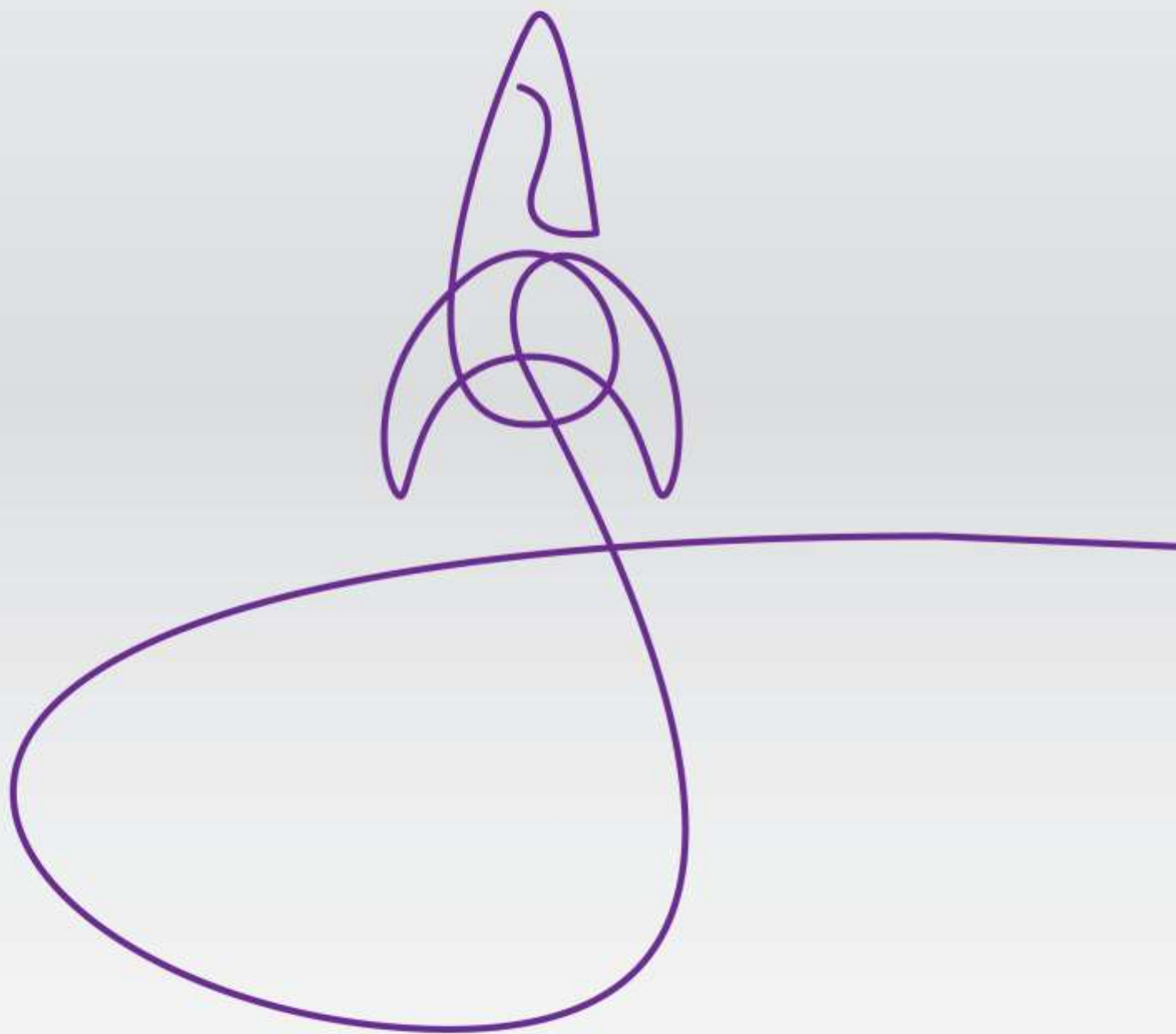


Kcell JSC

Q3 2016 Interim Report



Contents

01	Highlights
02	CEO comments
03	Conference call
04	Review of the third quarter of 2016
06	Review of the nine month period of 2016
08	Key milestones
10	Legal proceedings
12	Condensed Consolidated Statements

Kcell JSC Results for January – September 2016

Almaty, 21 October 2016 - Kcell Joint Stock Company ("Kcell" or the "Company") (LSE, KASE: KCEL), the leading provider of mobile telecommunications services in Kazakhstan by market share in terms of revenue and subscribers, announces its interim results for January - September 2016.

