Transtelecom

Annual report of Transtelecom JSC for 2017

"This report contains the Standard Reporting Elements from the GRI for Sustainability Reporting Guidelines."

Astana, 2018



About the report

Transtelecom Joint Stock Company (hereinafter referred to as the Company, Transtelecom JSC) presents to the reader the regular integrated report of the Company for the year 2017. This report covers the key performance indicators, the necessary information for consumers, investors and partners, as well as the prospects for further development of the Company. The Company also focuses on high standards of corporate governance and sustainable development.

Transtelecom JSC seeks to timely and most fully provide information on the results of its operation that meet the expectations of all stakeholders. Since 2015, Transtelecom JSC publishes annual reports, which cover the information both about the results of its operations and about the sustainable development, in particular, on issues of labor and environmental protection, industrial safety and social responsibility.

Reporting period and report boundaries

The reporting period is the period from January 1 to December 31, 2017. The Company's performance indicators are presented in the dynamics for 2015, 2016, 2017. Information on the results of financial and economic activity is covered by financial statements as of December 31, 2017 and published on the corporate website: www.ttc.kz.All financial performance indicators of Transtelecom JSC are denominated in KZT in accordance with the audited consolidated financial statements under 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 can be provided to the stakeholders upon request. The Web version of the report will be designed this year.

Certification

The drawing up of integrated annual reports plays an important both for improvement of the information transparency of the Company, but also contributes to the effectiveness of internal business processes.

This Report has not undergone independent assurance of indicators in the field of sustainable development. In the future, the Company plans to conduct an independent assurance of the report for completeness and accuracy of the information provided and compliance with the GRI level.

Background information

The annual report of the Company has been drawn up in accordance with the G4 Sustainability Reporting Guidelines (GRI - Global Reporting Initiative) as well as the International Financial Reporting Standards.

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 report provides information in a manner that is accessible to stakeholders and the public, avoids the use of complex technical terminology and does not contain information requiring specialized sectorial technical, technological and economic knowledge and skills.

The Report uses charts, tables and graphs for a more visual and accessible presentation of materials, provides a list of abbreviations used, gives only reliable information.

Forward-Looking Statements

The data in the Report relating to the future are based on a forward-looking nature information. 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 significantly 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 that the expected results of the activities contained in the forward-looking statements will in reality be achieved, therefore they should not and cannot be considered as the most likely and typical scenario.

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01

Introductory section

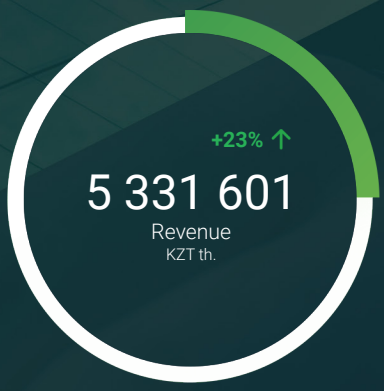
Appeal of the Chairman of the Board of Directors

Address of the Company's CEO

Key indicators

Key Events of 2017





+142%	-22%	+15%	+57%
2 932 381	29%	20 574 866	53 898 835
Declared dividends KZT th.	EBITDA MARGIN	EBITDA KZT th.	Sale prime KZT th.

Key Events of 2017

2026

The Development Strategy until 2026 was adopted.

87%

The share of Transtelecom JSC's revenue from the sale of IT services for the past year has grown significantly and amounted to 87%.

6

Transtelecom introduces 6 new projects at EXPO-2017 facilities.

Opening of the corporate pavilion of Transtelecom JSC at Astana EXPO 2017 exhibition.

Transtelecom JSC acted as a strategic partner of Profit Government Day 2017

The Board of Directors decided to open representative offices of the Company in the city of Moscow, Russian Federation and in the city of Minsk, Republic of Belarus.

Transtelecom JSC took part in "EXPO China-Eurasia 2017 international exhibition.

The CRIS-Service company and Transtelecom JSC in close partnership with the Russian manufacturer designed a revolutionary technology for Internet access in trains.

Appeal of the Chairman of the Board of Directors

Dear shareholders, investors, partners and customers!

Transtelecom JSC is systematically transformed into digital services provider and simultaneously optimizes its organizational structure and business processes. In 2017, we took several important steps towards the development of our Company and the achievement of strategic goals approved by the Board of Directors.

The effectiveness of the chosen model for the company's development aimed at fundamental internal transformation is confirmed by the operating and financial results achieved at the moment.

The internal audit service was established in order to consistently improve the quality and efficiency of corporate governance.

Traditional operator services that generate a significant share of revenues continue to be systematically improved in order to increase customer loyalty through the quality of services provided, optimization of internal processes and development of package offers. Due to the transformation of the company into an IT integrator - other innovative products are being developed according to world-class trends, in addition to the development of cloud services.

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

I am confident that further implementation of the strategy will allow the Company to continue strengthening its leading positions in the telecommunications market through sustainable business growth in new areas, expanding the range of services provided and improving the quality of customer service, which ultimately will enhance the investment attractiveness of Transtelecom JSC.

On behalf of the Board of Directors, I want to express my gratitude to all the employees of the Company who, in the framework of the corporate strategy, have ensured decent results for 2017. We plan to continue to work in the interests of the shareholders and customers of Transtelecom JSC to increase the value of our assets, increase the profits and capitalize the Company.

Bauyrzhan Pazylbekovich Urynbassarov

Vice President for Infrastructure Projects of KTZ NC JSC,

Chairman of the Board of Directors of Transtelecom JSC



Address
of the Company's CEO

Dear shareholders, partners and colleagues!

On behalf of the Management Board of Transtelecom JSC I am pleased to present to you the Annual Report for 2017.

The year 2017 was the period when the transformation aimed at strengthening of historical competitive advantages, including technological leadership and a diversified portfolio of services has started. We adopted the Development Strategy until 2026, updated the organizational structure by dividing the business into Telco, IT and the Operating Blocks, and also enhanced the team responsible for the New Strategy implementation.

In 2017, we strengthened the position of Transtelecom JSC in the traditional and digital segments, and also continued to develop the directions which are promising for the Company. In accordance with our Strategy, the share of Transtelecom JSC's revenue from the sale of IT services for the past year has grown significantly and amounted to 87%. The revenue from the 1st port of the broadband network for the year increased by 7.4%.

Speaking about the services that ensured provision of the positive dynamics of revenue, the most significant growth was recorded in the sales of long distance and international telephony services by 33%, international transit services by 49%, and Internet access services by 56%.

On a separate point, Transtelecom JSC remains a reliable partner of the state: since 2017 it has provided free access to the Internet in all the Citizens Service Centers (CSC) in Astana. The main goal of the project is to provide people with instant access to the information they are interested in and increase the level of IT literacy among the citizens.

To date, Transtelecom JSC has started to develop and create smart digital solutions, introduce the best high-tech innovations and modernize communication facilities throughout the country.

Transtelecom JSC is implementing projects in the field of cybersecurity. Thus, the Company designed a new model of digital security based on the mature SIEM technology and is the first in Kazakhstan which established the SOC Information Security Monitoring Center.

Transtelecom JSC strives to be an effective company. In 2017, we continued to optimize the number of personnel, improved the efficiency of business processes and productivity. As a result, the income per employee reached 23,801.1 thousand tenge/person at the end of the year.

We are working to ensure a transparent and competitive remuneration system, a decent social package and opportunities for professional and personal development. We adjust the learning and development processes in a manner that gives each employee the opportunity to realize his professional and creative potential and succeed together with the Company.

An important element of the Company's strategy is the creation of a corporate culture, where the employees of Transtelecom JSC form their attitude to the company as their property. To this end, we are implementing a lean-based system that gives employees a tool for day-to-day progress and efficiency improvement.

Transtelecom JSC will continue to implement the strategic goal of becoming an integrated provider of digital services and improve the quality by offering convenient telecommunications services, increasing the efficiency of our customers' business. This means that we must become more flexible and client-oriented, faster and more innovative every day.

Striving for the further improvement of the corporate governance system, we are constantly looking for new ways to improve our corporate policies and procedures.

We recognize the importance and priority of the environmental factor in the implementation of any activity and strive to contribute to a healthy life for future generations.

I wish to conclude by thanking all the employees, partners and shareholders of Transtelecom JSC and expressing confidence that the high professional qualities, creativity and diligence of our team will continue to ensure the successful development of our Company's business.

Nadyrov Zhanbolat Urakovich

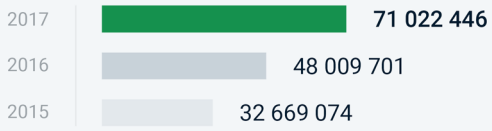
CEO of Transtelecom JSC



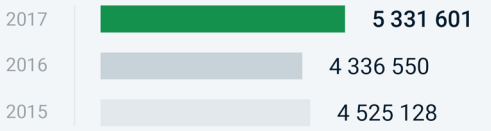
Key indicators

Financial indicators

Revenue, KZT th. +48% ↑



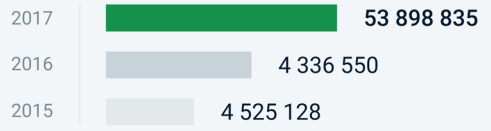
Net profit, KZT th. +23% ↑



Declared dividents, KZT th. +142% ↑



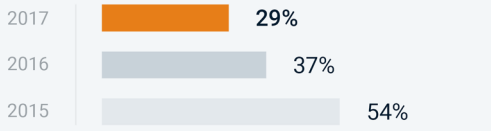
Sale prime cost, KZT th. +57% ↑



EBITDA +15% ↑

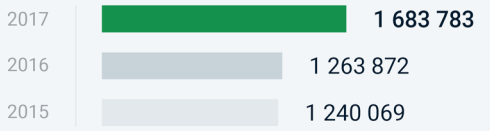


EBITDA MARGIN -22% ↓

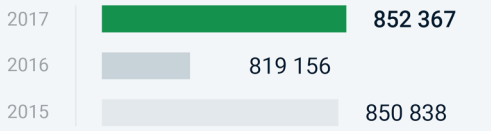


Revenues structure

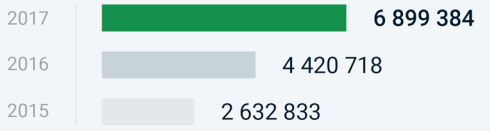
Intercity and International communication services, KZT th. +33% ↑



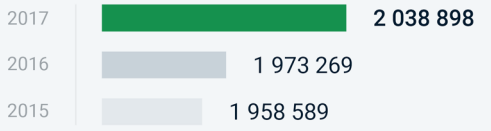
Local telephony services, KZT th. +4% ↑



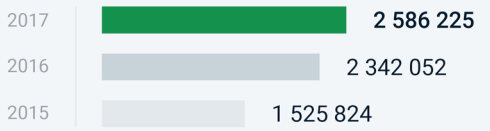
Internet acces services, KZT th. +56% ↑



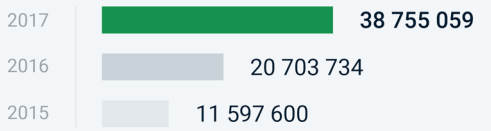
Telegraphy, KZT th. +3% ↑



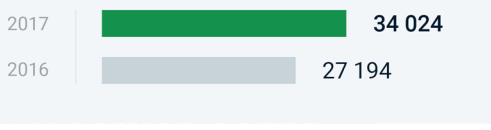
Sattelite communication and data transmission services +10% ↑



IT services, KZT th. +87% ↑

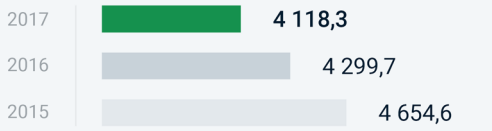


ARPU average per 1 subscriber total for the Company +25% ↑

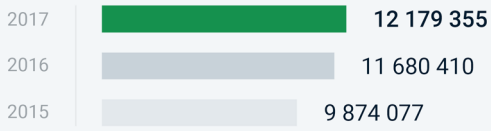


Transtelecom

Average income per 1 MS +4% ↓

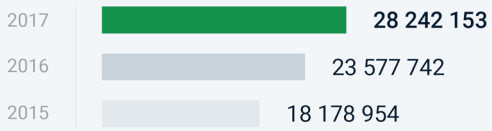


FOCL channels rent services, KZT th. -4% ↓

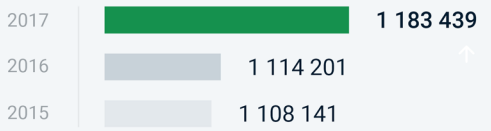


Structure of revenues by clients group

Individuals +6% ↑

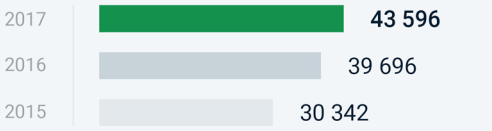


Legal entities +20% ↑

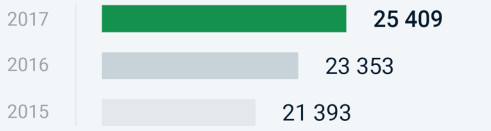


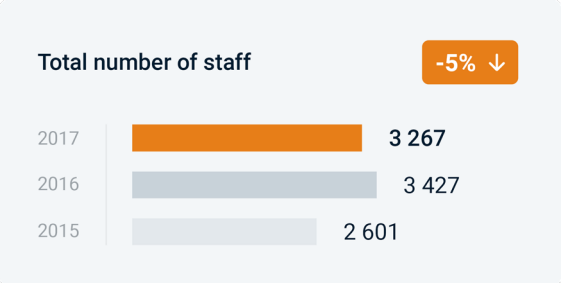
Non-financial indicators

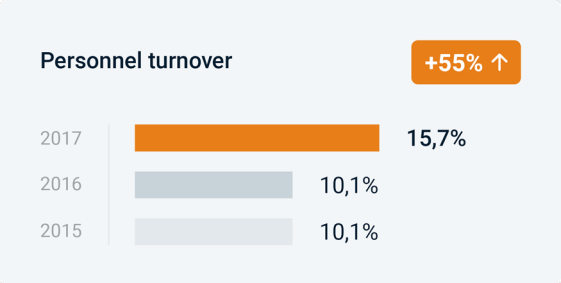
Membership fees, payments totrade unios, charitable programsKZT million +10% ↑

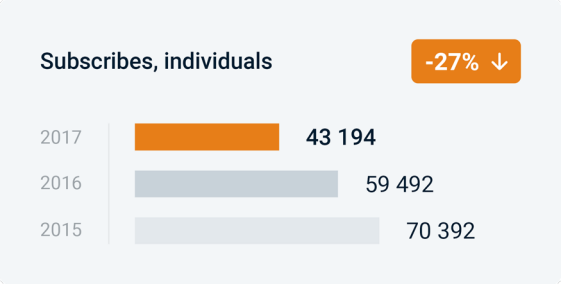


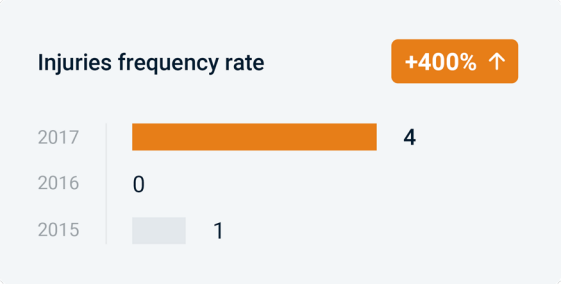
Equipped capacity by ADSL ports, pcs +9% ↑

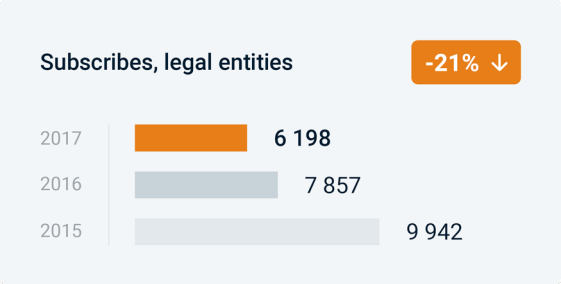


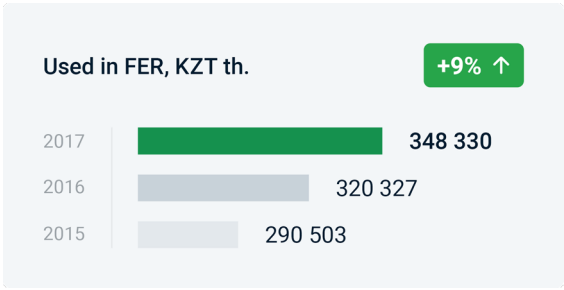

Total number of staff
-5%
2017
3 267
2016
3 427
2015
2 601

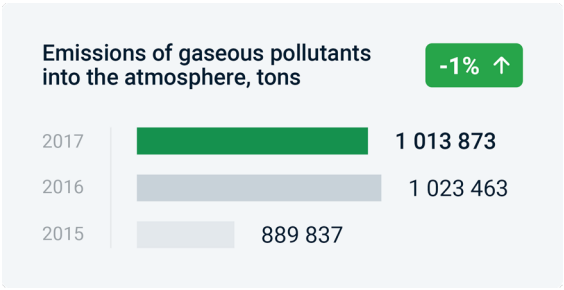

Personnel turnover
+55%
2017
15,7%
2016
10,1%
2015
10,1%


Subscribes, individuals
-27%
2017
43 194
2016
59 492
2015
70 392

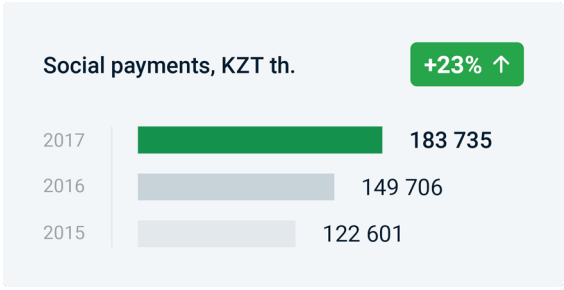

Injuries frequency rate
+400%
2017
4
2016
0
2015
1

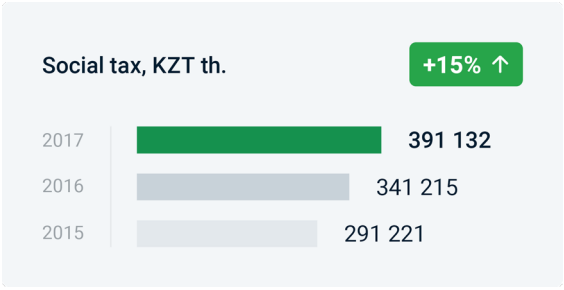

Subscribes, legal entities
-21%
2017
6 198
2016
7 857
2015
9 942

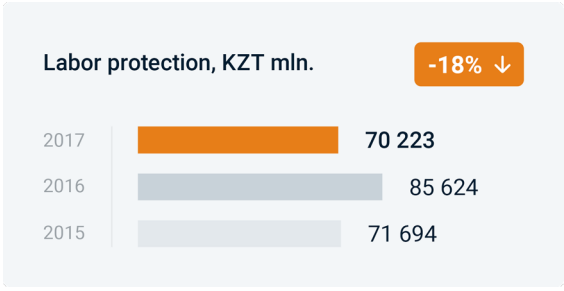




Social sphere







Key Events of 2017

January

- The Development Strategy until 2026 was adopted;
- Internal Audit Service;
- The composition, the term of office and amount of the salary of CEO and members of the Management Board of Transtelecom JSC have been determined.

February

- The new organizational structure came into effect;
- Transtelecom introduces 6 new projects at EXPO-2017 facilities.

  1. Smart Grid and EV charging infrastructure;

  2. Information and communication infrastructure of Basic telecommunication services within the design of exhibition pavilions and structures, entrance groups, kiosks and temporary structures at the Astana Expo-2017 facilities, as well as the Organizer's office on the exhibition grounds;

  3. Automated parking management system for "Astana EXPO-2017" and for the building of the Organizer's office;

  4. Intelligent street lighting system;

  5. BMS Building management system for the building of the Organizer's office;

  6. Complex security systems for pavilions and building of the Organizar's office on the territory of "EXPO-2017" exhibition.

- Transtelecom provides free of charge access to the Internet in all the Citizens Service Centers (CSC) of the city of Astana;
- The results of an open two-stage tender for the sale of a 26% -1 stake were summed up, a winner was determined.



April

- The Company modernized its own data center in Almaty The Data Processing Center (DPC) - a high-tech facility for hosting computing equipment.



May

- Transtelecom JSC presented its own SOC.
- In a friendly and very warm atmosphere our first press breakfast was held with media representatives and bloggers. At the event, the representatives of the Company told about the projects at the facilities of Astana EXPO2017.

June

- Opening of the corporate pavilion of Transtelecom JSC at Astana EXPO 2017 exhibition.

August

- The second summer sports contest among the Company's employees was held. This event was held by the winner branch in the city of Karaganda;
- Transtelecom JSC held a training seminar on the following topic: "Demonstration of the Carriage Repair Complex ACS and the "Carriage repair" portal;



September

- Transtelecom JSC took part in "EXPO China-Eurasia 2017 international exhibition;
- At "GCCM CIS 2017" forum site, the Company held negotiations in the field of the country's transit potential development;
- JSC "Transtelecom" announced the change of the logo.



October

- Transtelecom JSC acted as a strategic partner of Profit Government Day 2017;
- Transtelecom JSC sponsored a two-day "Almaty-2017 Tour" cycling tour, providing a high-quality communication for long-distance marathon.

November

- The CRIS-Service company and Transtelecom JSC in close partnership with the Russian manufacturer designed a revolutionary technology for Internet access in trains;
- Transtelecom JSC completed the implementation of the ServiceNow IT-processes automation platform and automated the process of incidents and requests for services management.

December

- Transtelecom JSC joined the world campaign "Hour of code";
- The Board of Directors decided to open representative offices of the Company in the city of Moscow, Russian Federation and in the city of Minsk, Republic of Belarus.

Transtelecom

02

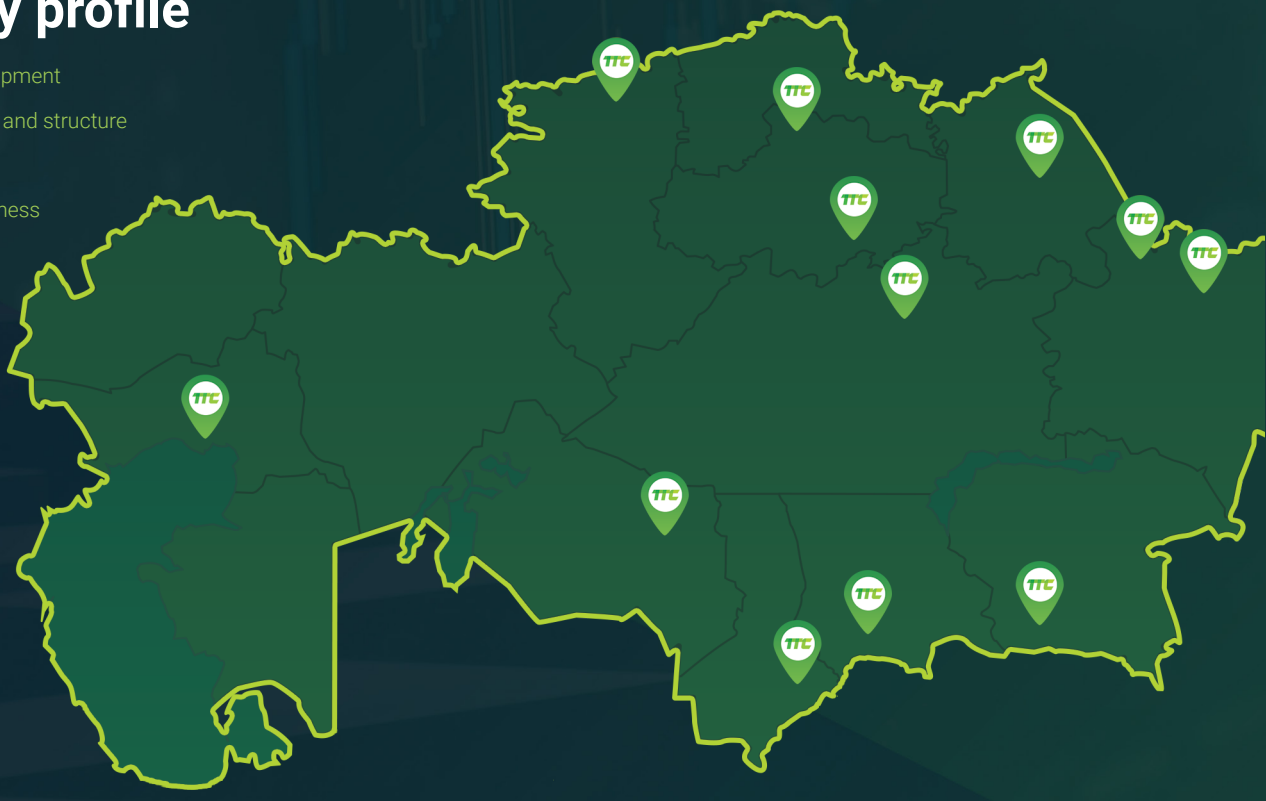
Company profile

Brief history of development

Company description and structure

Business model

Investment attractiveness



Geography of presence

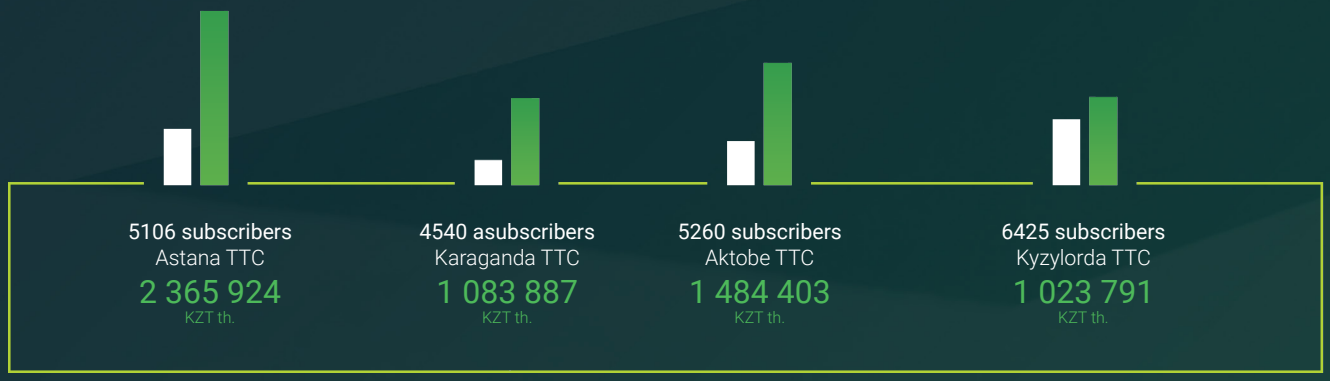
Transtelecom JSC is one of the largest communication operators in the Republic of Kazakhstan, specializing in providing a wide range of telecommunications services, digitalization and system integration in the field of IT, communications, automation and energy.

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.

Investment attractiveness

The Board of Directors decided to open representative offices of the Company in the city of Moscow, Russian Federation and in the city of Minsk, Republic of Belarus.



Brief history
of development

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

Stages of development and memorable events from the history 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 Decree of the Government of the Republic of Kazakhstan was issued "On measures of Kazakhstan Temir Zholy RSE reorganization 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.

A satellite communication network has been designed.

The start of installation and implementation of the data transmission network nodes and provision of a wide range of new customer services, including the Internet access.

September

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

2004

Transtelecom Open Joint Stock Company was transformed into Transtelecom JSC.

More than 30 new digital ATE (Automatic telephone exchange) have been installed.

2005

March

Completed construction of 1,340 kilometers fiber-optic communication line on the Almaty-Astana section.

April

Opening of the Communication Networks Management Center and commissioning of a unified FOCL (fiber-optic communication lines) monitoring and administration system on the Almaty-Astana trunck section.

November

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

2006

March

Participation of Transtelecom JSC 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

POTOK automated billing system was implemented.

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

A 45 Mbit Astana-London channel for Orange company was commissioned and put into operation for the first time in the history of Transtelecom JSC.

April

The SDH OTC KTZ network (Operational and technological communication) on the Almaty-Astana section was build (equipment & software configuring and testing were implemented).

July

Territorial sections of the backbone network (TSBN) have been established in the cities of Almaty, Shu, Kokshetau, Karaganda, Astana.

2008

August

A virtual POP node in the city of Moscow has been established 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 of Kazakhstan.

October

Testing of the Astana-Petropavlovsk-Atyrau STM1 level channel completed, which made it possible to unite (telephony) of the Atyrau branch with the branches of Almaty, Karaganda, Astana, Kokshetau, 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

A contract was signed with Alcatel-Lucent for the supply and installation of a large backbone transport 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

The data transmission services for the Tulpar-1 and Tulpar-2 train of Astana-Almaty-Astana route were commissioned (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 at PTN (Public Telecommunication Network) and traffic transmission through international destinations and cellular operators network.

July

By the decree of the State Commission the HUB (central control station) OP-39 was put into operation.

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 (ОП-39).

September

The satellite terminal was installed on 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 NPP 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

The first stage of FOCL (fiber-optic communication lines) building in Aktobe-Kandyagash section with a length of 96 km was performed.

The monitoring system of CN (Cable network) lying along the FOCL route (Fiber-optic communication lines) was commissioned.

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. (Vlan-"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.

Commissioning of the automated process control system (Automated control system "Energy dispatch traction"). A total of 6,678 sections of locomotives and 8,476 sections of electric locomotive have been equipped, as for the locomotives - they have been equipped with the Software and hardware complex of EDT ACS: 647 sets of locomotives and 341 sets 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

Transtelecom JSC's privatization start.

September

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

December

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

2015

December

In Paris, the Company deployed 100G DWDM optical transport equipment of Ekinops company 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.

EDT ACS ("Energy dispatching traction" Automated control system): 11,951 diesel locomotives and 11,957 sections of electric locomotives have been equipped, with regard to equipping locomotives with the hardware-software complex of automated control systems EDT: 348 sets of locomotives and 46 sets 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.

2016

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 stake were summed up, a winner was determined.

The Development Strategy - 2026 of Transtelecom JSC was adopted.

Launch of services for the implementation of cyber security, "SOC" - Security Operation Center.

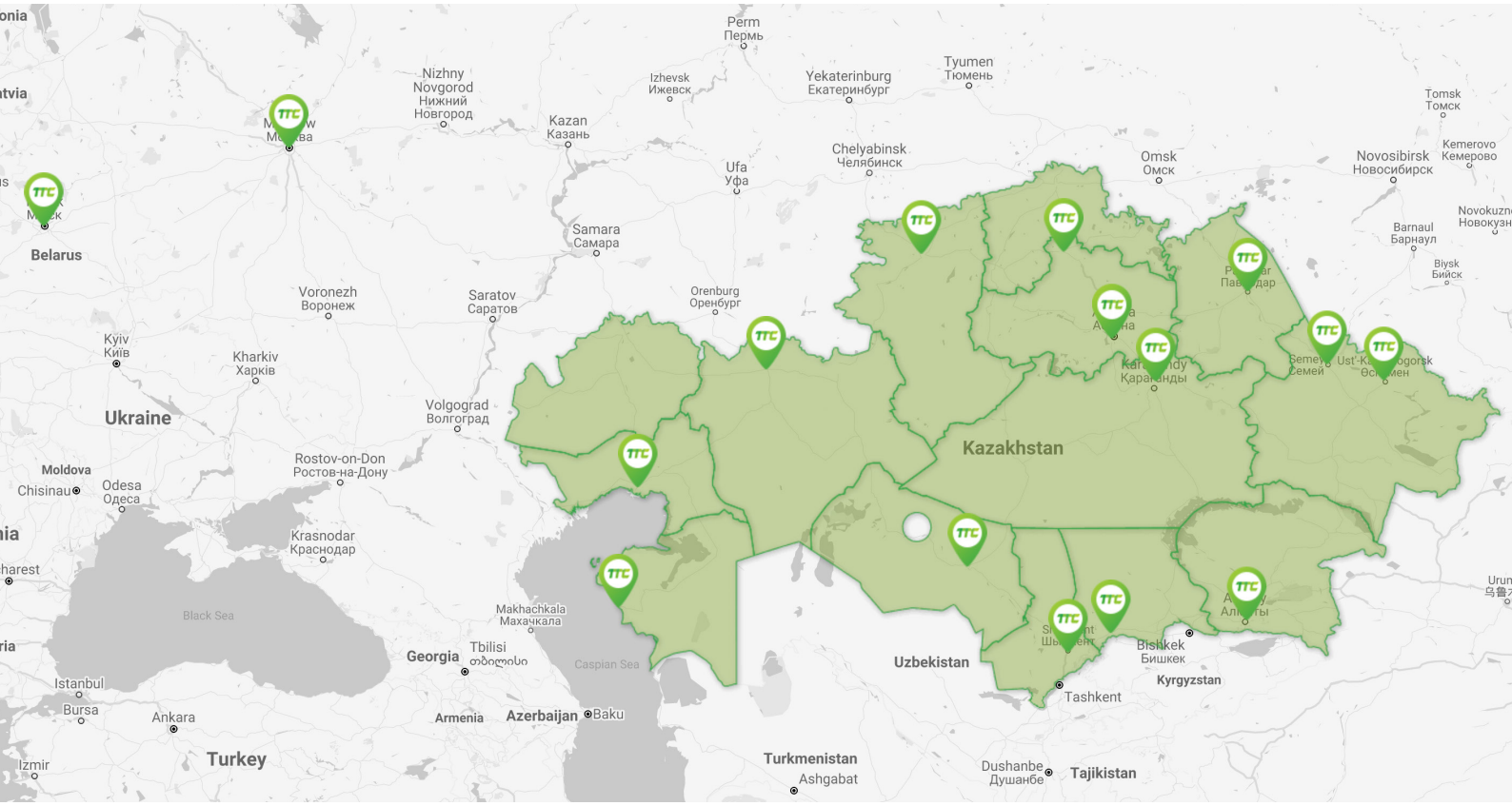
The new organizational structure came into force.

