

# Financial results for Q2 2013

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# Continue to maintain strong leadership position



- Revenue KZT 46,271m (44,383)
  - Increase of 4.3% relative to Q2 2012
- EBITDA\* KZT 25,508m (25,064)
  - Increase of 1.8% relative to Q2 2012
- EBITDA margin\* 55.1% (56.5)
  - Continuous focus on cost efficiency
- Net income KZT 15,551 (16,100)
  - Decrease of 3.4%
- Subscribers 14.1m (13.8)
  - Increase by 300K relative to Q1 2013

\* excluding non-recurring items

# Key highlights Q2 2013

- Superior profitability in a challenging environment
- Strong leadership position
- Strategic emphasis on the development of data services - important growth driver



# Focus areas

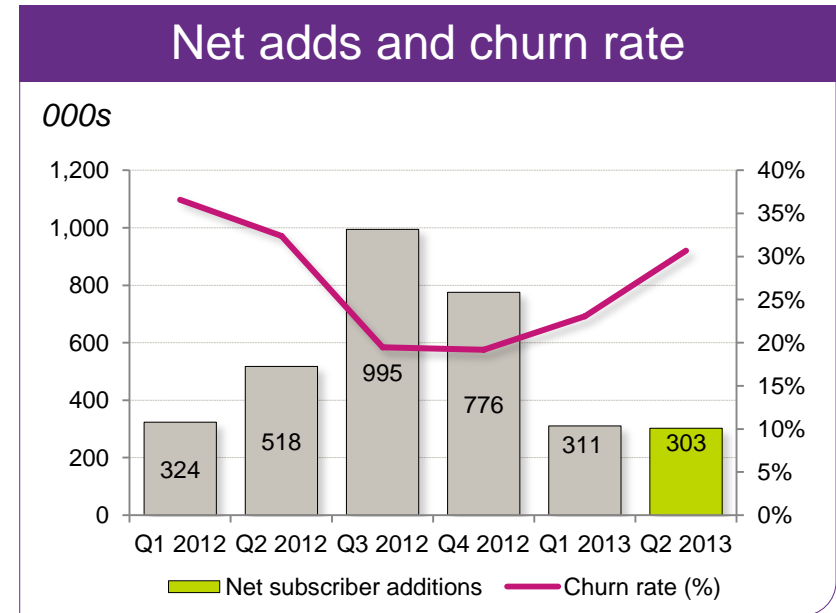
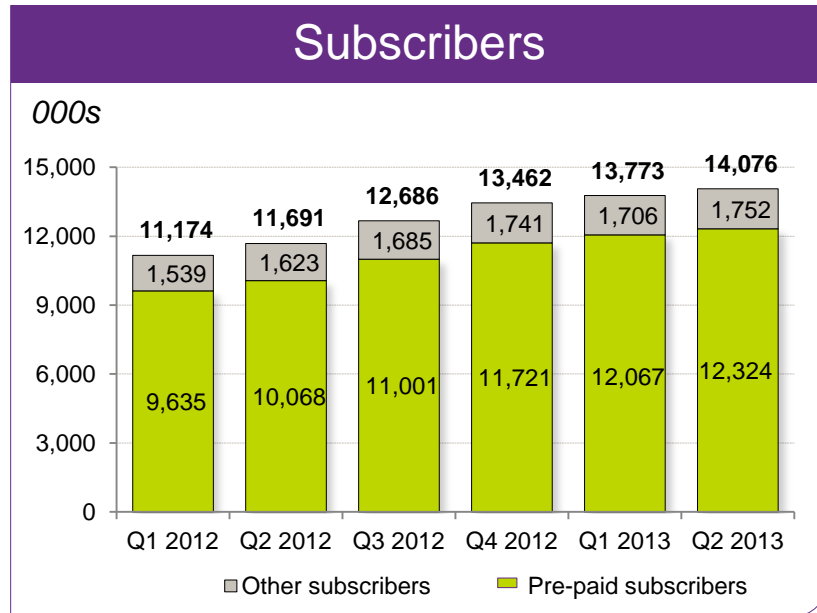
- Maintain strong leadership position
- Drive data consumption, penetration and 3G devices
- Profitability and cash flow generation including cost saving initiatives
- Cultural transformation