Third quarter

- Net sales decreased by 13.6 percent to KZT 36,931 million (42,756). Service revenue down 11.6 percent to KZT 35,032 million (39,612).
- EBITDA, excluding non-recurring items, declined by 25.2 percent to KZT 14,238 million (19,028). EBITDA margin decreased to 38.6 percent (44.5).
- Operating income, excluding non-recurring items, down 37.3 percent to KZT 8,056 million (12,849).
- Net financial items of KZT -2,321 million (6,638).
- Net income decreased by 71.0 percent to KZT 4,378 million (15,112).
- Free cash flow decreased to KZT 7,968 million (12,169).
- During the quarter, the Company's customer base rose by 157 thousand to 9,905 thousand (9,748).

Nine-month period

- Net sales down 15.5 percent to KZT 108,814 million (128,820). Service revenue down 14.1 percent to KZT 102,558 million (119,447).
- EBITDA, excluding non-recurring items, decreased by 32.8 percent to KZT 43,503 million (64,725). EBITDA margin of 40.0 percent (50.2).
- Operating income, excluding non-recurring items, down 45.2 percent to KZT 25,384 million (46,304).
- Net financial items of KZT -4,905 million (4,951).
- Net income declined by 60.6 percent to KZT 15,633 million (39,666).
- Free cash flow decreased to KZT -992 million (26,579).

Financial highlights

KZT in millions, except key ratios, per share data and changes	Jul-Sep 2016	Jul-Sep 2015	Chg (%)	Jan-Sep 2016	Jan-Sep 2015	Chg (%)
Revenue	36,931	42,756	-13.6	108,814	128,820	-15.5
<i>of which service revenue</i>	35,032	39,612	-11.6	102,558	119,447	-14.1
EBITDA excl. non-recurring items	14,238	19,028	-25.2	43,503	64,725	-32.8
<i>Margin (%)</i>	38.6	44.5		40.0	50.2	
Operating income	7,916	12,849	-38.4	24,775	45,977	-46.1
Operating income excl. non-recurring items	8,056	12,849	-37.3	25,384	46,304	-45.2
Net income attributable to owners of the parent company	4,378	15,112	-71.0	15,633	39,666	-60.6
Earnings per share (KZT)	21.9	75.6	-71.0	78.2	198.3	-60.6
CAPEX-to-sales (%)	27.1	11.5		38.8	8.4	
Free cash flow	7,968	12,169		-992	26,579	

In this report, comparative figures are provided in parentheses following the operational and financial results and refer to the same item in the third quarter of 2015, unless otherwise stated.

Comments by Arti Ots, CEO



“In the third quarter of 2016 we delivered a second successive quarterly increase in service revenue and reported net growth in our subscriber base, although the economic and market environment remained challenging and we saw further year-on-year declines in revenue and profit.

We remain focused on driving growth through smart innovation in products and services. In August we unveiled a key strategic development, with the announcement of our network sharing agreement with Beeline Kazakhstan, part of VimpelCom, for the joint deployment of 4G/LTE network in Kazakhstan.

This strategic partnership, the first such agreement in the region, will enable Kcell to swiftly deploy 4G/LTE services in all major areas in Kazakhstan by combining the networks of the two operators. As a result, Kcell has now rolled out 4G/LTE services in 11 cities in Kazakhstan. Kcell will continue to deliver market-leading quality across all areas of our business.

At the same time, Kazakhstan has started to see some encouraging signs of macro recovery, with an increase in oil prices. There have also been some signals that consumer price inflation is easing and currency levels are stabilising. However, some downward pricing pressure in LTE/4G services has started to emerge, with the recent launch by other providers of all-you-can-eat data packages.

