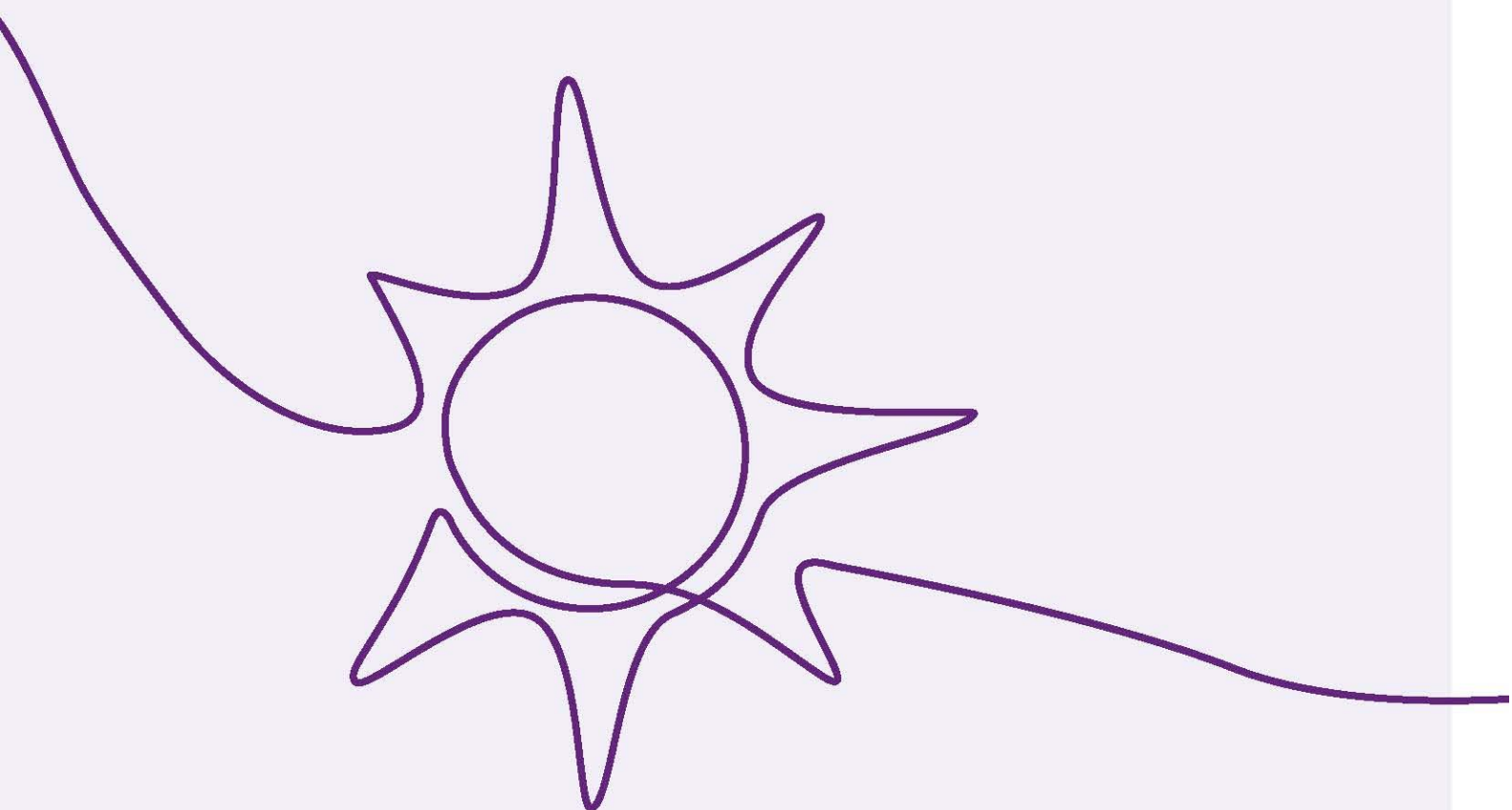




Kcell JSC

Q2 2019

Financial results



Kcell JSC

Interim Results for January – June 2019

Almaty, 26 July 2019 – Kcell Joint Stock Company ("Kcell" or the "Company") (LSE, KASE: KCEL), the leading provider of mobile telecommunications services in Kazakhstan, announces its interim results for January – June 2019.