## Market update

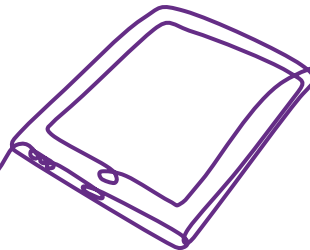
- Ongoing price competition with Beeline and Tele2
- Regulatory pressure on end-user tariffs
- LTE roll-out by Altel



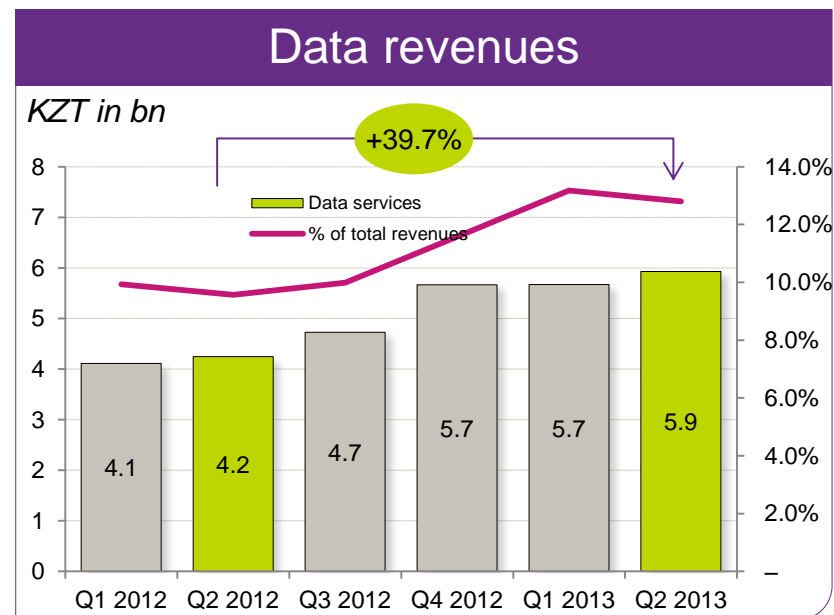
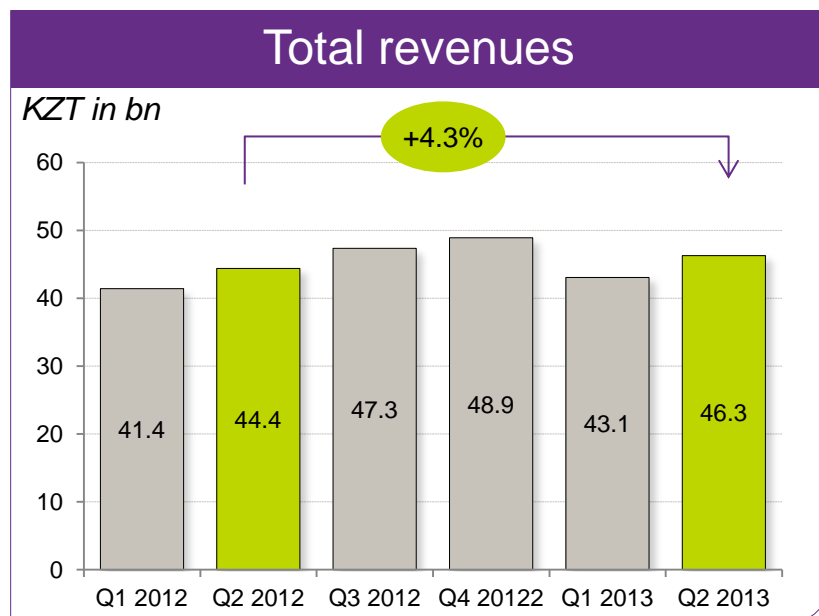
# The subscriber base is growing



