

A close-up photograph of pink cherry blossoms on dark branches, with some green leaves visible. The background is a bright, out-of-focus sky.

Q1 2014 Financial Results

Ali Agan, Chief Executive Officer
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First Quarter 2014 Summary

- Revenue KZT 44,107 m (43,053)
 - ✓ Increase of 2.4% relative to Q1 2013
 - ✓ Increase of 4.4% excluding MTR reduction
- EBITDA KZT 25,673m (23,728)
 - ✓ Increase of 8.2% relative to Q1 2013
- EBITDA margin 58.2% (55.1)
 - ✓ Continuous focus on cost efficiency
- Net income KZT 15,635m (13,656)
 - ✓ Increase of 14.5% relative to Q1 2013
- Subscribers 13,492m (14,307)
 - ✓ One-off clean up of data base with the net effect – 789,000 subs relative to Q4 2013



Clear Strategy Focused on Value Creation

- Maintain market leadership
- Strengthen leadership in data segment
- Cash generative growth
- Service Company



Key Priorities

- Retaining market leadership
- Superior profitability in a challenging environment
- Strengthening Company's position in regions, organisational transformation
- Continuous efficiency increases
- Focusing on innovation
- Customer centric approach
- Quality of network
- Focus on governance, compliance and sustainability

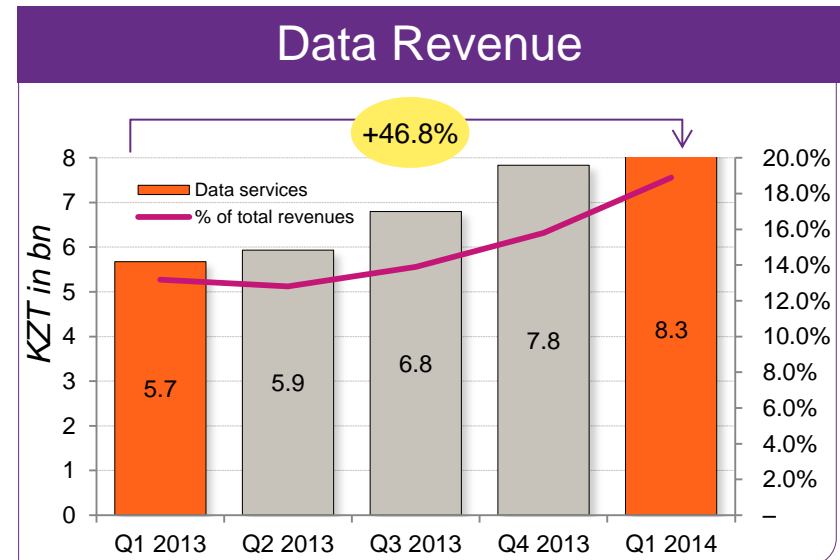
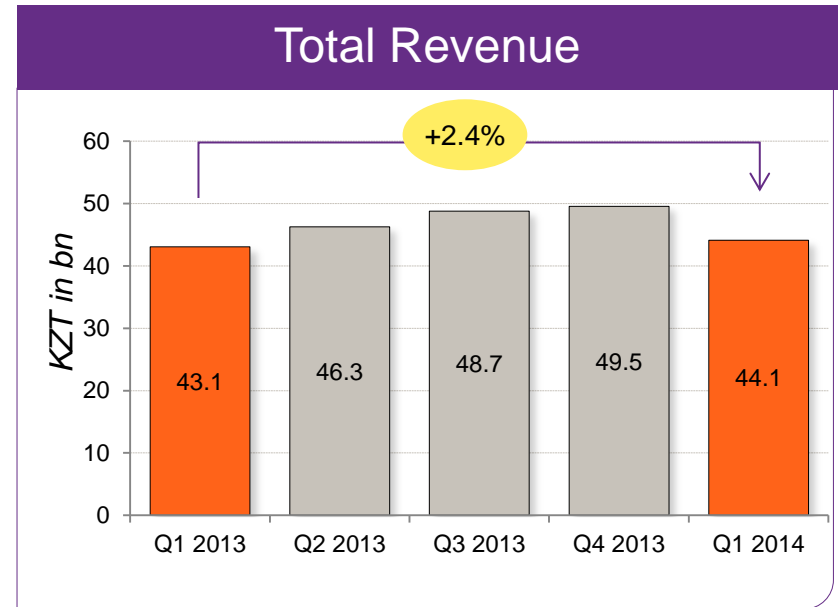