Second quarter

- Net sales increased by 4.3 percent to KZT 37,869 million (36,303). Service revenue increased by 6.7 percent to KZT 34,188 million (32,049).
- EBITDA, excluding non-recurring items, grew by 48.8 percent to KZT 16,088 million (10,814). EBITDA margin increased to 42.5 percent (29.8).
- Operating income, excluding non-recurring items, increased by 91.6 percent to KZT 8,121 million (4,238).
- Net finance cost increased by 38.2 percent to KZT 2,779 million (2,011).
- Net income increased by 156.8 percent to KZT 2,870 million (1,118).
- CAPEX-to-sales ratio of 5.6 percent (13.5).
- Free cash was negative KZT 2,276 million (-1,162).
- During the quarter, the total number of subscriptions decreased by 65 thousand to 8,676 thousand (8,741).

First half

- Net sales up 0.5 percent to KZT 73,049 million (72,689). Service revenue increased by 2.4 percent to KZT 65,842 million (64,298).
- EBITDA, excluding non-recurring items, increased by 29.1 percent to KZT 30,040 million (23,270). EBITDA margin was 41.1 percent (32.0).
- Operating income, excluding non-recurring items, up 40.9 percent to KZT 14,313 million (10,159).
- Net finance cost increased by 14.5 percent to KZT 4,838 million (4,223).
- Net income was negative KZT -5,881 million (3,477), due to the termination of the Network Sharing Agreement by KaR-Tel LLP, resulting in a KZT 14,552 million penalty reported as a non-recurring item.
- CAPEX-to-sales ratio of 5.8 percent (10.6).
- Free cash flow increased to KZT 5,754 million (341).
- The number of subscribers decreased to 8,676 thousand (10,062), as a result of moving from quantity driven distribution to value driven acquisition.

Financial highlights

KZT in millions, except key ratios, per share data and changes	Apr-Jun 2019	Apr-Jun 2018	Chg (%)	Jan-Jun 2019	Jan-Jun 2018	Chg (%)
Net sales	37,869	36,303	4.3	73,049	72,689	0.5
<i>of which service revenue</i>	34,188	32,049	6.7	65,842	64,298	2.4
EBITDA excl. non-recurring items	16,088	10,814	48.8	30,040	23,270	29.1
<i>Margin (%)</i>	42.5	29.8		41.1	32.0	
Operating income	6,277	2,862	119.3	-2,083	8,471	-124.6
Operating income excl. non-recurring items	8,121	4,238	91.6	14,313	10,159	40.9
Net income/loss attributable to	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	

In this report, comparative figures are provided in parentheses following the operational and financial results and refer to the same item in the second quarter or H1 of 2018, unless otherwise stated.

Comments by Kaspars Kukelis, Chairman of the Management Board

“I am delighted to report that we have achieved a clear upturn in our second quarter results. Our operating and financial performance is stabilising, and we are establishing a solid base for future growth. For the first time in five years, we managed to overcome the negative trend in our service revenue and delivered a 6.7 percent year-on-year increase. Total revenue in the second quarter increased by 4.3 percent, for the largest increase since the second quarter of 2013.

Revenue growth during the quarter was driven by a number of factors including improved pay as you go (PAYG) billing for bundled offers, the introduction of new tariff plans with unlimited access to social networks, as well as an increasing number of existing subscribers transitioning to tariff plans with higher-end offers and greater content access. In addition, the number of subscribers on fixed contracts with higher levels of ARPU has risen, as a result of growth in the number of devices sold.

Whilst the number of handsets was higher, revenue from the sale of mobile devices fell by 14.5 percent. Reflecting global trends, this was mainly driven by a wider range of offers and the strengthening of the mid-priced segment, compensating for the decline in demand in the premium segment.

Thorough analysis and tight control of expenses by our new management, as well as substantial cost optimisation, led to a significant increase in EBITDA, which grew by 35.6 percent, excluding IFRS 16.

