

Q2 2014 Financial Results

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Second Quarter 2014 Summary

- Revenue KZT 48,035m (46,271)
 - ✓ Increase of 3.8% relative to Q2 2013
- EBITDA* KZT 27,536m (25,508)
 - ✓ Increase of 8.0% relative to Q2 2013
- EBITDA* margin 57.3% (55.1)
 - ✓ Continuous focus on cost efficiency
- Net income KZT 16,512m (15,551)
 - ✓ Increase of 6.2% relative to Q2 2013
- Subscribers 12,883m (13,492)
 - ✓ Net addition of 154,000 subscriptions
 - ✓ The number of subscriptions decreased by 608,000 during the quarter, due to a clean-up of 762,000 subscriptions, no effect on market share

*excluding non-recurring items



H1 2014 Summary

- Revenue KZT 92,142m (89,324)
 - ✓ Increase of 3.2% relative to H1 2013
- EBITDA* KZT 53,208m (49,237)
 - ✓ Increase of 8.1% relative to H1 2013
- EBITDA* margin 57.7% (55.1)
 - ✓ Continuous focus on cost efficiency
- Net income KZT 32,147m (29,207)
 - ✓ Increase of 10.1% relative to H1 2013
- Subscribers 12,883m (14,307)
 - ✓ Net addition of 126,930 subscriptions
 - ✓ The number of subscriptions decreased by 1,424,070 during H1, due to a clean-up of 1,551,000 subscriptions, no effect on market share



*excluding non-recurring items

Clear Strategy Focused on Value Creation

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



Key Priorities

- Retaining market leadership
- iPhone deal as a competitive advantage
- 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
- Convergent billing system
- Focus on governance, compliance and sustainability

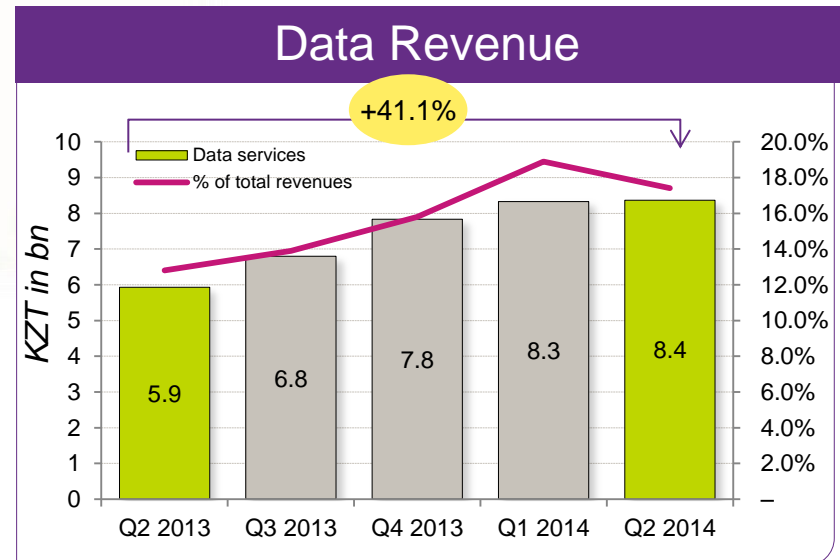
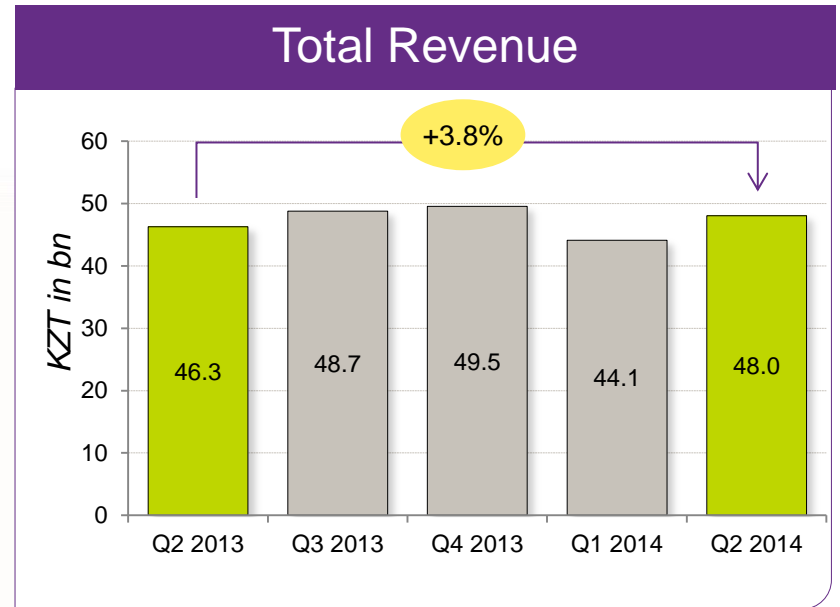