Market Trends

- Ongoing competition, regional focus is key to growth
- Altel commercial launch of GSM network, LTE services
- Pressure from Regulator
- Introduction of number portability in 2015

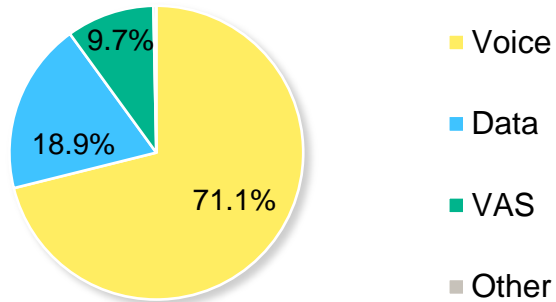


High Growth in Data

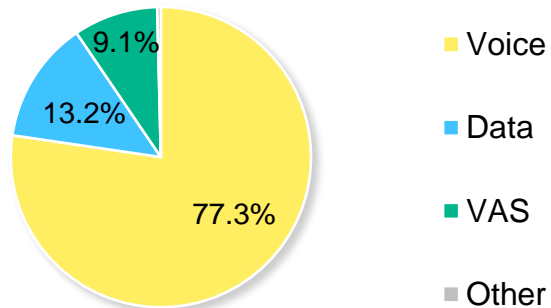


Non-Voice Revenue Shows Rapid Growth

Revenue Breakdown Q1 2014

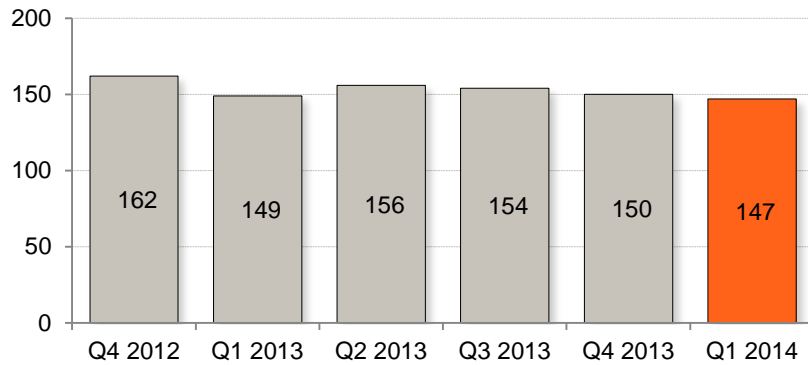


Revenue Breakdown Q1 2013

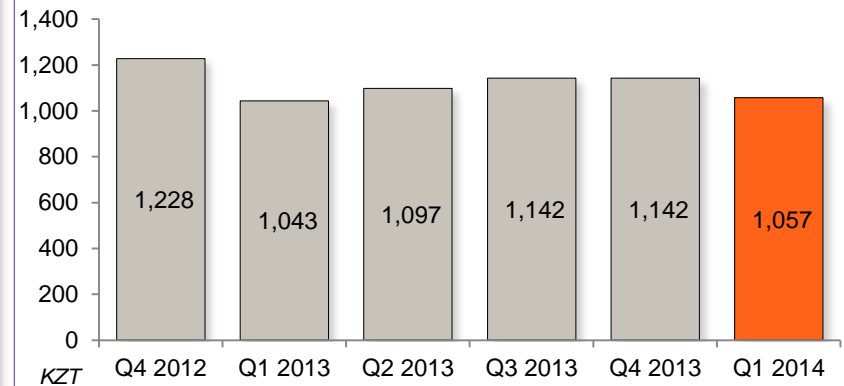


Voice Revenues

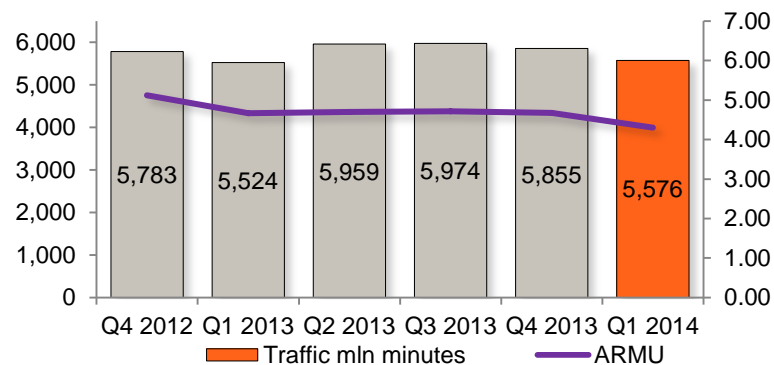
Minutes of Usage (MOU)



ARPU



Total Traffic & ARMU (KZT)



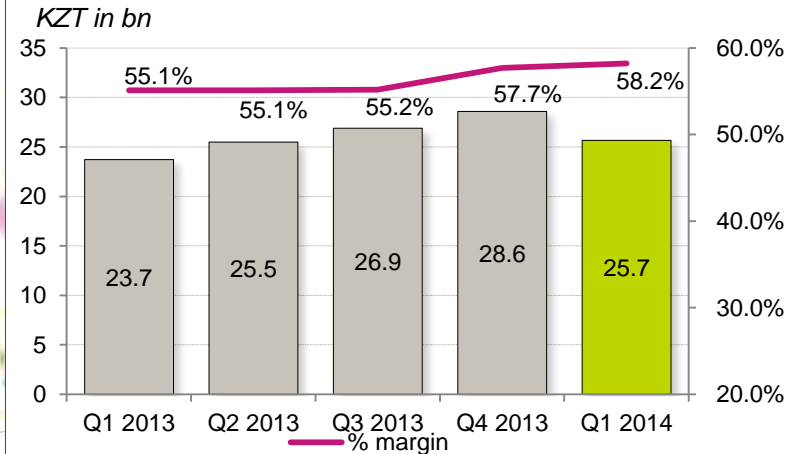
Financial Highlights Q1 2014