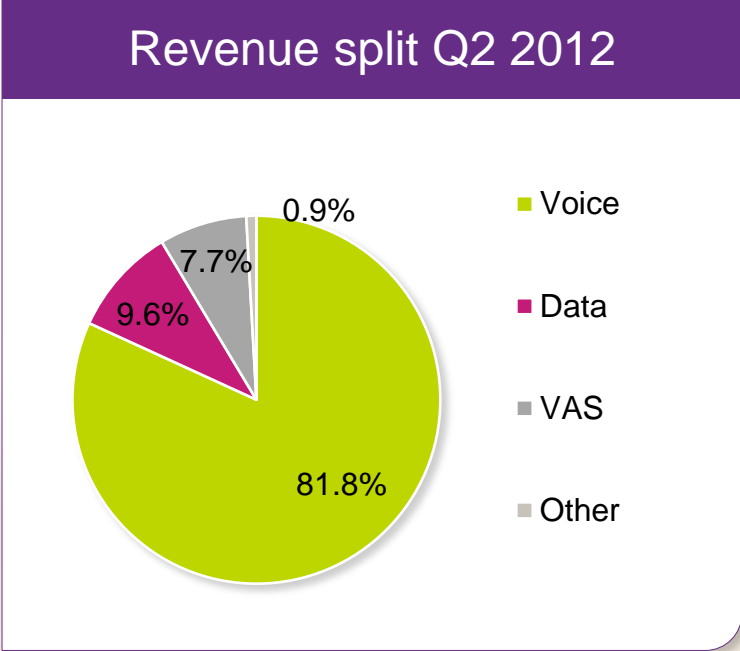
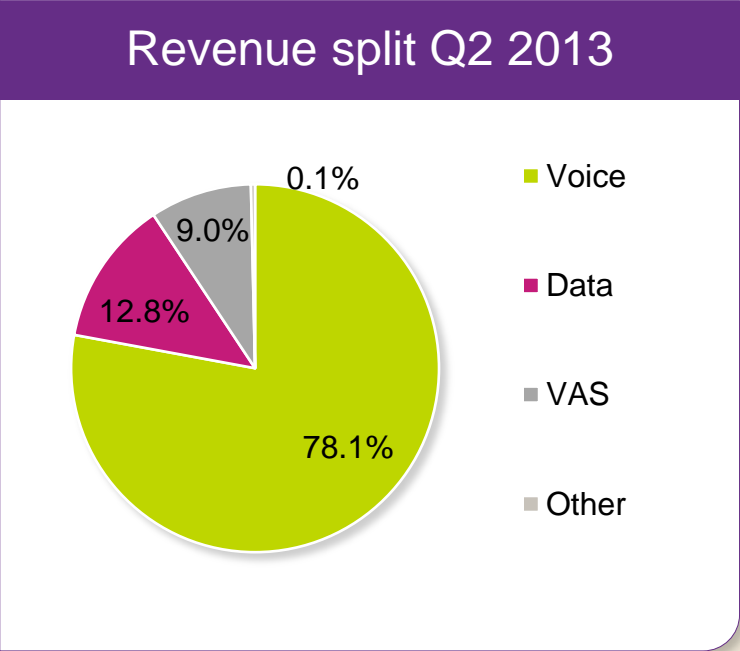
- Healthy growth in new subscribers, despite continued price competition