Partner of ASTANA EXPO-2017 international exhibition.

Company description
and structure

Geography of presence

Our first priority is to improve the quality of communication and services in Kazakhstan through the development and modernization of networks.



Number of subscribers by branches

Branch	Number of subscribers	Revenue 2017
Kostanay TTC	3337	806 670 KZT th.
Karaganda TTC	4540	1 083 887 KZT th.
Aktobe TTC	5260	1 484 403 KZT th.

Number of subscribers by branches

Branch	Number of subscribers	Revenue 2017
Aktobe TTC	5260	1 484 403 KZT th.
Atyrau TTC	981	718 905 KZT th.
Pavlodar TTC	1966	850 305 KZT th.
Almaty TTC	3893	2 127 297 KZT th.
Kyzylorda TTC	6425	1 023 791 KZT th.
Semey TTC	2440	915 789 KZT th.
Astana TTC	5106	2 365 924 KZT th.
Shymkent TTC	4152	714 252 KZT th.
Zhambyl TTC	4311	935 758 KZT th.
Oskemen TTC	2812	391 284 KZT th.
Kokshetau TTC	4169	793 658 KZT th.

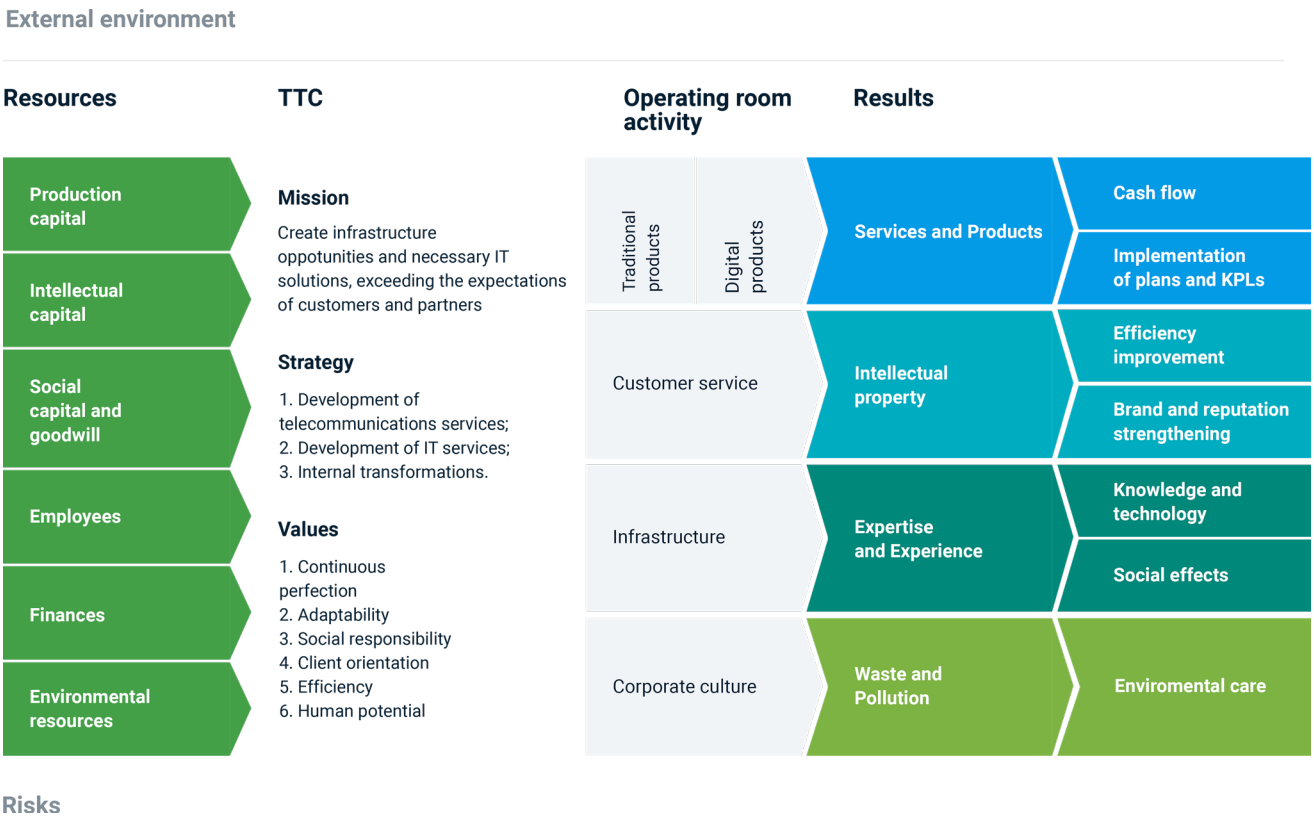
Business model

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 within the framework of open tenders, as well as business meetings, participation in relevant Kazakhstani and international unions and organizations, publications in the media.

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

In addition to the main operational activities, the Company pays much attention to the issues of sustainable development - creating conditions for the economic growth of the country and balancing the interests of key stakeholders. Transtelecom JSC builds a successful business for the benefit of shareholders yet creates value for society, as well as 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.

At the same time, 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.

The Company both successfully meets market challenges and effectively uses the newly created opportunities. Thanks to high-quality assets, well-established business processes and accumulated competencies, the Company is able to demonstrate steady growth in the main segments of its activity.

03

Strategic review

According to the analytical company called IDC, the world market of telecommunications services and paid TV services in 2017 grew by 1.7%, and its volume in monetary terms amounted to 1.67 trillion dollars.

Telecommunications market analysis

Overview of regulatory environment

Licenses

Development Strategy

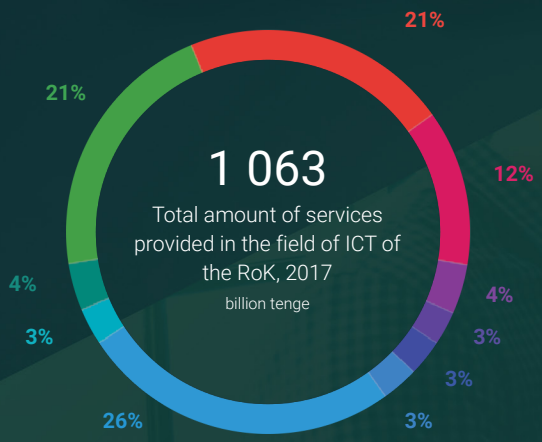


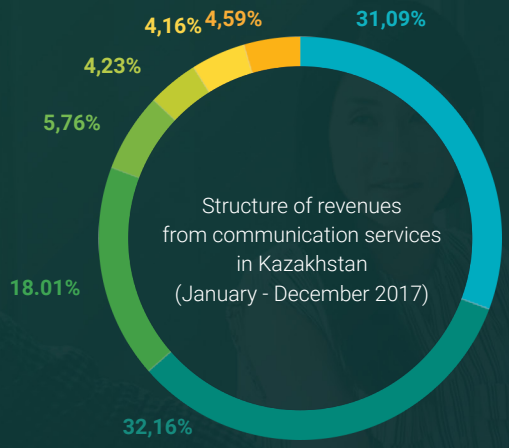
4%

JSC "Transtelecom" occupies 4% of the market share in the segment of fixed telephony.

According to the NB500 version of 2016, Transtelecom JSC was among the top three "The fastest growing companies in the industry", taking second place with income for the year of KZT 32.7 billion.

Our mission is to create infrastructure capabilities and the necessary IT solutions, exceeding the expectations of customers and partners.





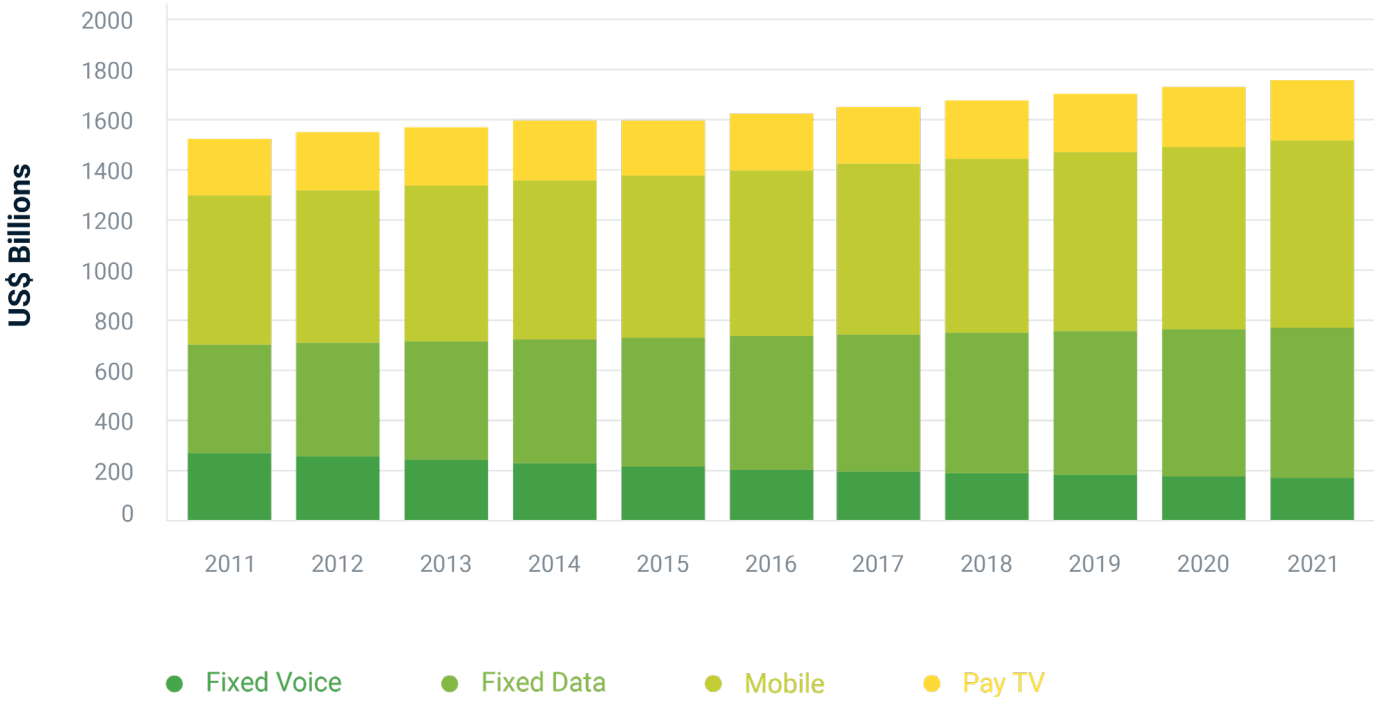
21%	Internet	228,6
12%	Other communication services	128
4%	Local telephony	40,9
3%	Intercity telephony	30,1
3%	Data trasmission	29,5
3%	Programs distribution	32,7
26%	Harware	275,4
3%	Software	33,6
4%	Services	40,9
21%	Cellular communication	223,4

31,09%	Cellular communication
32,16%	Internet
18.01%	Other communication services
5,76%	Local telephony
4,23%	Intercity telephony
4,16%	Data transmission
4,59%	Programs distribution

Telecommunications
market analysis

According to the analytical company called IDC, the world market of telecommunications services and paid TV services in 2017 grew by 1.7%, and its volume in monetary terms amounted to 1.67 trillion dollars. The largest segment of the market is mobile communications, its share of total revenue accounts for 52%, and in the period from 2017 to 2021, the mobile category will grow by an average of 2% per year. According to the analysts, the growth factors that will help offset the drop in costs for voice communications and SMS messages included the increase of mobile traffic volume and the spread of M2M services.

Worldwide Spending on Telecommunications and Pay TV Services (US$ Billions)

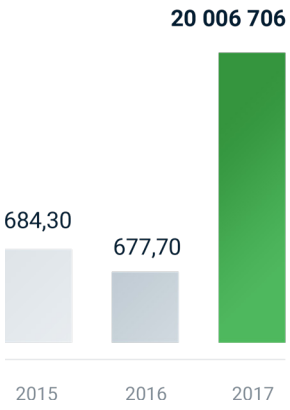


The second most important segment is the fixed-line services that will provide about 21% of total revenue in 2017. The average annual growth rate (CAGR) in this direction is expected to be 4% for the next five years. The growing demand for high-speed communication contributes to the positive dynamics here.

With regard to fixed telephony services, revenues from them will fall annually by 6% per year over the next five years. By 2021, this segment will account for less than 10% of total revenue in the telecom and TV services market, as IDC believes.

Tellecommunications market of Kazakhstan (KZT bln.)

+4,9% ↑

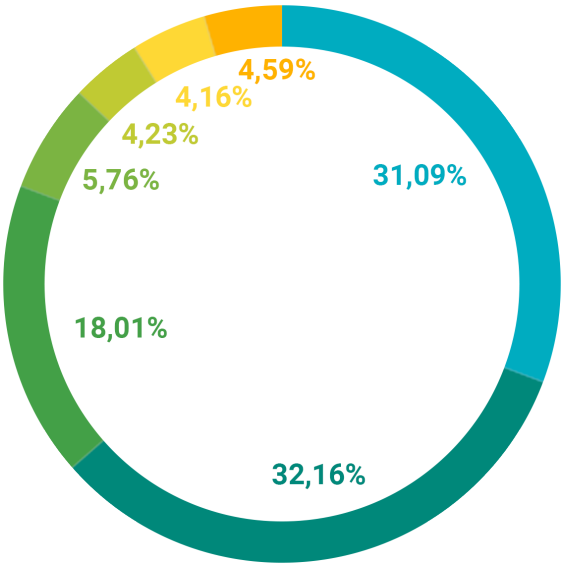


According to the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan, the volume of the telecommunications market in 2017 amounted to 710.9 billion tenge.

After the decline in the telecommunications market in 2016, the market grew by 4.9%.

Revenues from long-distance and international telephony services in 2017 amounted to KZT 30 billion, which is 11.3% less than in 2016. As for the local telephone communication services, the revenues amounted to KZT40.9 billion (by 6.5% less). However, a noticeable increase in revenues is observed from the Internet - KZT 228.6 billion, the growth to the previous year is by 10.7%; from mobile communication services - KZT 223.4 billion (1% less).

Structure of revenues from communication services in Kazakhstan (January - December 2017)



31,09%	Cellular communication
32,16%	Internet
18,01%	Other communication services
5,76%	Local telephony
4,23%	Intercity telephony
4,16%	Data transmission
4,59%	Programs distribution

Classical telecommunication services penetration density

Name	Number	In relation to November 2017
Number of fixed telephone lines	3697,3 thousand units	-0,4%
Number of cellular subscribers	26473 thousand units	+0,05%
the number of fixed Internet subscribers	2597,9 thousand units	+0,01%

Telecommunications market by segments

Fixed Telephony

Fixed telephone communication is gradually disappearing: the number of world subscribers in the period from 2005 to 2016 declined from 1.243 billion to 1.013 billion. The traffic moves to mobile networks and VoIP services (Skype, WhatsApp, etc.). According to GSMA Intelligence, the total number of mobile subscribers in the world has already exceeded 4.7 billion, and by the end of the decade will reach 5.6 billion. According to the International Telecommunication Union (ITU), 7 billion people (95% of the world's population) live in the cellular networks coverage areas.

In Kazakhstan, the segment of fixed telephony also demonstrates negative dynamics. The number of fixed telephone lines in 2017 was 3.7 million units, which is 5% lower than in 2016. Also, there is a decrease in total revenue due to a decrease in the volume of consumption of long-distance and international communication services. The decrease is caused by increase in the share of mobile and SIP-telephony.

Fixed Internet and Mobile Communications market

Mobile connections using broadband access technology (broadband access, 3G and 4G) are available to 84% of the world's population. The reach of rapidly developing LTE networks is approaching 4 billion people (53% of the world's population). Internet access is enjoyed by almost every second Earth inhabitant (47%), but only every seventh in the least developed countries. From a financial point of view, mobile broadband services are more affordable than fixed-line services. By the end of 2015, the cost of mobile Internet on average in the world totaled 5.5% of GNI per capita, which corresponds to the recommended ITU level. Tariff plans for fixed access are on average twice as expensive.

In January-December 2017, the volume of Internet communication services in Kazakhstan reached KZT 228.6 billion - by 10.7% more than in the same period of the last year. The largest volume was in Almaty (128.3 billion tenge +11.2% per year) and Astana (39.9 billion tenge, immediately + 20.5% for the year).

Internet penetration in Kazakhstan is one of the key development priorities. Thus, on December 12, 2017, the government of the Republic of Kazakhstan approved the "Digital Kazakhstan" State Program. The main mission of the program is to improve the quality of life of residents and the competitiveness of the country's economy, through the use and development of digital technologies.

The program is planned for two vectors of development: "Digitalization of the existing economy" in the medium term and "Creating a digital industry of the future" in the long term. The 120 planned events of the program will form the basis of the digital sector as a new branch of the economy and will be implemented in five directions as follows: Economy Digitalization, Transition to a Digital State, Realization of the Silk Road, Development of Human Capital and Creation of an Innovative Ecosystem.

As a result of the measures taken within the framework of the project, in addition to the growth of labor productivity by sectors of the economy, it is planned to increase the share of electronic commerce in total retail trade by 2022 to 2.6%; to create up to 300 thousand new jobs due to digitization; to increase in the share of Internet users to 82%, and the level of digital literacy of the population to 83%.

According to preliminary estimates, the direct effect of economy digitalization by 2025 will create an additional value of 1.7-2.2 trillion tenge.

ICT services market

Information and communication technologies are a set of methods, production processes and software and hardware means integrated for the purpose of information collection, processing, storage, distribution, selection and use in the interests of the user.

In January 2018, the report of the analytical company Gartner highlighted the fact that world expenses for information technology (IT) in 2017 increased by 3.8% and exceeded $ 3.5 trillion.

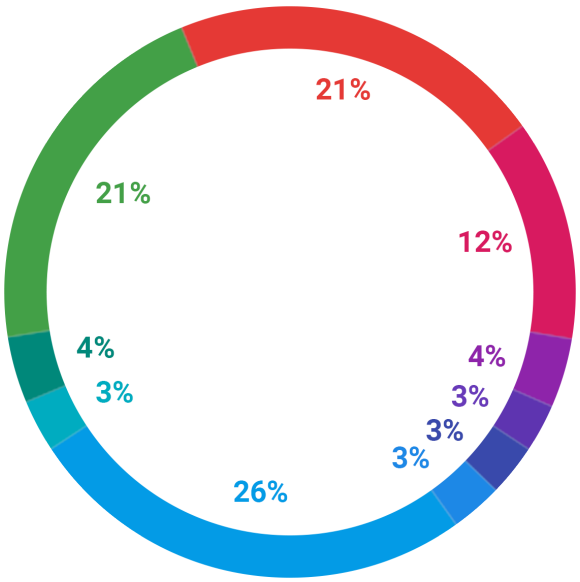
The growth of world IT expenditures in 2017 was observed in all directions, but experts registered the greatest increase in the category of corporate software, where expenses increased by 8.9%, reaching $ 355 billion.

Another distinguishing segment was the devices, where progress was fixed for the first time over the past two years. In 2017, $ 667 billion was spent for the purchase of computers, smartphones and other devices, which is 5.7% more than in 2016. As Gartner believed, the impact of new smartphones iPhone 8 and iPhone X on the global IT market last year was minimal.

Traditionally, the most extensive IT category in terms of costs were communications services, which in 2017 accounted for about $ 1.39 trillion. The second most important area was IT services ($933 billion), and the lowest expenses were recorded in the data center equipment segment ($178 billion).

The Kazakhstan IT market is associated with the absence of a clear classification of the name of works/services and a kind of reporting parameters mix from various sources, which to some extent makes it difficult to conduct research in this area. In this regard, a variety of information was subject to study: statistical data on the ICT market, the results of IT budgeting from statistical data, ready-made marketing reports and the results of purchases.

Total amount of services provided in the field of ICT of the RoK, 2017 is 1 063 billion tenge.



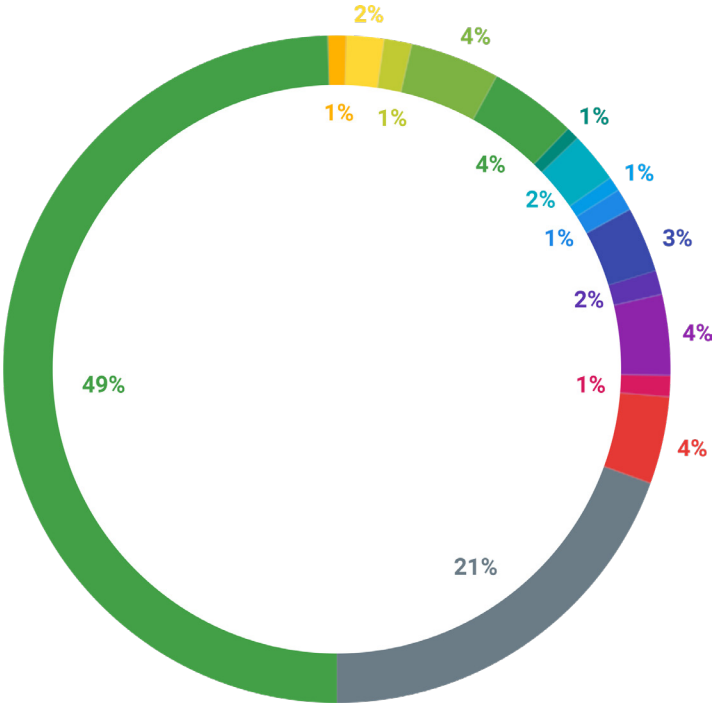
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Source: http://www.stat.gov.kz

As the dynamics of costs for the IT sector shows, 2017 showed an increase of 29.83% compared to the previous year 2016, although it did not reach the level of the indicator of 2015.

It is worth noting that such an increase was achieved due to EXPO-2017.

Cost for ITs, 2017 by regions of the RoK



1%	Akmola 3 365,9
2%	Aktobe 5 683,7
1%	Almaty 4 244,8
4%	Atyray 3464,1
4%	West Kazakhstan 15 164,3
1%	Zambyl 2 191,8
2%	Karaganda 7 730,9
1%	Kostanay 3 200,3
1%	Kyzylorda 3 290,5
3%	Mangystau 11 639,9
2%	South Kazakhstan 6 253,8
4%	Pavlodar 13 687,6
1%	North Kazakhstan 2 447,2
4%	East Kazakhstan 1 337,9
21%	The city of Astana 71 930,2
49%	The city of ALmaty 172 271,6

Source: http://www.stat.gov.kz

According to IDC, the IT market of 2014 fell by 8%. In 2015 - by 30%. In 2016, IDC expected the fall by 7.7%. Compared to 2013, that is, the year when the last growth for the IT market was recorded, it decreased by almost 41%. Meanwhile, according to IDC forecasts, which the company gave in late 2016, the IT market in Kazakhstan in 2017 could grow by 10%. Over 2017, the volume of computer programming services, as well as consulting and other similar services in the sector, amounted to more than 160 billion tenge, which is 14.2% more than a year ago*.

More than 86% of IT services were provided in capitals: 51.7% in Almaty (83 billion tenge, + 15% per year), and 34.6% in Astana (55.6 billion tenge, immediately by +25.7 % a year).

Based on survey results:

1. Market participants noted the growth of the IT market on average by 10-15%;
2. Orientation of state bodies to a service model;
3. "Digital Kazakhstan" program is another driver of ICT sector development;
4. Trends in the development of the IT sector show a positive trend for the demand raising, and accordingly to the budgets of costs.

Competitive analysis

The main players of Kazakh telecommunications market besides Transtelecom JSC are Kazakhtelecom JSC, Beeline group of companies, Kcell JSC, KazTransCom JSC and Astel JSC.

Kazakhtelecom JSC is a leader in the telecommunications market of the country and covers all the main target markets for consumers of information and communications services.

The company provides telephony services (including ISDN), data transmission networks, broadband Internet access, IPTV, hosting, SIP telephony, video meetings, telegraph and intellectual communications.

The Company has a wide coverage of the population of Kazakhstan with communication services (over 70% of households), a developed network of retail outlets and customer service, and a recognizable brand the credibility of which can be defined as stable. Kazakhtelecom is also a major player in the market of operator services and is represented on the cellular communication market by Altel brand (in partnership with Tele2).

QazCloud LLP is a joint service company, which seeks to provide IT services to the group of companies of Sovereign Wealth Fund Samruk-Kazyna JSC, where Kazakhtelecom JSC has 49% of shares and Samruk-Kazyna Business Service JSC - 51% shares .

Prospective plans of Kazakhtelecom JSC are directed to the development of IT products of the company, the development of financial technologies, Internet portals and mobile applications.

This is confirmed by the acquisition of the Chocomart online hypermarket whereby Kazakhtelecom JSC plans to enter new markets and increase the company's revenues using the existing customer base.

The grant received from the National Agency for Technological Development (NATD) in the amount of 497 million tenge will be aimed at creating a digital platform for business: an Internet portal and a mobile application with a wide range of digital services.

In the fourth quarter of 2018, Kazakhtelecom JSC plans to enter IPO on the IFCS exchange, and applied to the Committee for Regulation of Natural Monopolies, Competition Protection and Consumer Rights for acquisition of a 75% stake in Kcell.

Kcell and Beeline companies are mobile operators and occupy the second and third places in terms of market share from the total revenue of telecommunications services, respectively. Beeline also offers services to operators, broadband Internet access services and pay-TV.

Prospective plans of Beeline is the development IoT (Internet of things) on the basis of LORA Wan technology. In 2018, a television service for corporate customers was offered, which allows users to use television services without the expense of traffic to the client, and develops the direction of financial technologies, a new product - Beeline bank card was designed for this purpose.

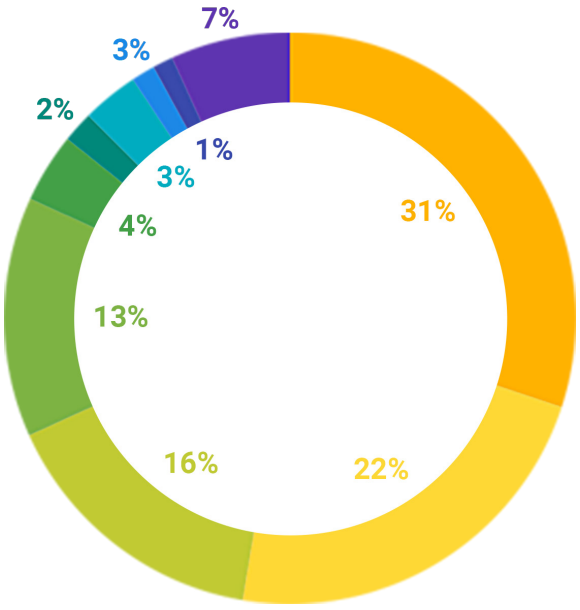
The three companies listed above together account for about 80% of the share of the telecommunications market in the Republic of Kazakhstan.

KazTransCom JSC is a communication operator providing a wide range of services in the field of telecommunications and information technologies mainly for the oil and gas industry. The Company owns its own terrestrial network infrastructure for more than seven thousand kilometers, as well as more than 300 satellite stations.

The main activity of Astel JSC is the provision of telecommunications services on the basis of Kaznet's own network, the construction of corporate data and voice networks, as well as additional services (from network design and equipment delivery to commissioning and training of the customer's personnel).

Structure of the telecommunication market of the Republic of Kazakhstan in 2016 for operators, market share:

JSC "Transtelecom" occupies 4% of the market share in the segment of fixed telephony.



31%	Kazakhtelecom JSC CG
22%	Kcell JSC
16%	Beeline CG
13%	Mobile Telecom Service LLP
4%	Transtelecom JSC
2%	KazTransCom JSC
3%	Alma TV
3%	Astel JSC
1%	Otau TV
7%	Other regional operators

Source: Estimated figures according to the Committee on Statistics of the Republic of Kazakhstan http://www.stat.gov.kz

Competitors	Transtelecom JSC	Kazkhtelecom JSC	KazTransCom JSC	Kap Technology LLP	AlmaTelecom. Kazakhstan JSC	JSC "Kazteleport"	KaR-Tel LLP (Beeline)	Astel JSC	LLP "IT Grand"	Softline Trade LLP
Intercity/interstate communication services	+	+	+	+	+		+	+		
Local phone number	+	+	+	+	+		+	+		
Internet	+	+	+	+	+	+	+	+		
Satellite communication	+	+	+	+			+	+		
Rent (FOL)	+	+	+				+			
Intern. transit	+	+	+							
IP Telephony	+	+	+	+	+		+	+		+
Service desk	+									
Networking Service	+			+		+				+
Videoconferencing	+			+		+			+	+
Cloud	+	+	+	+		+			+	+
Datacenter	+	+		+		+		+		+
EDMS	+			+						+
Certification Authority	+									
Electronic archive	+									

Competitors	Transtelecom JSC	Kazkhtelecom JSC	KazTransCom JSC	Kap Technology LLP	AlmaTelecom. Kazakhstan JSC	JSC "Kazteleport"	KaR-Tel LLP (Beeline)	Astel JSC	LLP "IT Grand"	Softline Trade LLP
Maintenance and Implementation of IS	+			+						
Contact Center	+									
Sale of equipment and software	+		+			+	+	+		+
Information Security	+	+		+					+	+
CRM systems	+			+		+				+
CCTV	+			+		+			+	+
IT consulting/audit	+			+				+	+	+
IT Outsourcing	+		+	+				+		+
TV		+	+		+		+			
Cellular communication		+				+	+			

- Key areas in business;
- Service provides;
- The service is not provided.

Overview
of regulatory environment

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's activities are governed by the following general licenses:

Licensor	Number	Date of issue	For a fixed period till	Activity type	Validity area
Committee for Communication, Informatization and Information	000677	09.11.2004	no	international telephone communication	Republic of Kazakhstan
Committee for Communication, Informatization and Information	000578	09.09.2004	no	telecommunications using a dedicated communication network	Republic of Kazakhstan
Committee for Communication, Informatization and Information	000564	30.06.2004	no	local telephone communication	Republic of Kazakhstan
Committee for Communication, Informatization and Information	000570	30.06.2004	no	data transmission (including Internet and telegraph services)	Republic of Kazakhstan
Committee for Communication, Informatization and Information	000595	30.06.2004	no	mobile telecommunications (including mobile radio/ radiotelephone, trunking and paging services)	Republic of Kazakhstan

Licensor	Number	Date of issue	For a fixed period till	Activity type	Validity area
Committee for Communication, Informatization and Information	000569	09.11.2004	no	Committee for Communication, Informatization and Information	Republic of Kazakhstan
Committee for Communication, Informatization and Information	000579	30.06.2004	no	on the private networks organization (leasing of communication channels and network infrastructure elements)	Republic of Kazakhstan
Committee for Construction, Housing and Utilities and Land Management	14014979	06.10.2014	no	Building and installation works	Republic of Kazakhstan
Committee for Construction, Housing and Utilities 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	Survey activity	Republic of Kazakhstan
Committee for Communication, Informatization and Information	001885	31.03.2008	no	IP-telephony (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 approved the Development Strategy of Transtelecom JSC until 2026 (Development Strategy), which is aimed at Company's market value (capitalization) raising.

The Company's development strategy defines the mission, vision, strategic goal and strategic directions of the Company's development that correspond to the current state and prospects for the development 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

Mission

To create infrastructure opportunities and necessary IT solutions, exceeding the expectations of customers and partners.

Explanation of mission

"To create infrastructure opportunities ..." - The Company will work with particular diligence on projects aimed at expansion of the infrastructure to reach the broad masses of the population and remote corners of the country. Transtelecom JSC is a Kazakh company with a high level of corporate responsibility, which lies in implementation of projects that provide equal access to the digital world and high-tech services for the people of Kazakhstan.

"... and the necessary IT solutions ..." - the Company will develop and accumulate its own expertise for an objective assessment of acquired and implemented technological solutions. A new aspect of work with clients will be the concern of both the compliance of solutions and products with high quality standards and the direct economic benefit of customers as a result of Company's services use.

"... exceeding the expectations of customers and partners" - to introduce high-quality services, a regular assessment of the level of Company's customers and partners satisfaction (for example, the use of the NPS indicator) will be introduced everywhere. Job satisfaction level raising will be the main indicator of the effectiveness of all units of the Company that interact with clients or partners in varying degrees.

Vision

Transtelecom JSC is a dynamic company with a high process organization, uniting a team of cohesive and result-oriented professionals to create advanced technologies and services. A long-term and reliable partner, the market leaders seek to cooperate with.

Valuables

- Continuous improvement;

  We do not stand still, but constantly strive to become better in all aspects of our activity, introducing the most advanced solutions and technologies into daily practice.

- Adaptability;

  We are ready for any changes and always strive to achieve more by providing ourselves and our clients with the best conditions under any circumstances.

- Social responsibility;

  We are the guarantor of the quality, safety and reliability of our services and solutions, aware of our responsibility to society.

- Customer-focus;

  We strive to understand the needs of our customers and partners, creating maximum quality and building long-term relationships.

- Efficiency;

  We are focused on achieving true results, estimating the ratio of required resources and expected benefits.

- Mutual responsibility;

  We are not afraid to take responsibility and do it consciously, achieving joint success.

- Human potential.

  We are interested in disclosing and developing the potential of our employees, involving them in the process of Company improvement.