We aim to maintain our market leadership by further expanding our offering of products and services and improving the quality and reach of our network in order to meet the evolving needs of our customers.”

Almaty, 21 October 2016

Conference call

Kcell will host an analyst conference call on 21 October 2016 at 11:00 UK time / 16:00 Almaty / 13:00 Moscow. The conference will be held in English, audio webcast will be available at <http://www.audio-webcast.com/cgibin/visitors.ssp?fn=visitor&id=4039>

Dial in details are as follows:

UK Toll Free:	0800 358 6377
Standard International Dial-in:	+44 20 3043 2003
Russia Toll Free:	8 800 500 9283
Russia Local Call number:	+7 495 213 1767
USA Toll Free:	800 263 0877
USA Dial-In:	+1 719 457 2086

Conference ID 3530252

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

A replay will be available at: <http://kcell211016-live.audio-webcast.com/>

Enquiries

Kcell

Investor Relations

Irina Shol

Tel: +7 727 2582755 ext. 1002

Investor_relations@kcell.kz

Media

Natalya Eskova

Tel: +7 727 2582755

Pressa@kcell.kz

International Media

Instinctif Partners

Kay Larsen / Galyna Kulachek /
Adrian Duffield

Tel: +44 207 457 2020

Review of the third quarter 2016

Net sales

Net sales decreased by 13.6 percent to KZT 36,931 million (42,756). Service revenue fell by 11.6 percent to KZT 35,032 million (39,612).

Revenue from voice services decreased by 18.0 percent to KZT 21,756 million (26,530). Data revenue increased by 7.0 percent to KZT 10,749 million (10,051). Revenue from value-added services down 20.7 percent to KZT 2,397 million (3,023). Other revenue decreased by 35.6 percent to KZT 2,029 million (3,152).

KZT in millions, except percentages	Jul-Sep 2016	% of total	Jul-Sep 2015	% of total
Voice services	21,756	58.9	26,530	62.0
Data services	10,749	29.1	10,051	23.5
Value added services	2,397	6.5	3,023	7.1
Other revenues	2,029	5.5	3,152	7.4
Total revenues	36,931	100.0	42,756	100.0

Voice service revenue

Revenue from voice services decreased by 18.0 percent to KZT 21,756 million (26,530). Voice traffic down 3.4 percent to 5,818 million minutes (6,021), while ARMU fell to KZT 2.5 (3.1).

Interconnect revenue declined by 7.2 percent to KZT 5,590 million (6,023). The decrease was mainly due to a reduced interconnect rate.

Data service revenue

Data revenue increased by 7.0 percent to KZT 10,749 million (10,051). Data traffic increased by 89.6 percent to 30,636,657 GB (16,159,953). Growth in data traffic was partially offset by packages with lower tariffs per MB, which led to a decrease in average revenue per MB (ARMB) to KZT 0.3 (0.6).

Value-added service revenue

Revenue from value-added services decreased by 20.7 percent to KZT 2,397 million (3,023). This was largely due to declining SMS and MMS revenue.

Other revenue

Other revenue decreased by 35.6 percent to KZT 2,029 million (3,152), reflecting lower handsets sales.

Expenses

Cost of sales

Cost of sales declined by 3.9 percent to KZT 23,456 million (24,418), primarily due to lower interconnect costs.

Selling and marketing expenses

Selling and marketing expenses increased by 15.1 percent to KZT 2,701 million (2,347). The increase was primarily driven by an increase in staff cost.

General and administrative expenses

General and administrative expenses remained stable at KZT 3,029 million (3,028).

Earnings, financial position and cash flow

EBITDA, excluding non-recurring items, declined by 25.2 percent to KZT 14,238 million (19,028). EBITDA margin decreased to 38.6 percent (44.5).

Net financial items were at KZT -2,321 million (6,638).

Income tax expense decreased by 72.2 percent to KZT 1,216 million (4,375).

Net income attributable to owners of the parent company decreased by 71.0 percent to KZT 4,378 million (15,112). Earnings per share decreased to KZT 21.9 (75.6).