<i>KZT in millions, except per share data, number of shares and changes</i>	Q1 2014	Q1 2013	Chg (%)	YTD 2013	YTD 2012	Chg (%)
Revenues	44,107	43,053	2.4	187,599	182,004	3.1
EBITDA	25,673	23,728	8.2	104,727	101,426	3.3
EBITDA margin (%)	58.2	55.1		55.8	55.7	
Operating income	19,855	17,956	10.6	81,600	78,645	3.8
Net income	15,635	13,656	14.5	63,392	61,828	2.5
Earnings per share (KZT)	78.18	68.28	14.5	316.96	309.14	2.5
CAPEX to sales (%)	5.4	12.3		12.2	14.7	
Free cash flow	17,988	11,026		80,743	61,203	



Improved Margin Trend

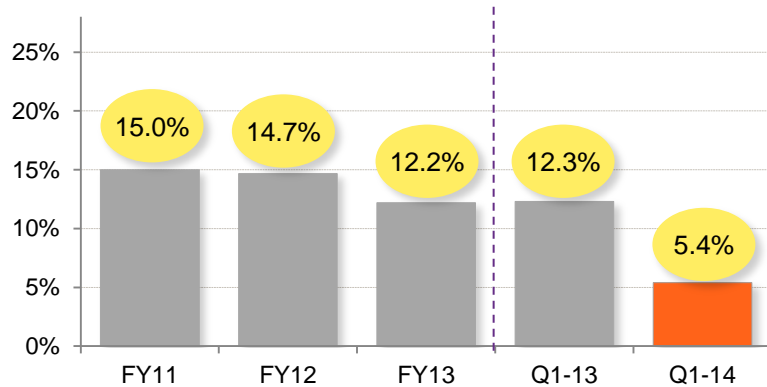
EBITDA Development



- Due to continuous focus on costs discipline and efficiency EBITDA margin for Q1 2014 of 58.2% vs. 55.1% in Q1 2013