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

The company has its own backbone fiber-optic communication network, which unites 11 large cities of the republic into a single network and is one of the largest primary providers in the territory of the Republic of Kazakhstan.

The main activity of the Company is the provision of a wide range of telecommunication and IT services, including the following ones:

- local, long distance, international telephone communication;
- access to the Internet;
- telegraphy;
- lease of communication and data transmission channels;
- IT services and projects.

During the reporting period, the Company implements the measures established by the Company's Development Strategy, which are fully aimed at achievement of long-term sustainable development.

The internal processes are continuously improved and the corporate management system is developing for the purpose of interaction between strategic and operational components of the Company.

One of the Company's achievements is the inclusion of the Company in the NB500 rating. The NB500 is a joint project of National Business and McKinsey&Company, which identifies the largest companies in Kazakhstan, ranking them by revenue with their subsidiaries, and also provides detailed analytical reviews for 11 sectors of the economy: oil and gas complex, finance, metallurgy, construction, transport, IT and telecom, manufacturing, trade, FMCG, agriculture and energy.

According to the NB500 version of 2016, Transtelecom JSC was among the top three "The fastest growing companies in the industry", taking second place with income for the year of KZT 32.7 billion.

To maintain the achieved level of development, the Company intends to continue implementing initiatives, developing and introducing new services and services. At the same time, as before, the priority is to follow the principles of client-focus, resolution of problems of competitiveness raising, flexibility to change yet maintaining the best traditions, following the current trends in the industry.

The analysis of the current situation of the external and internal environment, as well as the mission and vision of the Company, helped to build a vision for the next ten years. The strategy includes the implementation of three key areas:

1. **Development of telecommunication services;**
2. **Development of IT services;**
3. **Internal transformations.**

Each direction includes several goals, which in turn consist of key tasks and KPI.

Achievement of strategic goals is assessed by the system of key performance indicators applied in the Company which directly influence the size of bonuses.

The strategy is aimed at raise of in the fixed-communication market through B2B and B2G, development in the direction of telegraphy topology upgrading services rendering with the transition to IP-telegraphy, the development of mobile business, the provision of ICT services, IT outsourcing and system integration services in the alliance with large international IT companies, as well as complex IT projects implementation.

The Company has a task to maintain the operational efficiency of the business, increase the efficiency of capital investments, continuously improvement of internal processes and development of the corporate management system.

04

Operational results

Services

Customer service efficiency raising

Large and strategically important investment projects in 2017

Customer base

Development of relations with customers

Participation in Charters and Associations

Customer base





Key Events of 2017

852 367
KZT th.
Local telephony

1 683 783
KZT th.
International and long-distance telephone communication

2 038 898
KZT th.
Telegraphy

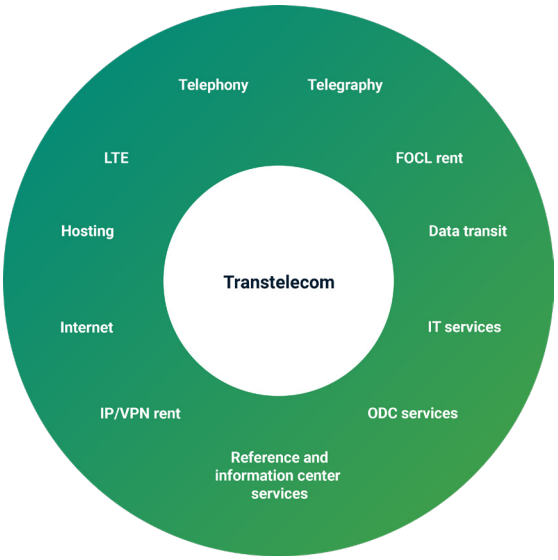
6 899 384
KZT th.
Internet access services

2 586 225
KZT th.
Satellite communication and data transmission services

12 179 355
KZT th.
Fiber-optic channel rental services

2 945 019
KZT th.
International transit services

Услуги



Local, long-distance and international telephone communication

Transtelecom JSC has a branched telephone network, located along the railways. This network is built on the basis of the latest achievements of world technologies using the equipment of leading manufacturers, guarantees the reliability and safety of signal transmission. The network covers all the major cities of the Republic of Kazakhstan and all regional centers, as well as many cities of regional importance and villages along the railway lines.

These services are provided for the following user groups:

- for individuals - services rendered to the population;
- legal entities - telecommunications 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).
- for 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.
- for 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.

Additional services (ASs)

Additional services will help you save time, ensure cost control, prevent unauthorized use of your phone, create additional conveniences in the home and at work. Those Company's subscribers, who are connected to the digital automatic telephone exchange can use the ASs.

Types of ASs:

- Abbreviated dialing;
- Forwarding (all types);
- Incoming call notification;Outgoing call restriction;
- Alarm clock;
- Fixed Dialing;
- Call waiting;
- Temporary prohibition of incoming calls (telephone pause, "Do not disturb!");
- Conference call;
- Caller ID;
- Anti-Caller ID and much more.

IP Telephony

IP-telephony is a communication system that provides voice transmission over the Internet or any other IP-networks. The signal on the communication channel is transmitted in a digital form and, as a rule, is transformed (compressed) before transmission in order to remove the redundancy inherent in human speech.

When speaking, voice signals (words that are pronounced) are converted into compressed data packets. Afterwards, these data packets are sent over the Internet to the other party. When the data packets reach the destination, they are decoded into the voice signals of the original.

IP-telephony provides voice communication over networks using the Internet Protocol (IP).The technology allows to unite many dispersed objects of the organization, including mobile workers, into a single converged network.

IP-telephony allows to achieve cost savings by combining the functions of voice communication and data transmission into one network, whose technical support can be centralized, and by eliminating the cost of long-distance and international calls when calling to remote sites.

The operating principle of IP telephony is the conversion of voice communications into data packets. Telephone sets connected to IP network data transmission ports. Whereby, telephone functions can easily be performed by another device that has been connected to the network before.

Videoconferencing

The Company offers to use the video conferencing service at a qualitatively new level. Modern equipment, lines and technologies allow organizing various connection options. This ensures high-quality picture and sound.

Videoconferencing is a versatile connection for the transmission of sound, image and application data, which can be used for all types of meetings, when visualization is required in addition to sound transmission. Thus, even those conference participants who are geographically divided can see and hear each other. To date, videoconferencing is enjoying increasing popularity around the world.

Working in the interests of our clients, we provide them with the "Videoconferencing" service at a qualitatively new level. Modern equipment, lines and technologies allow organizing various connection options. This ensures high-quality picture and sound. The videoconferences speeds up and simplifies various kinds of negotiations, meetings, trainings, significantly saves time and money, reduces the cost of travel. With the help of this type of communication it became possible to conduct corporate sessions and meetings, negotiations with partners in the Republic of Kazakhstan and abroad, remote interviews in recruiting and training, legal advice, telemedicine and much more.

The organization of videoconferencing services on its own backbone fiber-optic networks is possible in all cities - regional centers of the Republic of Kazakhstan and settlements located along the railway main on the following sections:

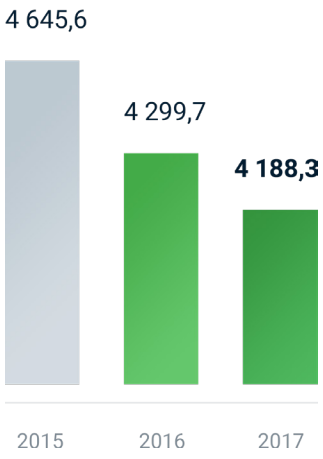
- Petropavlovsk - Kokshetau - Astana;
- Astana - Kostanay - Aktobe - Uralsk;
- Astana - Pavlodar - Semey - Ustkamenogorsk;
- Astana - Karaganda - Almaty;
- Almaty - Taraz - Shymkent - Kyzylorda;
- Aktobe - Atyrau.

Also since 2017 - in the settlements on the Atyrau-Mangishlak section.

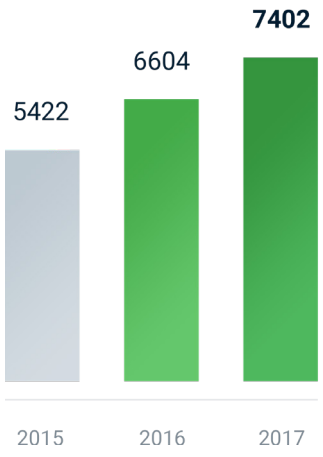
Incomes received in 2017 KZT th.

International and long-distance telephone communication	1 683 783
Local telephony	852 367

Average income per 1 MS



Icome per 1 port using BBA, KZT



Telegraphy

Telegraph network of Transtelecom JSC is one of the main types of technological communication that is intended for the transfer of operational documented official information in order to ensure the efficient operation of the railway transport organization related to the transportation of passengers and cargo, the safety of round-the-clock traffic of trains on all sections of their journeys, and also for the provision of telegraph services to other legal entities related in their business with structural units of KTZ NC JSC.

Income received for 2017 KZT th.

Telegraphy **2 038 898**

Internet access

The Company is one of the largest primary providers of Internet access services on the territory of the Republic of Kazakhstan.

We provide access to the Internet via dedicated digital channels - a high-quality and reliable way to connect at high speed, which is organized by allocating a free resource from an existing or a new fiber optic line. Operation through the dedicated line provides Internet access simultaneously to all users of the local network, as well as instant access to the Kazakhstan and foreign segments of the network and high-speed transmission of a large amount of traffic.

The Company is registered with the RIPE international organization and provides high-speed access to the Internet through ADSL, SHDSL, Ethernet technologies. The Company is a part of the Internet Traffic Exchange Center Association. The mission of this organization is to develop "an increase in the share of domestic traffic, and reduce the overall costs of Kazakhstan providers for the rental of external Internet channels."

Internet access using ADSL technology

Broadband ADSL (Asymmetric Digital Subscriber Line) is the new technology which provides a wide bandwidth based on a standard telephone line.

ADSL technology allows you to use the phone simultaneously with the transfer of information.

The transmission of voice traffic with simultaneous data transmission is provided. Data transmission channel is asymmetric:

1. incoming - from 32 Kbps to 12 Mbps;
2. outgoing - from 32 Kbps to 640 Kbps.

A computer ADSL card or an external ADSL modem is installed at the subscriber.

The equipment of the ADSL - DSL Access Module (DSLAM) rack is installed at the station.

Main advantages of the service

1. high speed of access to the Internet;
2. additional Internet services (access to various information, music resources, online games, radio and other services on the Internet);
3. the possibility of simultaneous data transfer and telephone conversations;
4. stability, reliability and high quality of communication;
5. convenient form of payment for services;
6. the possibility of setting limits on monthly costs;
7. the possibility of independent monitoring of the consumed traffic.

Internet access using SHDSL technology

SHDSL (Eng. Single-pair High-speed + DSL) - one of the XDSL technologies, provides symmetrical duplex data transmission over a pair of copper conductors. It is mainly used to connect subscribers with the provider's access node (the so-called last mile). The SHDSL option where one pair of wires is used, provides a significant gain in hardware costs and, accordingly, reliability of the product, as compared to the two-pair options. The cost is reduced by 30% for modems and 40% for regenerators, since for each pair, an HDSL transceiver, line circuits, security elements, etc. are needed. To support different levels customers, it was decided to make the choice of the signal transmission rate. Thanks to this, operators can build a marketing policy that is closest to the needs of customers. In addition, it is possible to achieve an increase in transmission range without the use of regenerators, reducing the speed. At the maximum speed (for a wire of 0.4 mm), the working range is about 3.5 km, and at a minimum speed - over 6 km. It is also possible to use two pairs simultaneously, which allows you to increase the speed limit by half.

Internet access using Ethernet technology

Ethernet - packet data transmission technology. Ethernet standards define wired connections and electrical signals at the physical level, frame format and medium access control protocols - at the link layer the OSI model. Ethernet is basically described by the IEEE standards group 802.3.

Advantages of using twisted pair in comparison with coaxial cable:

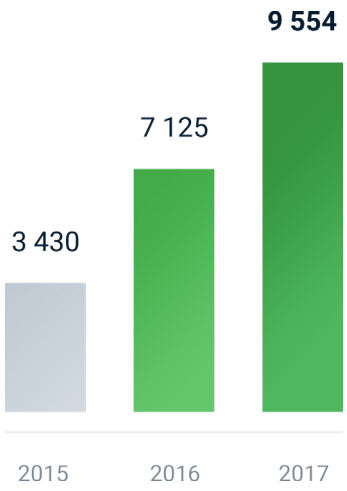
- possibility to work in duplex mode;
- the minimum permissible bending radius is smaller;
- high noise immunity due to the use of a differential signal;

The reason for switching to an optical cable was the need to increase the segment length without repeaters.

Incomes received in 2017, KZT th.

Internet access services	**6 899 384**

Average ARPU per 1 Internet subscriber, corporate customers in the third-party segment (th.)



In relation to 2016 there was an increase due to new customers inflow.

Trunk fiber-optic communication lines and services on their basis

The Company has its own backbone transport network that unites such large cities of the republic as: Astana, Almaty, Karaganda, Kokshetau, Shymkent, Atyrau, Semipalatinsk, Kyzylorda, Pavlodar, Taraz, Aktobe.

The three-level network is built on top of the existing backbone fiber-optic communication line based on DWDM and allows to provide the following services:

1. renting of intrazonal, intercity and international digital channels with the allocation of transparent channels from the level of E1 to STM-16;

2. the organization of virtual corporate networks IP VPN for voice and data transmission at the regional, national and international levels.

3. organization of an international private line for connecting a subscriber's office located in Kazakhstan to an office in another country through a transparent high-speed dedicated and fully digital channel (IPLC - International Private Leased Circuits).

The service is intended for legal entities who, with a minimum of time, need to be able to transmit/receive large amounts of information with high throughput. The channel can be organized in almost any direction with the desired subscriber's transmission speed. The private line route does not include any switching elements, which provides increased reliability of communication.

IP VPN channels (VPN) Rent

IP VPN - Virtual private data transmission network is a technology providing secure (closed from external access) connection of a logical network over a private or public network in the presence of high-speed Internet, for data transmission between objects via TCP/IP protocol.

Organization of secure corporate IP networks based on IP/MPLS technology. The service makes it possible to connect the structural units of the organization (the merger of offices) or the network of partner companies within the city, in settlements within the region, and throughout the territory of the Republic of Kazakhstan and abroad. The network of Transtelecom JSC provides routing of IP traffic between subscriber's nodes (directly connects all subscriber nodes). The address space of the virtual network provided to the subscriber is completely independent and can be chosen arbitrarily.

The main advantages of IP VPN:

1. flexibility and multifunctionality,
2. low costs in a virtual private network,
3. the functionality of any system that supports the IP protocol.

Main goals:

- ✓ Creation of territorially distributed and protected corporate data transmission network for Subscribers/Customers.
- ✓ Integration of new territorially remote production facilities of the Subscriber/Customer into the existing corporate infrastructure.
- ✓ Reservation of the existing network infrastructure of the enterprise.

Benefits:

- ✓ Economic attractiveness compared to alternative options for corporate networks building, makes it possible to integrate various applications (voice, video, data of corporate IT systems, Internet access) without loss in the services quality level;
- ✓ High level of security and quality of service with maximum flexibility and scalability;
- ✓ Dual redundancy of data transmission channels;
- ✓ Assurance of confidentiality, data integrity and authentication;
- ✓ Maximum coverage of the territory: availability of the service in more than 100 localities of the Republic of Kazakhstan.

Service structure:

- High-speed terrestrial channels providing a data transfer rate of up to 622 Mbit/s. Connection to IP VPN using any of the currently available types of client ports and protocols: ADSL, FR, ATM, Ethernet, while the client port speed can be up to 100 Mb/s (Ethernet);
- Leasing of Layer-2 and Layer-3 VPN over MPLS channels based on IP MPLS network;
- IPVPN in the following areas:
  - Urban IP VPN
  - Republican IP VPN

Outsourcing services rendering

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.

Organizations that do not belong to the IT market, IT is included in the category of auxiliary processes. 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 increase the transparency of the organization and increase 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:

- Solutions for the office: the organization of workplaces, service-desk, printing service, network service, ITSM services;
- Document circulation: electronic document circulation, certifying center, electronic archive, information security;
- Servers: cloud services, data center, hardware and software sales;
- Additional services: implementation and support of IT systems, videoconferencing, contact center, E-learning, Implementation and support of IT systems.

Provision of data center services

The data processing center (hereinafter referred to as "the data center") is a specialized transport container intended to house a complex of information, telecommunications and engineering infrastructure connected to communication channels intended for information storage and processing, as well as provision of a set of services in the established segment of the network.

Data center services rendering: leasing of sites for server and network equipment, information storage and distribution, e-mail boxes or virtual mail servers support, placement of equipment on the provider site (colocation), leasing of dedicated and virtual servers (VPS, VDS), development and organization of corporate networks, software development and maintenance, computer programming, information security.

Clouds of Transtelecom JSC:

- ✓ Own data centers in the cities of Astana, Almaty. The total area is about 1,700 m;
- ✓ High-quality communication infrastructure with improved cooling system;
- ✓ Business continuity on the basis of ABP with connection of UPS and powerful diesel generators;
- ✓ Guaranteed security, including a two-stage system of physical access to the building and 24-hour video surveillance;
- ✓ Availability of a high-performance platform for data storage and processing - SAP HANA;
- ✓ Own network infrastructure on the basis of fiber-optic communication lines throughout the territory of Kazakhstan is more than 15,000 km.

Virtual Data Center

The services of a Cloud Data Center of Transtelecom JSC are provided under the IaaS service model.

The IaaS infrastructure is an integrated solution that allows application of an easily configurable set of IT infrastructure elements (on demand resources - servers, data warehouses, network devices, software), with access to them via the Internet, that is, without strict bounding of your location to the point of service.

Advantages of the Data Center services of Transtelecom JSC:

- ✓ No capital investments for equipment;
- ✓ Opportunity to abandon the cost of own server infrastructure and facilities;
- ✓ Fault-tolerant cloud architecture;
- ✓ Reliable protection and accessibility of services is ensured thanks to equipment from the best world manufacturers;
- ✓ Opportunity to organize a geocluster;
- ✓ Backup opportunity;

Service structure:

- ✓ Leasing of one or more virtual servers having the required configuration;
- ✓ Provision of server computing facilities and storage space;
- ✓ Administration and control over the performance of virtual servers;
- ✓ The VMware vCloud-based private clouds;
- ✓ High load projects;
- ✓ Service support.

Co-location - (from English co-location) - this is the placement of client servers on special sites of Transtelecom JSC in order to support the operation of the customer server with the help of multi-level redundancy of communication channels, ensuring uninterrupted power supply and organizing the necessary climate parameters.

They may have to place a specialized corporate server, a set of network services, a computer for complex computing tasks, a data bank,

Benefits:

- ✓ Fast implementation due to the lack of time to deploy the system;
- ✓ Direct connection to backbone networks;
- ✓ Access to the software is through a regular browser;
- ✓ Individual approach;
- ✓ Reduction of costs for technical support and deployed systems upgrading;
- ✓ Flexible pricing policy;
- ✓ The personal manager.

ITSM Services

A set of measures and solutions based on a ServiceNow single cloud platform, with optimal use of resources and customer focus, in order to improve business performance.

ServiceNow is an IT infrastructure management system for medium and large businesses based on the automation of key business processes.

The system offers a single cloud platform for IT services life cycle automation, project management, personnel, resources, risks management, etc. ServiceNow provides a single service automation platform with a single architecture and data model, a common resource base and an extensive portfolio of core services.

The ServiceNow framework makes it possible to automate ITSM and other service processes of the company in the financial, legal, human resources sectors.

Key functions:

- ✓ Turnover automation
- ✓ Optimization of the first line of support
- ✓ Effective escalation

Cyber Security

Information cyber security from Transtelecom JSC is a complex of technical and organizational measures aimed at assurance of corporate data security and confidentiality.

Organizational measures include documented procedures and rules for working with different types of information, IT services, security tools, and ect.

Technical measures include the use of hardware and software access control, leak monitoring, anti-virus protection and firewalling.

Service provider of is decisions and services (MSSP)

Transtelecom JSC offers a new service unique for Kazakhstan market: ISP - Managed Security Service Provider (MSSP).

The MSSP service includes:

- ✓ provision of IS hardware and software tools on a service model;
- ✓ turnkey security management
- ✓ remote monitoring and management of IS funds;
- ✓ the IS management center;
- ✓ design of practical guidelines to improve the level of IS of the infrastructure and services of organizations on the basis of IS audit held or the results of incidents study;
- ✓ construction of an information security management system;
- ✓ effective recommendations developed individually for each client, taking into account the specifics of its infrastructure, business and customers;
- ✓ provision of specific information for each industry on the current threats of information security, fraudulent techniques, suspicious resources.

Information Security Monitoring Center	Information Perimeter Security and Access Control	Development of innovative IS products
IS and IT solutions audit and certification testing center	Traffic Clearing Center	Computer forensics of IS incidents
Cloud services to protect against attacks on websites (DDOS, WAF, etc.)	Provision of IS services and products on a service model	Testing services for penetration and investigation of IS incidents

To provide MSSP services, Kazakhstani IS solutions are used primarily!

Certification Authority

The digital signature of the Certification Authority of Transtelecom JSC is a special requisite of the document, which allows to exclude information distortion in the electronic document from the moment of e-signature generation and confirm the EDS ownership:

- ✓ authenticity - proof of document sources;
- ✓ integrity - the document can not be changed after signing;
- ✓ imputability - the author can not subsequently refuse his signature.

The relevance of EDS application is confirmed by the adoption of the Law "On Electronic Document and Electronic Digital Signature", which came into force on January 7, 2003 and serves as a legal basis for the use of electronic digital signature in electronic document exchange processes, a signature is recognized as legally equivalent to a person's own handwritten signature in a paper document.

The Certification Authority of Transtelecom JSC has been accredited in accordance with the Rules for Accreditation of the Republic of Kazakhstan, and has a certificate for maintenance of Kazakhstan segment of object identifiers. Certification of cryptographic libraries according to ST RK 1073-2007 "Means of cryptographic information protection", under the second level.

1. KAZTOKEN device in form-factor of USB
2. KAZTOKEN device in form-factor of smart card

Readiness of the Certification Authority of Transtelecom JSC

- ✓ Accreditation in accordance with the legislation of the Republic of Kazakhstan;
- ✓ Certified specialists in the field of PKI;
- ✓ The necessary IT infrastructure and regulated IS processes.

Service structure:

- ✓ Issue and withdrawal of digital signatures for individuals and legal entities, residents and non-residents of the Republic of Kazakhstan;
- ✓ Provision of all accompanying client applications for correct operation of EDS;
- ✓ Integration of the EDS system with the client's information systems;
- ✓ Technical support from the integration of IS with the certifying center to the full-fledged signing of electronic documents by the users.

Electronic document flow

The "Everydoc" automated multi-user electronic document management system, accompanies the process of work management of a hierarchical organization to ensure the goals achievement by this organization.

Service structure:

- ✓ EDMS implementation and technical support;
- ✓ Setting up the equipment and commissioning on the customer's servers;
- ✓ Installation and configuration of server base and application software;
- ✓ Filling in of classifiers and directories of the organization;
- ✓ Configuration of forms, registration numbers, and other configuration tools;
- ✓ Acceptance tests according to the approved methodology;
- ✓ Users training;
- ✓ Putting the system into commercial operation;
- ✓ Warranty cover - 12 months.

E-Learning

Online training allows to resolve the employees training and upgrading issues, providing free access to educational materials from any place. What is especially important in the light of new information technologies, when the training of a large number of employees often imposes significant expenses. The relevance of e-learning becomes all the more increased due to the presence of remote branches of the Company, when the organization of traditional training in the field not only significantly increases the cost of education, but also turns out to be technically more difficult, particularly, due to the lack of necessary specialists on the ground.

The "E-learning" distance learning and testing system is the application of a virtual educational and methodological center that provides professional training and systematic control of the Company's personnel skills on the job.

Service structure:

- ✓ The platform (Learning management system)
- ✓ Platform configuring according to requirements and access granting;
- ✓ DER library management (DER loading, DER files maintenance), etc.
- ✓ Interactive digital educational resources
- ✓ Design of digital educational content according to requirements;

- ✓ Design of a graphical interface for digital educational content, etc.
- ✓ Comprehensive examination
- ✓ Project management
- ✓ Proactive implementation of changes and reduction of the most known causes of failures in the project.
- ✓ Change management.
- ✓ Integration, coordination and interaction of all participants among themselves to achieve the project objectives.

Organization of corporate networks

The company offers its customers the creation of a territorially distributed corporate network (Internet) with integrated voice, video and data transmission, which ensures a constant high-speed connection through fiber-optic communication lines.

Enterprises that have a branch network always need a common database, as well as prompt and confidential communication with their branches. In this case, the most effective solution is to consolidate the company's branches into a single structure using dedicated digital channels.

The combination of remote sites with dedicated communication channels with guaranteed level of service will allow the company to introduce a centralized system of enterprise management, organize electronic document management and improve the effectiveness of interaction between offices.

International data and voice transit

Transtelecom JSC together with foreign partners - communication operators, offers the data and voice transmission services between Europe and Asia on the basis of FOCL.

This service makes it possible to connect the structural divisions and unite the networks of partner companies in Kazakhstan and abroad, as well as connect to global data networks.

An optical fiber is used as a signal propagation medium, the characteristic features of which are high throughput and low losses, which makes it possible to transmit data over long distances without intermediate amplification of the signal.

High reliability of the network is provided by redundancy of fiber-optic communication lines along geographically dispersed routes and an established cable line infrastructure. The points of connection with the networks of other countries; operators (Russia, China, Uzbekistan, Kyrgyzstan) allow arrangement of an effective environment for the transfer of traffic of international operators, and provides a guaranteed quality of communication services when entering the land-line of Europe-Russia-Kazakhstan-China (Europe- Asia) and (Europe-Russia-Kazakhstan-Uzbekistan-Kyrgyzstan) (Europe-Central Asia) international corridor.

Incomes received for 2017, thousand tenge.

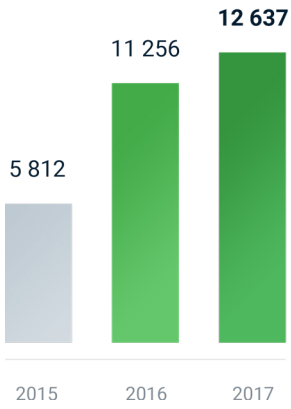
Satellite communication and data transmission services	**2 586 225**
Услуги аренды каналов ВОЛС	**12 179 355**
Услуги международного транзита	**2 945 019**

The dynamics of income by third-party.

The revenue growth rate in 2017 by 2016 amounted to 119.2%, in 2018 it is planned to increase revenues by third parties by 118.7% (plan for 2018 - 17 882 890 thousand KZT without VAT).

The increase in volumes for such large customers as Uzbektelecom JSC, China Telecom, Kazteleport JSC. The connection of new customers of Novakor UniversalLTD, TNS-Plus LLP allowed to ensure revenue growth in 2017

Average ARPU per 1 subscriber 1 FOCL channels rent (th.)

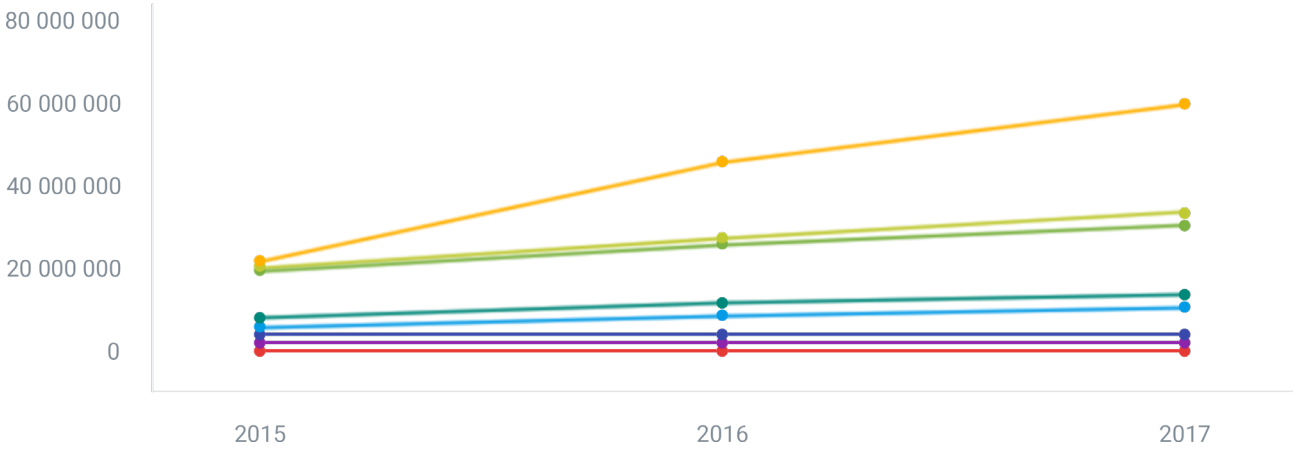


Dynamics of revenues for the international transit service

As for the international transit in 2017, revenue growth was 148.6%, in 2018 the Company plans to increase the volume of transit in the directions of Tajikistan, China, Afghanistan and Turkmenistan.

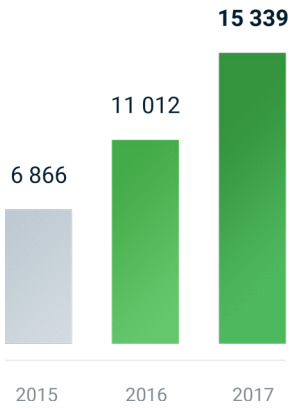
The expected revenue growth in 2018 from the Internet will be 46.2% or 3.2 billion. Tenge

Dynamics of revenues by services/solutions



- IT project Services
- SPIC
- International transit services
- Fiber Channel Lease Services
- Satellite communication and data transmission services
- Internet access services
- Telegraphy
- Local telephony
- International and long-distance telephone communication

Average ARPU per 1 subscriber International Transit



IPLS Services

Leasing of IPLC Channels

The clear digital channel connection technology assumes the use of a copper pair as a connecting line on the section between the operator's node and the subscriber's equipment, and as a transport medium between the nodes of the connection operator of the subscriber's points - the fiber-optic communication line. This technology supports any protocol for voice and data transmission, which is a flexible solution for applications that use non-standard methods of data transmission.

This channel allows

1. consolidate local networks and telephone exchanges of remote subscriber offices in the city;
2. perform the consolidation of offices both over the IP protocol, and using any other protocols;
3. integrate data transmission with telephony;
4. provide telephone numbers of the PABX or city numbers of the subscriber to the remote office.

Business Information Center Services (SRIC)

Minister of Transport and Communications of the Republic of Kazakhstan A.K.Zhumagaliyev on February 24, 2012 adopted the Action Plan to improve the quality of services in the implementation of rail passenger transportations for 2012-2014, which provides for the introduction of the **Single Reference and Information Center (SRIC).**

At the same time, within the framework of this Plan implementation, Transtelecom JSC has been **defined as the operator for reference and information** services rendering.

The SRIC with "105" single dial-up number throughout the territory of the Republic of Kazakhstan was put into operation on December 1, 2012.

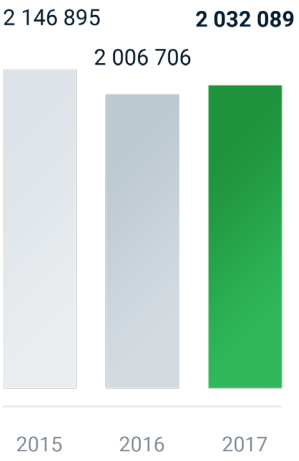
The Center provides a wide range of reference and information services 24 hours a day, 7 days a week, to the population, such as: the timetable for the movement of passenger and suburban trains; information on carriers performing passenger and suburban transportation; rules of travel in passenger and suburban trains; information on the actual time of arrival, departure or delay of the train; information on the cost of travel of passengers; information on the availability of seats in trains and others.

The SRIC provides services in the state and Russian languages throughout the country using "105" single dial-up number without geo-referencing, including all small stations, settlements along railways, which facilitates access of population to the necessary information.

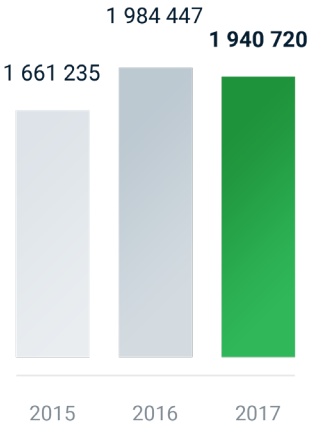
The information provided by the SRIC is specific, since the issued certificate concerns only railway passenger transportation.

With SRIC introduction, the quality of services provided to the population has increased significantly.

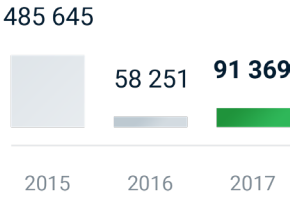
Calls receives and processed



Received calls number



Number of serviced calls



Number of non-served calls

In total for the period from 01.01.2017 to 31.12.2017, the reference service received 2 032 089 calls, including 1 940 720 calls that had been processed, the share of unprocessed calls from the total number of incoming calls was 91 369 calls or 4.50%.

The reason for the large number of canceled calls is due to the fact that since June of the year 2017, the SRIC provides reference and information services for mobile communication subscribers (Beeline). Provision of reference and information services is carried out on a fee basis, the cost of connection is 112 tenge per minute. As a result, subscribers, after hearing about a paid connection, terminate the connection with the operator.