CAPEX increased to KZT 9,996 million (4,927) and CAPEX-to-sales ratio increased to 27.1 percent (11.5).

Free cash flow decreased to KZT 7,968 million (12,169).

Review of the nine month period of 2016

Net sales

Net sales down 15.5 percent to KZT 108,814 million (128,820). Service revenue declined by 14.1 percent to KZT 102,558 million (119,447).

Revenue from voice services decreased by 18.8 percent to KZT 65,139 million (80,173). Data revenue was 3.3 percent higher at KZT 30,481 million (29,504). Revenue from value-added services decreased by 28.9 percent to KZT 6,945 million (9,762). Other revenue decreased by 33.4 percent to KZT 6,249 million (9,381).

KZT in millions, except percentages	Jan-Sep 2016	% of total	Jan-Sep 2015	% of total
Voice services	65,139	59.9	80,173	62.2
Data services	30,481	28.0	29,504	22.9
Value added services	6,945	6.4	9,762	7.6
Other revenues	6,249	5.7	9,381	7.3
Total revenues	108,814	100.0	128,820	100.0

Voice service revenue

Revenue from voice services decreased by 18.8 percent to KZT 65,139 million (80,173). Voice traffic was down 2.4 percent to 17,029 million minutes, ARMU decreased to KZT 2.6 (3.3).

Interconnect revenue was down 7.3 percent to KZT 15,538 million (16,760). The decrease was mainly due to a reduced interconnect rate.

Data service revenue

Data revenue was up 3.3 percent to KZT 30,481 million (29,504). Data traffic more than doubled to 83,652,938 GB (37,913,560). Growth in data traffic was partially offset by offering packages with lower tariffs per MB, which resulted in a decrease in average revenue per MB (ARMB) to KZT 0.4 (0.8).

Value-added service revenue

Revenue from value-added services decreased by 28.9 percent to KZT 6,945 million (9,762), reflecting a decline in the SMS and MMS revenue.

Other revenue

Other revenue decreased by 33.4 percent to KZT 6,249 million (9,381), mainly due to a decrease in handset sales.

Expenses

Cost of sales

Cost of sales was stable at KZT 67,390 million (66,989).

Selling and marketing expenses

Selling and marketing expenses increased by 7.3 percent to KZT 7,691 million (7,171). The increase was primarily driven by the increase in staff cost.

General and administrative expenses

General and administrative expenses increased by 4.6 percent to KZT 9,355 million (8,946), reflecting higher tax and rent expenses.

Earnings, financial position and cash flow

EBITDA, excluding non-recurring items, decreased by 32.8 percent to KZT 43,503 million (64,725). EBITDA margin decreased to 40.0 percent (50.2).

Net financial items were at KZT -4,905 million (4,951). The decrease was mainly attributable to interest expenses.

Income tax expense decreased by 62.4 percent to KZT 4,236 million (11,262).

Net income attributable to owners of the parent company declined by 60.6 percent to KZT 15,633 million (39,666) and earnings per share decreased to KZT 78.2 (198.3).

CAPEX increased to KZT 42,187 million (10,862) and the CAPEX-to-sales ratio increase to 38.8 percent (8.4). This was mainly due to the acquisition of new frequencies that enables the Company to rollout LTE services. CAPEX-to-sales ratio, excluding KZT 26 billion for new frequencies, was 14.9 percent (8.4).

Free cash flow decreased to KZT -992 million (26,579).

Net debt/equity ratio was 48.1 percent (23.1).

Net debt/EBITDA ratio was 0.66 (0.24).

The equity/assets ratio was 38.7 percent (48.5).

Key milestones 2016

January

- The Ministry for Investments and Development (“the Ministry”) announced that it will allocate radio frequencies to enable all existing mobile operators in the Kazakh market to rollout LTE services.

The Ministry will allocate to Kcell access to 10+10 MHz radio frequency within the 700/800 MHz band on payment of a one-off fee of KZT 22 billion, to be made in two tranches of KZT 10 billion by 1 March 2016 and KZT 12 billion by 1 December 2016.