# High growth in data

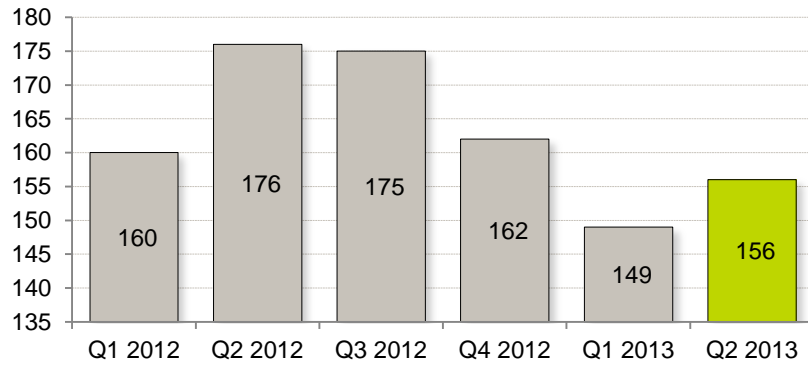


# The business is driven by voice while data is growing fast

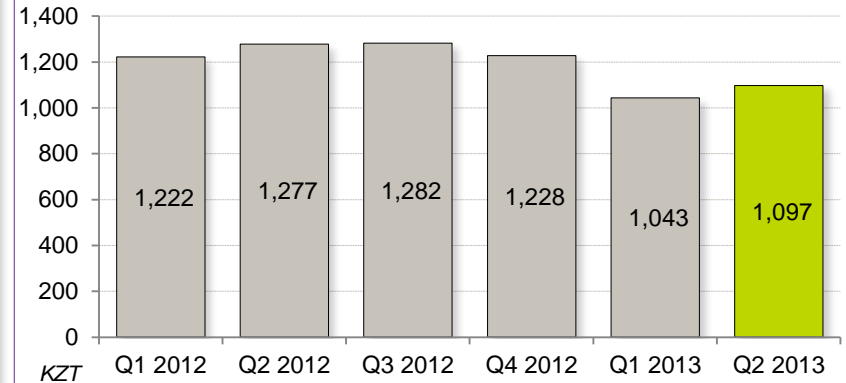


# Voice revenues

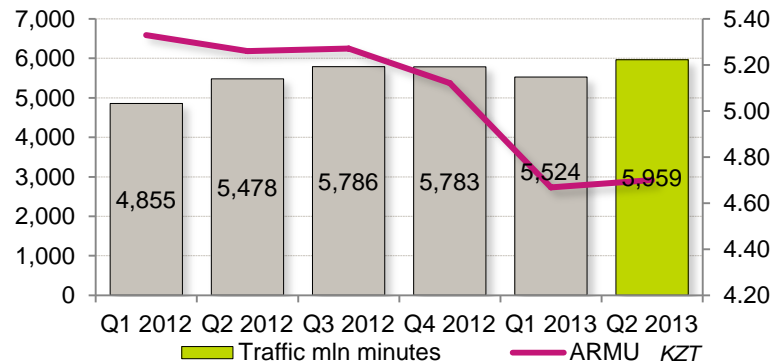
## Minutes of Usage (MOU)