According to the SRIC Modernization plan, the Verint system has been introduced to monitor the quality of services provided. In this connection, SRIC dispatchers are additionally loaded with an assessment of the quality of the services provided and work to improve the SRIC operation.

LTE

As part of the state program Digital Kazakhstan implementation, the Company plans to cover the entire railway line with the LTE network. In 2016, permits were received from all regions for the use of the radio frequency spectrum (RFS).

LTE network of Transtelecom JSC will differ from networks organized by mobile operators, since provision of high-speed access to the Internet up to 70 Mbit/s in moving objects requires building of special stations along the entire railway track and equipment of carriers with appropriate modems that will allow using the double overlap technology. This technology involves the use of the main and emergency antennas throughout the journey. If the main sectoral antenna fails, the second sector is turned on and intercepts the connection, thereby ensuring continuous data transmission.

An important additional advantage of this project is the assurance of safety of goods transported by rail. Video surveillance and alarm signals from the sensors in the trains will help to determine the penetration, recall the forgotten luggage and find objects prohibited for import. Electronic keys or indicators on freight cars open when items are uncovered and give signals. A certain frequency is allocated for this wireless system, this is not a sound signal, but simply information coming to the dispatcher or even the owner of the cargo as an SMS message that the cargo has been opened.

Despite the obvious advantages for passengers from the implementation of this project, its main goal is to create a basis for the technological re-equipment of the railway industry.

By deploying a modern LTE network along the railway tracks, the Company will play an active role in the implementation of the Digital Kazakhstan state program, which will provide passengers with security and access to the Internet.

Transtelecom JSC renders high-tech and high-quality services at the level of world trends in the field of information and communication technologies.

Customer service efficiency raising

The Company pays great attention to improvement of the level of customer service for all groups of its customers and implements the best practices of services, including the development of convenient online services. One of the priority tasks in this direction is to increase customer satisfaction with the services of the company and the growth of the consumer loyalty index.

In 2017, during the Company's restructuring a structural unit - Contact Center has been established. The main goal of the Company is to achieve high quality of Customer service in the field of Company's reliable, high-quality, uninterrupted and efficient operation assurance.

The main functions of the Contact Center are:

- reception of applications from users which the CC received via phone, E-mail, Service Manager, Web-site, virtual bot-consultant;
- registration of the appeal and implementation of the initial classification, its resolution within the competence, or escalation in accordance with the SLA;
- provision of information to the Users about the number of the registered Appeal, the current status of the Application and the progress of work thereon;
- the Application's life cycle management, including confirmation of its elimination, closure of the Application and approval of the fact of closure with the User;
- providing users with high-quality information services and providing reliable reference information;
- informing about the need to improve services;
- monitoring of the quality of service delivery (collection, analysis of information on the level of quality of service delivery and development of recommendations);
- assessment of the quality of service delivery (implementation of activities to determine the effectiveness of measures and provision of users with affordable and quality services);

Terms of Service

Support: 8/5 or 24/7

Response time, 1 line: 15 minutes

Response time, 2 lines: 2-6 hours

Experience of TTC branches in Telco-services

Astana	Almaty	Karaganda	Pavlodar Semey Oskemen	Kostanay Kokshetau	Atyrau Aktobe	Taraz Shymkent Kyzylorda
01.06.2017	15.08.2017	01.09.2017	06.10.2017	08.11.2017	17.11.2017	25.12.2017
20 stations	27 stations Atbasar	42 stations: Atbasar	19-stations (Pavlodar), 14-station (Semey), 10-station (Oskemen)	49-station (Kostanay), 23-station (Kokshetau)	27-station (Atyrau), 31-stations (Aktobe)	12 stations (Taraz), 14-station (Shymkent), 27-station (Kyzylorda)

Number of Service Centers:	308	
Number of Subscribers:	133 290	
including	**LEs**	**Individuals**
	90 616	42 674

Experience in IT services projects

Transtelecom JSC	KTZ NC JSC	Samruk-Kazyna Business Service LLP	KTZ Express JSC
Maintenance of 441 workplaces Additional projects: • Active directory administration; • providing access to Exchange Server; • consultation on EDMS; • consultations on IT. The term of rendering - 4 years.	The "Unified Reference and Information Center" project; Additional projects: technical, service and software support of IT infrastructure; pilot project "Printing Service" (services under 20 contracts).	Outsourcing of the contact center. Additional services for the management of "Smart Office" IT infrastructure for 90 workplaces: the organization of workplaces and management of the Print Service, installation and configuration of the Hardware and Software Complex. The term of rendering - 3 years.	Outsourcing of the contact center. Additional services for IT infrastructure management for 165 workplaces: • Active directory administration; • providing access to Exchange Server; • consultation on EDMS; • Providing access to MS Lync Server The term of rendering - 3 years.

- Telecom applications received in 2017 - 46711
- IT applications -13101
- Eerydoc EDMS - 5325

Development and modernization of networks and increase of efficiency on separate geographical segments

The Company applies an integrated approach to the construction of fiber-optic communication networks. In the period from 2016 to 2020 the Company is implementing the project called "Modernization and development of the transport and transit network" which implies the implementation of the following directions:

The organization of international transit on the FOCL sections of Aktobe - Shymkent - Almaty, Almaty - Semey - Astana, Almaty - Astana - Kokshetau - Kostanay - Aktobe.

The organization of a transboundary crossing in the Beineu - Oasis section, D. Nurpeysova - Aksaray, Semiglavy Mar - Ozinki, Kajerak - Zolotaya Sopka, Petropavlovsk - Petukhovo, Dostyk - Alashenkou, Altynkol - Khorgos, Saryagash - Tashkent, Lugovaya - Chaldovar.

Development of networks based on IP/MPLS technology. Implementation of the DPI system. Organization of cross-border transitions.

The project of organic growth.

The project will improve the quality and expand the range of telecommunications services provided and planned for provision, as well as:

- organization of international transit;
- organization of cross-border transitions;
- improvement of the quality and monitoring of services;
- expansion of the bandwidth of digital communication channels;
- increase in customer base;
- expansion of the range of services provided

The project introduction supposes the implementation of the organization of new international transits in the main areas between Europe and South-East Asia, China and Russia through optical channel multiplexing technology - DWDM.

Search for solutions to optimize business processes and implement improvements

In order to manage and improve the business processes of the Company in 2017, the "Organizational Development" direction was established.

The objectives of this unit are:

- Accurate alignment of business processes of the Company's strategic direction;
- Effective use of the Company's resources;
- Regulation of the daily processes of the Company.

To achieve the set goals, in 2017 processes were developed to manage business processes, as well as project management.

To introduce the best world practices in the field of business processes, the Company being a member of TMFoum - the forum of telecommunication companies applies the eTOM process map in its work.

One of the solutions for the Company's internal business processes optimization and reduction of significant IT costs is the transition to cloud provider services in order to increase the range of tasks, improve the scalability of IT systems, enhanse the security of information exchange and reduce costs.

The services of a Cloud Data Center of Transtelecom JSC are provided under the IaaS service model.

Large and strategically important investment projects in 2017

For the Transport Sector

Magistral ACS

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

A pilot model was designed on the R&D basis within the framework of the project in 2013-2015, the successful implementation of which, made it possible to duplicate the entire backbone railway network starting from the year 2017.

The implemented innovative project - "Magistral" ACS in the "Astana-Borovoye resort" pilot section provided uninterrupted operation in two directions - "diagnostics and monitoring" and "automation of track maintenance".

As a result of the project implementation, a significant reduction of railways maintenance cost was noted thanks to optimization of repair time and extension of the railways service life, increase of the technical speeds of railway transport and assurance of the necessary level of traffic safety. In particular, the data transmission has been accelerated from 30 days to 3 hours, the car maintenance staff has been optimized from 28 to 18 units, the functions of track facilities have been automated, labor productivity has been increased by 30%, time and manpower resources have been reduced, and the influence of the human factor on the introduction of data about the performance of repair results in the passports of railway facilities has decreased.

Energy dispatching traction Automated Control System

Implementation period: 2012-2015.

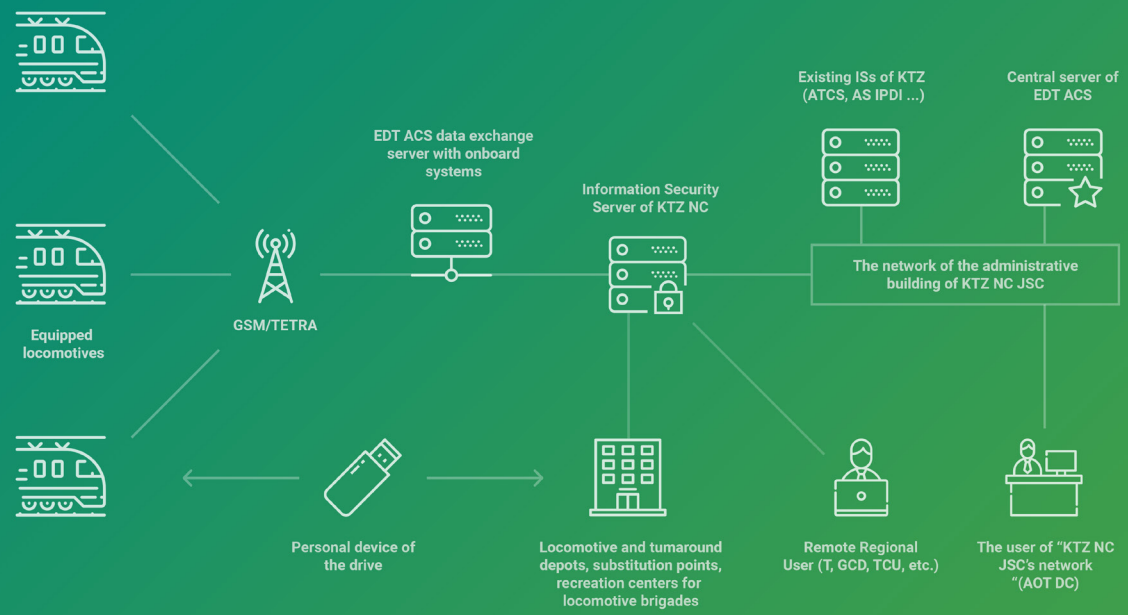
Maintenance period: 2013-2025.

EDT ACS is a complex automation and information support of business processes in the registration, control and analysis of consumption: electricity and diesel fuel in the field of railway transport.

Within the framework of the project, sections of diesel and electric locomotives have been equipped with high-precision equipment to calculate the diesel fuel and electricity consumption, and a real time reporting information collection and analysis system has been designed.

As a result of the project implementation, the customer's incomes increased through the provision of new types of services, a 13% and 7% costs reduction for diesel fuel and electricity respectively.

General Scheme



EDT ACS provides:

- ✓ Measurement of process parameters of fuel equipment and diesel generator;
- ✓ Reliable and accurate calculation of residual diesel fuel and diesel fuel consumption for certain periods of time;
- ✓ Control and comparison of the real consumption of diesel fuel/electric power with the standard values for different operating modes of the locomotive/electric locomotive;
- ✓ Indirect diagnostics of fuel equipment of diesel locomotives on the basis of fuel consumption data for various operating modes;
- ✓ Analysis of a locomotive/electric locomotive operation for a shift with the allocation of time periods:
  1. parking and traffic ;
  2. the work of the diesel engine at idle, under load and stopped, the characteristics of the locomotive/electric locomotive in traction and coasting mode;
  3. mileage, the average technical speed on the site;
  4. the total fuel and electricity consumption per one trip, shift, period, along the site;
  5. location of the locomotive/electric locomotive;
  6. visualization of information on the values of certain technological parameters of fuel equipment and diesel generator (on the locomotive);
  7. formation of an electronic route of the driver;
  8. run life of locomotives;
  9. generation and submission of data to adjacent systems through information exchange;
- ✓ Automated tool for assessment of the level of skill and discipline of locomotive teams;
- ✓ A tool for analysis of the regimes and the real workload of each locomotive for taking measures on their rational application in work areas and routes;

The call center operates 24 hours a day to maintain the accessibility of the Locomotive Level system and the Central Server Level.

In the accounting year 2017, the services of collection and transfer of technical parameters of diesel locomotives in the amount of 12,278.04 sections and electric locomotives in the amount of 10,657.57 sections were provided, services to the Central server were provided throughout the year.

In 2017, a total of 1,024,182 electronic routes of the driver were processed.

Integrated Security

The integrated safety and security system is aimed at reduction in the number of crimes and assurance of anti-extremism and anti-terrorism measures execution in crowdy places. Integrated security in addition to the inspection equipment, includes: CCTV, Access Control System, Perimeter Security System, Security Center, Warning and Evacuation Management System, Parking Automation System, Centralized Information System, Ticketing Automation System, Automatic Queuing System and other.

In Airports:

- ✓ In the city of Astana - Various areas of potential threat: a protected perimeter, gates and access roads (100%), entrances to vulnerable areas and areas (100%), parking lots (at least 70%), public areas (at least 60%), the passage sites (more than 126) were equipped with 430 different type cameras.
- ✓ In the cities of Astana, Shymkent, Kostanay - supply of inspection equipment: X-ray television equipment, stationary and hand-held metal detectors, explosive particle detectors and passenger scanners.

At the railway stations:

- ✓ At 16 railway stations of Kazakhstan, starting from February 1, 2017, passengers, hand luggage and baggage are inspected. The pass-through function of a single set of equipment is at least 600 people per hour.

For EXPO-2017 international exhibition:

- ✓ Centralized management of security events and alarms at Astana EXPO-2017 facilities and continuous 24-hour video monitoring.
- ✓ As a result of the project implementation, from June to August 2017, 2,100 incidents of the Verint SMC (Situation Management Center) complex security system have been identified in various categories (security subsystems triggering, recording by MIA operators).
- ✓ Automation of parking lots, external and underground parking of the organizer's office, organization of accredited transport's entry to certain objects. This system also provides transparency in charging parking fees and facilitates the use of parking lots.

ISMS

Information Security Management System (ISMS).

"ISMS" is a service that provides detection and prevention of information security incidents using modern and functional means.

The system consists of the following subsystems: Center for testing the security of network and service information safety products; Security Operations Center is the first digital security model in Kazakhstan based on the SIEM mature technology and the Center of competence and incident investigation.

Provision of information security services significantly reduced the likelihood of risks, increased the level of security of information assets and the level of maturity of information security processes for our customers.

Nationwide



EXPO 2017
• Future Energy •
Astana Kazakhstan

Astana-Expo 2017 project

In the framework of the exhibition, in addition to integrated security and intelligent lighting projects, the following ones have been implemented:

- ✓ Basic telecommunication services that provide the Internet and information services to visitors and exhibitors.
- ✓ A number of operational and energy measures, including smart meters, smart technology of renewable energy sources and resources in the field of energy efficiency. In total, within the framework of the project, 59 charging stations for electric vehicles and 57 power facilities of the Astana Expo-2017 International Specialized Exhibition have been covered.
- ✓ The system of effective engineering systems management for the purpose of comfortable climatic environment assurance in the exhibition pavilions. Thanks to this system application, the cost of electricity, ventilation, heating and staff maintenance has been reduced to 30%.
- ✓ The integrated safety and security system is aimed at reduction in the number of crimes and assurance of anti-extremism and anti-terrorism measures execution in crowdy places. Integrated security in addition to the inspection equipment, includes: CCTV, Access Control System, Perimeter Security System, Security Center, Warning and Evacuation Management System, Parking Automation System, Centralized Information System, Ticketing Automation System, Automatic Queuing System and much more other.
- ✓ Centralized management of security events and alarms at Astana EXPO-2017 facilities and continuous 24-hour video monitoring.
- ✓ As a result of the project implementation, from June to August 2017, 2,100 incidents of the Verint SMC (Situation Management Center) complex security system have been identified in various categories (security subsystems triggering, recording by MIA operators).
- ✓ Automation of parking lots, external and underground parking of the organizer's office, organization of accredited transport's entry to certain objects. This system also provides transparency in charging parking fees and facilitates the use of parking lots.

Goal

Assurance of uninterrupted delivery, installation, commissioning for the further operation of systems.

Coverage

Territory of Astana Expo - 2017

Deadline - the year 2017

Digital Mining

The "Digital Mining" for KazAtomProm JSC is a MES class complex production support system (production process control system) to provide a full cycle of automation of the main production processes in the subsoil use sector.

Within the framework of the project, a series of organizational and technical measures aimed at the introduction and operation of an automated control system for subsoil production processes have been carried out.

The project outcomes increased production performance of KSU: the time of the RMW diagnosis has decreased from 14 days to 2 days, the output decline has reduced 3 times, the improvement in capacity utilization has totaled 20%, the paper work has reduced to 80%, the information loss has totaled 55% the collection of operational information has been reduced to 90%, the downtime has decreased and repair works have been optimized.

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,

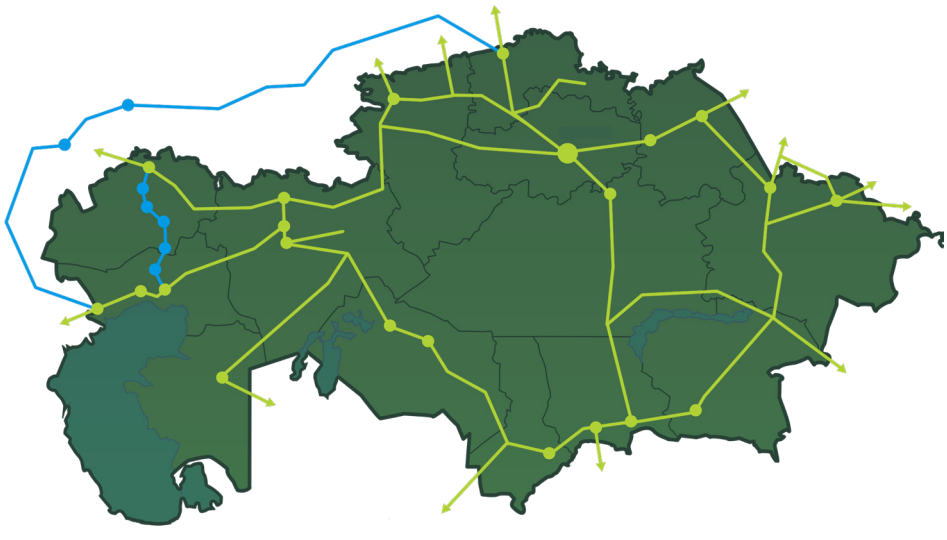
"Smart-Education" - with the introduction of a system for society education level enhancement and raising the culture of interaction between parents, students and educators, the savings of 300,000 people/hour per year have been recorded, the efficiency and effectiveness of education monitoring has increased.

"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

Transtelecom JSC's main network scheme



FOL of Transtelecom JSC Fiber optic of NC KTZh JSC Reservation

FOCL HSS (hardware and software system)

Implementation period: 2013 - 2017

The transition to fiber-optic lines (FOCL) marks a new stage in information and communication progress of the state and allows to significantly advance the ICT industry.

The bandwidth, data transfer speed, reliability and information security of fiber-optic links are incomparable with similar properties of copper or radio relay communication systems.

Also, high-speed optical transport network is required for high-quality and trouble-free operation of KTZ NC JSC (such as SAP, ACS DRC, IP TC, TETRA, SIRDP, etc.), which increases the need to expand the existing fiber-optic network.

Goal:

- development of local cable infrastructure at stations
- expansion of the range of services provided
- operating income raising
- creation of a unified information network of KTZ NC JSC
- increase of the Company's competitiveness
- increase of the backbone network reliability by creating ring redundancy networks

Construction of the "Last Mile" sites - 2017

5 offices were put into service:

- Shymkent 72 km
- Kyzylorda 21 km
- Zhambyl 62 km
- Aktau 22 km
- Atyrau 50 km

Over 12 months, the State registration of rights to real estate for the following sections of the main fiber-optic link has been made:

- Shymkent - Lenger - 29 km
- Lugovays - Chaldovar - 68 km
- Ereimentau - Aissary - 220 km
- Beyneu - Karakalpakstan - 85 km
- Kokshetau - Kyzyltu - 195 km
- Karaganda - Karagaily - 250,7 km
- Pavlodar - Kulunda - 143 km
- Aktogay - Moyynty - 524 km
- Koksu - Tekeli - 77 km
- Astana - Atbasar - Tobol - 671.6 km
- Petropavlovsk - Issilkul - 141 km
- Aktobe - Ozinki - 574 km
- Nikeltau - Orsk - 81.5 km
- Kandyagash - Atyrau - 525 km
- Atyrau - Ganyushkino - 287.9
- Kostanay - Zolotaya Sopka - 166.7 km
- Tobol - Zhitikara - 113.2 km
- Presnogorkovskaya - Zernovaya - 21.9 km
- Oskemen - Lokost' - 246.9 km
- Oskemen - Leninogorsk - 110.4 km
- Oskemen - Zyryanovsk - 186 km
- Semey - Lokot' - 118.7 km

Total at the end of 2017 - **4837.5 km**

Сроки окончания на 2017 год по позициям:

Deadlines for the end of 2017 by positions:

- Construction of the "Last Mile"
- Registration, certification of FOCL sites - December 31, 2017.
- planned FOCL construction 710 km

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 the 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) 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 task of the project is to maintain the system's operation and the functioning of the measuring and computing complex.

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

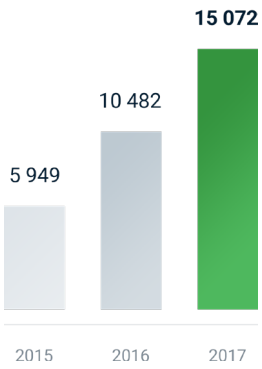
The maintenance work includes work for each power supply distance at each point of recording, starting with data collection/transmission devices (controllers, modems, antennas, etc.) and ending with the transfer of messages from the central database server to the FTP server of KEGOC system operator.

Customer base

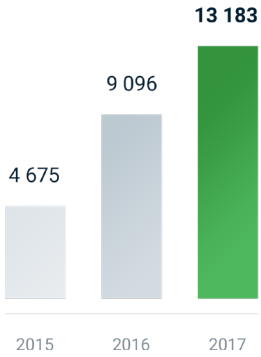
Currently, the Company is one of the leading telecommunications operators in Kazakhstan, providing not only international, long distance, local telephony and Internet access services, but also trunk communication channels. The Company's clients are both individuals and corporate users, and telecom operators. Our partners are the largest companies for which high-quality telecommunication services are a prerequisite for doing business.

In comparison with 2015, there is an increase in the share of income received from third parties. This dynamics will continue to grow significantly in the future, as expected.

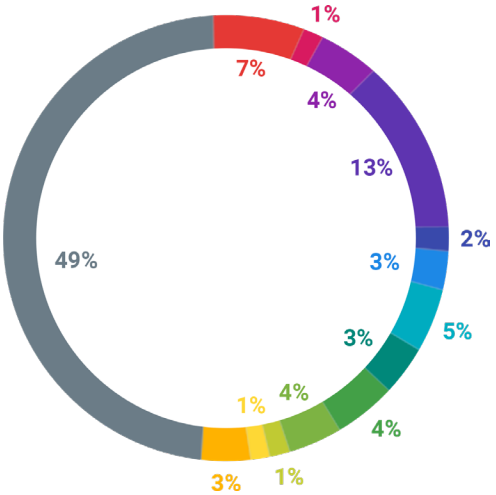
Revenues by third-party organizations



Revenues from trunk network and transit services



The revenue growth in 2017 from TTC's FOCL backbone network will be KZT **3.6 billion.**



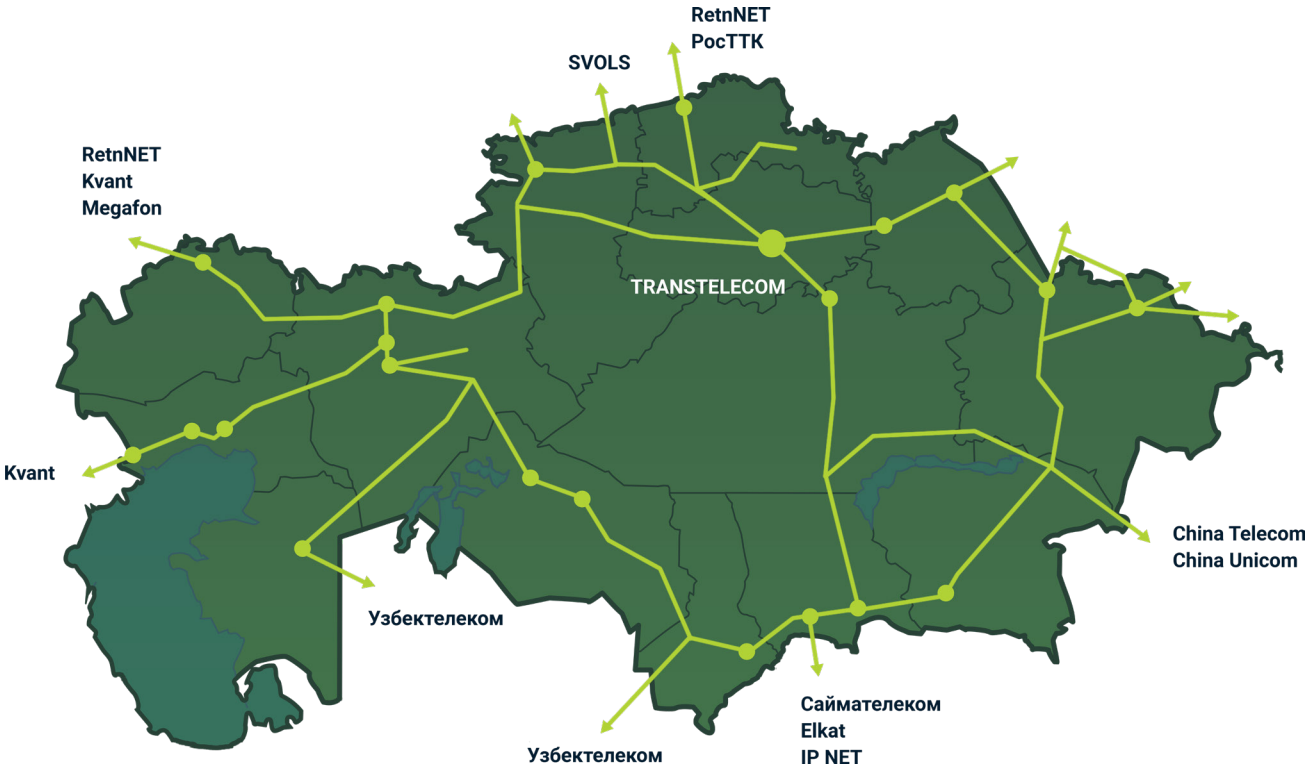
7%	KazTransCom JSC
1%	Novakor Universal LTD
4%	Alma telecommunications Astana
13%	TNS-PLUS LLP
2%	ASTEL JSC
3%	2DayTelecom LLP
5%	UzbectelecomJSC
3%	MegaFone JSC
4%	Vympel Communications
4%	China Telecommunication Corporations
1%	Linx Telecom
1%	Kazpost JSC
3%	British Telecom Global Service Ltd
49%	Other

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

The number of corporate clients of the Company for many years includes well-known international operators such as BritishTelecom (Great Britain), ChinaTelecom (PRC), Transtelecom CJSC (Russia), Ekvant LLP (Russia) and others, which indicates the possibility to reliable cooperation at the highest level.

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

There are international connections with operators of the Russian Federation, the People's Republic of China, the Kyrgyz Republic, the Republic of Uzbekistan and the Turkmen Republic. These international connections 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 connections also allow obtaining 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.



FOL of Transtelecom JSC

Partners and counterparties

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

Our partners are the largest companies the prerequisite of which is high-quality telecommunication services for doing business.

- Linx Telecommunications (Amsterdam),
- RETN LTD (London),
- Kvant Telecom CJSC (Russian Federation),
- Megafon OJSC (Russian Federation),
- Transtelecom CJSC (Russian Federation),
- Vympel Communications OJSC (RF),
- China Telecom (PRC),
- China Unicom (PRC),
- Uzbektelecom JSC (Uzbekistan),
- Kyrgyztelecom OJSC (Kyrgyzstan),
- Elkat LLC (Kyrgyzstan),
- Alma TV 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)

Development of relations with customers

The main corporate client of the company is Kazakhstan Temir Zholy NC JSC and its affiliated joint-stock companies and subsidiaries. The corporate clients of Transtelecom JSC, for many years, are also the following companies:

- 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,
- Smartnet LLP

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, within the work of interaction with external parties, Transtelecom JSC assumed no obligation and did not support any charter or initiatives in economic, environmental and social fields.

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

- National Chamber of Entrepreneurs
- National Telecommunications Association
- Internet Traffic Exchange Center
- RIPE
- TM Forum

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 in the Center for the Exchange of Internet Traffic since 2010.

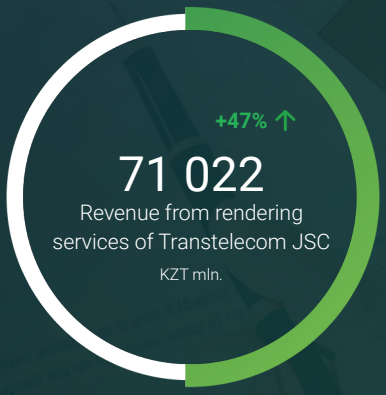
RIPE (Réseaux IP Européens) is an international organization of Internet registrars that performs the distribution of Internet resources, as well as related registration and coordination of activities aimed at global support of the Internet functioning. Since 2006 we are members of RIPE.

TM Forum is an association that unites digital business worldwide. This community brings together talented participants and leading companies, various eco-systems to accelerate the transformation of successful business models of TM Forum members. Consolidated experience and interests of community members were gathered by tens of thousands of professionals from more than 900 leading organizations that are the driving force behind all TM Forum initiatives, from research and publications to practical handbooks, cooperation programs, tools and best practices, relevant events and training for business and leaders in the field of IT-industry. Since 2013, the Company has been a member of TM Forum non-profit organization association.

05

Financial results

The revenue from the provision of services of Transtelecom JSC for 2017 amounted to KZT 71,022 million, there is a dynamics of growth in income from core activities compared to last year by 48%, and incomes by only 44%.



Revenue structure

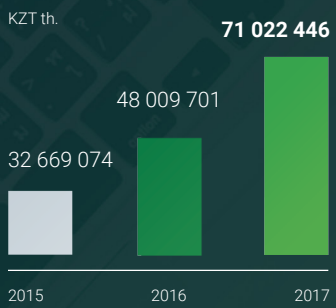
Structure of operating income	2015	2016	**2017**
Communication services	19 287 095	24 691 943	**29 445 022**
IT services and projects	13 268 687	23 187 178	**41 378 154**
Other services	113 292	130 580	**199 270**
Total operating income	32 669 074	48 009 701	**71 022 446**

KZT th.

Key financial indicators

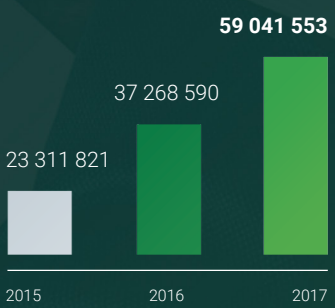
Income from operating activities +48% ↑

KZT th.



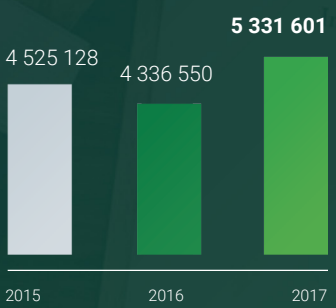
Operating expenses +60% ↑

KZT th.



Net profit +23% ↑

KZT th.



Key
financial indicators

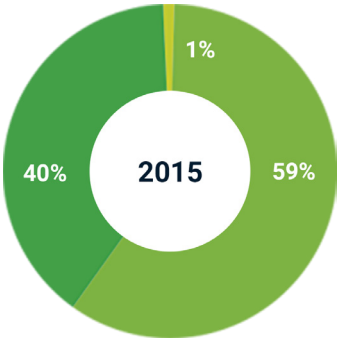
The financial analysis of Transtelecom JSC is executed on the basis of the accounting reports and the management report on incomes and expenditures for 2015-2017. The reliability of the financial statements of Transtelecom JSC for the period from 2015 to 2017 was confirmed by an independent auditor -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

Income analysis

Revenues from the provision of Transtelecom JSC's services for the year 2017 amounted to KZT 71,022 million, the dynamics of growth in income from core activities compared to last year's index is by 48%, and income is only by 44%. Positive dynamics is due to the growth in the number of subscribers, types and volume indicators of telecommunications services provided, as well as the implementation of new projects, such as Astana EXPO-2017, Modernization of fiber-optic lines of KazTransOil JSC, Extension of EDT automated control system, design of integrated security system for railway stations.