The Ministry will also allocate to Kcell access to 10+10 MHz radio frequency within the 1700/1800 MHz band, on payment of a one-off fee of KZT 4 billion by 1 February 2016.

In addition, the Ministry will permit all existing mobile operators to use the radio frequencies allocated to them in the GSM, DCS-1800 (GSM-1800) UMTS/WCDMA (3G) standards for the provision of LTE (4G) and LTE Advanced services subject to obtaining the respective radio frequency permits in the prescribed manner.

The Ministry will issue these radio frequency permits to mobile operators in the Kazakh market on condition that they guarantee mobile coverage in communities with 500-plus inhabitants and along the highways and railways of national and regional importance by 31 December 2020.

- Kcell announced the results of its Extraordinary General Meeting of Shareholders (“EGM”) held on 6 January 2016.

The EGM approved the election of Mr. Peter Lav, representative of the shareholder Sonera Holding B.V., as the member of the Board of Directors of Kcell JSC in place of retired Mr. Kenneth Berndt Karlberg; and the election of Mr. Emil Nilsson, representative of shareholder Fintur Holdings B.V., as the member of the Board of Directors of Kcell JSC in place of retired Mr. Erik Hallberg.

February

- Kcell paid KZT 14 billion as the first tranche for LTE radio frequencies.
- Kcell launched its pilot LTE standard (4G) mobile zones in the biggest shopping malls of Astana, Almaty, Shymkent and Aktobe.

April

- The Board recommended the annual dividend (“Dividend”) in the amount of KZT 23,316 million, or KZT 116.58 per ordinary share. This represents 50 percent of the Company’s net income for the 12 months ending 31 December 2015 (“the Period”).

The Company’s dividend policy aims for the distribution of at least 70 percent of the Company’s net income for the previous reporting year. When recommending the payment of a dividend at the AGM, the Board of Directors has to take into consideration the amount of cash the Company has in hand, its cash flow projections and its investment plans in the medium-term perspective, as well as capital market conditions.

Given the Company’s medium-term investment plans for the development of LTE infrastructure and cash flow projections, the Board decided to curtail the dividend payment for 2015 to 50 percent of the net income.

May

- Kcell announced the results of its Annual General Meeting of Shareholders (“AGM”) held on 18 May 2016. The AGM has approved the Company’s net income of KZT 46,632 million in 2015 and the distribution of 50 percent of net income as an annual dividend, with the dividend per ordinary share amounting to KZT 116.58, gross (each ordinary share representing one GDR).

Dividends will be paid electronically directly into shareholders’ bank accounts. Kcell shareholders who are registered at the record date of 19 May 2015 (01:00 Almaty time) will be entitled to receive the dividends.

Dividends will be paid in a lump sum, starting 1 August 2016 (09:00 Almaty time).

Other decisions adopted by the AGM include the approval of the Company’s Separate and Consolidated Financial Statements for the year ended 31 December 2015 and the Independent Auditor’s Report. Shareholders were also informed on the amount and structure of remuneration for the members of Board of Directors and Executive Body of the Company. The Board of Directors received no queries from shareholders regarding the performance of the Company and its executives.

- Kcell received an award for its high level of transparency and disclosure from the Kazakhstan Stock Exchange (KASE). Four companies, including Kcell, of the 130 companies listed in Kazakhstan received the KASE’s “Striving towards greater transparency” award in 2016.
- Kcell noted that an amendment has been made to the Appendix to State Licence (MTK #DS000270 dated 8 June 1998) for the provision of GSM services (the “Licence”), whereby subparagraph “a” of clause 7.11 of the Licence - *“Licence can be revoked by the court if the Licensee carries out unlicensed activity”* – has been removed.

June

- Kcell informed that it has entered into a credit line agreement with Subsidiary Bank Alfa Bank JSC for KZT 10 billion for the purpose of financing its working capital. The Company obtained the first tranche of KZT 6 billion of the approved credit line on 8 June 2016.

