



Kcell JSC Q2 2019 Financial results

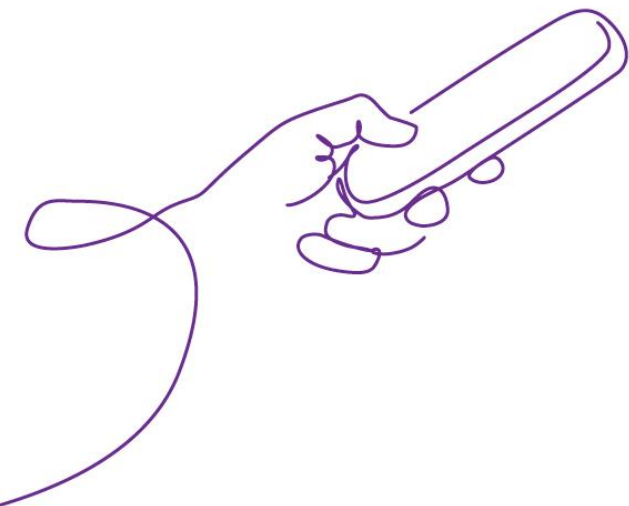


Q2 2019 highlights



- Achieved a clear upturn in second quarter results
- Overcame negative trend in service revenue and delivered 6.7% year-on-year increase, for first time in five years
- Effective monetisation - successful launch of new tariff line
- Almost half of Kcell's entire subscriber base using bundled offers
- Strong increase in ARPU
- Thorough analysis and tight control of expenses by new management, as well as substantial cost optimisation, led to significant increase in EBITDA, which grew by 35.6% (excluding IFRS 16)
- Positive resolutions in the legal proceedings with regards to alleged administrative violation related to the abuse of dominant position and tax claim

Q2 2019 summary



Net sales

KZT 37,869m
(36,303)

Increase of 4.3% YoY

B2B revenue*

KZT 4,480m
(3,748)

Increase of 19.5% YoY

Net income

KZT 2,870m
(1,118)

Increase of 156.8% YoY

Service revenue

KZT 34,188m
(32,049)

Increase of 6.7% YoY

EBITDA**

KZT 16,088m
(10,814)

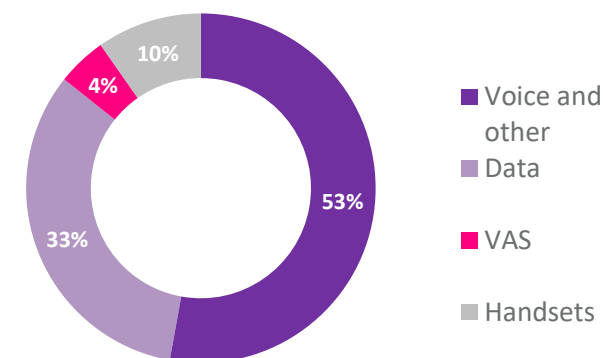
Increase of 48.8% YoY
EBITDA margin 42.5% (29.8)

Subscribers

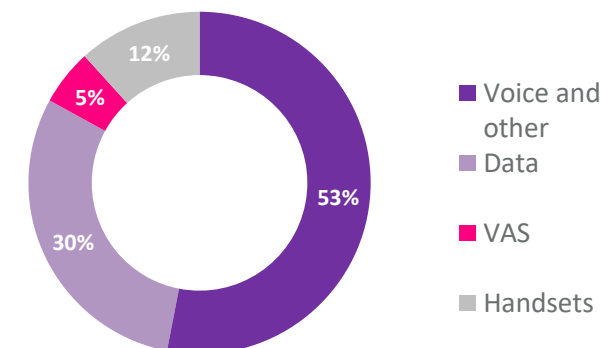
8,676 thousand
(8,741)

