

## Kcell JSC

Results for January – September 2014.

**Almaty, 17 October 2014** - 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 unaudited interim results for January - September 2014.

### Third quarter

- Revenue increased by 0.9 percent to KZT 49,165 million (48,749).
- EBITDA, excluding non-recurring items, rose by 2.7 percent to KZT 27,624 million (26,892). EBITDA margin of 56.2 percent (55.2).
- Operating income, excluding non-recurring items, up 2.4 percent to KZT 21,551 million (21,045).
- Net finance cost decreased to KZT 245 million (536).
- Net income down 15.5 percent to KZT 13,457 million (15,921) due to write-down of assets under constructions and inventories.
- Free cash flow decreased to KZT 17,887 million (23,363).
- During the quarter the subscriber base rose by 181,000 to 13,064 million.

### Nine-month period

- Revenue up 2.3 percent to KZT 141,307 million (138,073).
- EBITDA, excluding non-recurring items, increased by 6.2 percent to KZT 80,833 million (76,129). EBITDA margin of 57.2 percent (55.1).
- Operating income, excluding non-recurring items, up 6.6 percent to KZT 62,645 million (58,749).
- Net finance cost decreased to KZT 745 million (1,685).
- Net income increased by 1.1 percent to KZT 45,604 million (45,128).
- Free cash flow decreased to KZT 52,088 million (60,970).

### Financial highlights

KZT in millions, except key ratios, per share data and changes	Jul-Sep 2014	Jul-Sep 2013	Chg (%)	Jan-Sep 2014	Jan-Sep 2013	Chg (%)
Revenue	49,165	48,749	0.9	141,307	138,073	2.3
EBITDA excl. non-recurring items	27,624	26,892	2.7	80,833	76,129	6.2
Margin (%)	56.2	55.2		57.2	55.1	
Operating income	17,912	21,045	-14.9	58,800	58,749	0.1
Operating income excl. non-recurring items	21,551	21,045	2.4	62,645	58,749	6.6
Net income attributable to owners of the parent company	13,457	15,921	-15.5	45,604	45,128	1.1
Earnings per share (KZT)	67.3	79.6	-15.5	228.0	225.6	1.1
CAPEX-to-sales (%)	9.5	11.1		6.3	12.0	
Free cash flow	17,887	23,363		52,088	60,970	

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 2013, unless otherwise stated.

**Comments by Rikard Slunga, acting CEO**

“In the third quarter of 2014, Kcell continued to deliver growth in revenue and profit and we maintained our leading position in the Kazakh mobile market despite increased competition amid the rapid development of the market place. The increase in revenue was again driven by continuing strong demand for data services, supported by handsets sales. We also expanded our subscriber base further owing to the high levels of service and innovative range of products we provide. At the same time, our ongoing efforts to improve our cost base enabled us to maintain our EBITDA margin at an industry leading level of more than 56 percent. We have also reinforced our financial stability with the extension of our bank loan facilities into 2015.

We continued to innovate and expand our offering in the third quarter with the introduction of new products in mobile financial services expanding into the mobile payments market. We are also developing new value added services and products. Kcell has recently undertaken a major rebranding initiative for our popular Activ brand to reinforce loyalty and drive further growth in a highly competitive market.

In the face of the management changes the Company has seen in recent weeks, we remain focused on continuing to drive growth through smart innovation in products and services designed to both meet and anticipate the needs of our customers.

On 29 September 2014, Kcell disclosed that internal investigations were underway. The Board of Directors has been made aware that a number of the Company's external supplier contracts were entered into in breach of its own internal policies and procedures. Currently there has been no indication that any of the matters under investigation will have any material effect on the Company's balance sheet or on its operational results.

The investigation is ongoing and further announcements will be made in the future if and when necessary.”

**CONFERENCE CALL**

Kcell will host an analyst conference call on 17 October 2014 at 11:00 UK time / 16:00 Almaty / 14:00 Moscow. The conference will be held in English, audio webcast will be available at

<http://www.audio-webcast.com/cgi-bin/visitors.ssp?fn=visitor&id=2414>

Dial in details are as follows:

UK Free Call Dial In:	<b>0800 279 4992</b>
Standard International Dial-in:	<b>+44 20 3427 1912</b>
Russia Free Call Dial-in:	<b>8800 500 9311</b>
Russia Local Call number:	<b>+7 495 213 09 77</b>
USA Free Call Dial-in:	<b>+1 877 280 2296</b>
USA Dial-In:	<b>+1 212 444 0895</b>

Conference ID **1915526**

A presentation will be available on the Company website shortly before the conference call on [www.investors.kcell.kz/en](http://www.investors.kcell.kz/en)

A replay will be available at: <http://kcell171014-live.audio-webcast.com>

Kcell will also host a **meeting with investors and analysts** in London on **24 October 2014** at **11.00-13.00** UK time. If you would like to receive an invitation, please send an email to [investor\\_relations@kcell.kz](mailto:investor_relations@kcell.kz). The meeting will be webcast.

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## Review of the third quarter of 2014

### Revenue

Revenue rose by 0.9 percent to KZT 49,165 million (48,749).

Revenue from voice services decreased by 8.5 percent to KZT 34,282 million (37,469). Data revenue increased by 29.7 percent to KZT 8,812 million (6,796) and revenue from value-added services decreased 11.7 percent to KZT 3,955 million (4,481). Other revenue increased to KZT 2,116 million (3).