Market Trends

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

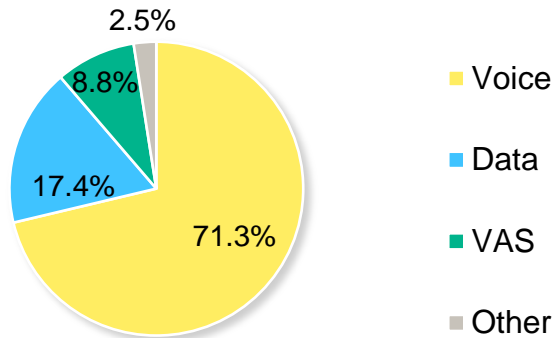


Continued Data Growth

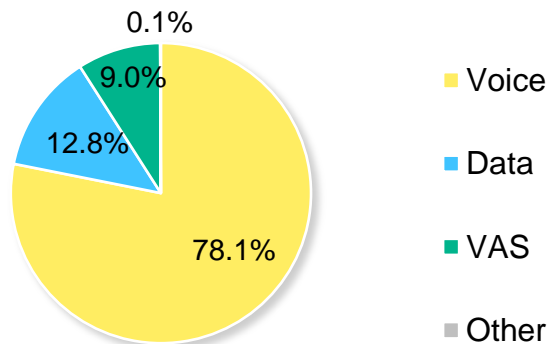


Non-Voice Revenue Shows Rapid Growth

Revenue Breakdown Q2 2014

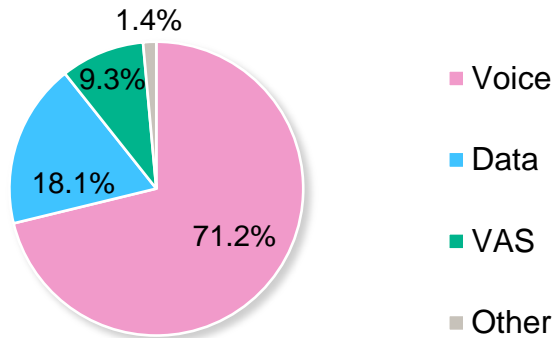


Revenue Breakdown Q2 2013

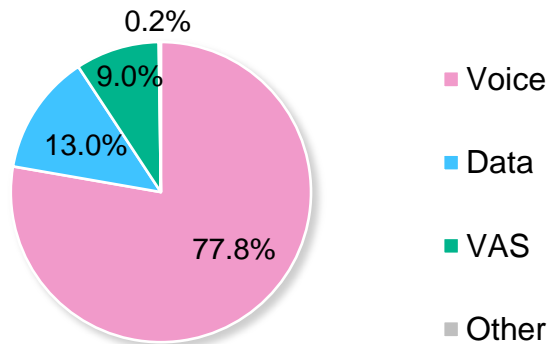