CAPEX-to-sales Ratio

CAPEX-to-Sales Ratio



- Continued 3G roll-out and network quality improvements
- Dual carrier development and promotion
- Strong focus on efficiency
- Feasibility studies of LTE and fiber

Robust Capital Structure

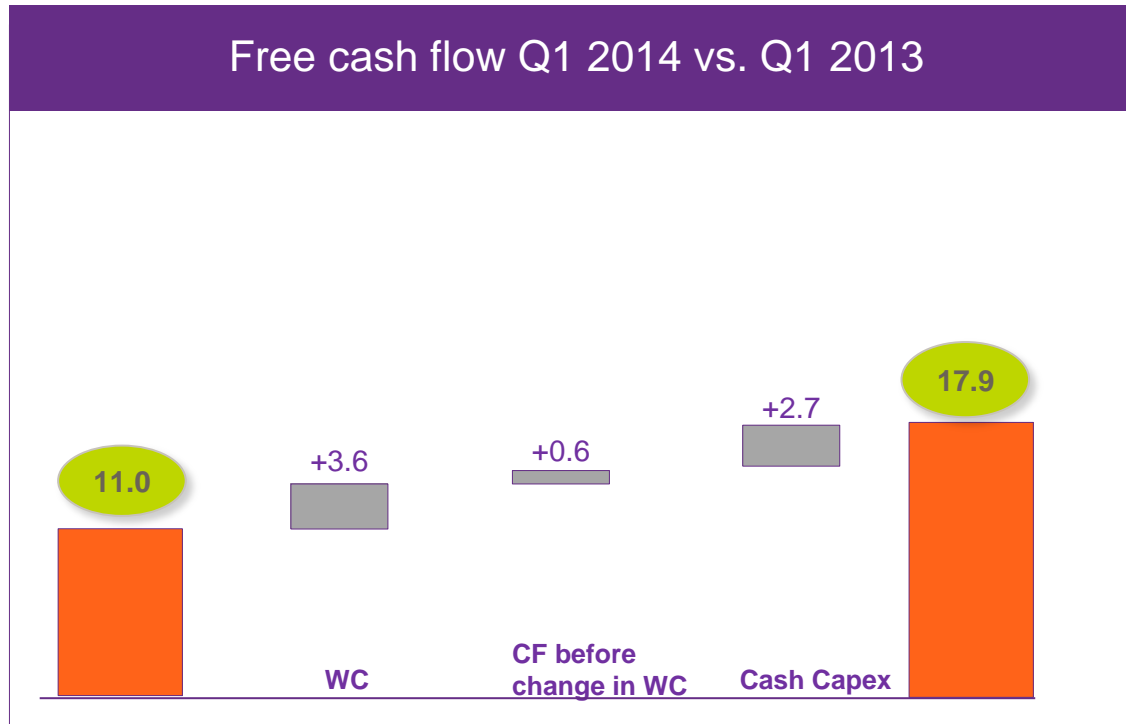
<i>KZT in millions</i>	Dec 31, 2013	Mar 31, 2014
Borrowings	24,721	23,526
Less cash and bank	18,916	-35,954
Net debt	5,805	-12,428
EBITDA*	104,727	106,671
Net debt / EBITDA	0.06	-0.12

Target leverage ratio (Net debt / EBITDA) of 0.5-0.9x

*multiple, rolling 12 months



Free Cash Flow Q1 2014 vs. Q1 2013



Dividend Policy

- Dividend policy – to pay out at least 70% of net income for 2013 in dividends.
- Dividend amount , record date, and payment date to be proposed by the BoD and approved by AGM on May 21, 2014.

Regulatory Overview

Agency for Competition Protection (ACP) Investigations

Smart Connect campaign

- The ACP initiated 2 investigations into alleged violation by Kcell of the anti-monopoly law with respect to the “Always Available” service and “Daytime unlimited” tariff plan.
- The Company disputes these allegations and protects its rights in Court.
- Potential fine: In view of recent changes to the legislation, the Company believes that the fine (if applicable) should only be applied to the revenue received from the zone of violation and not to the total revenue from voice services as claimed by the ACP.