The second quarter financial performance was also underpinned by the successful implementation of our strategy to transition from “quantity to quality”. Churn from low ARPU subscribers has resulted in a shift in the subscriber base from 10.1 million at the end of the June 2018 to 8.7 million higher ARPU, more profitable customers.



ARPU rose 21 percent in the second quarter following a 9.5 percent increase in the first quarter, following five years of ARPU declines. This was primarily driven by the number of subscribers now opting for bundled offers, which now stands at almost half of Kcell’s entire subscriber base.

The Super Comfort tariff, with unlimited social network access, has proved extremely popular and just four months since its launch it now accounts for 33 percent of Kcell’s subscriptions to bundled offers.

B2B revenue has shown a further increase and rose 19.5 percent year-on-year in the second quarter, on the back of increased revenues from business solutions. The B2B share of total revenue now amounts to 12 percent.

We will continue to work on further improving our performance, driving greater efficiencies and providing market leading services, whilst remaining focused at all times on our commitment to deliver the highest level of value to our customers and our shareholders.”

Almaty
26 July 2019

Conference call

Kcell will host an analyst conference call on 26 July 2019 at 12:00 London time / 14:00 Moscow / 17:00 Almaty. The conference will be held in English, audio webcast will be available at <https://webcasts.eqs.com/kcell20190726>

Dial in details are as follows:

UK Toll Free:	0800 376 6183
Standard International	
Dial-in:	+44 207 194 3759
Russia Toll Free:	8 800 500 9863
Russia Local Call	
number:	+7 495 646 9315
USA Toll Free:	844 286 0643
USA Dial-In:	+1 646 722 4916

Conference ID **90861561#**

A presentation will be available on the Company website shortly before the conference call on www.investors.kcell.kz/en

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Kay Larsen

Galyna Kulachek

Review of the second quarter 2019

Net sales

Net sales increased by 4.3 percent to KZT 37,869 million (36,303). Service revenue increased by 6.7 percent to KZT 34,188 million (32,049).

Revenue growth during the quarter was driven by a number of factors including improved pay as you go (PAYG) billing for bundled offers, the introduction of new tariff plans with unlimited access to social networks, increasing number of subscribers transitioning to new offers with enlarged content. In addition, the number of fixed contract subscribers with higher ARPU has risen, as a result of an increase in the number of devices sold.

Voice and other services

Revenue from voice and other services increased by 3.9 percent to KZT 20,013 million (19,258).

Interconnect revenue was stable at KZT 5,430 million (5,451).

Data service revenue

Data revenue increased by 14.4 percent to KZT 12,443 million (10,873). Data traffic grew by 30.7 percent to 74.2 PB (56.8). Average revenue per MB (ARMB) decreased to KZT 0.16 (0.18).

Value-added service revenue

Revenue from value-added services decreased by 9.6 percent to KZT 1,732 million (1,916). Revenue from provision of mass mailing services of local SMS through providers were reclassified to Revenues from Voice and Other Services.

Handset sales

Handset sales decreased by 13.5 percent to KZT 3,681 million (4,256). The number of sold devices however continued to grow, mainly as a result of the expanded range of offers and the strengthening of the mid-priced segment, compensating for the decline in demand in the premium segment.

KZT in millions, except percentages	Apr-Jun 2019	% of total	Apr-Jun 2018	% of total
Voice and other services	20,013	52.8	19,258	53.0
Data services	12,443	32.9	10,873	30.0
Value added services	1,732	4.6	1,916	5.3
Handset sales	3,681	9.7	4,256	11.7
Total revenues	37,869	100.0	36,303	100.0

Expenses

Cost of sales

Cost of sales decreased by 1.7 percent to KZT 26,759 million (27,217), mainly due to a decrease in sales of devices and lower rent expenses caused by adoption of IFRS 16, which, in turn, were offset by higher depreciation cost.

Selling and marketing expenses

Selling and marketing expenses decreased by 30.2 percent to KZT 555 million (794), largely as a result of an improved distribution process and lower marketing expenses.

General and administrative expenses

General and administrative expenses, excluding impairment of assets, which presented separately in the statement of Comprehensive Income, decreased by 57.1 percent to KZT 2,004 million (4,675). This was mainly due to lower tax expenses where comparative data for the second quarter of 2018 included an additional tax reserve in the amount of KZT 2.3 billion.