Non-Voice Revenue Shows Rapid Growth

Revenue Breakdown H1 2014

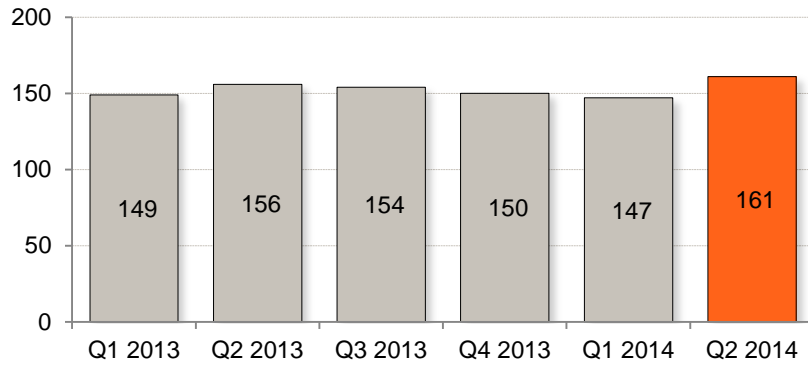


Revenue Breakdown H1 2013

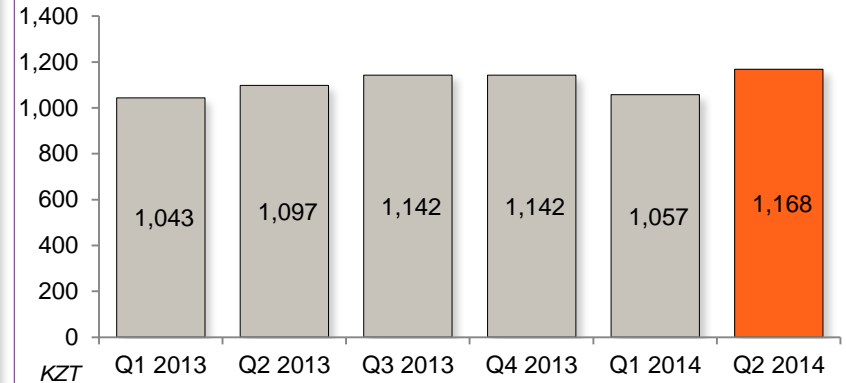


Voice Revenues

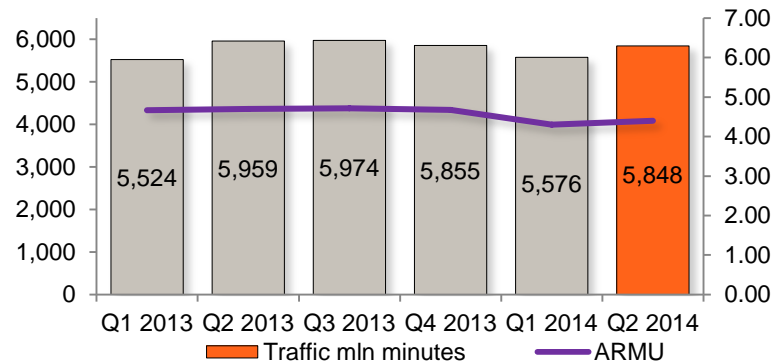
Minutes of Usage (MOU)



ARPU



Total Traffic & ARMU (KZT)



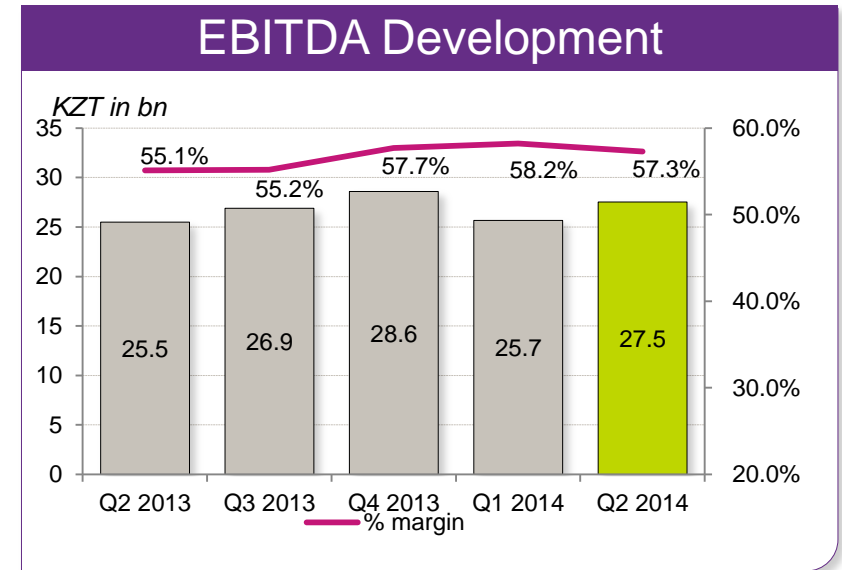
Financial Highlights Q2 2014 and H1 2014