July

- The Board of Directors decided to change the terms of the Agreement between Kcell JSC and Halyk Bank of Kazakhstan JSC signed on 24 September 2013. The credit facility has been increased to KZT 42 billion from KZT 30 billion, while its term extended until 2 December 2019.
- The Board of Directors decided to increase its USD 15 million credit facility from Citibank Kazakhstan JSC to USD 65 million within the framework of the General Agreement on Contingent Obligations from 17 September 2015.
- Kcell announced that it has extended the terms of its KZT 17 billion loan from Kazkommertsbank JSC for twelve months starting from 25 September 2016. The loan was obtained for the purpose of financing the Company’s working capital.

August

- Kcell fully paid the annual dividend in the amount of KZT 23,316 million, or KZT 116.58 per ordinary share (each ordinary share representing one GDR).
- Kcell signed a network sharing agreement with Beeline Kazakhstan, part of VimpelCom, for the joint deployment of 4G/LTE services in Kazakhstan. This strategic partnership enables Kcell to swiftly deploy 4G/LTE services in all major areas in Kazakhstan by combining the networks of the two operators.

September

- The Company’s Board of Directors decided to convene an Extraordinary General Meeting of Shareholders of Kcell JSC on 4 November 2016. The proposed agenda for AGM includes the following items:
 - Amendments to the Charter of Kcell JSC regarding allocation of work between the Board and the CEO.
 - Approval of instructions related to the allocation of work in line with the amendments to the Charter.
- The Board of Directors of Kcell approved an extension of the credit line opened by Altyn Bank JSC, a subsidiary of Halyk Bank JSC, within the framework of the agreement signed on 24 September 2013. The credit line of KZT 3.0 billion obtained for the working capital financing was extended for a term of twelve months until 23 September 2017.

Administrative and legal update

The “Daytime Unlimited” and failure to disconnect calls on Kcell network

During 2013, an investigation was initiated by the Agency for Competition Protection of the Republic of Kazakhstan (the “ACP”), in relation to the “Daytime Unlimited” service under the Activ brand and non-interruption of services when a customer’s balance reaches zero under the Kcell brand.

The ACP ordered that the Company should comply with the following on or before 21 April 2014:

- 1) to stop collection of subscription fees under the tariff plan “Daytime Unlimited” in case of insufficiency of funds on a subscriber’s account;
- 2) to ensure interruption of connection (voice or Internet access) when a subscriber’s balance reaches zero;
- 3) to ensure a refund to subscribers, any fees received as a result of failure to interrupt the connection when a subscriber’s balance reaches zero.

The Company complied with point 1; however, due to technical limitations of the billing system, the Company is currently unable to implement point 2. However, the Company is in the process of introducing a new billing system that will enable the interruption of the connection.

The Company has challenged the ACP findings and decision through courts system in Kazakhstan, culminating in an appeal to the Supreme Court. On 30 June 2015, the Supreme Court of the Republic of Kazakhstan dismissed the Company’s supervisory appeal. On 15 June 2015, ACP filed a claim with court seeking for enforcement of the order. On 9 July 2015, the court issued a resolution on satisfying ACP claim to enforce the order, and as a result the Company must now enforce points 2 and 3 in the above ACP order.

In December 2014, the Company accrued a provision in the amount of KZT 1.6 billion covering the refund to subscribers for the period from January 2012 to September 2013.

In compliance with the Order, on 22 July 2015, the Company started refunding its Kcell brand subscribers for the period from January 2012 to September 2013.

In accordance with an agreement reached with the ACP, the Company has started refunding its subscribers for the subsequent period.

Since the Kcell brand subscribers are being refunded for the services rendered, the Company’s tax liabilities will be reduced.

As of 1 October 2016, Kcell has returned KZT 2,467 million to its customers. The transition (migration) to Amdocs convergent billing system has been started in July 2016.

Recovery of lost profits of Paylink LLP

On 29 March 2016, the Specialised Inter-District Economic Court of Almaty ap-proved a partial satisfaction of Paylink LLP’s claim in the amount of KZT 94 million.