## ARPU



## Total traffic & ARMU



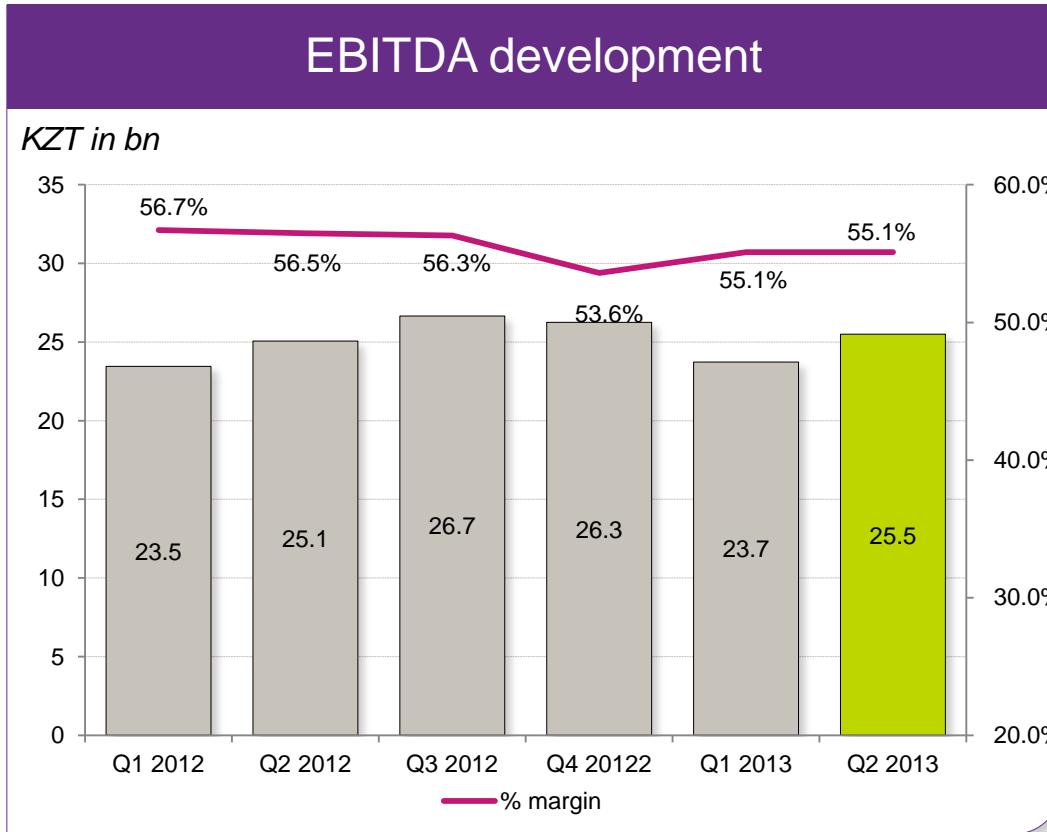


# Financial highlights Q2 and H1 2013

<i>KZT in millions, except per share data, number of shares and changes</i>	<b>Q2 2013</b>	<b>Q2 2012</b>	<b>Chg (%)</b>	<b>6m 2013</b>	<b>6m 2012</b>	<b>Chg (%)</b>
Revenues	46,271	44,383	4.3	89,324	85,780	4.1
EBITDA*	25,508	25,064	1.8	49,237	48,518	1.5
EBITDA margin (%)	55.1	56.5		55.1	56.6	
Operating income*	19,748	19,572	0.9	37,704	37,162	1.5
Net income	15,551	16,100	-3.4	29,207	29,425	-0.7
Earnings per share (KZT)	77.76	80.50	-3.4	146.04	147.12	-0.7
Free cash flow	26,581	10,216		37,607	25,443	

\*excluding non-recurring items

# EBITDA continues to grow, margin remains stable

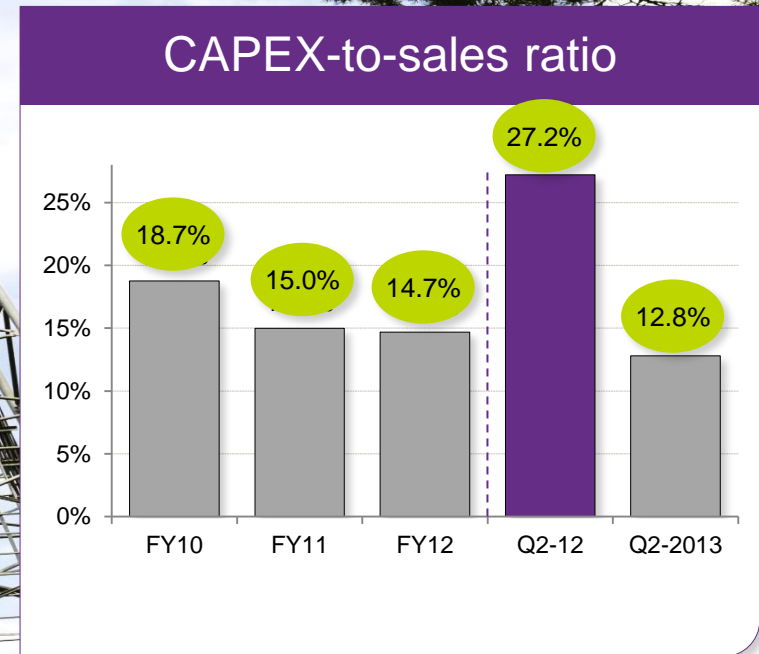


- EBITDA increased by 1.8 % relative to Q2 2012
- The EBITDA margin remained above 55 % due to our continuous focus on costs

\* Excluding non-recurring items

# Capex program

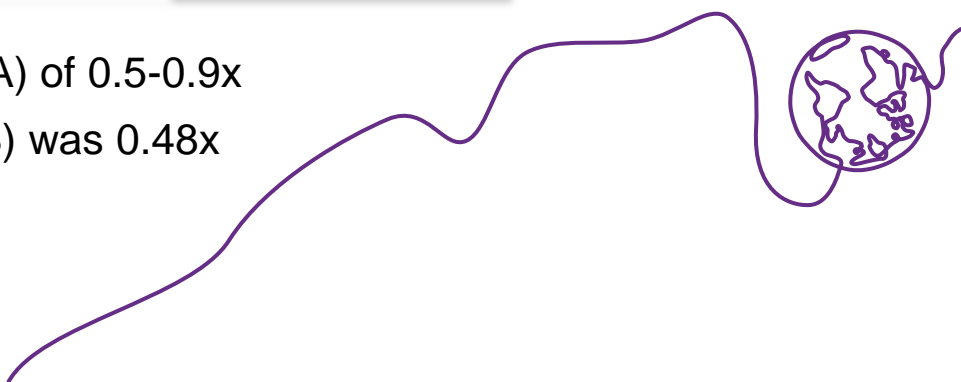
- 3G roll-out remains core
- Quality in network is the main focus
- Strong focus on efficiency