Decrease by 65,000 subscribers
QoQ

Net sales breakdown Q2 2019



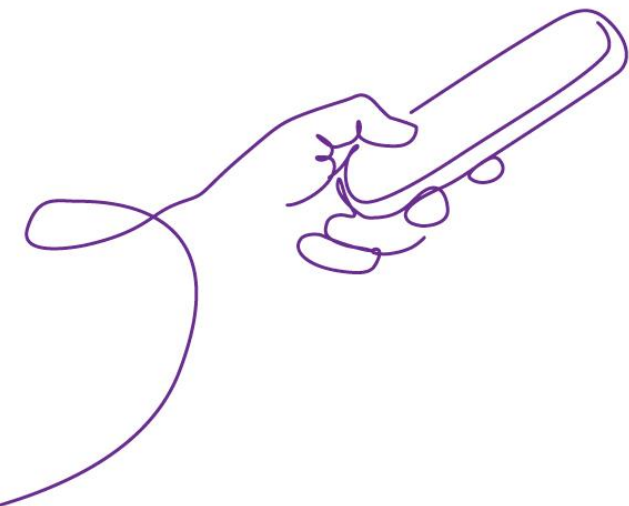
Net sales breakdown Q2 2018



*Revenue from bulk SMS reclassified from B2B to B2C revenue, figures for 2018 are restated

**excluding non-recurring items

H1 2019 summary



Net sales

KZT 73,049m
(72,689)

Increase of 0.5%*YoY

B2B revenue*

KZT 8,407m
(7,197)

Increase of 16.8%* YoY

Net income

KZT -5,881m
(3,477)

YoY decrease due to a KZT14,552 million penalty for terminating network sharing agreement

Service revenue

KZT 65,842m
(64,298)

Increase of 2.4% YoY

EBITDA**

KZT 30,040m
(23,270)

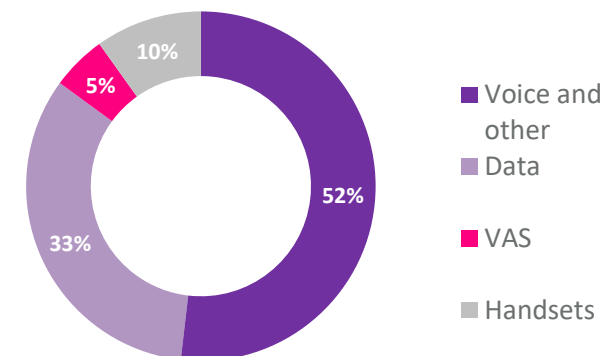
Increase of 29.1% YoY*
EBITDA margin 41.1% (32.0)

Subscribers

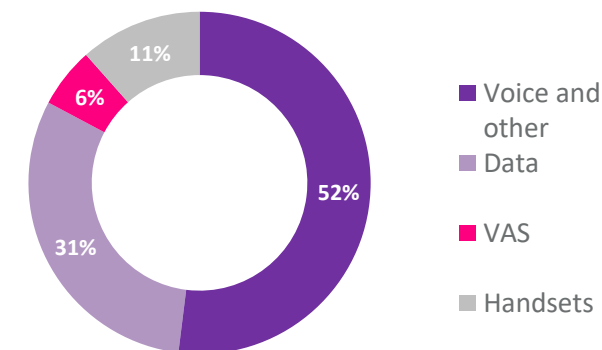
8,676 thousand
(10,062)

The number of subscribers decreased as a result of moving from quantity driven distribution to value driven acquisition

Net sales breakdown H1 2019



Net sales breakdown H1 2018



*Revenue from bulk SMS reclassified from B2B to B2C revenue, figures for 2018 are restated

**excluding non-recurring items

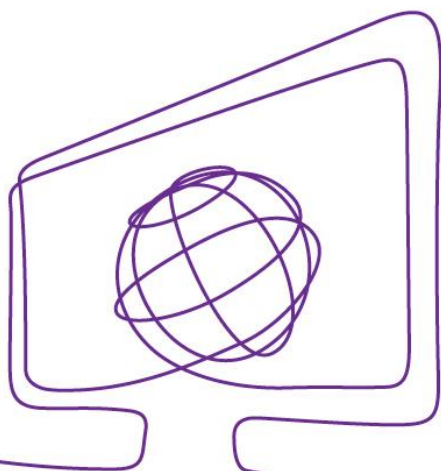
Positive revenue trend



Revenue growth driven by a number of factors including:

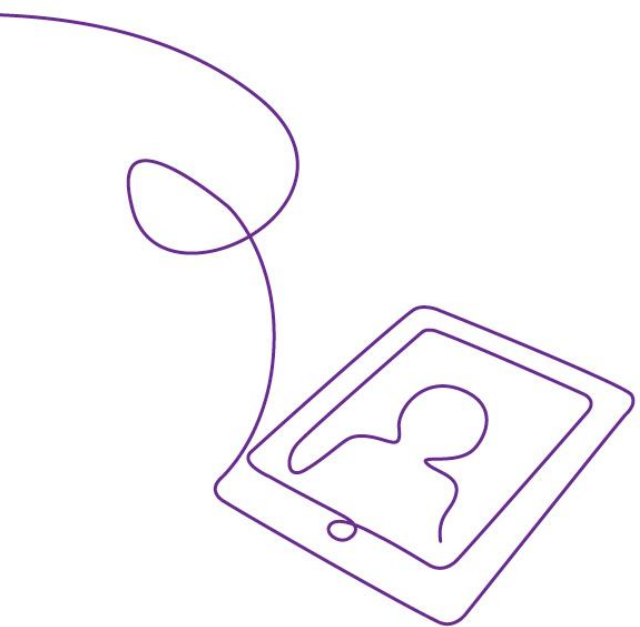
- Improved pay as you go (PAYG) billing for bundled offers
- Launch of new tariff plans with unlimited access to social networks
- Increasing number of subscribers transitioning to new offers with enlarged content
- Increased number of subscribers on fixed contracts with higher levels of ARPU, as a result of growth in number of devices sold

Commercial update

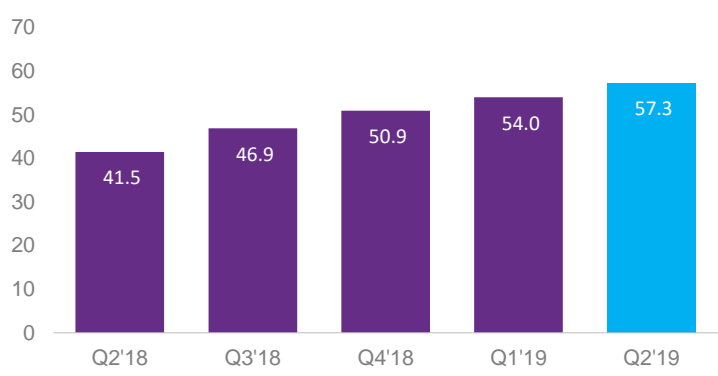


- Second quarter financial performance underpinned by successful implementation of strategy to transition from “quantity to quality”
- Whilst number of handsets was higher, revenue from sale of mobile devices fell by 14.5%. Reflecting global trends, this was mainly driven by a wider range of offers and strengthening of mid-priced segment, compensating for decline in demand in premium segment
- Super Comfort tariff, with unlimited social network access, has proved extremely popular; four months since launch it now accounts for 33% of Kcell’s subscriptions to bundled offers
- ARPU rose 21% in second quarter following 9.5% increase in Q1 2019, following five years of ARPU declines
- B2B revenue showed further increase, up 19.5% year-on-year in second quarter, on back of increased revenues from business solutions