<i>KZT in millions, except per share data, number of shares and changes</i>	Q2 2014	Q2 2013	Chg (%)	H1 2014	H1 2013	Chg (%)
Revenues	48,035	46,271	3.8	92,142	89,324	3.2
EBITDA*	27,536	25,508	8.0	53,208	49,237	8.1
EBITDA margin (%)	57.3	55.1		57.7	55.1	
Operating income*	21,238	19,748	7.5	41,093	37,704	9.0
Net income	16,512	15,551	6.2	32,147	29,207	10.1
Earnings per share (KZT)	82.6	77.8	6.2	160.7	146.0	10.1
CAPEX to sales (%)	3.9	12.8		4.6	12.5	
Free cash flow	16,213	26,581		34,201	37,607	



*excluding non-recurring items

Improved Margin

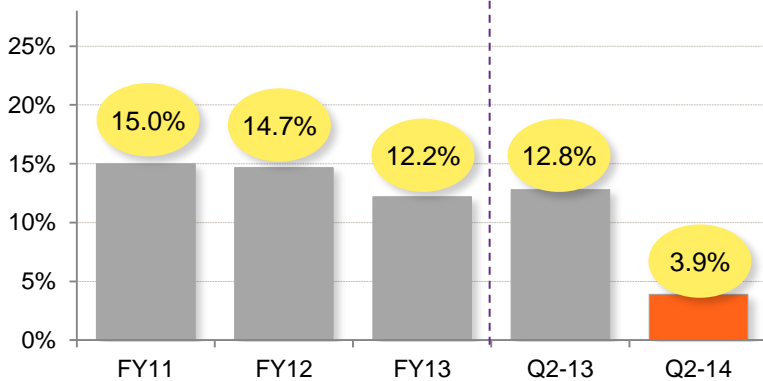


- Due to continuous focus on costs discipline and efficiency EBITDA* margin for Q2 2014 of 57.3% vs. 55.1% in Q2 2013

*excluding non-recurring items

CAPEX-to-sales Ratio

CAPEX-to-Sales Ratio



- Low CAPEX in H1 – 4.6%, to be normalised over the year
- Continued 3G roll-out and network quality improvements
- Strong focus on efficiency
- Feasibility studies of LTE and fiber

Robust Capital Structure

<i>KZT in millions</i>	30 Jun 2014	31 Dec 2013
Cash and equivalents	4,805	18,916
Gross financial debt	20,766	24,721
Reported net debt / (cash)	15,961	5,805
<i>LTM EBITDA</i>	108,494	104,727
<i>Implied net debt / EBITDA</i>	0.15	0.06
<i>Implied net debt / book value of equity</i>	0.24	0.06
Dividends declared but unpaid	19,028	-
Adjusted net debt / (cash)	34,989	5,805
<i>Implied Adj. net debt / LTM EBITDA</i>	0.32	0.06
<i>Implied Adj. Net Debt / Book value of equity</i>	0.53	0.06



- Target leverage ratio (net debt / EBITDA) of 0.5-0.9x
- Net debt / EBITDA of 0.15 (as of 30 June 2014)
- Net debt / Equity of 0.24 (as of 30 June 2014)

Dividends

- On 21 May 2014, the AGM approved distribution of a total of KZT 63,390 million, representing 100 percent of net income for the period from 1 January 2013 to 31 December 2013.
- The total dividend amount is KZT 316.95 gross per ordinary share (each GDR representing one ordinary share).
- The dividends to be paid in two separate tranches:
 - KZT 44,362 million or KZT 221.81 gross per ordinary share were paid on 27 June 2014; and
 - KZT 19,028 million or KZT 95.14 gross per ordinary share will be paid during the period 10 December 2014 - 31 December 2014.

Regulatory overview

“Daytime Unlimited” service

On 15 April 2014, the Board of Appeals announced its decision. The court decided to partially grant the complaint, and impose a KZT 325.9 million fine on Kcell. The fine has been paid. The Agency for Competition Protection (ACP) may, however, challenge the appellate court decision in prosecution authorities.