Earnings, financial position and cash flow

EBITDA, excluding non-recurring items, increased by 48.8 percent to KZT 16,088 million (10,814). EBITDA margin increased to 42.5 percent (29.8).

Net finance cost increased by 38.2 percent to KZT 2,779 million (2,011).

Income tax expense/benefit amounted to KZT -726 million (221).

Net income/loss increased to KZT 2,870 million (1,118), while earnings per share grew to KZT 14.4 (5.6).

CAPEX decreased to KZT 2,130 million (4,910) and CAPEX-to-sales ratio was down to 5.6 percent (13.5).

Free cash flow was negative KZT -2,276 million (-1,162).

Review of the first half of 2019

Net sales

Net sales were 0.5 percent higher and amounted to KZT 73,049 million (72,689). Service revenue increased by 2.4 percent to KZT 65,842 million (64,298).

Voice and other services

Revenue from voice and other services remained stable at KZT 37,864 million (37,778).

Interconnect revenue decreased by 3.8 percent to KZT 10,358 million (10,764).

Data service revenue

Data revenue increased by 8.4 percent to KZT 24,265 million (22,387). Data traffic increased by 32.7 percent to 149.1 PB (112.4). Average revenue per MB (ARMB) decreased to KZT 0.15 (0.19).

Value-added service revenue

Revenue from value-added services decreased by 10.1 percent to KZT 3,713 million (4,130).

Handset sales

Handset sales decreased by 14.1 percent to KZT 7,207 million (8,393).

KZT in millions, except percentages	Jan-Jun 2019	% of total	Jan-Jun 2018	% of total
Voice and other services	37,864	51.8	37,778	52.0
Data services	24,265	33.2	22,387	30.8
Value added services	3,713	5.1	4,130	5.7
Handset sales	7,207	9.9	8,393	11.5
Total revenues	73,049	100.0	72,689	100.0

Expenses

Cost of sales

Cost of sales down by 1.5 percent to KZT 52,783 million (53,585), mainly due to decreased sales of devices and lower rent expenses caused by adoption of IFRS 16, which, in turn, were offset by higher depreciation cost.

Selling and marketing expenses

Selling and marketing expenses were down 20.2 percent to KZT 1,189 million (1,489), largely as a result of an improved distribution process and lower marketing expenses.

General and administrative expenses

General and administrative expenses, excluding impairment of assets and the penalty for termination of the Network Sharing Agreement by KaR-Tel LLP, which presented separately in the statement of Comprehensive Income, decreased by 47.9 percent to KZT 3,884 million (7,450). This was mainly due to lower tax expenses, comparative data for the second quarter of 2018 included an additional tax reserve in the amount of KZT 2.3 billion, as well as reduction of bad debt expenses in connection with the implementation of processes to improve the quality of the portfolio of receivables.

Earnings, financial position and cash flow

EBITDA, excluding non-recurring items, increased by 29.1 percent to KZT 30,040 million (23,270). The EBITDA margin was 41.1 percent (32.0).

Net finance cost increased by 14.5 percent to KZT 4,838 million (4,223).

Income tax expense/benefit amounted to KZT 944 million (-1,038). The income tax benefit in the first half of 2019 resulted from the recognition of a deferred tax asset on the tax loss carried forward following the accrual of a fine on the termination of the Network Sharing Agreement with KaR-Tel LLP.

Net income/loss was negative at KZT -5,881 million (3,477), while earnings per share was KZT -29.4 (17.4).

CAPEX decreased to KZT 4,263 million (7,670) and the CAPEX-to-sales ratio fell to 5.8 percent (10.6).

Free cash flow increased to KZT 5,754 million (341).