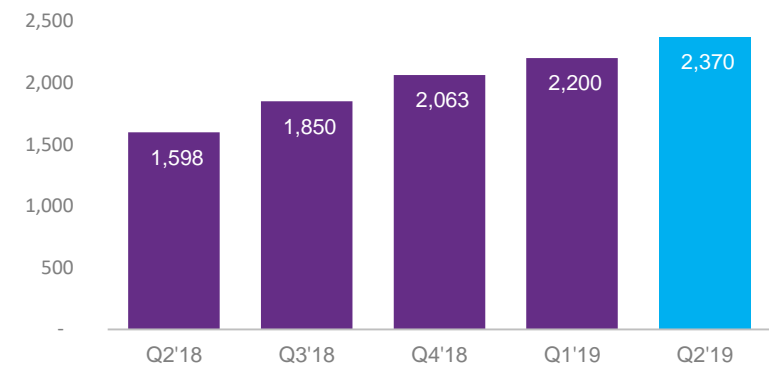
Commercial trends



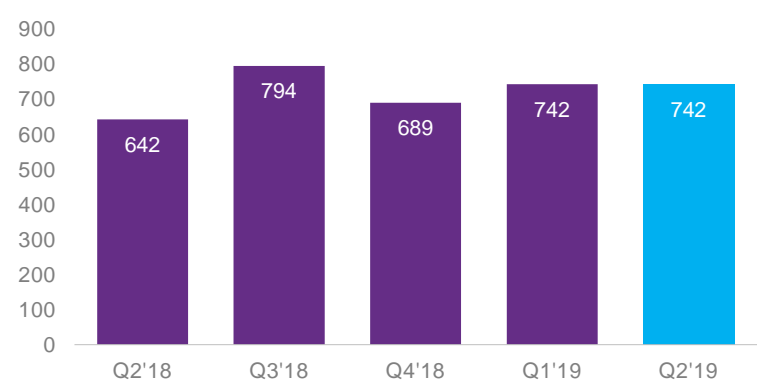
4G device penetration %*



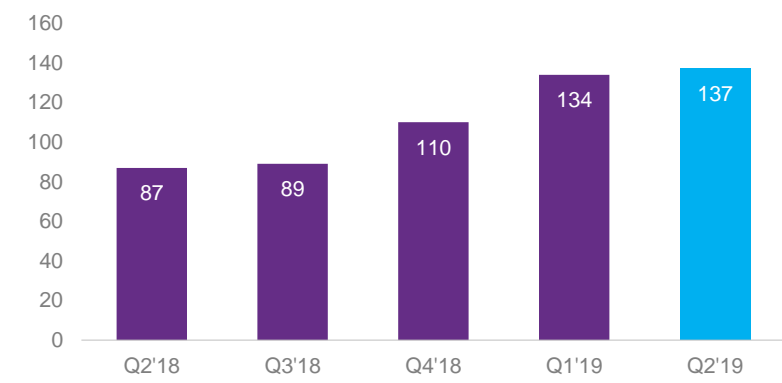
4G data users ('000)



OTT users ('000)

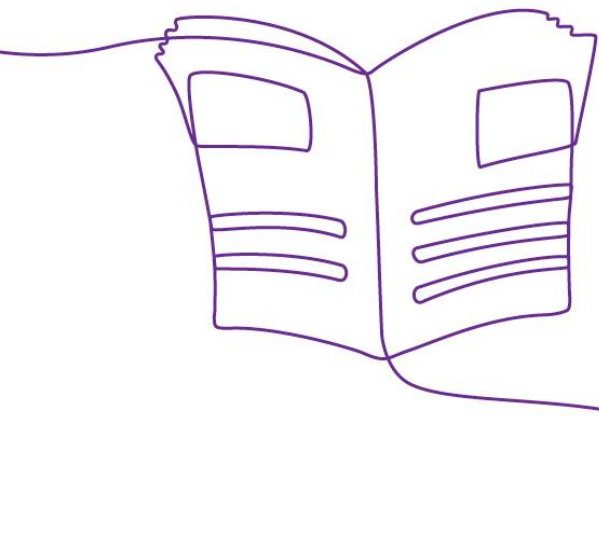


MFS users ('000)