As for the core activities of the company in 2016, compared with the previous year, there is growth in communication services (an increase is by 19%), IT services and projects (an increase is by 78%), others (an increase is by 53%)

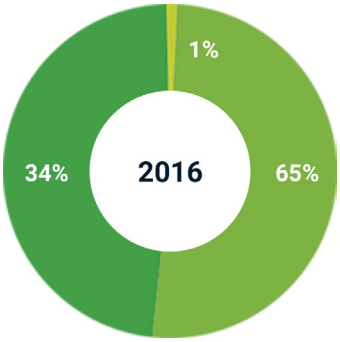
Structure of income from core business	2015	2016	2017
Communication services	19 287 095	24 691 943	29 445 022
IT services and projects	13 268 687	23 187 178	41 378 154
Other services	113 292	130 580	199 270
Total income from operating activities	**32 669 074**	**48 009 701**	**71 022 446**



40% IT services and projects
13 268 687

9% Communication services
19 287 095

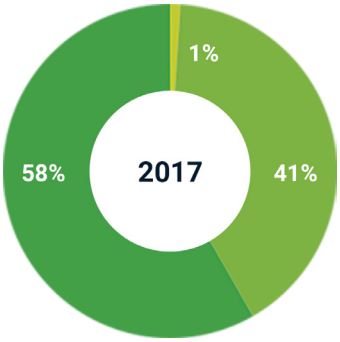
1% Other services
113 292



34% IT services and projects
23 187 178

65% Communication services
24 691 943

1% Other services
130 580

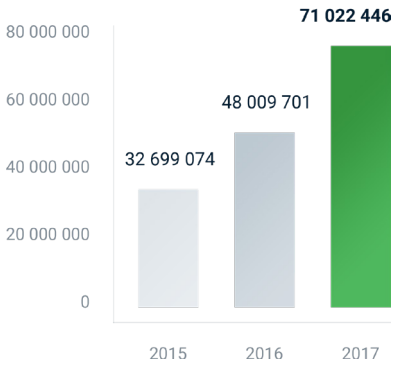


58% IT services and projects
41 378 154

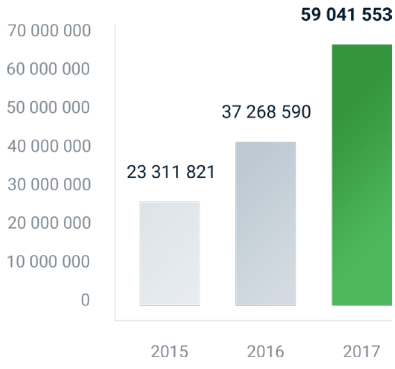
41% Communication services
29 445 022

1% Other services
199 270

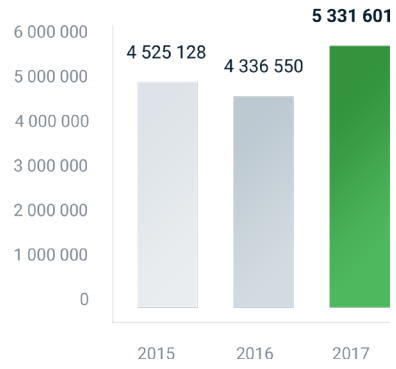
Income from operating activities, KZT th.



Operating expenses, KZT th.



Net profit, KZT th.

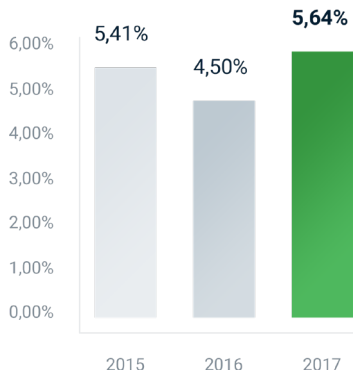


Name	2015	2016	2017	Comments
The cost price, including (material items):	**20 841 096**	**34 245 775**	**53 898 835**	
Salary	3 756 379	4 605 135	4 948 308	Growth is associated with an increase in average wages by 12%
Soc. deductions	427 584	506 905	4 948 308	577 773
Materials	1 621 295	7 997 328	1 306 393	The decrease in expenses is mainly due to optimization of operating and maintenance costs of networks and equipment (- KZT 380 million) and reduction of costs for materials under the Single Service Center project - KZT 566 million.
Fuel	91 832	109 745	133 450	The costs increase is associated with the petroleum products proses raising.
Electric power	163 395	179 945	176 700	

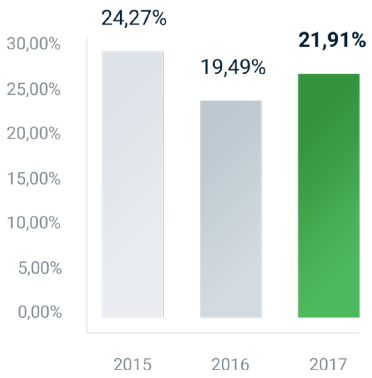
Name	2015	2016	2017	Comments
Payment for third parties' services	6 391 916	9 240 036	34 527 697	The increase in expenses is mainly due to the increase in the need for traffic transmission through the networks of third-party operators + KZT1,161 million, Internet access services + KZT 400 million KZT, an increase in operating costs due to the commissioning of communication lines + KZT 608 million, an increase in the need for the last mile renting + KZT 1 064 million. The above expenses ensure the growth of profitability from telecommunications services. Other projects with their costs were as follows: Astana Expo 2017 + KZT 18,245 million, Integrated security system for railway stations + KZT 2 604 million
Depreciation of FAs & IAs	6 708 401	7 408 342	7 629 787	The growth is connected with the renovation and modernization of equipment and the commissioning of new trunk and local communication lines.
Sales of goods and materials	0	7 536 994	1 716 280	The decrease is connected with the completion of "System Z" Modernization of Computing Systems project
Other expenses	1 639 994	2 405 548	1 894 135	The decrease is due to the reduction in costs for software maintenance by third-party organizations on completed projects.

Name	2015	2016	2017	Comments
Period expenses, including:	**7 819 692**	**9 058 558**	**11 131 484**	
Administrative expenses	1 630 941	1 884 383	2 389 742	The expenses increased mainly due to the raising of the payroll of administrative personnel after the change in the organizational structure + KZT 382.5 million. The growth in expenses for the rental of executive personnel's premises is connected with the expansion of areas associated with the change in the organizational structure of the Company by placing the Data Processing Center in the "Emerald Quarter" business center + KZT 125 million.
General running costs	654 829	305 735	1 281 430	The increase in expenses is mainly due to the increase in advertising costs + KZT 498 million. Participation in the forum + KZT 287 million, expenses for outsourcing within the framework of IT projects promotion + KZT 157 million.
Provisions	64 829	145 415	24 024	
Tax payments	-2 475	509 391	1 263 786	The increase in expenses is mainly due to the increase in taxes on the use of the radio frequency spectrum + KZT 467 million, the fee for provision of a long-distance telephone communication + KZT 110 million.
General social expenditures	122 60	149 706	183 736	Increase of expenses under the collective agreemen
Sponsorship	62 646	0	0	
Financing costs	5 286 321	6 035 743	5 988 767	
Expenses on asset retirement	0	28 185	0	

ROA (return on assets)

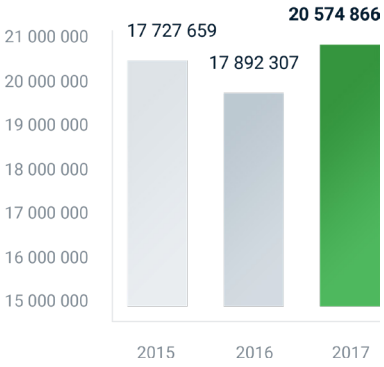


ROE (return on equity)

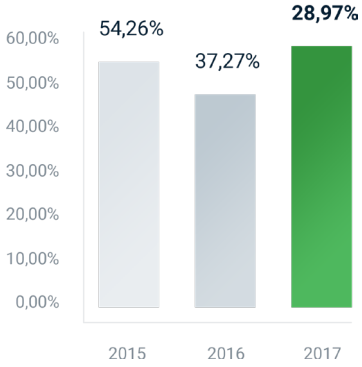


The indicators of return on assets and return on equity demonstrated positive dynamics, related to the growth of net profit.

EBIDTA



EBIDTA, margin

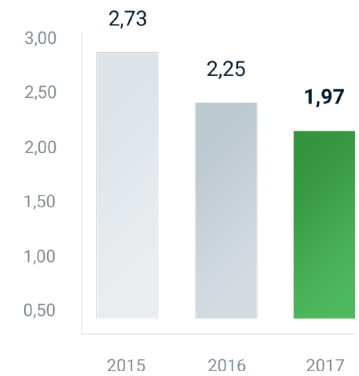


The decrease in EBITDA margin is due to the increase in prices for purchased goods and services, with fixed rates for basic communication services. Astana EXPO 2017 strategic project was also implemented. The share of the project amounted to 27.4% of total revenue, the gross margin of the project was 4.97%, which led to a decrease in relative profitability indicators.

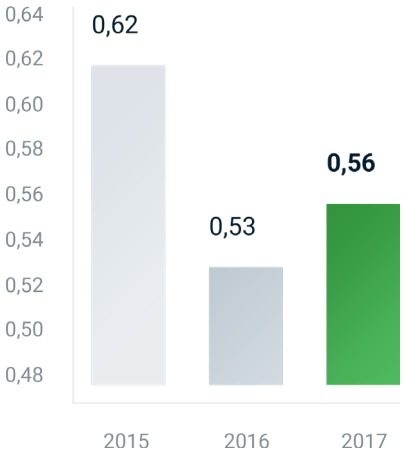
Debt to EBIDTA



Debt to equty ratio

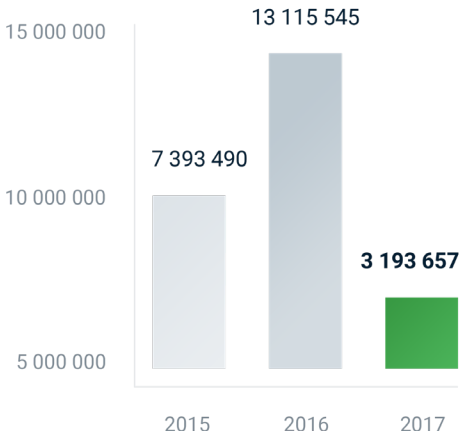


Debt to assets ratio



The indicators of financial stability showed positive dynamics associated with the planned repayment of debt obligations and a decrease in financial leverage of 2.25 to 1.97.

Cash and cash equivalents



The decrease in cash in 2017 is related to the financing of investment projects including: Projects of branches KZT 1,060 million, transport and transit network development project KZT 663 million, FOCL HSS project 1,599 million, ODC project KZT 991 million, the Makat-Mangyshlak project of KZT1,696 million, as well as the repayment of financial liabilities in the amount of KZT9,282 million.

06

Sustainable development

Sustainable development is an integral part of the business strategy of Transtelecom JSC. This principle determines our approach to innovation, development and introduction of new products.

Interaction with stakeholders

Personnel

Safety in the workplace

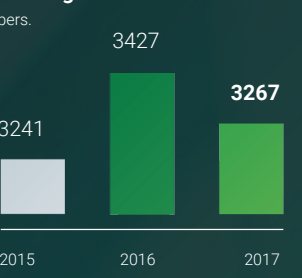
Procurements arrangement

Environmental protection

Personnel structure



Staffing number over



+243% ↑	-160 ↓	+13% ↑	+7% ↑
4 336 550	3 267	6 177 799	557 583
Dividends KZT mln.	Employee optimization	Pay increase on payment KZT mln.	Depositing funds to a pension fund KZT mln.

3 000

Transtelecom JSC provides jobs for more than 3,000 people

1 118

The number of employees trained and advanced training in 2017 amounted to 1,118 people

202

The number of employees marked by state and industry awards in the Company is 202 people

183 735

For 2017, the amount of expenses for social benefits left 183,735 thousand tenge

44 369 297

The total amount of the Company's purchases in 2017 amounted to 44,369,297.73 thousand tenge

77%

The share of local content in the total volume of purchases was 77%

"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 activities in the field of sustainable development are largely determined by the specifics of the telecommunications sphere. To date, information technology has been built into almost all areas of the company's life and has become a driving force for society development. The ability to use the most modern 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 Kazakhstanis.

Sustainable development is an integral part of Transtelecom JSC's business strategy. This principle determines our approach to innovation, development and introduction of new products. Company's CEO, the Board of Directors and the Management Board of Transtelecom JSC jointly implement strategic leadership in the field of sustainability yet specialists from among the staff implement specific programs and initiatives.

Contribution of Transtelecom JSC to the community

Name	Unit of measurement	2015	2016	2017
Shareholders				
Dividends	KZT mln.	472 225	1 263 059	4 336 550
Employees				
Total number of employees	thousand people	3 241	3 427	3 267
Labor costs	KZT mln.	4 495 977	5 482 953	6 177 799
Investments in training	KZT mln.	70 257	12 988	271 236
Deposits to the pension fund	KZT mln.	404 874	522 876	557 583
Expenses for work safety raising	KZT mln.	71 694	85 624	70 223

Name	Unit of measurement	2015	2016	2017
Государство				
Income Taxes	KZT mln.	1 044 815	1 140 485	1 497 537
Other taxes	KZT mln.	835 167	987 350	1 607 552
Company				
Membership fees, payments to trade unions, charity programs	KZT mln.	30 342	39 696	43 596
Environment				
Costs for environmental programs	KZT mln.	998	1 023	1 012

Transtelecom JSC provides workplaces for 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 documents regulating the Company's actions in the field of sustainable development, including the Corporate Governance Code, the Human Resources 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 environmentally friendly technologies is an obligatory component of the short- and long-term plans of Transtelecom JSC.

Actions of Transtelecom JSC in the field of sustainable development 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 regards it as 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.

The OHS Service and Environmental protection service are available in all structural subdivisions of Transtelecom JSC, comprehensive and targeted inspections are regularly conducted as well.

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 the Company, what their needs and expectations are from business and social, environmental and charitable initiatives.

Social partnership, mutually beneficial cooperation, respect, openness and trust are the basic rules that guide the Company in the process of any interaction with stakeholders.

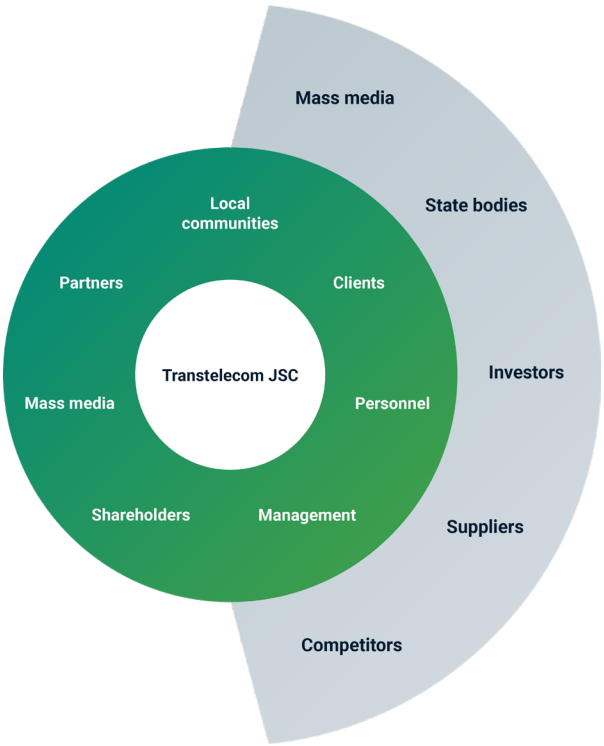
The basic principles and priorities of interaction with stakeholders are covered by the Company's corporate documents: the Code of Business Conduct and the Corporate Governance Code. Transtelecom JSC through the creation of new and constant improvement of existing mechanisms and procedures for corporate 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 approach to interaction is based on the following principles:

- regular constructive dialogue;
- partnership;
- mutually beneficial cooperation;
- confidence and sincerity;
- publicity and transparency;
- fulfillment of obligations undertaken

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 the same access to information about the Company and its financial position, and also respects the absolute equality of shareholders' 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 observe and protect the rights of shareholders. The owners are interested in the financial results of the Company, but do not lose sight of the non-financial indicators that testify to the quality of the Company's management, such as corporate governance, relations with customers and suppliers, industrial safety and contribution to the development of local communities.

Personnel

The interaction between the Company and the personnel is aimed at the development of human capital and the formation of relations on the basis of cooperation.

Employees' salaries, social package and social guarantees, career growth, security and working conditions fully comply with the norms of the legislation of the Republic of Kazakhstan, are regulated by the employment contract, the Code of Business Ethics and the Personnel Policy of Kazakhstan Temir Zholy NC JSC. The Company appreciates the contribution of each employee and builds relations with personnel based on respect and cooperation, encouraging initiative, responsibility and achievement of ambitious goals. These principles help employees improve 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

The Company's long-term success is impossible without a comprehensive consideration of the external factors surrounding 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.

According to the State Standards of the Republic of Kazakhstan and standards of the Corporate Standardization System, the Company regularly monitors the quality of services.

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 committees and working groups on making amendments to the laws and legislative acts of the Republic of Kazakhstan, cooperates with the Kazakhstan Association of Automation and Robotics. The Company takes an active part in the preparation for Astana-Expo 2017 international exhibition, in pursuance of the Action Plan approved by the Resolution No.180-1526 of the Akim of Astana city dated September 15, 2014. The Company implements projects for Astana entry 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, forming the 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 2017, the Company 100% ensured jobs provisions to the local population

Mass media

While observing the information disclosure rules of Transtelecom JSC, the Company maintains a high degree of transparency, and also maintains a constructive dialogue 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 "Corporate Documents" section of the site (http://ttc.kz/ru/About/corporate-governance/general-meetings-of-shareholders/). These resources provides you with an opportunity to review the latest news of the Company, financial and production indicators, reporting and other useful information about the Company's activities, as well as papers that regulate the activities of the management and control bodies of Transtelecom JSC, such as: Charter, Regulations of the Board of Directors, Regulations of 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.

Inviolability of the consumer's privacy

Transtelecom JSC places high premium to the issues of inviolability of private life and protection of information about customers.

The Company has determined the circle of 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.

Information disclosure about the client database to Transtelecom JSC's third parties is made 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

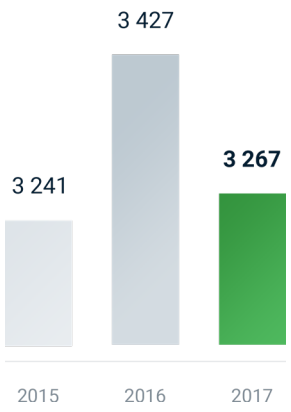
Staff structure

Employees of the Company are the main asset, the basis of Transtelecom JSC's success in achieving the leading position in the market of "Communications" services. The Company operates in conditions of high market competition and understands that when telecommunication companies are struggling to gain market share by reducing the cost of services and tariffs for customers, the quality provision of services depends most on highly qualified personnel. The Company constantly makes great efforts to attract, retain, train, develop talented employees, so the priority of Transtelecom JSC is to create opportunities that reveal the potential of each employee and the Company as a whole.

Transtelecom JSC provides employees with fair and competitive remuneration, devotes considerable attention to new and existing tools of motivation to achieve high results, and also creates attractive conditions for work, professional and personal development.

Remuneration is one of the most important aspects of the interaction between the company and its employees. The desire to become an employer chosen by the best employees, among other things, implies the introduction of transparent and fair approaches to each employee's work assessment and the provision of an appropriate remuneration.

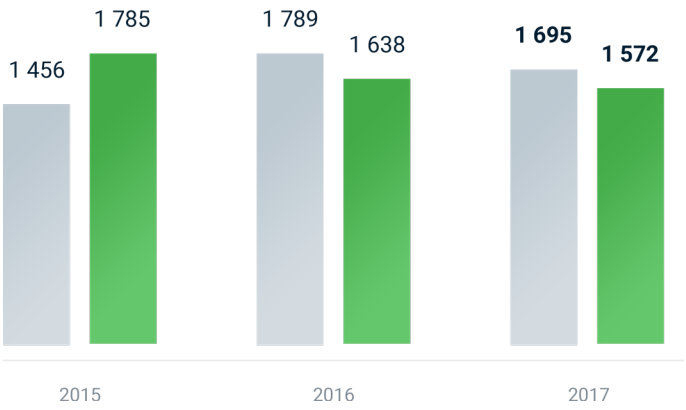
Staffing number over 2015-2017



The number of the Company's employees as of December 31, 2017 was 3,267 people while in 2016 this indicator amounted to 3,427 people, in 2015 - 3,241 people. The decrease in the number of personnel in 2017 compared with the previous year is due to the restructuring carried out.

The Company relies on the effective work of production personnel. The share of production personnel is 90% of the total.

Number of men and women over 2015-2017



According to the Concept of Gender Policy in the Republic of Kazakhstan equal competitive conditions should be created both for women and men. Thus, the total share of female employees in 2017 was 52% of the total number of employees.

Personnel structure, pers



According to the data of 2017, 36% of the total number of employees were employees aged up to 30 years. The share of employees from 31 to 50 years was 45%, employees older than 51 years totaled 19%.

New employees orientation

Each new employee of the company undergoes an orientation period in order to obtain the necessary information required for effective labor activity, become aware of internal procedures established in the Company, and build relations with the team.

The adaptation period for Company's newcomers comprises several consecutive stages. These are the registration and presentation of the newcomer to the team, provision of the newcomer with access to the Green corporate portal for review and testing on the Company's bylaws, drawing up an individual work plan and assessment of their performance by the immediate supervisor.

Orientation period for newcomers includes introductory course called "Welcome-training" - "Welcome to TTC!", the purpose of which is to give the beginner maximum knowledge about the Company, information about the Company's work advantage, information about Company's structure, mission, vision and values.

Introductory training is conducted in an interactive mode, including team, role-playing and business games, discussion of video content and pursues several goals:

- accelerate the entry of new employees in the post;
- form a positive attitude towards the Company and its rules;
- increase the orientation of new employees towards Clients;
- improve the skills of joint work of new employees;
- emphasize the advantages of work in the Company.

In 2017, 7 trainings for newcomers of the Central Office were conducted, where **154** people took part.

Collective agreement and trade unions

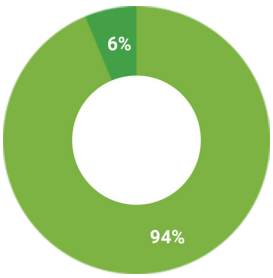
Transtelecom JSC concludes a collective agreement with the trade union organization. The collective agreement applies to the members of the trade union and the employees who joined them. As part of employees' rights protection, the collective agreement includes provisions on the minimum period for prior notification of employees and their elected representatives, on the implementation of all organizational changes in the activities of the Company that may affect the conditions of their work. In addition, the collective agreement contains provisions regulating the following aspects:

- form, system and amount of labor remuneration;
- payment of compensation to employees upon entering into marriage, at retirement, at the birth of children, for funeral services, etc.;
- working time and rest time of employees;
- guarantees and social protection of employees.

As of 31.12.2017, there are 14 primary trade union organizations in all branches of the Company within the Branch of "Kazakhstan Trade Union of Railway, Automobile, Air and Water Transport Industry's Workers" Public Association (hereinafter - the Trade Union of the Company). The total number of workers who are members of the trade union is 3,057 people or 94%, including 52 technical inspectors for labor protection.

In the past year, 767 inspections were carried out by technical inspectors for labor protection, according to the results of which 602 proposals were issued to the heads of structural subdivisions, 537 of them were eliminated in due time. No violations of labor legislation have been registered over this period.

The percentage of employees covered by collective agreemnt, in % and pers.



94% Percentage of employees covered by the CA – 3 057 чел.

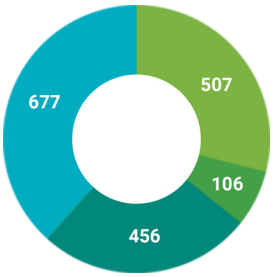
6% Percentage of employees not covered by the CA – 210 чел.

Training and professional development

The Company's stable and dynamic development directly depends on the qualifications and professionalism of its employees. One of the key areas of the Personnel Policy of the Company is the training and development of personnel, aimed at creation of a system for personnel knowledge and skills improvement.

Employees training policy is stipulated in the Rules for the organization of professional development of employees of Transtelecom JSC, which define the goals, principles, conditions, mechanisms and methods for personnel professional development programs implementation. The programs include advanced training courses, seminars, scientific and technical conferences, symposiums, round tables, internships and many other activities aimed at improvement of and obtaining new theoretical and practical knowledge.

Number of employees who passed skills upgrading courses in 2017



677	For e-commerce development
456	Cpecialized
106	Certified
507	Mandatory

The number of employees who passed training and advanced training in 2017 amounted to 1,118 people, including the production personnel - 670 people, administrative personnel - 448 people.

In order to find new ways of Company's business processes implementation in the long term, the Company plans to implement and support internal trainers, instructors and mentors from among the employees (experts) in their professional activities who have the necessary competences, skills and knowledge for their transfer to other employees.

Over 2017, a number of internal trainings for Company's employees were conducted by highly qualified specialists using distance training in the fields of occupational health and safety, electrical safety, participation in tenders for procurement, broadcasting of a new mission, values and other topics. In the future, according to the results of applications selection and assessment of competences, a list of internal trainers will be formed which, during working hours, without prejudice to their core activities, according to the approved schedule, will conduct the following training events: seminars, trainings, master classes, coaching, consultations, etc.

Cooperation 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. According to the agreements concluded by the Company in 2016 with the International University of Information Technologies (IUIT), L.N.Gumilev Eurasian National University, S.Seifullin Kazakh Agrotechnical University JSC 80 students passed the internship in 2017.

Motivation

Transtelecom JSC uses a system of material and non-material incentives to motivate employees.

The system of labor compensation in the Company is focused on employees motivation to quality and efficient work. In particular, the average monthly wage for the year 2017 has increased in comparison with previous years.

Title	2015	2016	2016 to 2017	2017	2017 to 2016
Average monthly salary	135 701	140 570	103,6%	164 290	116,9%
Payroll fund	4 495 977	5 283 276	117,5%	5 882 898	111,4%

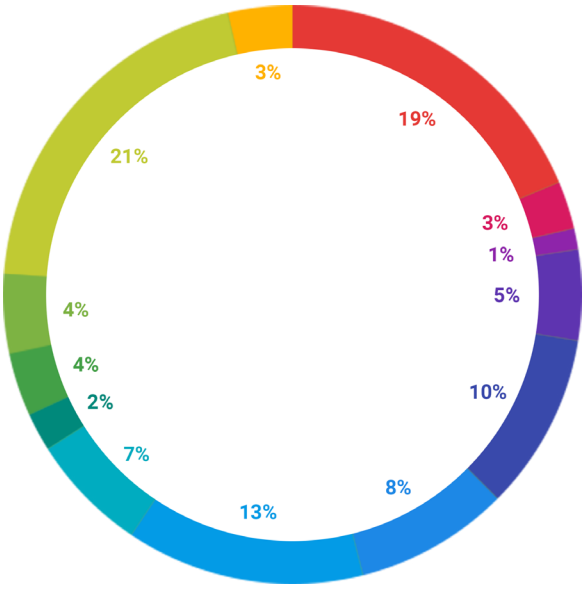
In accordance with the unified system of remuneration and bonuses all employees are receive the following compensations: bonuses for the length of service in the Company of not more than 3 official salaries, quarterly bonuses in the amount of not more than 1 official salary, bonuses for Informatization and Communications Day and the Independence Day of the Republic of Kazakhstan holidays. When employees combine several positions the surcharges are provided, as well as the bonuses of a key employee, "Best in profession", after-hours, other bonuses.

In order to motivate and stimulate effective work of employees, the Company permanently pays special attention to the non-material encouragement of personnel. Thus, the number of employees who were rewarded with state and industry awards in the Company is 202 people. The employees of the Company have been awarded with the title of "Honorary Railroader", "Uzdik Bailanyshy", "Adal enbegi ushin" award pin, "Kisibi boiynsha uzdik" and "Yzdik maman" titles, the Certificate of Honor and the Letter of Thanks of the President of KTZ KC JSC, watch engraved with name from the CEO of KTZ NC JSC and other types of moral encouragement.

Social policy, bonuses and benefits

An integral part of the staff remuneration system is social benefits and bonuses for the Company's employees. The Company's social policy is aimed at raising the overall standard of living of employees and providing support to groups in need of social assistance (pensioners, veterans of the Second World War and equated to them). The Company provides employees with a package of social benefits and guarantees. The liabilities for their provision are enshrined in the Collective Agreement.

The material assistance provided to employees is aimed at their recovery and treatment, payment at birth, at marriage registration, when employees leave for retirement, for summer holidays for children of families with the children with disabilities, large families, single mothers, and due to the jubilee dates of workers. Over 2017, the amount of expenses for social benefits has been 183,735 thousand KZT.



19%	For summer vacations of employees children	34 457
3%	To the jubilee of the employee	5 342
1%	Payment of additional vacations	1 612
5%	Retirement	9 487
10%	Gifts carrying out of celebratory campaigns for children of workers	18 000
8%	Support of non-working pernsioners	15 804
13%	For ritual services	23 488
7%	For the birth of a child	12 504
2%	For marriage registration	4 130
4%	For trearment	7 171
4%	Compensation for reduction	7 135
21%	Carrying out of cultural and sports events	38 157
3%	Socialtax deduction	6 430

Branch, departmental awards and awards of KTZ NC JSC received in 2017

For active participation in the effective solution of production and social issues, for the high performance of labor, the contribution to the development of the Company by the Day of Transport Workers of the Republic of Kazakhstan 15 employees of Transtelecom JSC were rewarded by the awards of KTZ NC JSC and the Minister for Investment and Development of Kazakhstan as follows:

1. Tulbai Kanatovich Abdiyev the advisor to the CEO of Transtelecom JSC - the watch engraved with name from the President of NC KTZ JSC;

2. Igor Vadimovich Kudryavtsev, Executive Director - Managing Director of Astanatranstelecom branch - a letter of thanks of the Minister for Investments and Development of the Republic of Kazakhstan;

3. Gulmira Khassanovna Kurbanova, the expert of "Telecommunications presale" department of Transtelecom JSC's CO - Diploma of the President of KTZ NC JSC;

4. Dinara Zhanzakovna Turekhanova, senior expert of "Operational management" department of Transtelecom JSC's CO - a Letter of thanks of the President of KTZ NC JSC;

5. Rakhila Ibrasheva, section engineer at Beineu station of Atyrautranstelecom JSC - "Adal enbegi ushin" award pin;

6. "Kasibi boiynsha ushin" title to the following employees:

- Maratzhan Saparbekovich Myrzakulov electromechanist of FOCL of the 1st group of the line-cable brigade at the Arys station of the Shymkenttranelecom branch and Kasym Akparovich Balkybekov - the electromechanist of the 1st group of the local network of Astanatanstelecom branch;

7. The title "Уздік мама" - the chief accountant of the branch "Karagandatranstelecom" Makaev Bibigaisa Kazkenovna and the head of the personnel department of the branch "Almatytranstelecom" Zhanyazova Klara Lepesovna;

8. Honorary Certificate of KTZ NC JSC to the following employees:

- Nurbolat Nauryzkhanovich Iskakov - senior electromechanic of CATS at Ayagoz station of Semeytranstelecom branch;
- Irina Viktorovna Balandina - Head of Kostanay node unit of Kostanaytranstelecom branch;
- Baimurat Abzhanovich Yesmambetov - electromechanics of the 2nd group at the Saksaulskaya station of Kyzylordatrestelecom branch ;

9. Letter of Thanks of the President of KTZ NC JSC to the following employees:

- Vasily Nikolayevich Chesnakov - Head of sales service of Kokshetautranstelecom branch;
- Nurbek Turumbekovich Tulepbergenov - Head of Kandyagash communication center of Aktobetranstelecom branch;
- Kanyshay Shaikhinovna Kuderova - accountant of the 1st category of Oskementranstelecom branch.

The awards were presented in a solemn atmosphere in the presence of a team of employees of the central office and branches of the Company.



In honor of the celebration of the national holiday - the Independence Day of the Republic of Kazakhstan, six employees of the Company were awarded for their high achievements in the work with honorary diplomas and pins of KTZ NC JSC, SWF Samruk-Kazyna JSC as follows:

1. Saken Madikhanovich Baituganov, Vice president For Commerce - a certificate of honor of SWF Samruk-Kazyna JSC;

2. Adal enbegi ushin award pin to the following employees:

- Natalya Ivanovna Sektereva, telegraphist of the 5th category of Oskementranstelecom branch;
- Oksana Alexandrovna Telegina, head of the digital automatic telephone exchange and technical telegraph office of Karagandatranstelecom branch;

3. Certificate of honor of the President of KTZ NC JSC to the following employees:

- Gennady Georgievich Litvyakov - senior electromechanic of the 2nd group of CATS workshop of Karagandatranstelecom JSC;Anar Litvyakov branch of Karagandatranstelecom ;
- Saule Toktarovna Zhanetova - the chief of the telegraph shop of the technical branch of Astanatranstelecom JSC;

4. Karlygash Sarbalayevna Dzhumagaliyeva - Letter of thanks of the President of KTZ NC JSC.

Social and recreational activities



On August 17, 2017 the Youth Council and the corporate section of the Company, with the assistance of the trade union organized a sporting event for employees - the 2nd Summer Games of Transtelecom JSC which opened its doors to 16 sports teams in the city of Karaganda. The Sport Games aims to implement the Address of the Head of State to the people of Kazakhstan, to attract employees to a healthy lifestyle, to regular physical education and sports, to promote sports events and values of a healthy lifestyle among the population.



According to the results of the Games, the winners were awarded with valuable prizes and three-degree medals. The team championship was chosen by scoring points for the individual results of each team member.

The general team first place in the 1st Summer Sport games of Transtelecom JSC was awarded to the Kokshetautranstelecom branch.

An honorable second place was awarded to the team of the Central Office and the team of the Kostanayranstelecom branch closes the top three.

As has been previously reported, the winning team gets the opportunity to hold the next Sport Games in their city. The next 3rd Summer Sport Games 2018 will be held in Kokshetau.

As part of the Games among the employees of KTZ NC JSC, dedicated to the Independence Day of the Republic of Kazakhstan, our athletes showed a high level of training, taking the fourth place in volleyball and the team 7th place.

The team of players of Transtelecom JSC took part in the Kazakhstan League of Football Fans and according to the result of 2017 took the 9th place.

Council for Youth Affairs

The Company has its Council of Youth Affairs with the main goal to assist in the professional and social development of young and promising employees of the Company.