Key milestones 2019

January

- The Extraordinary General Meeting of Shareholders held on 25 January 2019, adopted the following decisions:
 1. To terminate the authorities of the following members of Kcell JSC Board of Directors:
 - Jan Erik Rudberg (Independent Director);
 - William H.R. Aylward (Independent Director);
 - Vladimir Smirnov (Independent Director).
 2. To elect the Company's new Board of Directors consisting of the following members:
 - Alexey Buyanov (Independent Director);
 - Rashit Makhat (Independent Director);
 - Dinara Inkarbekova (Independent Director);
 - Vladimir Popov (Independent Director);
 - Kuanyshbek Yessekeyev (representative of shareholder Kazakhtelecom JSC);
 - Yerulan Kussainov (representative of shareholder Kazakhtelecom JSC);
 - Timur Turlov (representative of shareholder Freedom Finance JSC).
 3. To determine the term of the office for Kcell JSC Board of Directors before a decision on the Board appointments is made by the General Meeting of Shareholders of Kcell JSC.
- On 28 January 2019, the Board of Directors has adopted the decision to terminate the authority of Damir Zhanbakiev as Chief Executive Officer of Kcell JSC, and appoint Kaspars Kukelis as Chief Executive Officer of Kcell JSC, effective from 29 January 2019.

February

- On 28 February 2019, Kcell undertook a bond placement on the Kazakhstan Stock Exchange, in which bonds to the value of KZT 16.8 billion were placed with investors at an 11.5 percent yield. This was the second placement in the programme Kcell announced in December 2017.

March

- The Board of Directors approved the extension of the loan agreement with Eurasian Development Bank. The credit line limit has been increased to KZT 34 billion with lower interest rate of 11.5 percent, while its term extended until 20 June 2024.
- The Board of Directors has recommended the annual dividend in the amount of KZT 5,972 million, or KZT 29.86 per ordinary share and per Global Depository Receipt (GDR). This represents 70 percent of the Company's net income for the 12 months ended 31 December 2018. The proposed record date of shareholders entitled to receive the dividends is the first Sunday following the date of the Company's Annual General Meeting of shareholders (00:00 Almaty time). The proposed date for the dividend payment is the next working day after the date of compiling a list of shareholders entitled to receive dividends; and within eighty days from the proposed dividend payment date. The dividend amount, the proposed record date of shareholders entitled to receive dividends, and the proposed date of commencement of dividend payment are subject to the AGM's approval.

April

- Kcell received a written notice from KaR-Tel LLP terminating its cooperation under the Network Sharing Agreement in Kazakhstan dated 29 August 2016.

The termination follows a change in control of Kcell after Kazakhtelecom JSC acquired 75 percent of Kcell's shares. This has resulted in a termination penalty of KZT 14,552 million.

- The Company announced that its Board of Directors approved a decision to convene the Annual General Meeting of Shareholders ("AGM") on 29 May 2019.
- The Company announced appointment of Bunyod Ramatov as Chief Financial Officer, effective from 2 May 2019.

May

- The AGM held on 29 May 2019 approved the proposal of Kcell Board of Directors to distribute KZT 5,972 million, representing 70 percent of the net income for 2018, as an annual dividend. The total dividend amount will equate to KZT 29.86 per ordinary share (each GDR representing one ordinary share).
- Other decisions adopted by the AGM include:
 - The approval of the Charter of Kcell JSC in the new edition.
 - The invalidation of the Instruction relating to allocation of work between Kcell JSC Board of Directors and the CEO.
 - The approval of Kcell JSC Annual Financial Statements for 2018.
 - The approval of Ernst & Young LLP as Kcell JSC external auditor during 2019-2021.
 - The approval of the Policy on the remuneration and reimbursement of expenses to the Independent directors of the Kcell JSC Board of Directors.
 - The approval of amendments to the Methodology for determining the value of Kcell JSC shares in the event Kcell JSC repurchases them on an over-the-counter market, by presenting it in a new edition

June

On 19 June 2019, the Board of Directors adopted the following decisions:

- The Management Board of Kcell JSC shall be comprised of three members, including Chairman of the Management Board and two members of the Management Board.
- The term of office of the Chairman and members of the Management Board shall be one year.
- The following persons shall be appointed as the Chairman and members of the Management Board:
 - Kaspars Kukelis, Chief Executive Officer – Chairman of the Management Board;
 - Askar Yesserkegenov, Chief Technical Director – member of the Management Board;
 - Sergey Yeltsov, Chief Legal Officer – member of the Management Board.