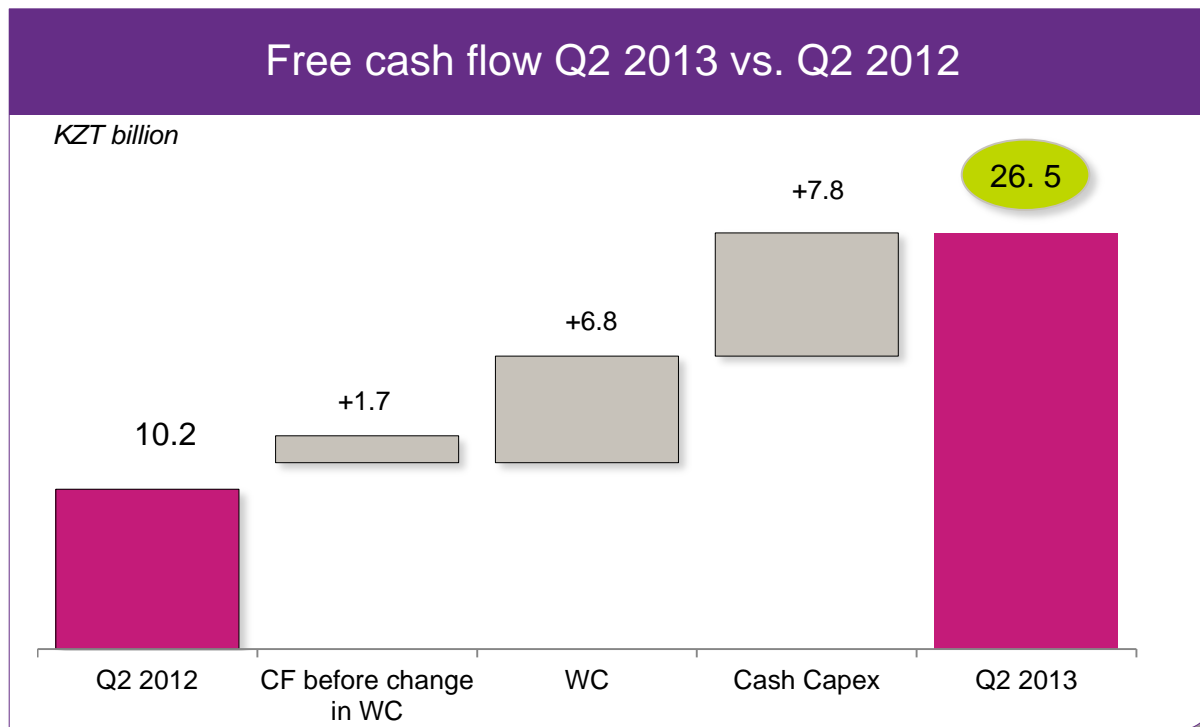
# Robust capital structure

<i>KZT in millions</i>	<b>Dec 31, 2012</b>	<b>Jun 30, 2013</b>
Cash and equivalents	3,075	2,080
Gross financial debt	48,991	50,992
<b>Reported net debt / (cash)</b>	<b>45,916</b>	<b>48,912</b>
<i>LTM EBITDA</i>	101,426	102,000
<i>Implied net debt / EBITDA</i>	0.46x	0.48x
<i>Implied net debt / book value of equity</i>	0.69x	0.78x
Dividends declared but unpaid	8,000	-
<b>Adjusted net debt / (cash)</b>	<b>53,916</b>	<b>48,912</b>
<i>Implied Adj. net debt / LTM EBITDA</i>	0.53x	0.48x
<i>Implied Adj. Net Debt / Book value of equity</i>	0.81x	0.78x

- Target leverage ratio (net debt / EBITDA) of 0.5-0.9x
- Net debt / EBITDA (as of June 30, 2013) was 0.48x



# Free Cash Flow Q2 2013 vs. Q2 2012



# Regulatory developments

- Regulator imposed new threshold of maximum prices
  - ❑ Specialized Inter-district Economic Court of Astana ruled on April 17, 2013, to carry out an investigation
  - ❑ On April 16, 2013, the Company received MTC Order to eliminate breaches of RK law on natural monopolies and regulated markets, in which MTC refers to the violations committed by the Company through its failure to fulfill the requirements of the Reasoned Opinion
  - ❑ On June 12, 2013, the Specialized Inter-District Economic Court of Astana granted the Company's claim and invalidated and cancelled the disputed documents
- MTR Regulation case
  - ❑ On June 13, 2013 Cassation Board of Astana court, having considered the APC's cassation appeal, cancelled the decision of Appellate Judicial Panel for Civil and Administrative Cases of April 9, 2013, and ruled the case in favor of APC. Kcell can challenge the court decision to the Supreme court.