In order to increase the role of youth in the production and social activities of the Company, the following activities were carried out within the framework of the Youth Policy Program implementation in 2017:

- In May the planting of trees was organized in Astana by the forces of youth;
- In September 2017, three young employees of the Company took part in "Project Management" and "Future Managers" regional innovative educational training program;
- Young workers during the reporting period actively participated in sports and cultural events of the Company;
- Three active young workers of the Company, participants of the events held within the framework of the Youth Policy Program, received material assistance in the amount of 20 MCI following the results of their performance in 2017.

Trade Union

As of December 31, 2017, the number of employees in the Company is 3267 people, including 3,057 are members of the trade union, which is 94%.

The main task of the trade union is to protect the socio-economic and legal interests of trade 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 presented 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;

- ✓ celebration on May 7 with competitions and festive table decoration;
- ✓ 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);
- ✓ the celebration of the Children's Day on June 1, the children of the Company's employees participated in the contest of poems and stories "Golden Pen" and the Children's Painting Competition "Balausa Bolashak" on the topic of EXPO-2017 through the eyes of children;



- ✓ on the eve of the new year Father Frost and Snow Maiden went with congratulations to the houses of members of the trade union and congratulated the children (they arranged a holiday in each house, handed souvenirs and gifts). At the expense of the trade union funds, three floors of the Emerald Quarter were decorated, photobooths were installed, animators were invited who congratulated the workers on the New Year.
- ✓ carrying out of teambuilding events timed to the "Day of Communication and Information Workers" with the organization of "Exactly to a T" competition, photo collages by blocks, presentations of teams.

Observance of the Human Rights by the Company

The main objective 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 base of the Republic of Kazakhstan. Also, the Company does not interfere with the participation of its employees in political, religious and public activities as individuals and during off-hours.

In 2017, 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 within the framework of existing legislation.

Throughout 2017, the Company strictly complied with the requirements prohibiting the employment of persons under the age of 18 on the ground 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.

Safety in the workplace

Health protection

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 .

The most important direction of our work is to ensure the priority of employees' life and health preservation in the work process.

The Company pays special attention to compliance with all requirements and norms of labor legislation.

Transtelecom JSC steadily invests in the creation of safe jobs, provides employees with the necessary special clothing, footwear and other personal protective equipment in accordance with industry standards. The Company does everything possible to develop a culture of safe work in the company and to promote a healthy lifestyle that is critically important for professional self-realization.

We invest in labor safety improvement

Transtelecom JSC annually develops and implements an occupational health and labor protection, the main costs of which are aimed at purchasing personal protective equipment, special footwear and special clothing, conducting mandatory medical examinations, special assessment of workplaces on working conditions, training in labor protection, and improvement of working conditions of employees.

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.

Rate of accidents

The workers employed in jobs with high risks, harmful and dangerous production factors - electricians employed in work on the operation of overhead communication lines (work at height) and cable men-welders (working in wells) are most vulnerable to high levels of injuries. We pay special attention to provision them with safe working conditions.

Unfortunately, it has not been possible to avoid fatal injuries:

In 2017, Transtelecom JSC had 4 accidents: 1 with a fatal outcome, 2 instances with severe injuries, 1 instance with a slight degree of injury severity. Internal investigations in addition to those required by law were carried out for each accident, the causes of accidents were identified, the action plans have been drawn up to prevent similar incidents in the future.

The compensation for damage in connection with these accidents totaled 9.3 million tenge.

Based on the results of the analysis of production incidents causes, the measures have been developed to eliminate the recurrence of injuries as follows:

- the safety instructions for both office workers and production personnel, containing requirements for the production of work at height, near power lines, and also taking into account the state of work capacity of the employee have been updated.
- the basic directions of Transtelecom JSC development in the field of labor safety have been made up as follows:

    1. Improvement of the organization of work (transfer of safety engineers and labor protection of the branches to the Direct Subordination to the Central Office's OHS service, increase in the number of the OHS Service's staff, the restructuring of the staff in the field of labor safety, the introduction of labor safety indicators in the motivation system of top managers)

    2. Improvement of technical equipment (Plan for the maintenance of communication lines of TTC from power lines, technical re-equipment of communication lines)

    3. Automation of works (drawing up and introduction of electronic order-admission project)

    4. Promotion of occupational health and safety (conducting of behavioral dialogues, interactive communication, webinars, VC, trainings)

In order to improve the OHS system and prevent the growth of injuries. The company outlines a number of primary tasks.

- Improving training and promotion of occupational safety;
- Improving the organization of work;
- Improvement of technical equipment;
- Automation of routine work.

The Company's objective is to develop a culture of security to the level of team spirit.

Transition to a new level of efficiency is possible through a qualitative change in the behavior of production personnel, which shares the values of the Company and every day brings a positive contribution to the achievement of the Company's strategic goals.

Injury rate



Based on the results of the certification held in 2017, KZT 64.7 million was spent on certification measures, including purchase of equipment for meal rooms (electric kettle, boiler), KZT 0.52 million, purchase of medical kits, medicines - KZT 2.867 mln.

Based on the results of production facilities certification over 12 months of 2017 on the working conditions in general in Transtelecom JSC, the number of workers in jobs with harmful, severe and stressful working conditions that do not meet the maximum permissible standards of Sanitary Rules and Regulations **has decreased from 950 people** in 2016, **up to 658 people** in 2017

The number of employees working in areas of increased noise remained unchanged - 136 people.

The number of employees working in an increased level of vibration over 9 months of 2017 remained unchanged compared to 2016 (30 people).

The number of employees working in the zones of increased gas contamination during the reporting period remained unchanged - 7 people at the branches of Pavlodartranstelecom and Kyzylordatranstelecom.

The number of workers employed in the zones of unfavorable temperature conditions as a result of production facilities certification decreased from 108 to 78.

By reducing the number of workplaces (telephonists, telegraphists) of those employed in jobs with stressful working conditions, their number **has decreased from 444 to 216 people.**

The actual costs of complex measures implementation to improve working conditions amounted to 64.7 million tenge. A total of KZT 63.97 million is planned for 12 months of 2017. Costs raising is caused by the excess of expenses, improvement of sanitary and living conditions and bringing the illumination of the premises in line with Sanitary Rules and Regulations, as well as an increase of training costs for managers and officials of the Central Office.

During the reporting period, 589 people passed the OHS trainings, including 13 branch managers and 162 heads of structural units.

524 employees were trained in electrical safety, including 15 heads of branches, 98 heads of structural subdivisions.

A total of 7,223 thousand tenge have been budgeted for measures to improve training and promote occupational safety. Actual costs over the reporting period amounted to 7,239 thousand tenge (an increase is of 0.2%). Costs increase is caused by an increase in the cost for CO managers and senior officials training by KZT 16,000.

During the reporting period, 2 month's campaign "Safety of work" were held. All the departments of the Company took part therein, the extraordinary inspections, meetings, training of employees were held.

Procurements arrangement

Procurement in Transtelecom JSC is governed by the Rules of Procurement of Goods, Works and Services of Samruk-Kazyna JSC and organizations, where fifty or more percent of voting shares (participatory interests) are directly or indirectly owned by Samruk-Kazyna JSC on the right of ownership or trust management approved by the Resolution No.126 of the Board of Directors of Samruk-Kazyna JSC dated January 28, 2013 (the "Rules").

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.

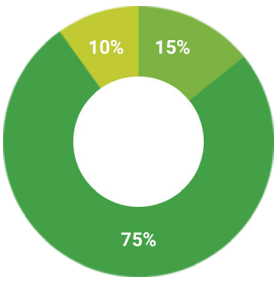
As part of the market research of prices for goods, work and services, inquiries are sent to the Procurement Department of KTZ NC JSC, which allows to achieve an objective market value determination for goods, works and services purchased by Transtelecom JSC as well as identification and standardization of codes of the SND of GWS, according to the format of Samruk-Kazyna JSC;

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

According to the Rules, supplier selection procurement procedure by tender or price proposals are conducted in the Electronic Procurement Information System on http://tender.sk.kz website.

Supplier selection procedures for procurement using a single-source method are carried out by conducting market research of optimally acceptable prices and taking into account fair competition in order to purchase qualitative goods, works and services.

Total volume of purchases

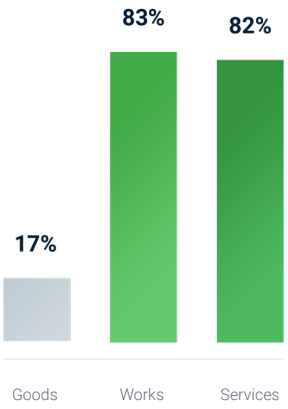


75%	Performed works
15%	Purchased goods
10%	Rendered services

The total volume of Company's purchases over 2017 amounted to 44,369,297.73 thousand tenge, including purchases of goods for the amount of 4,424,142 thousand tenge, works for the amount of 33,492,341 thousand tenge and services for the amount of 6,452,815 thousand tenge.

Local content in purchases of Transtelecom JSC for 2017

Local content in urchases of Transtelecom JSC for 2017, ratio in percent.



the share of local content in the total volume of purchases was 77%, including

purchased goods - 17%,

performed works - 83%

rendered services - 82%.

Monitoring of the share of local content in the procurement of goods, works and services is carried out on the portal of the authorized body of the Fund on procurement issues - "Monitoring Map of Kazakhstan content in procurement" 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 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 a healthy life for future generations. With all the advantages of a high-tech telecommunications operator, we have all the prerequisites and conditions for helping the society move towards energy efficiency, reducing greenhouse gas emissions to the atmosphere and reducing the consumption of resources.

In 2017, 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.

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. List of issues considered by the Board of Directors. At the meetings of the Board of Directors the issues, taking into account the reduction of the negative impact on the environment, including during the approval of Company's structure; approval of the risk management report, approval of the risk mitigation program; approval of bylaws, for example: the KPIs methodology are considered.

To achieve environmental goals, the Company intends:

- 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 to environmental activities, developing and implementing measures to reduce the negative impact on the environment;
- 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 Company's environmental management system in order to improve the efficiency of environmental 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.

Compliance with environmental requirements

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 2017. A program of industrial environmental control and an environmental action plan for 2017 has been drawn up.

No complaints and claims for the period of 2016-2017 from the regulatory monitoring bodies were received.

Over 2017 there are were penalties and other non-financial sanctions imposed for non-compliance with environmental legislation.

Use of energy resources and energy conservation

The activities of telecommunications companies have almost no negative impact on the environment. Sources of minor adverse effects may be wastes that are generated 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 saving is to increase energy efficiency and optimize the use of energy resources.

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

- The Company's energy policy for 2015-2017;
- Goals and objectives of the Company in the field of energy efficiency improvement;
- Action Plan to achieve energy goals and targets for 2015-2020;
- Method of energy analysis, monitoring and calculation of energy efficiency;
- Register of areas of energy significant use (consumption);
- List of energy equipment significantly affecting the use of energy;
- Register of legislative and other requirements in the field of energy management.

In 2016, the ENM inspection audit was held in the Company by "Russian Register" Certification Association (according to the contract No.340/10 of June 24, 2016) and it was recognized as meeting the requirements of ISO 50001:2011 standard.

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:

1. air conditioners and power supply devices of telecommunication equipment (table 1);

2. 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.

Weather conditions also indirectly affect the regimes of significant energy use.

Data on the power equipment of branches

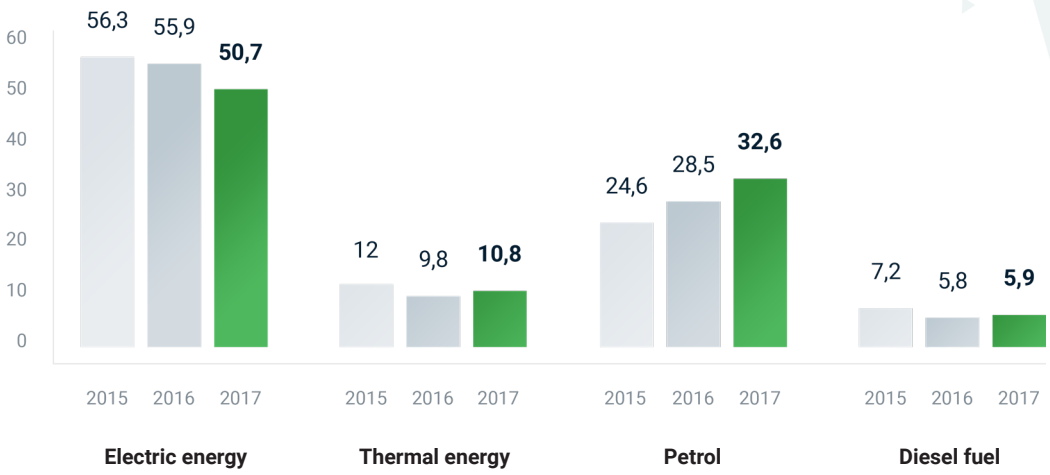
№	Branches	Total rated power, kW	
		Air conditioners	ESPs
1	Aktobe	298,2	259,3
2	Almaty	721,1	214,3
3	Astana	552,2	873,5
4	Atyrau	296,2	222,3
5	Karaganda	344,7	158,6
6	Kokshetau	102,9	246,1
7	Kostanay	78,4	102,3
8	Kyzylorda	221,5	101,3
9	Zhambyl	233,4	172,1
10	Oskemen	96,8	100,5
11	Pavlodar	85,3	105,4
12	Semey	172,5	198,2
13	Shymkent	328,5	97,8
	Total:	**3531,7**	**2851,7**

Transtelecom

Fuel and energy consumption in Transtelecom JSC in 2015-2017.

Indicator name	Un.	2015 over 12 months	2016 over 12 months	2017 over 12 months
The gross volume of commodity output (GVCP)	KZT mln.	**22 587,65**	**27 368,828**	**71 022,449**
Electricity consumption	mln. kW/h	9,723	10,383	10,072
The amount of electricity purchase costs	KZT mln.	163,394	179,178	176,702
Average electricity purchase rate	KZT/kW/h	16804,31	17,26	17,54
The volume of thermal energy consumption	th. Gcal	4,48235	3,951	4,586
The amount of costs for the purchase of thermal energy	KZT mln.	34,796	31,371	37,64
Average purchase tariff for t/energy	KZT/ Gcal	7762,9	7940,78	8208,35
Consumption volume of gasoline engine	TNT eqt	567,69	623,790	648,595
The cost of gasoline engine	KZT mln.	71,297	91,198	113,532
The average purchase price for gasoline engine	KZT/TNT eqt	125 591	146 201	175 043
Volume of consumption of diesel fuel	TNT eqt	178,554	163,102	138,707
The amount of expenses for the purchase of diesel fuel	KZT mln.	20,843	18,579	20,455
Average purchase rate for diesel fuel	KZT/TNT eqt	116 730	116 730	47 469

Share of expenses (%) by types of fuel and energy in KZT



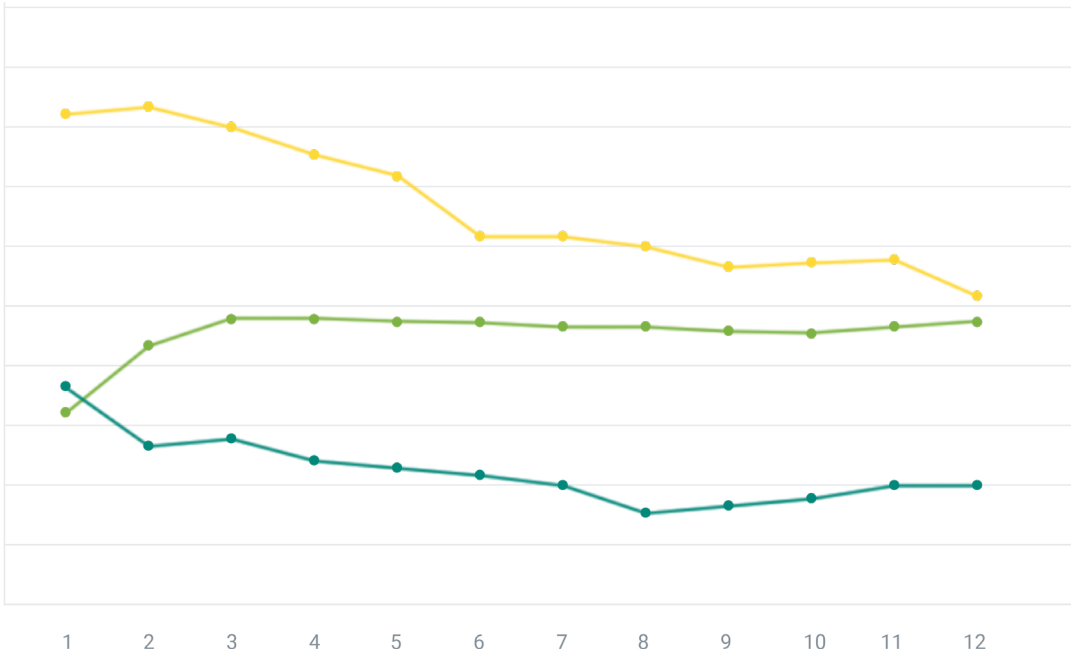
The main indicators of energy efficiency (energy performance indicator) is the following indicators - K1month and K2month as the ratio of acquisition costs of fuel and energy resources in the tenge to income in tenge in the reporting month and accumulated since the beginning of the year, respectively. This indicator is expressed as a percentage (%) and shows what share of income is spent on fuel and energy resources.

Data on the energy efficiency indicator K1acc for each analyzed year from the Company's branches, according to the form of F OM 6.3-12-01

#	Company name	Indicator of energy efficiency, $K_{1acc\ \%}$,%K1		
		2015	2016	2017
1	Aktobetranstelecom	1,68	1,73	1,8
2	Almatytranstelecom	4,14	3,26	3,2
3	Astanatranstelecom	1,08	1,02	0,76
4	Atyrautranstelecom	2,22	2,48	2,25
5	Zhambyltranstelecom	2,24	2,42	2,54
6	Karagandatranstelecom	2,58	2,77	2,52
7	Kokshetautranstelecom	2,89	3,1	3,2
8	Kostanaytranstelecom	2,17	2,77	2,52

#	Company name	Indicator of energy efficiency, $K_{1acc\ \%}$,%K1		
		2015	2016	2017
9	Kyzylordatanstelecom	1,54	1,76	1,89
10	Oskementranstelecom	1,83	2,52	2,86
11	Pavlodartranstelecom	1,87	2,13	2,16
12	Semeytranstelecom	1,66	1,75	1,54
13	Shymkenttrastelecom	3,61	3,67	3,51
14	Transtelecom JSC	**1,29**	**1,17**	**0,49**

Costs of fuel and energy resources to income s, %



Name	Unit	2015	2016	2017	Difference (+/-) 2017/2015	Deviations (%) 2017/2015
Costs with accumulation	KZT	290 329 308	320 326 586	348 330 054	58 000 746	19,98
ВТП с накоплением (доход)	KZT	22 587 645 040	27 368 828 000	71 022 449 000	48 434 803 960	214,43
Indicator, K1acc		1,29	1,17	0,49	0,49	-61,84

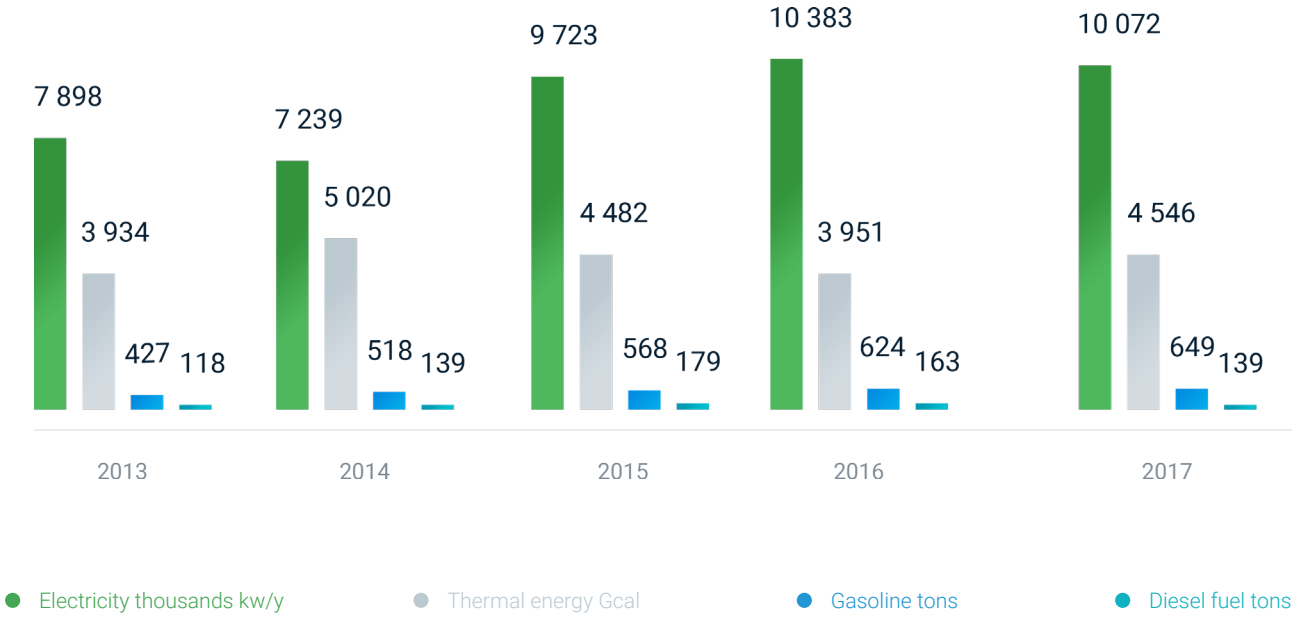
It can be seen from the table that the cost of fuel and energy resources purchasing and income of Transtelecom JSC in 2017, as compared to the base year 2015, increased by 19.98% and 214.43%, respectively.

The indicator of energy efficiency as a whole for the Company over 2017 compared to the base year 2015 decreased by 61.84%.

The dynamics of changes in consumption of fuel and energy resources in volumes.

Types of FER	Unit	2015	2016	2017	difference (+/-) 2017/2015	deviation (%) 2017/2015
Electric power	KW/h*	9 723 331	10 383 117	10 072 138	348 807	3,59
Heat	Gcal	4 482	3 951	4 586	104	2,31
Dis. fuel	tons	178 554	163 102	138 711	-39 843	-22,31
Petrol	tons	567 690	623 790	648 595	80 905	14,25

FER types



The potential for energy efficiency improvement over the next three years is no more than 3% of the baseline energy consumption in 2015.

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 2017-2020.

In 2018, 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 power consumption of telecommunications equipment will be approximately 2,443,154 kW per year, according to preliminary calculations.

Emissions to the atmosphere 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 2017 compared with 2016 decreased and amounted to 733.19 tons.

Branches	2015		2016		2017	
	actual volume	amount	actual volume	amount	actual volume	amount
CO	3,64	2 378,53	3,76	2 632,00	3,90	56 740,00
Astana	55,69	44 470,00	59,12	71 569,00	40,32	41 076,00
Almaty	134,02	225 616,39	114,75	212 155,00	165,56	178 612,00
Aktobe	58,77	74 339,00	66,80	92 608,00	63,09	93 753,00
Atyrau	21,75	28 450,00	25,67	35 931,00	35,95	54 140,00
Zhambyl	21,93	90 468,00	67,87	103 795,00	68,42	113 405,00
Karaganda	62,23	65 180,03	65,77	73 970,00	60,57	72 643,11
Kostanay	25,89	25 870,00	36,30	40 638,00	38,07	113 405,00
Kokshetau	62,12	53 268,00	68,79	62 648,00	68,92	67 730,00
Kyzylorda	41,25	53 749,00	44,02	65 430,00	41,20	65 537,00
Oskemen	17,59	23 009,00	30,05	42 072,00	33,27	50 005,00
Pavlodar	34,48	45 108,00	39,95	55 924,00	46,01	68 951,00
Semey	37,31	48 806,00	38,50	53 898,00	33,75	50 549,00
Shymkent	34,62	45 292,00	33,96	48 372,00	34,16	51 936,00
DETC	74,32	63 833,00	62,81	61 821,00	0,00	0,00
	685,61	**889 836,95**	**758,12**	**1 023 463,00**	**733,19**	**1 013 873,11**

The Company's operation of 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

Year after year, the Company continues to reduce the impact of its activities on nature through the reasonable 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 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

The Board of Directors and the executive body of the Company are building effective corporate governance, which is designed to ensure the successful development of the company while respecting the balance of interests of shareholders, investors and management.

Basic principles of corporate governance

Company management structure

Report of the Company's Board of Directors

The work of the board of directors in 2017

Work of Committees under the Board of Directors

Report on the work of the corporate secretary, 2017

Executive management bodies

Meetings of the Company's Management Board in 2017

Internal Audit Service

Conflict of interest settlement

Anticorruption activity. Ethics and conscientiousness

Anti-terrorism

Values and ethical principles

Quality management

Board of Directors of Transtelecom JSC



Bauyrzhan Pazylbekovich Urynbassarov



Nurali Rakhatovich Aliyev



Yerlan Orentayevich Issekeshev



Askar Baimyrzauly



Marlen Savitovich Mukhanov



Kanat Mukhametkarimovich Dosmukametov



David Richard Hexter

Composition of the Board of the Company



Zhanbolat Urakovich Nadyrov



Yelnar Ruslanovich Adaibekov



Aidos Magauinovich Kanapin



Daniyar Takhirovich Zheksembekov



Saken Madikhanovich Baituganov

11

In 2017, JSC Transtelecom held 11 meetings of the Board of Directors

The Board of Directors decided to open representative offices of the Company in Moscow, the Russian Federation and in Minsk, the Republic of Belarus

25

In 2017, 25 meetings of the Management Board were held, at which 101 decisions were considered and adopted

2017, the gamification system for evaluating the effectiveness of the branches of Transtelecom JSC was launched

General information on corporate governance in the Company

The Board of Directors and the executive body of the Company are responsible for the corporate governance system operation, which is designed to balance the interests of shareholders and management.

In 2016, the medium-term Program for the Improvement of Corporate Governance of Transtelecom JSC for 2016-2017 was adopted. The activities within the Program are aimed at improvement of the Board of Directors performance, performance of the Corporate Secretary, the executive body, the Internal Audit Service, risk management, internal audit, improvement of the mechanisms for confidential reporting of violations, sustainable development and transparency.

During the implementation of the principles of corporate governance in the framework of basic development course, significant work has been done to improve and ensure transparency of the Company's business.

The Company has a mechanism for the collection and confidential examination of information on 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.

Basic principles of corporate governance

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 the basic standards in the field of corporate governance, the essence of which is to give shareholders the opportunity to effectively monitor and control the activities of management and thereby contribute to the Company's capitalization increase.

Improvement of the corporate governance system

In order to improve the corporate governance system of Transtelecom JSC, the Company conducted a diagnosis of corporate governance in accordance with the Corporate Governance Diagnostics Methodology for the companies of Samruk-Kazyna SWF Group, according to this diagnostics based on the Report of Corporate Governance compliance with the best world practice following the results of the corporate governance system diagnostics, the rating of the Company's corporate governance compliance with the requirements of the best world practice amounted to 41.2%.

In pursuance of the recommendations on the elimination of identified non-conformities based on the results of the Company's corporate governance diagnostics, and also in order to further improve the Company's corporate governance system, the Company's Management Board approved the Action Plan for Improvement of Corporate Governance for 2016-2017.

Key actions aimed at improving corporate governance practices in 2017:

- ✓ The Company's Development Strategy was adopted
- ✓ The following documents have been adopted: amendments to the Charter, Regulations on the Board of Directors, Regulations on the Audit Committee under the Board of Directors of Transtelecom JSC, Regulations on the Management Board, Regulations on the Budget Committee, a package of IAS documents, Regulations on Dividend Policy, Tax Accounting Policy, Information Policy and etc.;
- ✓ the work was done to introduce the information system for BoD materials, voting and trainings conduct;
- ✓ the information on the bonuses payable to the members of the Management Board and the Board of Directors was disclosed;
- ✓ the information is disclosed on the corporate website on the periodical basis in a timely manner;
- ✓ the company's report on the results of its financial and economic operation was drawn up in accordance with the "Management comment" IFRS.

Interested party transactions

Interested party transactions are regulated by Article 71 of Joint Stock Companies Law of the Republic of Kazakhstan. In accordance with the requirements of the law, transactions involving the interest of shareholders, members of the Board of Directors or members of the executive bodies must be approved by the Board of Directors or the General Meeting of Shareholders.

Pursuant of the Company's Charter, the exclusive competence of the Board of Directors includes decision-making on the major transactions, as well as Company's interested party transactions and review of quarterly reports on major transactions and Company's interested party transactions.

Pursuant to Paragraph 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", approved by the resolution of the Board of Directors of Samruk-Kazyna JSC as of April 27, 2009 (Minutes No.18), in the frameworks of the goods, works and services procurement, 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.

The Company pays close attention to the identification of interested party transactions and control over their commission. Pursuant to Article 79, paragraph 2-2 of the Republic of Kazakhstan Joint Stock Companies Law and the Rules of information posting on corporate events, financial statements and audit reports on the website of financial statements depository or the stock exchange, adopted by the Management Board of the National Bank of the Republic of Kazakhstan in its Resolution No.26 dated January 28, 2016, the Company approved the procedure of information posting on the website of financial statements depository. Using the Unified Reporting System, the Company posts information about corporate events.

The list of interested-party transactions committed by the Company in 2017 is available on the Company's website at www.ttc.kz in the "Transactions" section

Major transactions

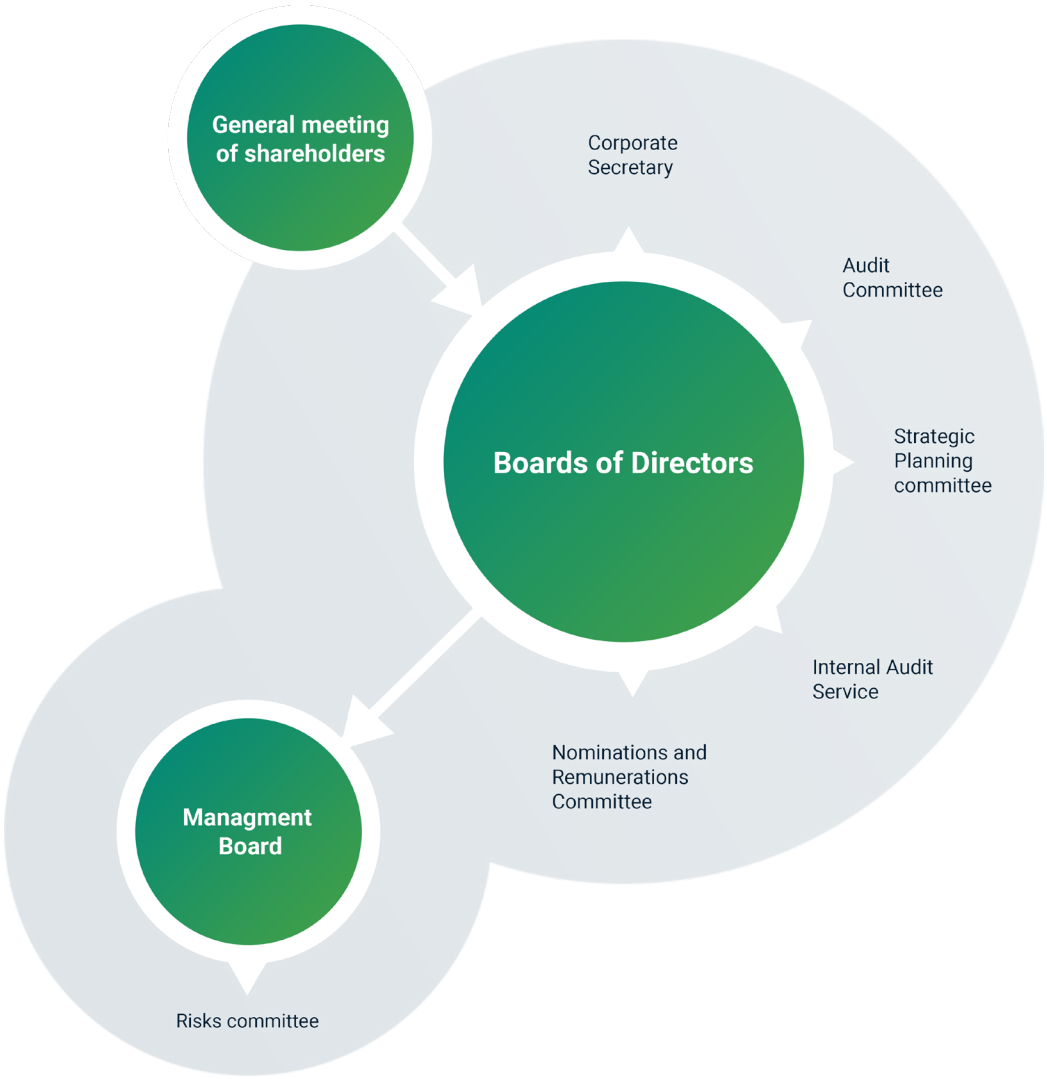
By the decision of the Board of Directors of the Company dated March 17, 2017 (Minutes No.2/2017) two large transactions were concluded with the Branch of KTZ NC JSC - Main Communication Control Center by signing service agreements.

By the decision of the Board of Directors of the Company dated May 18, 2017 (Minutes No.3/2017) a major transaction was concluded with Grand Telecom Limited Partnership by signing a long-term contract for telecommunications services rendering.

Company management structure

In accordance with the Charter of Transtelecom JSC the Company's management is performed as follows:

- by general meeting of shareholders - the supreme management body of the Company;
- by the Board of Directors, which is elected by the General Meeting of Shareholders of the Company to carry out the strategic management of the Company;
- by CEO and the Management Board appointed by the Company's Board of Directors in order to ensure the day-to-day operational management of the Company.