- On 27 June 2019, Fitch Ratings affirmed Kcell JSC's Long-Term Issuer Default Rating (IDR) at 'BB' and assigned Positive outlook, mirroring that of the Company's parent, Kazakhtelecom JSC.

Significant events following the end of the reporting period

July

- On 12 July 2019, Yerulan Kussainov, a Non-Executive Director and a representative of Kazakhtelecom JSC, notified the Company of his intention to resign from the Company's Board of Directors effective from 19 July 2019.

Administrative, tax and legal update

Administrative 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 can be imposed by the court, constitutes 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.

On 25 October 2018, Kcell filed an appeal against these decisions in the Specialised Interdistrict Economic Court of Astana.

On 6 November 2018, the Specialised Interdistrict Administrative Court of Almaty ruled to postpone the consideration of the Administrative Offense Report until such consideration of the civil case is finalised.

On 29 November 2018, the Astana City Specialised Interdistrict Economic Court ruled to terminate the consideration of this case. This ruling was appealed by Kcell.

On 23 January 2019, the Astana City Court upheld the ruling of the Astana City Specialised Interdistrict Economic Court. Kcell appealed this ruling in the Supreme Court of Republic of Kazakhstan.

On 25 February 2019, the Company challenged the Conclusion on the results of investigation to the Specialised Interdistrict Economic Court of Astana.

On 26 February 2019, following its suspension, the administrative case was resumed. However, it was suspended again to consider a civil case regarding the appeal of the Conclusion on the results of investigation.

On 4 March 2018, the Astana City Specialised Interdistrict Economic Court refused to accept the application for appeal against the results of Investigation. The Civil Division of the Astana City Court ruled 2 May 2019 to uphold the above ruling of the Astana City Specialised Interdistrict Economic Court.

On 18 March 2019, the judge of the Supreme Court Board for Civil Cases of Kazakhstan ruled that the Company’s petition to review judicial acts of the first instance and appellate court under cassation procedure was submitted for consideration in judicial proceedings by the Supreme Court Board for Civil Cases.

On 19 March 2019, the Specialised Administrative Court of Almaty ruled to suspend consideration of the Administrative Offense Report until the resolution of a civil case.

The Supreme Court Board for Civil Cases of the Republic of Kazakhstan ruled on 14 May 2019 to reverse the ruling of the Astana City Specialised Interdistrict Economic Court dated 29 November 2018 and ruling of the Civil Division of the Astana City Court dated 23 January 2019 as they pertain to the discontinuation of proceedings on invalidation and cancellation of the Notice to Comply. In this particular part, the case was submitted to the Specialised Interdistrict Economic Court of Nur-Sultan for consideration on the merits by another panel of judges.

The Specialised Interdistrict Economic Court of Nur-Sultan ruled on 17 July 2019 to cancel the Notice to Comply #13 dated 22 October 2018. 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.

In January 2018, Kcell disputed the Notification of the tax authority in the First Instance Court and the Kcell appeal was dismissed. In June 2018, the Court of Appeal reviewed the appeal claim and upheld the unfavorable ruling of the First Instance Court in force. Although the decision was binding, Kcell reserved the right to further appeal it in the Supreme Court.

The Company made tax provisions of KZT 9.0 billion.

In November 2018, the Company filed a petition to the cassation instance of the Supreme Court of Almaty. In December 2018, the petition was dismissed by the Resolution of the Supreme Court of the Republic of Kazakhstan.

In January 2019, Kcell appealed to the Chairman of the Supreme Court with a view to re-appeal to the cassation instance of the Supreme Court.

In February 2019, Kcell again appealed to the Supreme Court of the Republic of Kazakhstan with a petition for review.

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.

The external auditors are reviewing the January-June 2019 financial statements, and their report will be available on the Kcell website after 15 August 2019.

The information was submitted for publication at 09:00 ALMT on 26 July 2019.

Financial Information

Interim Report January – September 2019

25 October 2019

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Definitions

EBITDA: Earnings Before Interest, Tax, Depreciation and Amortisation. Equals operating income before depreciation, amortisation and impairment losses and before income from associated companies.

CAPEX: Capital expenditures and advances paid for property, plant and equipment as well as software and licenses including investments in tangible and intangible non-current assets, but excluding goodwill and fair value adjustments recognized in acquisitions, and excluding the recording of assets retirement obligations.