On 18 March 2014 ACP issued an Order, pursuant to which Kcell was requested to correct the alleged violations before 21 April 2014, to ensure that it refunds subscribers that lost funds as a result of Kcell’s failure to stop subscribers’ connections when their funds ran out. Kcell appealed this order, which the Court dismissed. The Company has the right to appeal further. The case may lead to additional financial expenses.

Regulatory overview

“Always Available” service

On 7 July 2014, the administrative Court announced its decision. The Court determined to partially grant the complaint and impose a KZT 41.7 million fine on Kcell. The Court decision has not yet come into force as the Company is going to appeal.

On 27 November 2013, the ACP issued an order on eliminating violations under the “Always Available” service. Kcell challenged the order in the Court, which was then dismissed. The Company once again challenged this decision hence, Court hearings are ongoing. The case may lead to additional financial expenses.

Q&A

Income Statement

<i>KZT in millions, except per share data, number of shares and changes</i>	Q2 2014	Q2 2013	Chg (%)	H1 2014	H1 2013	Chg (%)
Revenues	48,035	46,271	3.8	92,142	89,324	3.2
Cost of sales	-20,870	-19,752	5.7	-39,338	-38,378	2.5
Gross profit	27,165	26,519	2.4	52,804	50,946	3.6
Selling and marketing expenses	-3,179	-4,229	-24.8	-6,122	-8,125	-24.7
General and administrative expenses	-2,847	-2,674	6.5	-5,249	-5,315	-1.2
Other operating income and expenses, net	-106	132		-545	198	
Operating income	21,033	19,748	6.5	40,888	37,704	8.4
Finance costs and other financial items, net	-219	-537		-499	-1,149	
Income after financial items	20,814	19,211	8.3	40,389	36,555	10.5
Income taxes	-4,302	-3,660	17.5	-8,242	-7,348	12.2
Net income	16,512	15,551	6.2	32,147	29,207	10.1
Earnings per share (KZT), basic and diluted	82.6	77.8	6.2	160.7	146.0	10.1

Balance Sheet

<i>KZT in millions</i>	30 Jun 2014	31 Dec 2013
Assets		
Intangible assets	13,223	13,955
Property, plant and equipment	105,374	112,369
Other non-current assets	2,873	3,131
Total non-current assets	121,470	129,455
Inventories	2,036	499
Trade and other receivables	12,661	10,410
Cash and cash equivalents	4,805	18,916
Total current assets	19,502	29,825
Total assets	140,972	159,280
Equity and liabilities		
Share capital	33,800	33,800
Retained earnings	32,150	63,393
Total equity attributable to owners of the parent	65,950	97,193
Deferred tax liabilities	5,296	5,232
Other long-term liabilities	1,350	1,426
Total non-current liabilities	6,646	6,658
Short-term borrowings	20,766	24,721
Trade payables	41,349	23,361
Other current liabilities	6,261	7,347
Total current liabilities	68,376	55,429
Total equity and liabilities	140,972	159,280

Statement of Cash Flows

<i>KZT in millions</i>	Q2 2014	Q2 2013	H1 2014	H1 2013
Cash flow before change in working capital	24,767	22,323	45,616	42,539
Change in working capital	-4,732	7,968	-5,045	4,041
Cash flow from operating activities	20,035	30,291	40,571	46,580
Cash CAPEX	-3,822	-3,710	-6,370	-8,973
<i>Free Cash Flow</i>	<i>16,213</i>	<i>26,581</i>	<i>34,201</i>	<i>37,607</i>
<i>Cash flow before financing activities</i>	<i>16,213</i>	<i>26,581</i>	<i>34,201</i>	<i>37,607</i>
Cash flow from financing activities	-47,362	-26,652	-48,312	-38,602
Cash flow for the period	-31,149	-71	-14,111	-995
Cash and cash equivalents, opening balance	35,954	2,151	18,916	3,075
Cash flow for the period	-31,149	-71	-14,111	-995
Cash and cash equivalents, closing balance	4,805	2,080	4,805	2,080

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.