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# Income Statement

<i>KZT in millions, except per share data, number of shares and changes</i>	<b>Q2 2013</b>	<b>Q2 2012</b>	<b>Chg (%)</b>	<b>6m 2013</b>	<b>6m 2012</b>	<b>Chg (%)</b>
Revenues	46,271	44,383	4.3	89,324	85,780	4.1
Cost of sales	-19,752	-18,767	5.2	-38,378	-36,905	4.0
<b>Gross profit</b>	<b>26,519</b>	<b>25,616</b>	<b>3.5</b>	<b>50,946</b>	<b>48,875</b>	<b>4.2</b>
Selling and marketing expenses	-4,229	-3,855	9.7	-8,125	-7,221	12.5
General and administrative expenses	-2,674	-1,617	65.4	-5,315	-5,104	4.1
Other operating income and expenses, net	132	18		198	167	
<b>Operating income</b>	<b>19,748</b>	<b>20,162</b>	<b>-2.1</b>	<b>37,704</b>	<b>36,717</b>	<b>2.7</b>
Finance costs and other financial items, net	-537	40		-1,149	79	
<b>Income after financial items</b>	<b>19,211</b>	<b>20,202</b>	<b>-4.9</b>	<b>36,555</b>	<b>36,796</b>	<b>-0.7</b>
Income taxes	-3,660	-4,102	-10.8	-7,348	-7,371	-0.3
<b>Net income</b>	<b>15,551</b>	<b>16,100</b>	<b>-3.4</b>	<b>29,207</b>	<b>29,425</b>	<b>-0.7</b>
Earnings per share (KZT), basic and diluted	77.76	80.50		146.04	147.12	



# Balance Sheet

<i>KZT in millions</i>	Jun 30, 2013	Dec 31, 2012
<b>Assets</b>		
Intangible assets	14,370	16,140
Property, plant and equipment	111,191	110,337
Other non-current assets	2,761	3,121
<b>Total non-current assets</b>	<b>128,322</b>	<b>129,598</b>
Inventories	968	978
Trade and other receivables	11,045	15,990
Cash and cash equivalents	2,080	3,075
<b>Total current assets</b>	<b>14,093</b>	<b>20,043</b>
<b>Total assets</b>	<b>142,415</b>	<b>149,641</b>
<b>Equity and liabilities</b>		
Share capital	33,800	33,800
Retained earnings	29,208	32,403
<b>Total equity attributable to owners of the parent</b>	<b>63,008</b>	<b>66,203</b>
Deferred tax liabilities	5,699	5,104
Other long-term liabilities	988	988
<b>Total non-current liabilities</b>	<b>6,687</b>	<b>6,092</b>
Short-term borrowings	50,992	48,991
Trade payables, and other current liabilities	21,728	28,355
<b>Total current liabilities</b>	<b>72,720</b>	<b>77,346</b>
<b>Total equity and liabilities</b>	<b>142,415</b>	<b>149,641</b>

# Statement of cashflows

<i>KZT in millions</i>	Q2 2013	Q2 2012	6m 2013	6m 2012
Cash flow before change in working capital	22,323	20,614	42,539	39,939
Change in working capital	7,968	1,134	4,041	31
<b>Cash flow from operating activities</b>	<b>30,291</b>	<b>21,748</b>	<b>46,580</b>	<b>39,970</b>
Cash CAPEX	-3,710	-11,532	-8,973	-14,527
<b>Total cash flow from investing activities</b>	<b>-3,710</b>	<b>-11,532</b>	<b>-8,973</b>	<b>-14,527</b>
<b><i>Cash flow before financing activities</i></b>	<b>26,581</b>	<b>10,216</b>	<b>37,607</b>	<b>25,443</b>
Cash flow from financing activities	-26,652	-13,717	-38,602	-25,933
<b>Cash flow for the period</b>	<b>-71</b>	<b>-3,501</b>	<b>-995</b>	<b>-490</b>
<b>Cash and cash equivalents, opening balance</b>	<b>2,151</b>	<b>4,364</b>	<b>3,075</b>	<b>1,353</b>
Cash flow for the period	-71	-3,501	-995	-490
<b>Cash and cash equivalents, closing balance</b>	<b>2,080</b>	<b>863</b>	<b>2,080</b>	<b>863</b>

# 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.