ARMB: Average revenue per MB.

Condensed Consolidated Statements of Comprehensive Income

KZT in millions, except per share data, number of shares and changes	Apr-Jun 2019	Apr-Jun 2018	Chg (%)	Jan-Jun 2019	Jan-Jun 2018	Chg (%)
Revenues	37,869	36,303	4.3	73,049	72,689	0.5
Cost of sales	-26,759	-27,217	-1.7	-52,783	-53,585	-1.5
Gross profit	11,110	9,086	22.3	20,266	19,104	6.1
Selling and marketing expenses	-555	-794	-30.2	-1,189	-1,489	-20.2
General and administrative expenses	-2,004	-4,675	-57.1	-3,884	-7,450	-47.9
Penalty expenses	-	-	-	-14,552	-	-
Impairment of assets	-2,275	-755	201.3	-2,725	-1,694	60.8
Operating income/loss	6,277	2,862	119.3	-2,083	8,471	-124.6
Other operating income and expenses, net	64	-116	-155.3	78	209	-62.7
Finance income and expenses, net	-2,779	-2,011	38.2	-4,838	-4,223	14.5
Net forex gain/loss	34	162	-79.0	18	59	-69.6
Profit/loss before income tax	3,596	897	301.3	-6,825	4,515	-251.2
Income tax benefit/expense	-726	221	-428.0	944	-1,038	-190.9
Net income/loss	2,870	1,118	156.8	-5,881	3,477	-269.1
Other comprehensive income	-	-	-	-	-	-
Other comprehensive income/loss	2,870	1,118	156.8	-5,881	3,477	-269.1
Earnings per share (KZT), basic and diluted	14.4	5.6	156.8	-29.4	17.4	-269.1
Number of shares (thousands)						
Outstanding at period-end	200,000	200,000		200,000	200,000	
Weighted average, basic and diluted	200,000	200,000		200,000	200,000	
EBITDA	14,244	9,438	50.9	13,644	21,582	-36.8
EBITDA excl. non-recurring items	16,088	10,814	48.8	30,040	23,270	29.1
Depreciation, amortization and impairment losses	-7,903	-6,692	18.1	-15,650	-12,902	21.3
Operating income excl. non-recurring items	8,121	4,238	91.6	14,313	10,159	40.9

Condensed Consolidated Statement of Financial Position

KZT in millions	30 Jun 2019	31 Dec 2018
Assets		
Intangible assets	37,181	40,115
Property, plant and equipment	79,980	88,437
Advances paid for non-current assets	817	729
Right to use assets	22,951	-
Other non-current assets	340	425
Long-term receivables	1,327	3,010
Total non-current assets	142,596	132,717
Inventories	5,147	4,728
Trade and other receivables	14,644	13,787
Other current financial assets	1,089	1,011
Other current assets	11,281	8,801
Cash and cash equivalents	8,976	6,029
Total current assets	41,137	34,356
Total assets	183,733	167,073
Equity and liabilities		
Share capital	33,800	33,800
Retained earnings	21,773	34,275
Total equity attributable to owners of the parent	55,573	68,075
Long-term borrowings	60,475	14,936
Long-term lease liabilities	21,381	-
Deferred tax liabilities	148	1,504
Other long-term liabilities	1,368	1,362
Total non-current liabilities	83,372	17,802
Short-term borrowings	6,463	51,783
Trade payables, and other current liabilities	26,251	18,675
Long-term lease liabilities	2,880	-
Deferred revenues	7,121	7,298
Income tax and other taxes payables	2,073	3,440
Total current liabilities	44,788	81,196
Total equity and liabilities	183,733	167,073

Condensed Consolidated Statement of Cash Flows

KZT in millions	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018
Cash flow before change in working capital	16,533	10,348	16,362	23,222
Change in working capital	-15,438	- 5,426	-1,188	-12,714
Cash flow from operating activities	1,095	4,922	15,174	10,508
Cash CAPEX	-3,371	-6,084	-9,420	-10,167
Free cash flow	-2,276	-1,162	5,754	341
Cash flow from financing activities	4,460	-4,580	-2,825	-5,210
Cash flow for the period	2,184	-5,742	2,929	-4,869
Cash and cash equivalents, opening balance	6,758	13,429	6,029	12,660
Cash flow for the period	2,184	-5,742	2,929	-4,869
Exchange rate difference	34	163	18	59
Cash and cash equivalents, closing balance	8,976	7,850	8,976	7,850