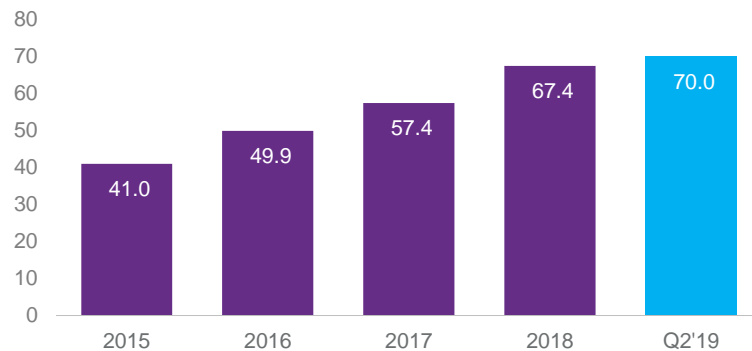


*% in the Company's network

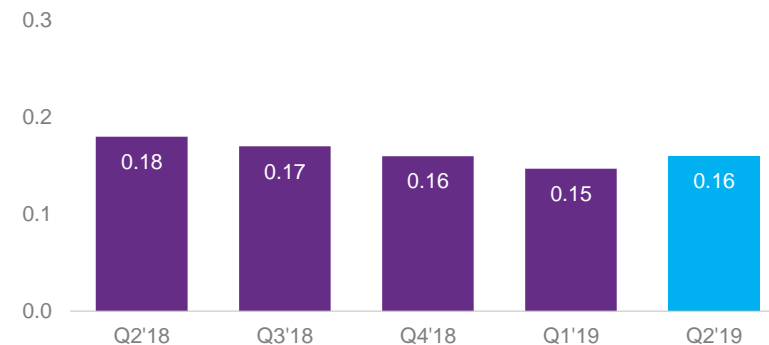
Data usage & revenues



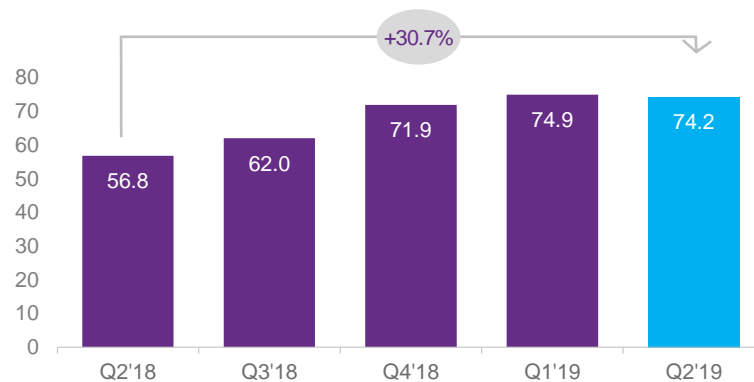
Smartphone penetration %*



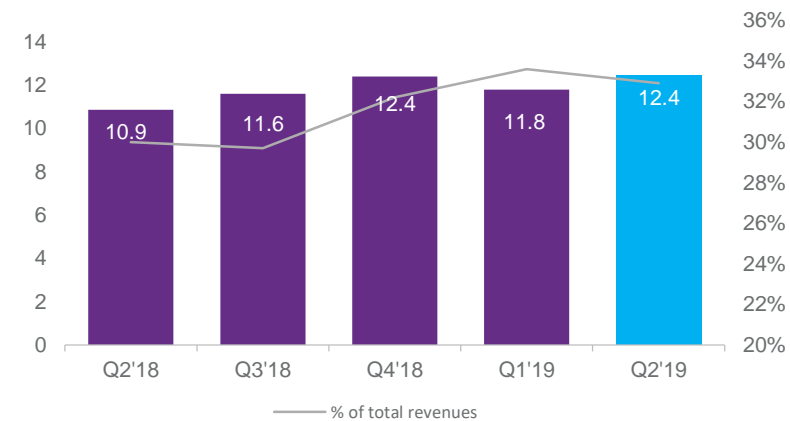
Average revenue per MB (KZT)



Data traffic (PB)

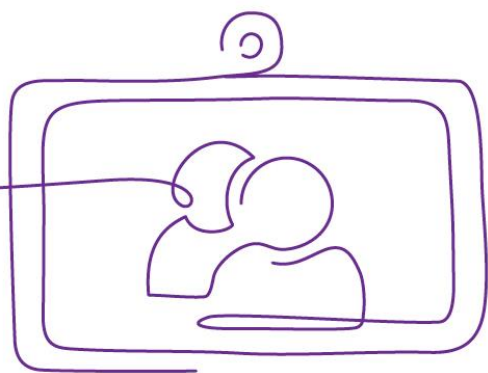


Data revenue (bln KZT)