Paylink LLP claimed a compensation for the recovery of lost profits in the amount of KZT 196.9 million. The compensation is related to the contract for payment receipts concluded in 2008, which early termination was invalidated by the court in 2014 with resumption of its activities for a period of 57 calendar days. In addition, according to the court decision in 2014, Paylink LLP is obligated to refund KZT 189.6 million to Kcell JSC.

On 22 June 2016, the Company’s appeal over its claim against Paylink LLP for the recovery of lost profits was partially granted by the Almaty City Board of Appeals; decision of the Economic Court of Almaty city from 29 March 2016 was changed and the amount claimed was reduced to KZT 67.1 million, while the state fee was also decreased to KZT 2.0 million. The Company’s cassation appeal against the Board of Appeals’ judgment as well as cassation appeal of Paylink LLP were dismissed by the Supreme Court of the Republic of Kazakhstan.

Tax inspection

The Company is undergoing tax inspection that covers the period of 2011-2015. The results are expected by the end of 2016.

The January – September 2016 financial statements have been reviewed by the Kcell external auditors, their report will be available on the Kcell website starting from 15 November 2016.

The information was submitted for publication at 09:00 ALMT on 21 October 2016.

Financial information

Year-end Report January-December 2016 27 January 2017

Interim Report January-March 2017 26 April 2017

Questions regarding the reports:

Kcell JSC
Investor Relations
Timiryazev str. 2g
050013 Almaty
Tel. +7 727 2582755 ext.1002
Investor_relations@kcell.kz

www.investors.kcell.kz

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	Jul-Sep 2016	Jul-Sep 2015	Chg (%)	Jan-Sep 2016	Jan-Sep 2015	Chg (%)
Revenues	36,931	42,756	-13.6	108,814	128,820	-15.5
Cost of sales	-23,456	-24,418	-3.9	-67,390	-66,989	0.6
Gross profit	13,475	18,337	-26.5	41,424	61,830	-33.0
Selling and marketing expenses	-2,701	-2,347	15.1	-7,691	-7,171	7.3
General and administrative expenses	-3,029	-3,028	0.0	-9,355	-8,946	4.6
Other operating income and expenses, net	170	-113		398	263	
Operating income	7,916	12,849	-38.4	24,775	45,977	-46.1
Finance costs and other financial items, net	-2,321	6,638		-4,905	4,951	
Income after financial items	5,594	19,487	-71.3	19,869	50,928	-61.0
Income taxes	-1,216	-4,375	-72.2	-4,236	-11,262	-62.4
Net income	4,378	15,112	-71.0	15,633	39,666	-60.6
Other comprehensive income						
Total comprehensive income						
Total comprehensive income attributable to owners of the parent	4,378	15,112	-71.0	15,633	39,666	-60.6
Earnings per share (KZT), basic and diluted	21.9	75.6	-71.0	78.2	198.3	-60.6
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	14,098	19,028	-25.9	42,893	64,398	-33.4
EBITDA excl. non-recurring items	14,238	19,028	-25.2	43,503	64,725	-32.8
Depreciation, amortization and impairment losses	-6,182	-6,179	0.1	-18,119	-18,421	-1.6
Operating income excl. non-recurring items	8,056	12,849	-37.3	25,384	46,304	-45.2

Condensed Consolidated Statements of Financial Position

KZT in millions	30 Sep 2016	31 Dec 2015
Assets		
Intangible assets	41,421	16,956
Property, plant and equipment	94,298	94,502
Other non-current assets	87	145
Financial aid	–	300
Long-term receivables	928	397
Total non-current assets	136,734	112,301
Inventories	2,488	2,802
Trade and other receivables	25,023	19,336
Cash and cash equivalents	20,747	31,589
Total current assets	48,258	53,726
Total assets	184,992	166,027
Equity and liabilities		
Share capital	33,800	33,800
Retained earnings	37,830	46,646
Total equity attributable to owners of the parent company	71,630	80,446
Long term borrowings	8,000	–
Deferred tax liabilities	4,219	5,037
Other long-term liabilities	1,285	1,286
Total non-current liabilities	13,505	6,323
Short-term borrowings	57,352	50,201
Trade payables and other current liabilities	42,506	29,057
Total current liabilities	99,858	79,258
Total equity and liabilities	184,992	166,027