Condensed Consolidated Statements of Changes in Equity

KZT in millions	Jan-Jun 2019			Jan-Jun 2018		
	Share capital	Retained earnings	Total equity	Share capital	Retained earnings	Total equity
Opening balance	33,800	34,275	68,075	33,800	37,422	71,222
Dividends	-	-5,972	-5,972	-	-11,678	-11,678
Impact of adopting IFRS 16	-	-649	-649	-	-	-
Total comprehensive income	-	-5,881	-5,881	-	3,477	3,477
Closing balance	33,800	21,773	55,573	33,800	29,221	63,021

Basis of preparation

The Company applied the retrospective modified accounting method of IAS 16, recognising the cumulative effect of the initial application of the new standard as an adjustment to the opening retained earnings at the date of initial application of 1 January 2019.

Certain amounts in the financial results report for the second quarter 2019 were adjusted and reclassified to conform with the presentation adopted in the interim condensed consolidated statements for six months ended 30 June 2019. The Group changed the presentation of its consolidated financial statements as new presentation provides information that is more relevant to users of the consolidated financial statements.

All amounts in this report are presented in KZT millions, unless otherwise stated. Rounding differences may occur.

Non-recurring items

KZT in millions	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018
Within EBITDA				
Restructuring charges, synergy implementation costs, etc.	1,844	1,376	16,396	1,688
Total	1,844	1,376	16,396	1,688

Investments

KZT in millions	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018
CAPEX				
Intangible assets including LTE license	1,228	1,144	2,032	1,253
Property, plant and equipment	902	3,766	2,231	6,417
Total	2,130	4,910	4,263	7,670

Related party transactions

For the six months ended 30 June 2019, Kcell purchased services for KZT 4,343 million and sold services for a value of KZT 5,248 million. Related parties in these transactions were mainly Kazakhtelecom JSC and its group entities.

Net debt

KZT in millions	30 Jun 2019	31 Dec 2018
Long-term and short-term borrowings	66,938	66,719
Less short-term investments, cash and bank	-8,976	-6,029
Net debt	57,962	60,690

Financial key ratios

	30 Jun 2019	31 Dec 2018
Return on equity (% , rolling 12 months)	22.2	12.5
Return on capital employed (% , rolling 12 months)	11.1	14.3
Equity/assets ratio (%)	30.2	40.7
Net debt/equity ratio (%)	93.8	89.2
Net debt/EBITDA rate (multiple, rolling 12 months)	1.0	1.2
Owners' equity per share (KZT)	277.9	340.4

Operational data

	Apr-Jun 2019	Apr-Jun 2018	Chg (%)	Jan-Jun 2019	Jan-Jun 2018	Chg (%)
Subscribers, period-end (thousands)*	8,676	10,062	-13.8	8,676	10,062	-13.8
Of which prepaid	7,768	9,163	-15.2	7,768	9,163	-15.2
MOU (min/month)	233	216	7.9	226	211	7.1
ARPU (KZT)	1,309	1,081	21.1	1,251	1,086	15.2
Churn rate (%)	38.0	52.7		41.9	43.7	
Employees, period-end	1,818	1,857	-2.1	1,818	1,857	-2.1

Forward-looking statements

This report contains statements concerning, among other things, Kcell's financial condition and results of operations that are forward-looking in nature. Such statements are not historical facts but, rather, represent Kcell's future expectations. Kcell believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions; however, forward-looking statements involve inherent risks and uncertainties, and a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement.

Such important factors include, but may not be limited to: Kcell's market position; growth in the telecommunications industry; and the effects of competition and other economic, business, competitive and/or regulatory factors affecting the business of Kcell and the telecommunications industry in general. Forward-looking statements speak only as of the date they were made, and, other than as required by applicable law, Kcell undertakes no obligation to update any of them in light of new information or future events.