Information about Shareholders

In accordance with the Resolution No.280 of the Government of the Republic of Kazakhstan dated March 31, 2014 "On Approval of the Comprehensive Plan for Privatization for 2014-2016", Transtelecom JSC was included in the list of companies subject to privatization and alienation in a competitive environment. On May 12, 2015 a sale and purchase agreement was signed between KTZ NC JSC and M.S.Mukhanov for a 49% stake in Transtelecom JSC, which become effective on June 16, 2016. According to the register of securities holders as of June 17, 2016: KTZ NC JSC owns 51%, M.S.Mukhanov - 49% of shares.

Shareholders' General Meeting

The highest management body of the Company is the General Meeting of Shareholders. According to the Company's Charter and the current legislation of the Republic of Kazakhstan, shareholders' participation is required for the adoption of a number of the 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 fiscal year. The said period shall be deemed to be extended up to three months where it is impossible to complete Company's audit for the reporting period.

In 2017, the General Meeting of Shareholders was held on August 31 in the form of joint presence of shareholders.

Report of the Company's Board of Directors

Composition of the Board of Directors

The Regulations of the Board of Directors of Transtelecom JSC were drawn up and adopted in 2016 to implement the principle of effective management of the Board of Directors. The Regulations of the Board of Directors determine the status, the procedure for establishment and operation, the composition of the Board of Directors, and the procedure for its interaction with other bodies of the Company, the rights, duties and responsibilities of the members of the Board of Directors, as well as the procedure for election and early termination of their powers.

The General Meeting of Shareholders of Transtelecom JSC in its resolution No.1 dated August 4, 2016 adopted the quantitative composition of the Board of Directors of Transtelecom JSC of 7 people with a term of office of 3 years. During 2017 there were no changes in the composition of the Board of Directors.

The composition of the Board of Directors as of December 31, 2017:

Full name	Job title
Bauyrzhan Pazylbekovich Urynbassarov	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;
Askar Baimyrzauly	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

Transtelecom

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 Transport 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 Kyzyl-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;

from 2017 - Vice President for Infrastructure of 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

Education:

2001-2002 - Pepperdin University, Malibu, California, USA;

2002-2003 - International University, Vienna, Austria;

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

2006 - University of Texas, McCOMBS School of Business, USA. Marketing strategies (EMBA course);

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

Work experience:

2003-2004 - SUCDEN ET DENREES SA Corporation, 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 Managing Director - Member of the Management Board;

2013-2014 - Transtelecom JSC CEO;

2014-2016 - Akimat of Astana Deputy akim.

Social activity:

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, 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 SME 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;

from May 2008 to the present - 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 Jurisprudence;

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 Department of the Legal Support and Claims Department of 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, specialty "Electric Drive and Automation of Industrial Installations 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 Karaganda 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 Karaganda Zhylu LLP, Karaganda

2005 - General Director of Karaganda Zharyk LLP, Karaganda

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

2007-2008 - Deputy akim of the Karaganda region on municipal issues;

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-Energo JSC;

from 2011 - 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.

Candidate of Economic Sciences.

Work experience:

1994 - 2000 - Leading, Chief Economist, Head of Licensing Department, Head of 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 - 2003 - Deputy Director of the Financial Supervision Department of the National Bank of the Republic of Kazakhstan;

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

2006 - 2007 - Managing Director of SAFC Investment Company;

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 Management Board of Development Bank of Kazakhstan JSC;

2016 - to the present - 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 - Oxford University, studied philosophy, politics and economics. Master's Degree in the Humanities;

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's degree in Philosophy;

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

Work experience

1970 - 1992 - held various positions in Citibank;

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

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

Currently he is the Independent Director in the Board of Directors of Piraeus Bank SA, Independent Director in the Board of Directors of Bank Zachodni WBK , Chairman of the Supervisory Board of Private Equity New Markets.

Criteria for selecting the independence of directors, the Chairman of the Management Board and members of the Committees under the Board of Directors

Pursuant to paragraph 90, subparagraph 8) of the Charter of Transtelecom JSC, the issues of determining the number, term of office of the Board of Directors, election of the Chairman and its members and early termination of their powers, as well as determining the amount and terms of remuneration payment and expenses recovery to members of the Board of Directors for execution of their duties are within the exclusive competence of the General Meeting of Shareholders.

Pursuant to the Regulations of the Board of Directors of Transtelecom JSC, candidates for membership in the Board of Directors and members of the Board of Directors must have relevant work experience, skills, qualifications, positive achievements and impeccable reputation in the business and industry environment which are necessary to fulfill their duties and organize effective work of the entire Board of Directors in the interests of the General Meeting of Shareholders and the Company.

To date, the Board of Directors maintains a balance of skills, experience and knowledge, ensuring the adoption of independent, objective and effective decisions in the interests of the Company and taking into account the fair attitude to all shareholders and the principles of sustainable development.

The Board of Directors of the Company includes:

- experts in the field of sustainable development - B.P.Urynbassarov, N.R.Aliyev, A.Baimyrzauly;
- experts in economy, finance and auditing - David Richard Hexter, K.M.Dosmukametov;
- experts in the field of commerce and sales - M.S.Mukhanov, Ye.O.Issekeshev.

Independent directors bring the experience of international management, strategic vision, knowledge of the specifics of the industry where the Company operates in, corporate governance, risk management. All directors also have skills in the field of financial reporting and audit, business planning and project management. Independent directors chair the Committees under the Board of Directors, actively participate in their work, ensure the development of objective decisions taking into account the interests of all shareholders.

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 duties of the independent director, membership in the committees under the Board of Directors;
- ✓ shall be aware of general information on key issues specific to the organization, similar in scope and nature of operations with the Company, he/she shall also demonstrate the understanding of regulatory obligations; competitive environment in national and international markets; features in the field of corporate finance, audit and internal control, strategy and/or on the issues of appointment and/or remuneration to ensure expert opinion in membership in the relevant committee u the Board of Directors of the Company;
- ✓ 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, both during the meetings of the Board of Directors and for proper study of materials for meetings of the Board of Directors.

The Audit Committee and the Nominations and Remunerations Committee are 100% composed of independent directors, the Strategic Planning Committee consists of three Independent Directors and one member of the Board of Directors, where the Independent Director is the Chairman, thus corresponding to Article 53-1, paragraph 3, of the Joint Stock Companies Law of the Republic of Kazakhstan.

The independence criteria for the members of the Committees that are Independent Directors meet the requirements described above.

Criteria for selecting an independence for 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.

Where 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, a fixed fee is not paid.

The independent director receive the reimbursement for 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.

Assessment of the Board of Directors performance, performance of its committees, individual members of the Board of Directors, the Management Board, the Internal Audit Service and its head

Pursuant to the Regulation of the Board of Directors, the Board of Directors assesses its own work, assesses the members of the Board of Directors, assesses the committees under the Board of Directors.

The Board of Directors may perform assessment:

1. by own forces through the questioning, interviewing, etc.;

2. with the involvement of consultants, professional associations and organizations that assign the corporate governance ratings;

3. using a mixed approach: on their own with the process coordinated by consultants.

The assessment of activities for 2017 is planned in the first half of 2018.

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 November 8, 2017 (Minutes No. 9/2017), the KPI maps with actual values and calculations of the remuneration payable to CEO and members of the Management Board of Transtelecom JSC based on the results of 2016 and the Motivational Maps of CEO and members of the Management Board of Transtelecom JSC for 2017 and KPIs passports have been adopted.

The performance assessment of the head of the Internal Audit Service is made on the basis of the Rules of performance assessment and remuneration payment to the head of the Internal Audit Service of Transtelecom JSC, adopted by the Board of Directors of the Company in its resolution dated December 12, 2017 (Minutes No.10/2017). At the same meeting of the Board of Directors, a motivational KPI Map 2017 of the head of the Internal Audit Service of Transtelecom JSC was adopted.

The work
of the board of directors in 2017

Number of meetings and attendance of meetings by members of the Board of Directors

In 2017, Transtelecom JSC held 11 meetings of the Board of Directors, including 8 in-person and 3 in-absentia meetings. In accordance with the best practice of corporate governance, the number of absentee meetings of the Board of Directors was reduced to minimum.

A total of 72 issues were considered on key aspects of Transtelecom JSC's business, 16 orders were issued, all of which have been executed.

Information about the attendance of the meetings of the Board of Directors of Transtelecom JSC by members of the Board of Directors in 2017

#	Director's full name	Participation in the BoD meetings	%
1	B.P.Urynbassarov	8 out of 11	72%
2	N.R.Aliyev	10 out of 11	91%
3	M.S.Mukhanov	11 out of 11	100%
4	A.Baimyrzauly	11 out of 11	100%
5	Ye.O.Issekeshev	10 out of 11	91%
6	K.M.Dosmukametov	8 out of 11	72%
7	David Richard Hexter	10 out of 11	91%

The key issues considered by the Board of Directors and the Management Board in 2017

The key issues considered by the Board of Directors in 2017

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.

Development Strategy

Pursuant to the Joint Stock Companies Law of the Republic of Kazakhstan, the Development Strategy of Transtelecom JSC until 2026 was adopted on January 20, 2017 (Minutes No. 1/2017).

One of the most important areas of work of the Board of Directors in the reporting period was the adoption of a new long-term development strategy for Transtelecom JSC until 2026 (hereinafter referred to as the "Strategy"). As part of the Strategy drawing up, the extensive work was carried out to discuss the draft Strategy, which includes the implementation of following three main areas:

1. Development of telecommunication services, which includes: fixed communication, telegraph communication, wholesale sales, cellular communications;

2. Development of IT services, including: IT services (a single service center, managed security service provider (MSSP), a cloud service provider), IT projects (IT projects in the logistics industry, sectorial IT projects in the prospective markets (oil and gas sector, mining and metallurgical industry, defense industry, education, healthcare, banking, smart cities));

3. Internal transformation, which includes: improvement of corporate governance, development of process management, increase of personnel potential.

The Development Strategy is aimed at increase of the long-term value of the Company and determines the mission, vision, strategic directions of development, goals and objectives for a ten-year period. The mission of Transtelecom JSC is defined as "To create infrastructure opportunities and useful IT solutions, exceeding the expectations of customers and partners."

Establishment of the Internal Audit Service

The Board of Directors of Transtelecom JSC in tis resolution dated October 18, 2016 adopted a new organizational structure of the Central Office of the Company, effective from February 1, 2017, which provides for the Internal Audit Service. The Board of Directors in its resolution dated January 20, 2017 (Minutes No.1) established an Internal Audit Service composed of three people, Dilyara Issamadiyeva was appointed as the head of the Internal Audit Service. During the reporting period, 9 audits were conducted.

Создание Представительств АО «Транстелеком» в г. Москва и г. Минск

For the purpose of further development of Transtelecom JSC's business and entry new foreign markets, it is necessary to carry out measures to expand the geographical presence, in this regard, on December 27, 2017 (Minutes No.11/2017), the Board of Directors decided to open representative offices of the Company in the city of Moscow, Russian Federation and in the city of Minsk, Republic of Belarus.

The main tasks performed by the representative offices in Moscow and Minsk, will be the following ones:

1. work with existing partners of the company, registered in the Russian Federation and the Republic of Belarus;

2. assistance in the search of potential partners for joint projects;

3. analysis of IT and telecommunications market of the Russian Federation and the Republic of Belarus in order to search for new promising areas for business development;

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

Financial and economic activity

- on convocation of the annual General Meeting of Shareholders of Transtelecom JSC;
- on pre-adoption of the annual financial statements of Transtelecom JSC;
- on the provision of proposals to the General Meeting of Shareholders of Transtelecom JSC on the procedure for the distribution of net income of Transtelecom JSC for 2016 and the amount of dividend per one ordinary share of Transtelecom JSC;
- conclusion of transactions of the Company's interest.

Strategic development

- adoption of the Development Strategy of Transtelecom JSC until 2026;
- consideration of the report on the budget execution of Transtelecom JSC for 2016;
- adoption of the budget of Transtelecom JSC for 2018;
- adoption of the Development Plan 2018-2022 of Transtelecom JSC.

Corporate governance

- election, determination of the term of office and amount of the official salary of CEO and members of the Management Board of Transtelecom JSC;
- adoption of Motivational Maps of the CEO, members of the Management Board and Head of the Internal Audit Service of Transtelecom JSC for 2017 as well as their KPIs passports;
- hearing of reports of executed instructions issued by the Board of Directors of Transtelecom JSC;
- adoption of a new version of the Regulations on the Audit Committee under the Board of Directors of Transtelecom JSC;
- adoption of the total number of employees and the structure of Transtelecom JSC's Central Office;
- preliminary consideration and adoption of the issue: "On adoption of changes and additions to the Charter of Transtelecom JSC", subject to submission to the General Meeting of Shareholders for consideration;

- preliminary consideration and adoption of the issue: "On adoption of changes and additions to the Regulations on the Board of Directors of Transtelecom JSC", subject to submission to the General Meeting of Shareholders for consideration.

Internal audit

- determination of the number of staff, term of office of the Internal Audit Service, the appointment of its head, the amount of the salary of the head of the Internal Audit Service and qualification requirements for the head and employees of the Internal Audit Service;
- adoption of the annual audit plan of the Internal Audit Service of the Company for 2017 and 2018;
- on a quarterly basis, the Board of Directors hears the reports of the Internal Audit Service.

In the field of sustainable development

- adoption of the scheme of salaries of administrative - management and production personnel of the Central Office of Transtelecom JSC;
- adoption of a new version of Rules for the sale of a dwelling in installments to employees of Transtelecom JSC and registration of those in need of housing and improvement of housing conditions;
- on adoption of a new version of an Integrated Management System Manual "Regulation on the compensations and benefits payment to administrative, management and production personnel of Transtelecom JSC's Central Office."
- adoption of amendments to the Regulations on the branches of Transtelecom JSC.

The key issues considered by the Management Board in 2017

The competence of the Management Board of the Company includes the resolution of all issues of the Company's activities which according to the Law, other legislative acts of the Republic of Kazakhstan and the Charter are not within the competence of other bodies and officials of the Company.

During the reporting period, 24 meetings of the Company's Management Board were held, where 101 issues within the competence of the Company's Management Board were considered.

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 work out opinions on the agenda of the meeting of the Board of Directors and voice this position at a meeting of the Board of Directors. 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 from shareholders regarding the Company.

Work of Committees
under the Board of Directors

In order to support the work of the Board of Directors, the Company has established the following committees, the duties of which include consideration of issues and development of recommendations on a particular issue within the framework of their functional duties:

- Audit Committee;
- Nominations 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.

Work of the Audit Committee under the Board of Directors in 2017

The Audit Committee under the Board of Directors of Transtelecom JSC (hereinafter referred to as the Committee) operates in accordance with the Regulations on the Audit Committee under the Board of Directors of Transtelecom JSC, adopted by the Board of Directors of the Company in its resolution dated March 17, 2017 (Minutes No. 2/2017).

In accordance with the resolution of the Board of Directors of Transtelecom JSC dated August 31, 2016. No.6/2016 the new composition of the Audit Committee was defined:

Composition of the Audit Committee

#	Full name	Job title	Member of the Committee from:
1	Hexter David Richard	Independent Director of Transtelecom JSC, Committee member	August 31, 2016
2	Kanat Mukhametkarimovich Dosmukametov	Independent Director of Transtelecom JSC, Committee member	August 31, 2016
3	Yerlan Orentayevich Issekeshev	Independent Director of Transtelecom JSC, the Chairperson of the Committee	August 31, 2016

During the reporting period, the Committee held 6 meetings, all of which were in-person ones. Pursuant to the agendas of the meetings, the Committee considered 17 issues, and issued relevant recommendations to the Board of Directors of the Company on the issues discussed.

During the reporting period the Committee discussed all the issues within the competence of the Committee at its meetings.

Regarding internal audit issues

The Committee reviewed and made recommendations to the Board of Directors on the issues of:

1. development of recommendations on determining the number, terms of office of the Internal Audit Service, the appointment of its head, the amount of the salary of the head of the Internal Audit Service and qualification requirements for the head and employees of the Internal Audit Service.

2. preliminary adoption of the Regulations on the Internal Audit Service of Transtelecom JSC.

3. preliminary adoption of the Audit plan 2018 of the Internal Audit Service of Transtelecom JSC.

4. development of recommendations on the appointment, determination of the term of office and the amount of the official salary of an employee of the Internal Audit Service of Transtelecom .

5. appointment of the Secretary of the Audit Committee under the Board of Directors of Transtelecom JSC.

6. preliminary adoption of the Guidelines for the organization of internal audit in Transtelecom JSC.

7. development of recommendations on the appointment, determination of the term of office and the amount of the official salary of an employee of the Internal Audit Service of Transtelecom JSC.

8. preliminary adoption of the report of the Internal Audit Service of Transtelecom JSC for the 2nd quarter of 2017.

9. taking into account the audit report of the Internal Audit Service of Transtelecom JSC based on the results of "Audit of key performance indicators of management".

10. preliminary adoption of the Audit Plan 2018 of the Internal Audit Service of Transtelecom JSC.

On financial reporting issues

The Committee reviewed and made advices to the Board of Directors on the following issues:

1. On the preliminary adoption of the annual financial statements of Transtelecom JSC.

2. On the preliminary adoption of a new version of the Tax Accounting Policy of Transtelecom JSC.

On organizational issues and issues related to the work of the Board of Directors:

The Committee reviewed and made advices to the Board of Directors on the following issues:

1. On election of the Chairperson of the current meeting of the Audit Committee under the Board of Directors of Transtelecom JSC.

Presence of the members of the Audit Committee at the meetings held in 2017

#	Full name	Total number of meetings	Presence at the meetings (number)	Presence at the meetings (%)
1	Hexter David Richard	6	4	67
2	Kanat Mukhametkarimovich Dosmukametov	6	5	83
3	Yerlan Orentayevich Issekeshev	6	5	87

In general, during the reporting period, the Audit Committee regularly supervised the work of the Internal Audit Service and also held meetings with representatives of the Company on the issues being supervised.

Work of the Nominations and Remunerations Committee under the Board of Directors in 2017

The Nominations and Remunerations Committee under the Board of Directors of Transtelecom JSC (hereinafter - the Committee) was established in accordance with the resolution of the Board of Directors of Transtelecom JSC dated August 31, 2016 and operates in accordance with the Regulations on the Nominations and Remunerations Committee under the Board of Directors of Transtelecom JSC, adopted by the Board of Directors of the Company in its resolution dated August 31, 2016, Minutes No. 6/2016.

Pursuant to the resolution of the Board of Directors of Transtelecom JSC dated August 31, 2016, No.6/2016 the new members of the Nominations and Remunerations Committee have been elected:

Composition of the Nominations and Remunerations Committee

#	Full name	Job title	Member of the Committee from:
1	Yerlan Orentayevich Issekeshev	Independent Director of Transtelecom JSC, the Chairperson of the Committee	August 31, 2016
2	Kanat Mukhametkarimovich Dosmukametov	Independent Director of Transtelecom JSC, Committee member	August 31, 2016
3	David Richard Hexter	Independent Director of Transtelecom JSC, Committee member	August 31, 2016

During the reporting period, the Committee held 6 meetings: 5 in-person meetings and 1 in-absentee meeting. Pursuant to the agendas of the meetings, the Committee considered 17 issues, and provided relevant recommendations to the Board of Directors of the Company on the matters discussed.

During the reporting period the Committee discussed all the issues of the business within the competence of the Committee at its meetings.

On personnel matters

The Committee reviewed and made recommendations to the Board of Directors on the issues of:

1. early termination of powers, election, determination of the term of office and amount of the official salary of CEO and members of the Management Board of Transtelecom JSC;

2. adoption of a new version of the Regulations on the Audit Committee under the Board of Directors of Transtelecom JSC;

3. appointment, determination of the term of office of the Corporate Secretary, early termination of his/her powers;

4. making changes to the resolution on the third agenda issues of Transtelecom JSC's Board of Directors meeting as of January 20, 2017 (Minutes No.1/2017).

On remuneration matters

The Committee reviewed and provided recommendations to the Board of Directors on the following issues:

1. approval of the official salaries schemes of Transtelecom JSC's Central Office employees;

2. amendment of the official salaries scheme of the administrative, managerial and production personnel of Transtelecom JSC's Central Office;

3. approval of the new Rules of performance evaluation and bonus payment to the top-level managers of Transtelecom JSC;

4. approval of the KPIs Map with actual values and calculation of the amount of bonus payable to CEO and members of the Management Board of Transtelecom JSC based on the results of work in 2016;

5. approval of the Rules of performance evaluation and bonus payment to the head of the Internal Audit Service of Transtelecom JSC;

6. approval of KPIs Motivational Map of the Head of the Internal Audit Service of Transtelecom JSC for 2017;

7. approval of a new version of the Integrated Management System Manual "Rules of performance evaluation and bonus payment to top-level managers of Transtelecom JSC";

8. approval of the Motivational Map 2017 and amendment of the Motivational Map 2017 of some members of the Management Board of Transtelecom JSC";

9. approval of a new version of the Integrated Management System Manual "The policy of salaries payment to administrative and production personnel of the Central Office of Transtelecom Joint Stock Company";

10. bonus payment to the Chairman, members of the Management Board, Corporate Secretary, employees of the Internal Audit Service of Transtelecom JSC to the Independence Day of the Republic of Kazakhstan.

On organizational issues and issues related to the work of the Board of Directors:

The Committee reviewed and provided recommendations to the Board of Directors on the following issues:

1. provision of the necessary explanations to the Management Board of Transtelecom JSC (explanation of the admissibility of the Board of Directors' meeting initiation by the Management Board of Transtelecom JSC, with the inclusion of the issues of the Internal Audit Service discussed earlier in the meetings of the Nominations and Remunerations Committee to the meeting agenda, without the right to consider the relevant materials by the Management Board of Transtelecom JSC in essence);

2. approval of the agenda of the Nominations and Remunerations Committee under the Board of Directors of Transtelecom JSC;

3. election of the Chairman of the current meeting of the Nominations and Remunerations Committee under the Board of Directors of Transtelecom JSC.

Committee's meetings in 2017:

Presence of the members of the Nominations and Remunerations Committee at the meetings held in 2017

#	Full name	Total number of meetings	Presence at the meetings (number)	Presence at the meetings (%)
1	Yerlan Orentayevich Issekeshev	6	5	83
2	Kanat Mukhametkarimovich Dosmukametov	6	5	83
3	David Richard Hexter	6	5	83

Over 2017, the Committee has fully executed its missions, tasks and functional responsibilities pursuant to the Regulations on the Committee.

The Work of the Strategic Planning Committee in 2017

The mission of the Strategic Planning Committee under the Board of Directors (hereinafter referred to as the Committee) is a deep and thorough consideration of issues and making advices to the Board of Directors on the quality of the decisions made.

Pursuant to the resolution of the Board of Directors of Transtelecom JSC as of August 31, 2016, Minutes No. 6/2016, the following persons were appointed as members of the Strategic Planning Committee under the Board of Directors of Transtelecom JSC:

Composition of the Strategic Planning Committee

(as of 31.12.2017)

#	Full name	Job title	Member of the Committee from:
1	Kanat Mukhametkarimovich Dosmukametov	Independent Director of Transtelecom JSC, the Chairperson of the Committee	August 31, 2016
2	David Richard Hexter	Independent Director of Transtelecom JSC, Committee member	August 31, 2016
3	Yerlan Orentayevich Issekeshev	Independent Director of Transtelecom JSC, Committee member	August 31, 2016
4	Askar Baimyrzauly	Member of the Board of Directors of Transtelecom JSC, Committee member	August 31, 2016

During 2017 the Committee held 7 in-person meetings. Pursuant to the meetings agendas, the Committee considered 14 issues and presented relevant recommendations to the Board of Directors.

During the reporting period the Committee discussed all the issues within the competence of the Committee at its meetings.

The Committee reviewed and provided recommendations to the Board of Directors on such issues as:

- ✓ Making up the recommendations on the adoption of the Development Strategy of Transtelecom JSC until 2026;
- ✓ Preliminary adoption of the budget execution report of Transtelecom JSC for 2016;
- ✓ Preliminary consideration of additions and changes to the Charter of Transtelecom JSC;
- ✓ Preliminary adoption of the Adjusted Budget 2017 of Transtelecom JSC;
- ✓ Preliminary review of documents submitted to the Board of Directors for consideration, which contain information on the strategies execution, achievement of the target values of strategic KPIs;
- ✓ Preliminary adoption of the Budget 2018 of Transtelecom JSC;
- ✓ Preliminary adoption of the Development Plan 2018-2022 of Transtelecom JSC.

Meetings of the Strategic Planning Committee in 2017:

Presence of the members of the Strategic Planning Committee at the meetings held in 2017

#	Full name	Total number of meetings	Presence at the meetings (number)	Presence at the meetings (%)
1	Kanat Mukhametkarimovich Dosmukametov	7	6	86
2	David Richard Hexter	7	6	86
3	Yerlan Orentayevich Issekeshev	7	5	71
4	Askar Baimyrzauly	7	7	100

Over 2017, the Committee has fully executed its missions, tasks and functional responsibilities pursuant to the Regulations on the Committee.

The Committee has examined 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, 2017

Regulation on the Corporate Secretary

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:

1. 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;

2. assurance of efficient operation of the Board of Directors and its committees.

3. 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;

4. assurance of Company's important information storage, disclosure and submission, as well as maintenance of a high level information transparency.

5. assurance of a clear and effective interaction between the Company's bodies, including between the Company and the General Meeting of Shareholders.

The work of the Corporate Secretary in 2017

In 2017, Transtelecom JSC held 11 meetings of the Board of Directors, including 8 in-person and 3 in-absentia meetings. In accordance with the best practice of corporate governance, the number of absentee meetings of the Board of Directors was reduced to minimum. In total, 72 issues were considered on key aspects of Transtelecom JSC's business. Also, 7 meetings of the Strategic Planning Committee and 6 meetings of the Nominations and Remunerations Committee were held.

The Corporate Secretary provided an analysis of the materials submitted for consideration to the Board of Directors/ Committees and structural divisions of the Company for compliance with the legislation of the Republic of Kazakhstan and Company's bylaws.

During the reporting period, in order to ensure the effective operation of the Board of Directors, the Corporate Secretary's Office ensured the following:

- ✓ drawing up and distribution of materials required for the organization and conduct of meetings of the Board of Directors, Committees (notice of meetings, draft resolutions on the agenda issue of the meeting, draft documents for preliminary review, etc.);
- ✓ timely execution of documents submitted for consideration to the Board of Directors, Committees, in accordance with the established procedure; drawing up of requests and replies to letters on behalf of the Board of Directors, distribution of documents adopted by the Board of Directors;
- ✓ taking into account the in-absentee holding of meetings, the relevant ballots were drawn up and sent to the members of the Board of Directors for voting, the completed ballots were received back, the written opinions were received from the Directors and were transferred to the Chairperson of the Board of Directors.
- ✓ assurance of materials translation for meetings of the Board of Directors/Committees into English, as well as consecutive/simultaneous translation of meetings of the Board of Directors/Committees from the Russian language and/or into English.

In general, during the reporting period, the Corporate Secretary ensured the implementation of a wide range of tasks and functions prescribed by the Company's bylaws, including tasks to ensure the effective operation of the Board of Directors, as well as clear and effective interaction between the Board of Directors, the General Meeting of Shareholders and the Company's Management Board.

The work of the Board of Directors of Transtelecom JSC in 2017 was aimed at establishment of the necessary conditions for maintenance of stable operation of Transtelecom JSC and its development as the largest communication operator in the Republic of Kazakhstan, increasing the capitalization and investment attractiveness of the Company, ensuring effective control over the disposal of assets, investment and financial and economic activities, improving the effectiveness and transparency of internal management mechanisms, improving the monitoring system and accountability of the Company's management bodies, observance of shareholders' rights.

In 2017, the Board of Directors fully met the goals, objectives and functional responsibilities established by the Code of Corporate Governance, the Charter, the Regulations of the Board of Directors of the Company.

Executive management bodies

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 people.

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 duties of the members of the Management Board are determined by the legislation of the Republic of Kazakhstan, the Company's Charter, the Regulations on the Management Board, and the employment 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, 2017)

Full name	Job title
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	Acting Vice President for Corporate Governance and Legal Affairs
Saken Madikhanovich Baituganov	Executive Director for Commerce
Aidos Magauinovich Kanapin	Acting Executive Director for Legal Affairs, Member of the Management Board

The track record of Management Board's members



Zhanbolat Urakovich Nadyrov

Chairman of the Management Board CEO

Date of birth: April 18, 1974

Citizenship: Republic of Kazakhstan (Karaganda region)

Education:

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

Work experience:

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.



Alexander Vladimirovich Levitanus

Vice President for Production

Date of birth: January 1, 1963

Citizenship: Republic of Kazakhstan (East Kazakhstan region)

Education:

He graduated from V.I.Lenin Kazakh Polytechnic Institute in the field of automation of metallurgical production;

In 2007 Alexand Levitanus graduated from the State University - Higher School of Economics, majoring in MBA - Master of Business Administration (MBA) N018281;

In 2010, Doctor of Business Administration (DBA) per N15. Minutes N16.

Work experience:

From 1983 to 1991, held a position of the 5th category mechanic for instrumentation and automation of "UMP";

From 1991 to 1993, Master of Engineering Department at "UMP";

From 1995 - 2012 Alexandr Levitanus held the position of director of Raiting LLP company, from May 30, 2002 to December 5, 2008 - the Chairman of the Board of Directors of Raiting LLP;

From July 2, 2008, the Director of "UMP" OJSC, "CP UMP" LLP;

From April 12, 2012 according to the resolution of the Board of Directors of the Company - acting Vice-President for Production - Member of the Management Board of the Company;

From March 13, 2013 to January 20, 2017, the Vice-President for Production - member of the Management Board of the Company;

Corresponding Member of the International Academy of Informatization (diploma No. 341);

By decree of December 8, 2006 Mr.Lavitanus was awarded the "Yeren Yenbegi Ushin" medal.



Daniyar Takhirovich Zheksembekov

Vice President for Economy, Procurements and Commerce

Date of birth: August 18, 1988

Citizenship: Republic of Kazakhstan

Education:

Graduated from London Metropolitan University with a degree in Finance.

Advanced Training 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".

Work experience:

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;

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 Corporate Governance and Legal Affairs

Date of birth: February 18, 1986

Citizenship: Republic of Kazakhstan (Almaty)

Education:

He graduated from Kings College London, University of London, majoring in BSc Computer Science.

Work experience:

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 2012 to 2015 Yelnar Adibekov worked as Deputy General Director in 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 for Commerce

Date of birth: July 14, 1974

Citizenship: Republic of Kazakhstan (South Kazakhstan region)

Education:

In 1997 he graduated from the Kazakh Chemical and Technological University majoring in Mechanical Engineering.

Work experience:

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 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 position 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.



Andrey Alexandrovich Sapronov

Executive Director for Modernization and Development

Date of birth: August 31, 1967

Citizenship: Republic of Kazakhstan (Almaty region)

Education:

He graduated from the Tomsk Institute of Automated Control Systems and Radioelectrics, majoring in the electronic computing equipment design and production;

In 2002 Mr.Sapronov graduated from the Institute of Economics and Finance with a degree in Economics.

Work experience:

From 1999 to 2003 held positions of head of Mini-ATS department, the technical director of ComInTel LLP;

From 2003 to 2012 he worked as the Executive Director for Project Work, the Director of the Project Development and Implementation Department, the Chief Technical Officer, the Chief Technical Expert, the Vice President - the Chief Technical Officer, the Chief Engineer of the Company;

On April 18, 2012, according to the resolution of the Board of Directors of the Company, Mr.Sapronov was elected as Executive Director for Modernization and Development, member of the Management Board of the Company;

On April 14, 2015, according to the resolution of the Board of Directors of the Company, he was re-elected as a member of the Management Board;

From January 20, 2017, according to the resolution of the Board of Directors, the authorities of Andrey Sapronov were terminated prematurely.



Zharkimbek Ishanbekovich Khiduanov

Executive Director - Director of "Directorate for the operation of the telecommunications network" branch

Date of birth: January 25, 1956

Citizenship: Republic of Kazakhstan (Kyzylorda region)

Education:

He graduated from the Kazakh Academy of Transport and Communications majoring in power engineering

Work experience:

From 2000 to 2008 he worked as a senior electromechanic of telegraph at Kyzylorda station, Deputy Managing Director of the branch, Managing Director of Kyzylordatelecom branch;

In 2008 Mr.Khiduanov worked as a Technical Director of Astanatranstelecom JSC ;

From 2008 to 2012 he worked as the Managing Director of Kokshetautranstelecom branch;

On January 10, 2013, according to the resolution of the Board of Directors of the Company, Zharkimbek Khiduanov was elected as Executive Director - Director of the "Telecommunications Network Operation Directorate" branch - a member of the Management Board of the Company;

On April 14, 2015, according to the resolution of the Board of Directors of the Company, Mr.Khiduanov was re-elected as 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, authorities of Mr.Khiduanov have been terminated prematurely.



Aidos Magauinovich Kanapin

Executive Director for Legal Affairs

Date of birth: December 10, 1976

Citizenship: Republic of Kazakhstan (Nurtaldy village, Shetsky district, Karaganda region)

Education:

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

Work experience:

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;

From June 2015 to the present holds the position of 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 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.