Condensed Consolidated Statements of Cash Flows

KZT in millions	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015
Cash flow before change in working capital	13,813	15,229	36,018	52,085
Change in working capital	-1,670	2,526	-9,285	-6,199
Cash flow from operating activities	12,143	17,755	26,733	45,886
Cash CAPEX	-4,175	-5,586	-27,725	-19,307
Free cash flow	7,968	12,169	-992	26,579
Total cash flow from investing activities	-4,175	-5,586	-27,725	-19,307
Cash flow before financing activities	7,968	12,169	-992	26,579
Cash flow from financing activities	-14,316	3,300	-10,501	-15,482
Cash flow for the period	-6,348	15,469	-11,493	11,097
Cash and cash equivalents, opening balance	27,203	15,452	31,589	19,520
Cash flow for the period	-6,348	15,469	-11,493	11,097
Exchange rate difference	-108	8,037	651	8,341
Cash and cash equivalents, closing balance	20,747	38,958	20,747	38,958

Condensed Consolidated Statements of Changes in Equity

KZT in millions	Jan-Sep 2016			Jan-Sep 2015		
	Share capital	Retained earnings	Total equity	Share capital	Retained earnings	Total equity
Opening balance	33,800	46,646	80,446	33,800	58,274	92,074
Dividends	–	-23,316	-23,316	–	-58,260	-58,260
Retained earnings of consolidated subsidiaries	–	-1,133	-1,133	–	–	–
Total comprehensive income	–	15,633	15,633	–	39,666	39,666
Closing balance	33,800	37,830	71,630	33,800	39,680	73,480

Basis of preparation

As in the annual accounts for 2015, Kcell's consolidated financial statements of and for the nine-month period ended 30 September 2016, have been prepared in accordance with International Financial Reporting Standards (IFRSs). This report has been prepared in accordance with IAS 34 Interim Financial Reporting. The accounting policies adopted are consistent with those of the previous financial year. All amounts in this report are presented in KZT millions, unless otherwise stated. Rounding differences may occur.

Non-recurring items

KZT in millions	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015
Within EBITDA				
Restructuring charges, synergy implementation costs, etc.	140	–	610	327
Total	140	–	610	327

Investments

KZT in millions	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015
CAPEX				
Intangible assets	2,837	1,770	29,619	4,587
Property, plant and equipment	7,159	3,157	12,568	6,275
Total	9,996	4,927	42,187	10,862

Related party transactions

For the nine months ended 30 September 2016, Kcell purchased services for KZT 3,770 million and sold services for a value of KZT 1,110 million. Related parties in these transactions were mainly TeliaSonera and its group entities, Turkcell, Fintur Holding B.V. and KazTransCom.

Net debt

KZT in millions	30 Sep 2016	31 Dec 2015
Long-term and short-term borrowings	57,352	50,201
Less short-term investments, cash and bank	-20,747	-31,589
Net debt	36,605	18,612

Financial key ratios

	30 Sep 2016	31 Dec 2015
Return on equity (% , rolling 12 months)	29.7	54.1
Return on capital employed (% , rolling 12 months)	34.5	69.6
Equity/assets ratio (%)	38.7	48.5
Net debt/equity ratio (%)	48.1	23.1
Net debt/EBITDA rate (multiple, rolling 12 months)	0.66	0.24
Owners' equity per share (KZT)	358.1	402.2

Operational data

	Jul-Sep 2016	Jul-Sep 2015	Chg (%)	Jan-Sep 2016	Jan-Sep 2015	Chg (%)
Subscribers, period-end (thousands)	9,905	10,780	-8.1	9,905	10,780	-8.1
Of which prepaid	8,765	9,481	-7.6	8,765	9,481	-7.6
MOU (min/month)	235	235	-	225	207	8.7
ARPU (KZT)	1,191	1,224	-2.7	1,150	1,212	-5.1
Churn rate (%)	46.1	43.0	7.2	46.6	43.0	8.4
Employees, period-end	1,814	1,898	-4.4	1,814	1,898	-4.4

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.