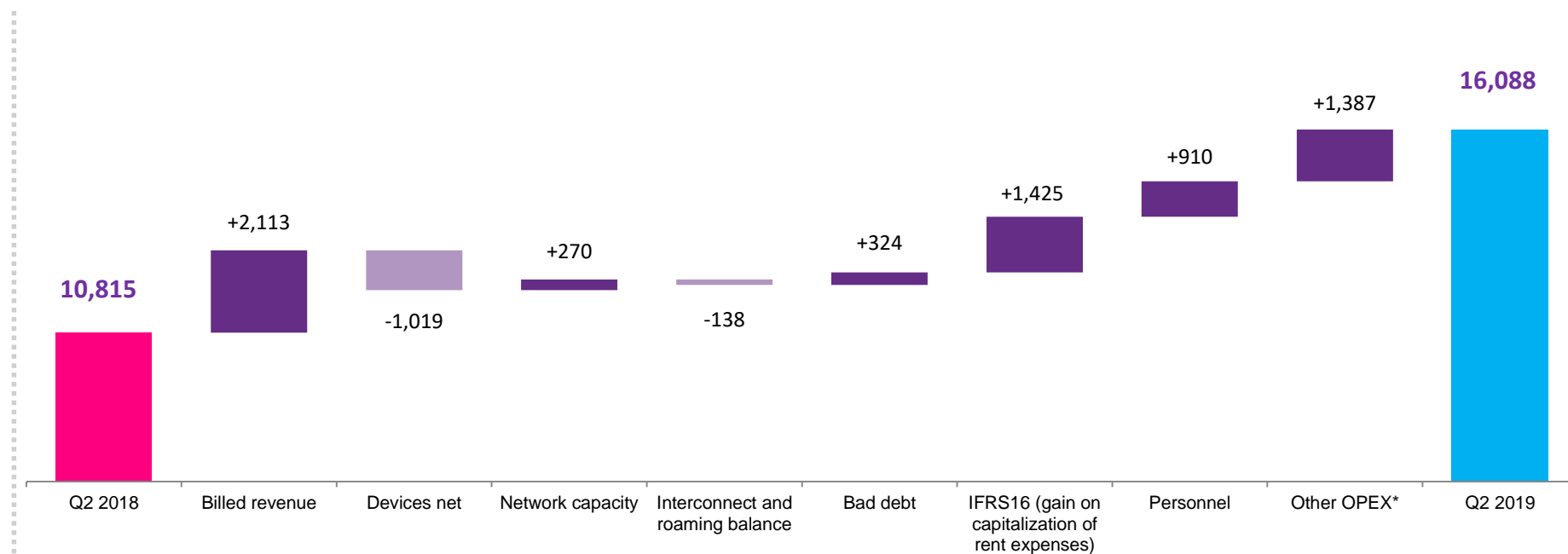
*% in the Company's network

Financial highlights



| KZT in millions, except per share data, number of shares and changes | Q2 2019 | Q2 2018 | Chg (%) | H1 2019 | H1 2018 | Chg (%) |
|----------------------------------------------------------------------|---------|---------|---------|---------|---------|---------|
| Net Sales | 37,869 | 36,303 | 4.3 | 73,049 | 72,689 | 0.5 |
| of which service revenue | 34,188 | 32,049 | 6.7 | 65,842 | 64,298 | 2.4 |
| EBITDA excluding non-recurring items | 16,088 | 10,814 | 48.8 | 30,040 | 23,270 | 29.1 |
| EBITDA margin (%) | 42.5 | 29.8 | | 41.1 | 32.0 | |
| Operating income | 6,277 | 2,862 | 119.3 | -2,083 | 8,471 | -124.6 |
| Operating income excluding non-recurring items | 8,121 | 4,238 | 91.6 | 14,313 | 10,159 | 40.9 |
| Net income | 2,870 | 1,118 | 156.8 | -5,881 | 3,477 | -269.1 |
| Earnings per share (KZT) | 14.4 | 5.6 | 156.8 | -29.4 | 17.4 | -269.1 |
| CAPEX to sales (%) | 5.6 | 13.5 | | 5.8 | 10.6 | |
| Free cash flow | -2,276 | -1,162 | | 5,754 | 341 | |

EBITDA* development



*Other OPEX includes:

- cost optimization in marketing: KZT 250m
- decrease in other tax costs: KZT 160m
- cost optimization in consultancy: KZT 100m
- forex effect: KZT 137m
- optimization of other cost items: KZT 740m

*excluding non-recurring items

CAPEX

LTE traffic

64%

of total traffic data

YTD investments (KZT mln)

4,263

- ✓ LTE capacity increased in Turkestan city – added L2100 layer
- ✓ IoT activated for trial period for Almaty Marathon