Regulatory overview

Daytime Unlimited tariff plan

- Daytime Unlimited: ACP claimed that the Company's dominant position by led to a violation of customers' rights with a potential fine of KZT 16 billion.
- On March 7, 2014, the Specialized Interdistrict Administrative Court of Almaty (SMAS) supported ACP claim against the Company.
- On March 28, 2014, Kcell JSC appealed against the ruling of SMAS.
- On April 15, 2014, the Board of Appeals of the Almaty City Court announced its decision. The court has determined to partially grant the complaint, alter the decision of SMAS and impose a fine on Kcell JSC in the amount of KZT 325.9 million

Q&A

Income Statement

<i>KZT in millions, except per share data, number of shares and changes</i>	Q1 2014	Q1 2013	Chg (%)	YTD 2013	YTD 2012	Chg (%)
Revenues	44,107	43,053	2.4	187,599	182,004	3.1
Cost of sales	-18,468	-18,627	-0.9	-79,469	-76,291	4.2
Gross profit	25,639	24,427	5.0	108,130	105,712	2.3
Selling and marketing expenses	-2,943	-3,896	-24.4	-16,614	-17,195	-3.4
General and administrative expenses	-2,402	-2,641	-9.0	-10,017	-11,005	-9.0
Other operating income and expenses, net	-439	66		101	389	
Operating income	19,855	17,956	10.6	81,600	77,902	4.7
Finance costs and other financial items, net	-280	-612		-2,119	-516	
Income after financial items	19,575	17,344	12.9	79,481	77,386	2.7
Income taxes	-3,940	-3,688	6.8	-16,089	-15,558	3.4
Net income	15,635	13,656	14.5	63,392	61,828	2.5
Earnings per share (KZT), basic and diluted	78.18	68.28	14.5	316.96	309.14	2.5

Balance Sheet

<i>KZT in millions</i>	Mar 31, 2014	Dec 31, 2013
Assets		
Intangible assets	13,076	13,955
Property, plant and equipment	109,537	112,369
Other non-current assets	3,422	3,131
Total non-current assets	126,035	129,455
Inventories	354	499
Trade and other receivables	12,698	10,410
Cash and cash equivalents	35,954	18,916
Total current assets	49,006	29,825
Total assets	175,041	159,280
Equity and liabilities		
Share capital	33,800	33,800
Retained earnings	79,028	63,393
Total equity attributable to owners of the parent	112,828	97,193
Deferred tax liabilities	5,262	5,232
Other long-term liabilities	1,388	1,426
Total non-current liabilities	6,650	6,658
Short-term borrowings	23,526	24,721
Trade payables, and other current liabilities	32,037	30,708
Total current liabilities	55,563	55,429
Total equity and liabilities	175,041	159,280

Statement of Cash Flows

<i>KZT in millions</i>	Q1 2014	Q1 2013	YTD 2013	YTD 2012
Cash flow before change in working capital	20,849	20,216	90,639	85,324
Change in working capital	-313	-3,927	7,417	863
Cash flow from operating activities	20,536	16,289	98,056	86,187
Cash CAPEX	-2,548	-5,263	-17,313	-24,984
<i>Free Cash Flow</i>	17,988	11,026	80,743	61,203
<i>Cash flow before financing activities</i>	17,988	11,026	80,743	61,203
Cash flow from financing activities	-950	-11,950	-64,902	-59,481
Cash flow for the period	17,038	-924	15,841	1,722
Cash and cash equivalents, opening balance	18,916	3,075	3,075	1,353
Cash flow for the period	17,038	-924	15,841	1,722
Cash and cash equivalents, closing balance	35,954	2,151	18,916	3,075

Forward-looking statements

Statements made in this document relating to future status or circumstances, including future performance and other trend projections are forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There can be no assurance that actual results will not differ materially from those expressed or implied by these forward-looking statements due to many factors, many of which are outside the control of Kcell.