Meetings of the Company's Management Board in 2017

The Company Management Board's operation is determined by the principles described in the Charter, the Corporate Governance Code and the Regulations on the Management Board. In 2017, 25 meetings of the Management Board were held, where 101 issues, which according to the Charter attributed to the competence of the executive body, were considered with the follow-up decision-making. 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)	Comment
Zhanbolat Urakovich Nadyro	25	21	Was reelected by the resolution of the Board of Directors of December 14, 2016 No. 10/2016, of January 20, 2017 No. 1/2017
Alexandr Vladimirovich Levitanus	3	3	Was reelected by the resolution of the Board of Directors of April 14, 2015 No.3/2015 (The authorities were preliminary terminated by the resolution of the Board of Directors of January 20, 2017 No.1/2017)
Daniyar Takhirovich Zheksembekov	23	23	Was elected by the resolution of the Board of Directors of November 17, 2016 No. 9/2016, of January 20, 2017 No. 1/2017, of December 12, 2017 No. 10/2017
Yelnar Ruslanovich Adaibekov	25	22	Was elected by the resolution of the Board of Directors of April 14, 2015 No.3/2015, of January 20, 2017 No.1/2017
Saken Madikhanovich Baituganov	23	16	Was reelected by the resolution of the Board of Directors of April 14, 2015 No. 3/2015, of January 20, 2017 No.1/2017, of December 12, 2017 No.10/2017
Aidos Magauinovich Kanapin	25	25	Was elected by the resolution of the Board of Directors of August 14, 2015 No.7/2015, of January 20, 2017 No.1/2017
Andrey Alexandrovich Sapronov	3	3	Was reelected by the resolution of the Board of Directors of April 14, 2015 No.3/2015 (The authorities were preliminary terminated by the resolution of the Board of Directors of January 20, 2017 No.1/2017)
Zharkinbek Ishanbekovich Khiduanov	3	3	Was reelected by the resolution of the Board of Directors of April 14, 2015 No.3/2015 (The authorities were preliminary terminated by the resolution of the Board of Directors of January 20, 2017 No.1/2017)

The key issues considered at the meeting of the Board are the following ones:

1. **approval of the staffing table** (amendment) of the CO and its branches;

2. **approval of bylaws:**

- The integrated management system manual "Instruction on filling vacancies in the new organizational structure of the Central Office of Transtelecom JSC;
- The integrated management system manual "Rules of official salaries and bonuses determination for administrative and production personnel of the central office of Transtelecom JSC;
- The integrated management system manual "Regulations on the selection of personnel" as amended;
- The integrated management system manual "Methods for the analysis of financial indicators of Transtelecom JSC";
- Regulations on the Investment Committee of Transtelecom JSC;
- Regulations on the Budget Committee of Transtelecom JSC;
- Regulations on the Technical Council of Transtelecom JSC as amended;
- Regulations on the work with floating assets of Transtelecom JSC as amended;
- Regulations on the Council for the improvement of Transtelecom JSC;
- Regulations on the GREEN movement in Transtelecom JSC;
- The policy of Transtelecom JSC in the field of safety and labor protection;
- The financial policy of Transtelecom JSC as amended;
- Policy in the field of project management of Transtelecom JSC;
- Information Policy of Transtelecom JSC.

3. **adoption as follows:**

- KPIs Maps with actual values for Executive Directors of the Central Office that are not members of the Management Board of Transtelecom JSC, based on the results of work during 2016;
- Motivational Maps for 2017 for senior officials of the Central Office that are not members of the Management Board of Transtelecom JSC;
- Composition of the Risks Committee of Transtelecom JSC as amended.

4. **on procurement issues:**

- procurement of works for commissioning the equipment of "Energy Dispatch Traction" Automated Control System at the level of Locomotive on the locomotives of KTZ- Freight Transpiration JSC through the single source procurements from TNS-Intec LLP for a total of 104 753 600 (one hundred four million seven hundred fifty three thousand six hundred) tenge including VAT;
- services procurement:

  1. to conduct an audit of the energy management system from Russian Register Eurasia LLP through the single source procurements for a total of 1,900,000 (one million nine hundred thousand) tenge, excluding VAT;

  2. to conduct a recertification audit on the quality management system through the single source procurements from the Russian Register Eurasia LLP for a total of 2,850,000 (two million eight hundred and fifty thousand) tenge, excluding VAT;

  3. to conduct a recertification audit of the environmental management system through the single-source procurements from the Russian Register Eurasia LLP for a total of 2,850,000 (two million eight hundred and fifty thousand) tenge, excluding VAT.

- procurement of legal advisory services and representation services due to representation in international jurisdictions and arbitration from Curtis, Mallet-Prevost, Colt&Mosle LLP through the single source procurements for a total amount of $85,000 excluding VAT;
- procurement of Microsoft server licensed software through the single source from Corporate Business Systems LLP for a total amount of 798,376,909 (seven hundred and ninety-eight million three hundred and seventy-six thousand nine hundred and nine) tenge, excluding VAT;
- procurement of services for the provision of 20 licenses for the right to use licensed Microsoft SQLSvrEntCore ALNG LicSAPk MVL 2Lic CoreLic software through the single
- source from Corporate Business Systems LLP for a three-year period for a total amount of not more than 156 034 145.40 (one hundred and fifty six million thirty thousand four hundred and forty five) tenge excluding VAT (52 011 381.80 tenge per year) ;
- purchase of works on repair/modernization of telecommunication equipment through the single source for a total of 172 984 401 (one hundred seventy two million nine hundred and eighty four thousand four hundred and one) tenge excluding VAT from Astana New Technologies-2008 LLP.

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 single 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 from the result of the activity, which are highly likely to be achieved on condition of conscientious performance of official duties. Target values characterize the expected level of high performance results. 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 bonuses paid to key management personnel of the Company (the total amount of wages and all types of cash incentives) amounted to 338 971,059 thousand tenge.

#	KPI name	Un.	2017		Performance
			Plan	2017 Actual	
Performance indicators					
1	Labor productivity of Transtelecom JSC's employees	KZT th./person	24 111	23 801,1	96,8
2	Growth in the number of users of broadband Internet access in relation to the previous year	%	100	114,62	125
3	Level of reliability of the backbone network	%	99,3	99,83	125
Financial indicators					
4	EBITDA margin	%	27,96	28,93	106,9
5	Net income	KZT th.	5 549 941	5 331 602	90,2
6	ROE - return on equity	%	22,71	21,91	91,2

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:

1. 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);

2. approval (preliminary review by the Audit Committee) of a risk-oriented annual audit plan by the Board of Directors;

3. 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);

4. 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);

5. 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 periodically evaluates the effectiveness of the internal control system and the risk management system using generally accepted performance standards and best practices.

In 2017, the actual staff number of the IAS was 3 people.

In 2017, according to the Annual Audit Plan approved by the resolution of the Board of Directors of the Company dated March 17, 2017 (Minutes No. 2/2017), 9 scheduled audits were conducted. The main areas of audit were related to the assessment of the risk management, internal control and corporate governance procedures effectiveness in various areas of the Company's operation, including telecommunications processes, information technology, investment activities and commercial 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 settlement

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 ensures the fullest and promptest identification of corporate conflicts, if they can arise in the Company, and a clear coordination of the 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.

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 Company's branches, the organization of such work should be entrusted to their heads. 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;

- states the personal position on the essence of the conflict, takes an appropriate decision and brings it to the attention of shareholders as soon as possible.

In 2017 there were no instances of conflict of interest in the Company.

Anticorruption activity. Ethics and conscientiousness

Anti-corruption is one of the strategic objectives of the development of Transtelecom JSC's development. The Company is combating against any manifestations of corruption, which is seen as one of the systemic threats to national security.

Transtelecom JSC, being a Company with state participation, is guided by the principles and priorities that are fixed in the state policy on anti-corruption and therefore takes into account all the current requirements of the legislation of the Republic of Kazakhstan in this field.

Anti-corruption activities management

In the context of the economic crisis and within the frameworks of the Plan of the Nation - 100 concrete steps, proclaimed by the President of the Republic of Kazakhstan, the anti-corruption legislative base has been significantly updated. An important feature of the new anti-corruption legislation is that, apart from guarantees for protecting business activities from corruption challenges, the entrepreneurs are referred to entities that implement anti-corruption measures, and therefore must take measures to localize the causes and conditions that facilitate the commission of corruption offenses.

Anti-corruption and anti-fraud are among the strategic tasks of Transtelecom JSC's development.

In accordance with the Anti-Fraud and Anti-Corruption Policies, approved in the Company in November 2015, all employees of the Company are guided and strictly observe its principles:

- ✓ Legality
- ✓ recognition, maintenance and protection of the fundamental rights and freedoms of man and citizen;
- ✓ publicity and openness of the Company's employees in their activities;
- ✓ inevitability of responsibility for the commission of corruption offenses;
- ✓ assistance in the formation of a legal culture among employees of the Company, which rejects fraud and corruption, ensuring the principles of honesty and integrity in the performance of official duties;
- ✓ implementation of anti-corruption propaganda;
- ✓ comprehensive use of political, organizational, information, propaganda, socio-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 unlawful 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 norms of the current legislation of the Republic of Kazakhstan on anti-corruption are brought to all employees;
- ✓ a control in the conduct of purchases and services rendering is performed on a permanent basis (during 2017 there were no instances of regulatory acts violations during the procurement and provision of services);
- ✓ assurance of 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 accordance with the terms of procurement, the Company conducts measures to ensure compliance with the Rules of goods, works and services procurement of Samruk-Kazyna JSC and organizations where fifty or more percent of shares (participatory interests) directly or indirectly owned by Samruk-Kazyna SWF.

Since 2016, the Company has a "Trust Line" where any employee or business partner of the Company can apply to tell about possible instances of corruption, the problem situation in the team, in branches and ask questions to the management. When hiring and relocating employees, the control is exercised over the assurance of publicity, openness and transparency of competitive selection procedures for vacant positions, in accordance with regulatory enactments. Information on the results of the competitive selection is posted on the official website. Quarterly the Department for Human Resources Management of KTZ NC JSC sends a report on the consideration of candidates for vacancies.

Currently, there is ongoing monitoring of the state of fighting corruption in the Central Office and in the Company's branches. Over 2014-2017 period there were no complaints about corruption committed by the employees. In 2017, 18 internal inspections were conducted by the "Internal Security" of the "Risks and Security" department, no instances of corruption were revealed.

Anti-terrorism

Within the framework of the Anti-Terrorism Law of the Republic of Kazakhstan (Resolution of the Government of the Republic of Kazakhstan No.1404 of December 22, 2010 "On Approval of the Rules for Organization of Activities in the Field of Counter Terrorism in the Republic of Kazakhstan", Minutes of the Meeting of March 5, 2013 No.2), a purposeful work on planning and implementing measures to counter terrorism was carried out in the Company.

Organizational events:

- ✓ an action plan to ensure antiterrorist protection of facilities for 2017 was drawn up;
- ✓ changes have been made in the organization of staff training in the preparation of updated guidance materials;
- ✓ an analysis of the security organization system for the facilities of the Company's branches was made; materials about anti-terrorism threats in railway transport have been drawn up.
- ✓ work is carried out on the developed and approved plan for phased technical equipment of the most important facilities of the Company's branches for the period of 2014-2017.

In connection with the introduction of the "yellow" level of terrorist danger on the territory of the Republic, the recommendations on the procedure of the population's actions during the terrorist threat were disseminated in the Company's branches. Orders "On Strengthening Measures to Counter Terrorism and Ensure the Safety of Railway Transport Facilities" have been issued.

The Company conducted classes on studying the procedure of application of the "Rules for the organization and operation of the state system of information monitoring and public alerting about the threat of a terrorism attack" drawn up by the Headquarters of the antiterrorist center of the Republic of Kazakhstan in April 2015 by the state bodies.

Regime, security and preventive measures:

- ✓ there is a system of access control and management in the buildings of the Company's branches, electronic access cards are issued to newly admitted employees;
- ✓ 24-hour and day-time physical security posts are installed 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;
- ✓ objects are equipped with modern engineering and technical security equipment, access control and video surveillance system;
- ✓ the passports of antiterrorist protection of administrative buildings were drawn up and approved;
- ✓ monthly scheduled training sessions are conducted to train working personnel in the event of terrorist threats;
- ✓ the schemes and alert lists in case of threat or commission of a terrorist act at the sites of the Company's branches were adjusted and updated.

Technical activities:

- ✓ 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 check of the security alarm operability at all facilities of the Company's branches is carried out;
- ✓ 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 RoK Law "On Religious Activities and Religious Associations."

The Company systematically carries out propaganda work aimed at inoculation of religious tolerance, mutual respect and non-admission of religious extremism.

Within the framework of this work, the following activities were carried out:

- ✓ classes and lectures on the study of the legal framework for combating religious extremism and terrorism;
- ✓ visits to small stations of branches for carrying out classes on antiterrorist protection for workers and young experts, and also preventive maintenance of religious extremism.
- ✓ a regular control for prevention of the terrorist and extremist literature penetration;
- ✓ practical exercises on working out of actions with the working personnel at occurrence of natural and techno genic extreme situations;
- ✓ the study of the religious situation in the subdivisions of the branches with an explanation of the requirements of the Labor Code of the Republic of Kazakhstan, articles of the Code on Administrative Violations and articles of the Criminal Code of the Republic of Kazakhstan, the Law of the Republic of Kazakhstan "On Anti-Terrorism" and "On Religious Activity and Religious Associations."

Values and ethical principles

Corporate Values of the Company

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 branch employees) 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 being 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 the frameworks of which the Board of Directors, senior officials and employees, each at its own level, participate in identification of potential events that may affect the Company's operations.

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 key objective 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:

1. 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);

2. formation 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;

3. formation of an information base for building an asset accounting system, their market value and valuation of the share capital;

4. prompt response to emerging risk events, changes tracking in the external and internal environment;

5. organization of targeted risk management activities with the aim of their reduction to an acceptable level or their transfer to third parties;

6. systematization and further accumulation of information about the Company's risks, business manageability raising;

7. increase of the Company's capitalization by increasing the efficiency and optimizing risk management.

For effective operation of the CRMS in the Company, the introduction of basic methodological documentation was made. The Company's risks are recorded in the Risk Register, which is approved by the Company's Board of Directors and are constantly updated.

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.

The Company has a Risk Committee, which is an authority under the Management Board that makes decisions on the organization and support of 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:

1. 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.

2. In order to upgrade the risk profile and develop the risk culture in the Company in 2017, a seminar was held for risk coordinators "Corporate Risk Management System" (general information on the system of risks, identification, activities, etc.).

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 (corporate counterparties, second-tier banks and claims 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 loss due to 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:

Currency exchange risk

This risk is associated with adverse changes in exchange rates. As a result of 2017, the Company had a negative exchange rate difference - KZT 275 631 thousand. The negative exchange rate difference in the Company's accounting resulted from the translation of foreign currency funds (balances on settlement accounts), short-term financial investments, remuneration and receivables.

Risk of the Capital Investment Plan failure

The main ongoing activities for this risk in 2017 were the following: a monthly analysis of the plan-factor implementation of the planned scope of work on investment projects and the identification of reasons for deviations in capital expenditure items. The development of capital investments for 2017 was 19.26%.

The risk of reduction in the number of serviced locomotives

This risk is a new risk identified in 2015 in the ITD branch. According to the adjusted budget of Transtelecom JSC for 2017, approved by the resolution of the Board of Directors of November 17, 2016 (Minutes No.9/2016), the disbursement of the revenue plan for the EDT ACS project over 12 months of 2017 was 104%.

Risk of existing customers loss

Realization of this risk entails loss of existing customers, reduction of revenues and net profit of the Company, as well as probability of the Company's reputation loss. As a result of 2017, no loss of major customers due to damage from the occurrence of risk was revealed.

The risk of social tension

As part of this risk management, the Company plans to raise the annual salary within the budget of expenses and the Labor Plan in accordance with the Regulations on Labor Remuneration and Motivation of Employees, a higher rate of salary growth for qualified personnel servicing high-tech equipment and a backbone network. Making up of an internal personnel pool from among the qualified experts for succession of experience and knowledge; realization of career growth of their employees, as a tool for motivation.

Risk of mechanical damage to the trunk cable and line-cable structures

The Company carries out measures to strengthen the guarding and outreaching work, visits and detours of the route, improvement of the route marking on the ground, performance of cable landing works and the berm building. Also, the timely overhaul of the trunk cable and line-cable facilities, where mechanical damage occurred.

Long breaks in communication can lead to a decrease:

- of transmitted traffic volume;
- quality of communication signals transmission;
- Company's profitability.

As a result of 2017, the amount of damage from damage to the trunk cable and line-cable facilities was **3 036 thousand** tenge.

Risk of non-fulfillment or poor-quality performance of current repair of line-cable facilities.

Causes of risk:

1. Incorrect drawing up of the current repair plan and applications for materials;

1. Untimely delivery of materials.

Within the framework of this risk management, the Company is working to control the implementation of the procurement plan, to take prompt measures for emergency situation removal on the CLFs, to formulate the Company's budget for current repair, as well as timely economic activities preparation for the winter period.

Risk of incorrect planning by consumers

This risk is operational risk and affects the key indicator of the Company's performance in the implementation of the sales plan. Over the past year, this risk included the events of review, agreement of the reconciliation reports on the planned costs for communication services of structural units and subsidiaries of KTZ NC JSC. Based on the actual data for 2017, the amount of under-received income from the provision of communication services of the Company amounted to KZT2,279,299 thousand.

Quality management

Integrated Management System

The Company by offering the existing services to customers and developing new information and communication services, traditionally pays much attention to the level of quality of its services in order to provide them with a competitive advantage in the market.

Our company strives to meet the international requirements of corporate governance and advanced management technologies by maintenance and development of the management system in the field of **ISO 9001: 2015, ISO 14001: 2015, ISO 50001: 2011 management systems.**

Transtelecom JSC, since 2005, introduced successfully the quality management system (hereinafter referred to as "QMS") within the framework of ISO 9001:2008 standard. In 2017, the Company was recertified according to the new version of the international standard of the quality management system - **ISO 9001: 2015.**

The Company has an environmental management system operating since in 2013 in accordance with the requirements of ISO 14001:2004. In 2017, the environmental management system was recertified for compliance with the requirements of the new version of the international standard **ISO 14001:2015.**

In 2014, within the framework of the implementation of the Law of the Republic of Kazakhstan "On Energy Saving and Energy Efficiency Improvement", the Company carried out works aimed at energy management system design and implementation. A diagnostic energy analysis was carried out, a list of technical measures for energy saving and improvement of the Company's energy efficiency was made. In 2015, the energy management system was certified in accordance with the requirements of ISO 50001:2011 (ISO 50001:2011) international standard.

Following the results of recertification, 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. The validity of certificates extends to the management system of the entire Company. The standards of the ISO 9000 series do not impose requirements on the quality of services, but on a management system that must 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 all over the world and accepted 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.

Every year the Company conducts inspection audits on 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 2017 was designed and adopted.

In accordance with the order of the Vice President for Development and Legal Affairs "On approval of the schedule for holding of the internal audit of the IMS by the Company, an internal audit was carried out at the branches of Almatytranstelecom, Oskementrantstelecom, Kostanaytranstelecom. 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.

Workers of the "Organizational Development" department and branches were trained under the "New version of MS ISO 9001:2015 Internal audit of QMS", "Energy management system in accordance with the requirements of the ISO 50001:2011 Internal audit international standard."

In August 2017, the Company was subject to inspection audit which defined that the IMS is operative, and is developing in accordance with the principle of continuous improvement and, as a whole, is 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 acute. Modern life, accelerated by the progress development, sets the task of experience study, acceptance 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.

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.

As a result of summing up the results of the first season of gamification, conducted from 01.04.2017 to 30.09.2017, the following branches became the winners:

1st place - Astanatranstelecom;

2nd place - Almatytranstelecom;

3rd place - Kostanaytranstelecom.

The analysis showed a high degree of involvement of employees in this event, as a result of which it was decided to hold this event on an ongoing basis.

08

Our company for shareholders and investors

September 13, 2000 was issued the first issue of shares of the OJSC «Transtelecom» in the unnamed form in the amount of 399 858 copies of ordinary shares with nominal value of 1000 tenge for the total amount 399 858 000 tenges

Equity structure and securities

Dividend policy and profit distribution

Registrar

External audit of financial statements

1 000

Face value of one shares - 1000 tenge

6 471 089

Currently, the total number of announced common shares of the Company is 6,471,089 pieces

5 638 097

The number of placed common shares of the Company is 5,638,097 pieces, not posted 832,992 pieces

Equity structure
and securities

In accordance with the Order No.213 of the First Deputy Chairman of the Committee of State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan dated September 13, 2000, the first issue of Transtelecom OJSC's shares in uncertificated form in the amount of 399,858 (three hundred and ninety-nine thousand eight hundred and fifty-eight) ordinary registered shares with a nominal value of 1,000 (one thousand) tenge for a total of 399,858,000 (three hundred and ninety-nine million eight hundred fifty-eight thousand) tenge was made.

In accordance with the Order of the Minister of Transport and Communications No. 324-I of November 9, 2001, the above-mentioned issue was canceled and the second issue of shares of Transtelecom OJSC totaling 358 822 000 (three hundred fifty eight million eight hundred twenty-two thousand) tenge in the amount of 358 822 (three hundred fifty eight thousand eight hundred twenty two) copies of ordinary registered shares in uncertificated form with a par value of 1,000 (one thousand) tenge was made.

In accordance with the Order No.5-I of the Minister of Transport and Communications of January 8, 2002, the third issue of Transtelecom OJSC's shares in uncertificated form in the amount of 112,267 (one hundred and twelve thousand two hundred sixty-seven) ordinary registered shares with a nominal value of 1,000 (one thousand) tenge for the amount of 112,267,000 (one hundred and twelve million two hundred and sixty seven thousand) tenge was made, following the results of this issue - the amount of the authorized capital of the Company totaled 471,089,000 (four hundred seventy-one million eighty-nine thousand) tenge and was fully repaied by state.

By the Resolution No.310 of the Government of the Republic of Kazakhstan dated March 15, 2002 "On the Establishment of Kazakhstan Temir Zholy National Company Closed Joint Stock Company", a 100% stake in Transtelecom JSC owned by the state on the right of ownership was transferred to the authorized capital of Kazakhstan Temir Zholy National Company Closed Joint Stock Company.

On June 15, 2004, Transtelecom OJSC was renamed into Transtelecom JSC.

In accordance with the order of CEO of Kazakhstan Temir Zholy NC JSC No.604-Ц dated October 26, 2004, the authorized capital of the Company is increased by 500,000,000 (five hundred million) tenge (by issuing shares in book-entry form in the amount of 500,000 (five hundred thousand) pieces of common shares with a nominal value of 1,000 (one thousand) tenge each share), while payment for these shares is carried out by the sole shareholder of the Company (which owns a 100% stake in the Company) - Kazakhstan Temir Zholy NC JSC.

Start and end dates of the securities placement period

Issue number	The date of securities placement start	Expiration date of securities placement procedures
The first issue	09.11.2000 г.	22.11.2000 г.
The second issue	20.12.2001 г.	20.12.2001 г.
The third issue	29.01.2002 г.	29.01.2002 г.
The fourth issue	16.02.2005г.	16.02.2005г.
The fifth issue	20.02.2012 г.	20.08.2012 г.

Issue number	The date of securities placement start	Expiration date of securities placement procedures
The sixth issue	21.08.2012 г.	21.02.2013 г.
The seventh issue	23.08.2013 г.	15.02.2014 г.

Securities placement

Years	Number of announced shares	Number of placed shares	Total number of placed shares	Amount	Paid with proprietary rights
2000	399 858	399 858	399 858	1 000	Order No.213 of the First Deputy Chairman of the State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan of September 13, 2000
2001	358 822	358 822	358 822	1 000	Order No.324-I of the Minister of Transport and Communications of November 09, 2001.
2002	112 267	112 267	112 267	1 000	Order No.5-I of the Minister of Transport and Communications of January 8, 2002
2004	500 000	500 000	500 000	1 000	Order No. 604-Ц of the President of KTZ NC JSC dated October 26, 2004
2006	971 089	971 089	971 089	1 000	Minutes No. 2/2005 of the absentee meeting of the Board of Directors of KTZ NC JSC of February 21, 2005
2011	5 471 089	160 398	1 131 487	1 000	Made using land, p. 2.3 of the minutes of the Board of Directors of KTZ NC JSC No. 02/45 of December 7, 2011

Years	Number of announced shares	Number of placed shares	Total number of placed shares	Amount	Paid with proprietary rights
2012	6 471 089	4 500 000	5 631 487	1 000	Minutes of the Management Board of KTZ NC JSC No.02/18 of May 12, 2011
2013	6 471 089	6 610	5 638 097	1 000 000	Minutes of the Management Board of KTZ NC JSC No.02/30 of October 9, 2013

As of December 31, 2017, 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 placed shares, 832,992 pieces have not been placed. The nominal value of one share is **1000** tenge. Preference shares are not provided.

During 2017 there were no changes in the authorized capital of the company and no additional shares were placed

As of December 31, 2017, the Company's shareholders were Kazakhstan Temir Zholy NC joint stock company (51%) and Marlen Savitovich Mukhanov (49%).

On December 14, 2016, KTZ NC JSC published in the mass media a notice about the holding of trades through an open two-stage tender for the sale of 26% -1 share of Transtelecom JSC .

In February 2017, the results of the tender for the sale of 26% -1 share of Transtelecom JSC were summed up.

Dividend policy and profit distribution

According to the resolution of the General Meeting of Shareholders of August 4, 2016 the Company adopted a Dividend Policy (Minutes No.1).

The purpose of the Company's dividend policy is to ensure the balance of interests of the Company and Shareholders, predictability and transparency of the approach when determining the amount of dividends, terms and procedure for their payment.

The main principles of the Company's dividend policy are:

1. 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;

2. 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:

1. the Company has a net income (total profit) for the year in accordance with the financial statements, confirmed by independent auditors or retained earnings;

2. no restrictions on the dividends payment provided for by applicable law;

3. recommendation of the Board of Directors of the Company on the amount of dividends;

4. 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.

On August 31, 2017, according to the resolution of the General Meeting of Shareholders, the decision on dividends payment following the results of operation during 2016, in the amount of KZT 4,336,550 thousand in proportion to the existing shareholding, is as follows:

- ✓ transfer of funds in the amount of 2,124,910 thousand tenge to M.S.Mukhanov;
- ✓ offsetting of the counterclaim and a proportionate reduction in overdue debts of KTZ NC JSC for the amount of KZT 2,211,640 thousand.

On November 16, 2017 M.S.Mukhanov received a part of dividends in the amount of 500,000 thousand tenge. As of December 31, the dividend payable to M.S.Mukhanov in the amount of KZT 1,518,664 thousand was recorded within short-term payables for dividends.

On November 30, 2017, the amount of dividends with accounts payable of the subsidiaries of KTZ NC JSC was offset by KZT 2,211,640 thousand.

As of December 31, 2017 and 2016, the dividend payable to KTZ NC JSC in the amount of KZT 644,160 thousand was recorded in the composition of short-term payables for dividends.

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, Single Securities Registrar JSC is the registrar of Transtelecom JSC.

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External audit
of 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)

List of evaluation criteria:

1. Approach to the services rendering
2. Competence of the project team
3. Quality of services
4. Severity of intent and reputation
5. Working hours and cost of services
6. Independence
7. Additional benefits and services
8. Verbal presentation and suggestions

Information on the auditor 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 that provides professional services to public and private sector companies in various industries. 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, closely monitor the latest developments and trends in industries and provide an expert perspective 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, 2017, as well as its financial results and cash flows for the year 2017 in accordance with International Financial Reporting Standards reporting.

09

Appendix

Consolidated Financial Statements

GRI standard elements table

Glossary

Contact details

Transtelecom

Consolidated Financial Statements

GRI standard elements table

GRI index	Indicator name	Indicator disclosure	Page
Strategy and analysis			
1.1	Statement of the most senior person making decisions in the organization	+	Message of the Chairman of the Management Board
1.2	Description of key impacts, risks, and opportunities	+	Operational results, risk management system
2.1	Organization name	+	About the Report
2.2	The primary brands, products, and services.	+	Company Profile Operating results
2.3	The functional structure of the organization, including major divisions, operating companies, subsidiaries and joint ventures	+	Company description and structure
2.4	The location of the organization's headquarters	+	Contact information
2.5	The number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	+	Services, Partners and Counterparties
2.6	The nature of ownership and legal form	+	Company Profile

GRI index	Indicator name	Indicator disclosure	Page
2.7	The markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	+	Company Profile, Operating activity
2.8	The scale of the organization	+	Company Profile
2.9	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	+	Company Profile, Operating activity
2.10	Awards received in the reporting period	+	Awards received in 2017
3.1	Reporting period for information provided	+	About the report
3.2	Date of most recent previous report (if any)	+	About the report
3.3	Reporting cycle	+	About the report
3.4	Contact point for questions regarding the report or its contents	+	Contact Information
3.5	Process for defining report content	+	About the report
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	+	About the report
3.7	Limitations on the scope or boundary of the report	+	About the report

GRI index	Indicator name	Indicator disclosure	Page
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	+	About the report
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	+	About the report
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/ acquisitions, change of base years/periods, nature of business, measurement methods)	-	not applicable
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	+	About the report
3.12	Table identifying the location of the Standard Disclosures in the report	+	Table of standard GRI elements
3.13	Policy and current practice with regard to seeking external assurance for the report	+	About the report
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	+	Corporate Governance
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	+	Corporate Governance

GRI index	Indicator name	Indicator disclosure	Page
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	+	Corporate Governance
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	+	Corporate Governance
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)	+	Corporate Governance
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	+	Corporate Governance
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics [sustainability]	+	Corporate Governance
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	+	Strategic review Sustainable development
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	+	Corporate Governance

GRI index	Indicator name	Indicator disclosure	Page
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	+	Corporate Governance
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	-	Not applicable
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	+	Operational Results
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations	+	Operational Results
4.14	List of stakeholder groups engaged by the organization	+	Interaction with stakeholders
4.15	Basis for identification and selection of stakeholders with whom to engage	+	Interaction with stakeholders
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	+	Interaction with stakeholders
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	+	Interaction with stakeholders
EC	Management Approach	+	
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	+	Key performance indicators, operating results, key financial indicators, personnel

GRI index	Indicator name	Indicator disclosure	Page
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	+	Staff
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	+	Staff
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	+	Organization of procurement
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	+	Staff
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind, or pro bono engagement	+	Charitable and sponsorship activities
EC9	Understanding and describing significant indirect economic impacts, including the extent of impact	+	Staff, environmental protection,
EN	Management Approach	+	Environmental protection
EN1	Materials used by weight or volume	+	Environmental protection
EN2	Percentage of materials used that are recycled input materials	-	Not applicable
EN3	Direct energy consumption by primary energy source	+	Environmental protection

GRI index	Indicator name	Indicator disclosure	Page
EN4	Indirect energy consumption by primary source	-	Not applicable
EN5	Energy saved due to conservation and efficiency improvements	+	Environmental protection
EN8	Total water withdrawal by source		Not applicable
EN10	Percentage and total volume of water recycled and reused		Not applicable
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	+	Environmental protection
EN20	NO, SO, and other significant air emissions by type and weight	+	Environmental protection
EN21	Total water discharge by quality and destination	-	Not applicable
LA	Management Approach	+	Staff
LA1	Total workforce by employment type, employment contract, and region	+	Staff
LA2	Total number and rate of employee turnover by age group, gender, and region	+	Staff
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	+	Staff

GRI index	Indicator name	Indicator disclosure	Page
LA4	Percentage of employees covered by collective bargaining agreements	+	Staff
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	+	Staff
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of workrelated fatalities by region	+	Labor protection and industrial safety
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	+	Labor protection and industrial safety
LA10	Average hours of training per year per employee by employee category.	-	Training and professional development
LA12	Percentage of employees receiving regular performance and career development reviews	+	Training and professional development
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	+	Staff
HR	Management Approach	+	Staff
HR4	Total number of incidents of discrimination and actions taken	+	Staff
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	+	Staff

GRI index	Indicator name	Indicator disclosure	Page
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	+	Staff
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	+	Staff
SO	Management Approach	+	Interaction with stakeholders
SO2	Percentage and total number of business units analyzed for risks related to corruption	+	Anti-Corruption Activities
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	+	Anti-Corruption Activities
SO4	Actions taken in response to incidents of corruption	+	Anti-Corruption Activities
SO5	Public policy positions and participation in public policy development and lobbying	+	Interaction with stakeholders
PR	Management Approach	+	Quality control
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	+	Interaction with stakeholders
EU16	Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors	+	Labor protection and industrial safety

GRI index	Indicator name	Indicator disclosure	Page
EU18	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training	+	Labor protection and industrial safety
EU21	Contingency planning measures, disaster/emergency management plan and training programs, and recovery/ restoration plans	+	Labor protection and industrial safety
EU25	Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases	+	Labor protection and industrial safety

Glossary

KTZ NC JS	Kazakhstan Temir Zholy national Company Joint Stock Company
Company	Transtelecom JSC
BoD	Board of Directors
ШПД	Broadband access
FOCL	Fiber optic communications line
ARPU	Average Return Per Use

SLA	Services Level Agreement
M2M	Machine-2-Machie
CSL	Cable Structure Lines
ACS	Automated Control System
QMS	Quality Management System
EMS	Environmental Management System
EnMS	Energy Management System
LTE	The standard of wireless high-speed data transmission for mobile phones and other terminals that work with data
MPLS	A mechanism in a high-performance telecommunications network that transfers data from one node of the network to another using tags
ATE	Automatic telephone exchange
Caller ID	Automatic number detection equipment
KPI	Automatic number detection equipment
ICT	Information and communication technologies
PF	Payroll Fund

Contact details

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When using the information contained in the annual report, a reference thereto is required.





Astana, 2018



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