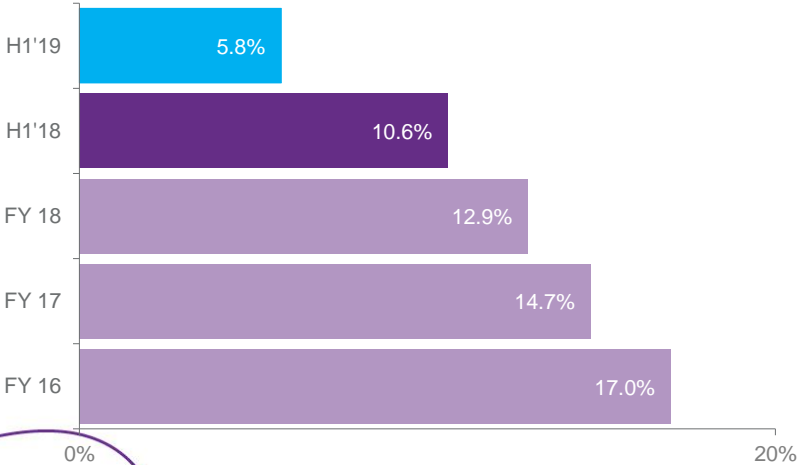
LTE population coverage

62.1%

3G population coverage

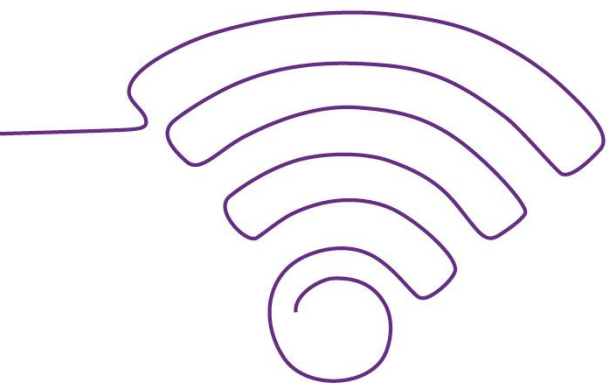
80.4%

CAPEX-to-sales ratio*



*2016 excludes KZT 26,000 million for LTE frequencies

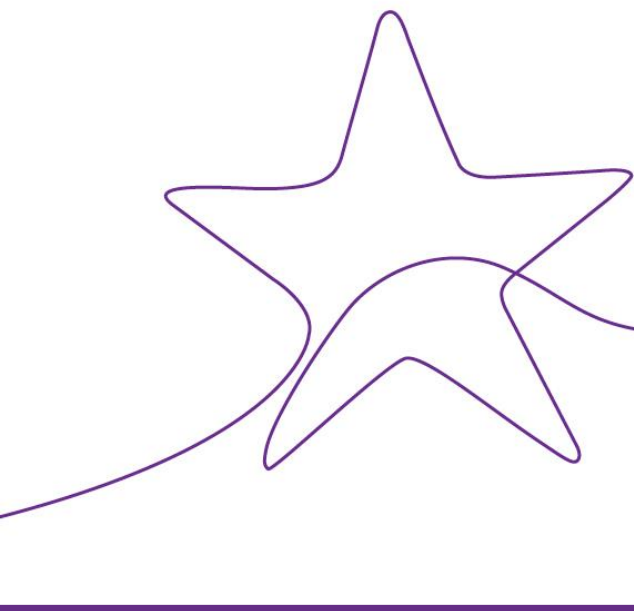
Administrative and legal update



- In October 2018, the Committee on Regulation of Natural Monopolies, Protection of Competition and Consumer Rights of the Ministry of National Economy of the Republic of Kazakhstan (“Committee”) initiated administrative proceedings against Kcell for an alleged administrative violation related to the abuse of its dominant position in 2017. The potential fine, which could be imposed by the court, constituted approximately KZT 2 billion.
- According to the Committee, the violation resulted in the establishment of different prices for Kcell’s mobile Internet access service with a data allowance, when the data allowance was exceeded or the monthly subscription fee was not timely paid.
- The results of investigation were approved by the Order of Committee dated 18 October 2018. The Committee also issued a Notice to Comply ordering the Company to, inter alia, return to Kcell brand subscribers all fees charged in 2017 when the monthly data allowance was exceeded and when the monthly subscription fee for mobile Internet access services had not been paid. Kcell filed an appeal against these decisions.
- The Specialised Interdistrict Economic Court of Nur-Sultan ruled on 17 July 2019 to cancel the Notice to Comply. The judgement has not yet entered into force and may be appealed within one month from the date it was delivered.

