT IMPACT/PROBABILITY

# 3/3

### "LACK OF COMPETITIVENESS OF CORPORATE INFORMATION AND COMMUNICATION SERVICES AND SOLUTIONS PORTFOLIO"

#### MITIGATION MEASURES

1. Development of corporate sales of ICT services by the Company's branches, implementation and promotion of cloud services IaaS, PaaS and SaaS based on data centers, cloud data storage system, development of a long-term strategy to promote ICT services (marketing and promotional events).
2. Attraction of experts to solve the problems of system integration, formation of a strong staff, increase in sales personnel in the segment of major clients.
3. Certification of the Data Centers according to the quality system.
4. Provision of additional consulting services to large enterprises, development and promotion of system integration services and outsourcing.

#### INFLUENCE

##### Most expected

No more than 6% reduction in the share of ICT market income.

#### ASSESSMENT IMPACT/PROBABILITY

# 4/3

# Effective organization

## CURRENCY RISK

### MITIGATION MEASURES

1. Negotiations on value reduction.
2. Transfer of contracts in KZT and in roubles to foreign rights holders.
3. Diversification of currency positions by storing and placing temporarily free cash funds of the Company in a basket of currencies.

### INFLUENCE

#### Most expected

Increase in potential losses on the realization of currency risk within the Company's risk appetite.

#### Acceptable

Increase in potential losses when risk is realized within thresholds determined by the Company's management.

### ASSESSMENT IMPACT/PROBABILITY

4/3

## NON-PERFORMANCE OF OBLIGATIONS BY BANKS TO THE COMPANY

### MITIGATION MEASURES

1. To assess the liquidity and capital adequacy of the Banks.
2. To adhere to the corporate standard on treasury operations of Samruk-Kazyna JSC.

### INFLUENCE

#### Most expected

Outstanding obligations of the Banks to the Company up to 25% of the Company's risk appetite.

#### Acceptable

Non-performance of the Banks "obligations to the Company by 50% of the Company's risk appetite.

### ASSESSMENT IMPACT/PROBABILITY

4/3

## LIMITED REGULATORY FRAMEWORK FOR THE COMPANY'S INVESTMENT ACTIVITY

### MITIGATION MEASURES

1. Systematization of network infrastructure facilities to select optimal technical solutions for use in each specific case.
2. Updating the regulatory framework for the Company's investment activity.

### INFLUENCE

#### Most expected

Lack of projects accepted for implementation that do not meet regulatory requirements.

#### Acceptable

Availability of projects determined by management and accepted for implementation, secured by compliance with external regulatory requirements.

### ASSESSMENT IMPACT/PROBABILITY

3/3

## RISK OF LOSS OF KEY QUALIFIED PERSONNEL

### MITIGATION MEASURES

1. Building a transparent system of incentives for key personnel/ developing tools to recognize key personnel.
2. Succession planning for key positions.
3. Creation of a target model for training and development of qualified personnel (functional academies, leadership school).

### INFLUENCE

#### Most expected

Staff turnover of key qualified personnel does not exceed 3%.

#### Acceptable

Staff turnover of key qualified personnel does not exceed 5%.

### ASSESSMENT IMPACT/PROBABILITY

3/2

## Effective organization

### RISING SOCIAL TENSION

#### MITIGATION MEASURES

1. Performance of explanatory work among personnel on events and changes to the Company.
2. Timely notification of personnel of HR events.
3. Systematic monitoring of the moral and psychological climate.
4. Implementation of regular feedback sessions between the manager and the employee.
5. Clear identification of line managers "areas of responsibility.
6. Improvement of the personnel performance assessment system.
7. Performance of sociological surveys of personnel.

#### INFLUENCE

##### Most expected

Social stability rating of at least 73%.

##### Acceptable

Social stability rating of at least 70%.

#### ASSESSMENT IMPACT/PROBABILITY

# 2/4

### POTENTIAL NETWORK DISRUPTIONS, DELAYS AND/OR UNDERUTILIZATION OF SYNERGY AS PART OF THE INTEGRATION OF MOBILE OPERATORS

#### MITIGATION MEASURES

1. Creation of an integration project body in collaboration with the Group's strategic management division.
2. Implementation of management accounting to calculate actual synergies and effect on shareholder value
3. Creation of balanced KPI at the corporate level for all Group participants.

#### INFLUENCE

##### Most expected

Failure to achieve expected effects by 1-3%.

#### ASSESSMENT IMPACT/PROBABILITY

# 3/3