Tax audit

- In July 2017, the Kazakhstan tax authority completed its complex tax audit for the period 2012-2015. Following the audit, the tax authority made a total claim of KZT 9.0 billion, of which KZT 5.8 billion is for unpaid taxes and KZT 3.2 billion represents fines and penalties for late payment.
- Kcell disputed the Notification of the tax authority in the First Instance Court and the Kcell appeal was dismissed and the Company filed a petition to the cassation instance of the Supreme Court of Almaty.
- The Company made tax provision for the total amount of claim KZT 9.0 billion.
- On 23 July 2019, the Supreme Court considered the petition, granted the petition and overturned the decision of the Specialised Inter-District Economic Court and the Court of Appeal in respect of an unjustified additional assessment of Withholding Tax (WHT) for a non-resident (Sonera Holding B.V.) as a result of the reorganisation of a legal entity; and an unjustified additional assessment of WHT and VAT for non-residents for remote technical support services. With regard to the remaining contested issues, the decision of the Specialised Inter-District Economic Court and the Court of Appeal was upheld.
- As a result of the Supreme Court decision, the KZT 9.0 billion provision for taxes, penalties and fines will be reduced in total by KZT 5.0 billion, comprising KZT 3.0 billion for unpaid taxes, KZT 0.2 billion in fines and a KZT 1.8 billion reduction of the penalty due to the expiration of the limitation period.

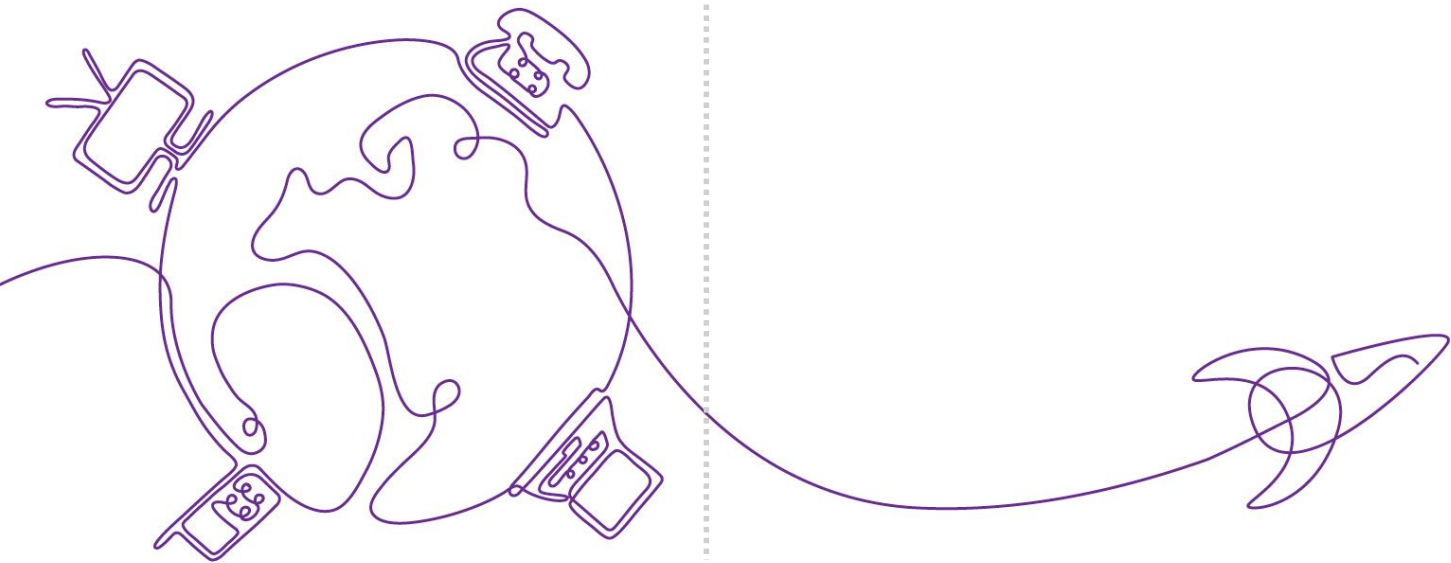


Q&A



Financial key ratios

| | 30 June 2019 | 31 Dec 2018 |
|-------------------------------|--------------|-------------|
| Return on equity* % | 22.2 | 12.5 |
| Return on capital employed* % | 11.1 | 14.3 |
| Equity/assets ratio % | 30.2 | 40.7 |
| Net debt/equity ratio % | 93.8 | 89.2 |
| Net debt/EBITDA* rate % | 1.0 | 1.2 |



*rolling 12 months and excluding non-recurring items

Forward looking statement

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.