KZT in millions, except percentages	Jul-Sep		Jul-Sep	
	2014	% of total	2013	% of total
Voice services	34,282	69.8	37,469	76.9
Data services	8,812	17.9	6,796	13.9
Value added services	3,955	8.0	4,481	9.2
Other revenues	2,116	4.3	3	0
<b>Total revenues</b>	<b>49,165</b>	<b>100.0</b>	<b>48,749</b>	<b>100.0</b>

### Voice service revenue

Revenue from voice services decreased by 8.5 percent to KZT 34,282 million (37,469). Voice traffic declined by 0.2 percent to 5,959 million minutes. ARMU decreased to KZT 4.3 (4.7).

Outgoing voice revenue was 9.7 percent lower at KZT 25,364 million (28,094).

Interconnect revenue declined by 9.6 percent to KZT 6,955 million (7,693).

### Data service revenue

Data revenue was 29.7 percent higher at KZT 8,812 million (6,796). Data traffic increased by 99.5 percent to 8,332,320 GB (4,175,749). 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 1.0 (1.6).

### Value-added service revenue

Revenue from value-added services decreased by 11.7 percent to KZT 3,955 million (4,481). The decrease was largely a result of declining SMS revenue.

### Other revenue

Other revenue rose to KZT 2,116 million (3). The increase was attributable to the sales of iPhone handsets.

## **EXPENSES**

### **Cost of sales**

Cost of sales rose by 7.3 percent to KZT 22,271 million (20,754), primarily due to an increase in cost of goods sold attributable to the cost of iPhones.

### **Selling and marketing expenses**

Selling and marketing expenses decreased by 35.9 percent to KZT 2,851 million (4,447). The decrease was primarily driven by lower commissions.

### **General and administrative expenses**

General and administrative expenses increased by 0.6 percent to KZT 2,602 million (2,587), primarily due to an increase of staff cost.

## **EARNINGS, FINANCIAL POSITION AND CASH FLOW**

**EBITDA**, excluding non-recurring items, increased by 2.7 percent to KZT 27,624 million (26,892). The EBITDA margin 56.2 percent (55.2).

**Net finance cost** decreased to KZT 245 million (536), was related to net interest expenses.

**Income tax expense** decreased by 8.3 percent to KZT 4,210 million (4,588).

**Net income attributable to owners of the parent company** decreased by 15.5 percent to KZT 13,457 million (15,921) due to write-down of assets under constructions and inventories. Earnings per share decreased to KZT 67.3 (79.6).

**CAPEX** decreased to KZT 4,676 million (5,421) and CAPEX-to-sales ratio decreased to 9.5 percent (11.1).

**Free cash flow** decreased to KZT 17,887 million (23,363).

**Net debt/equity** ratio was -2.7 percent (6.0).

**Net debt/EBITDA** ratio was -0.02 (0.06).

**The equity/assets ratio** was 52.4 percent (61.0).

## Review of the nine months period of 2014

### Revenue

Revenue increased by 2.3 percent to KZT 141,307 million (138,073).

Revenue from voice services decreased by 6.6 percent to KZT 99,888 million (106,909). Data revenue was 38.6 percent higher at KZT 25,505 million (18,400) and revenue from value-added services decreased by 0.7 percent to KZT 12,467 million (12,556). Other revenue rose to KZT 3,447 million (208).

KZT in millions, except percentages	Jan-Sep		Jan-Sep	
	2014	% of total	2013	% of total
Voice services	99,888	70.7	106,909	77.4
Data services	25,505	18.1	18,400	13.3
Value added services	12,467	8.8	12,556	9.1
Other revenues	3,447	2.4	208	0.2
<b>Total revenues</b>	<b>141,307</b>	<b>100.0</b>	<b>138,073</b>	<b>100.0</b>

### Voice service revenue

Revenue from voice services decreased by 6.6 percent to KZT 99,888 million (106,909). Voice traffic was down 0.4 percent to 17,383 million minutes. ARMU decreased to KZT 4.3 (4.7).

Outgoing voice revenue declined by 8.0 percent to KZT 75,338 million (81,919).

Interconnect revenue was down 6.2 percent to KZT 19,510 million (20,793).

### Data service revenue

Data revenue rose by 38.6 percent to KZT 25,505 million (18,400). Data traffic increased by 101.6 percent to 21,613,687 GB (10,720,270). Growth in data traffic was partially offset by packages with lower tariffs per MB, which resulted in a decrease in average revenue per MB (ARMB) to KZT 1.2 (1.7).

### Value-added service revenue

Revenue from value-added services was 0.7 percent lower at KZT 12,467 million (12,556). The decrease was largely the result of declining SMS revenue.

### Other revenue

Other revenue rose to KZT 3,447 million (208). The increase was attributable to the sales of iPhone handsets.

## **EXPENSES**

### **Cost of sales**

Cost of sales rose by 4.2 percent to KZT 61,610 million (59,132), primarily due to an increase in cost of goods sold attributable to the cost of iPhone.

### **Selling and marketing expenses**

Selling and marketing expenses decreased by 28.6 percent to KZT 8,973 million (12,572). The decrease was primarily driven by lower commissions.

### **General and administrative expenses**

General and administrative expenses decreased by 0.6 percent to KZT 7,851 million (7,902).

## **EARNINGS, FINANCIAL POSITION AND CASH FLOW**

**EBITDA**, excluding non-recurring items, increased by 6.2 percent to KZT 80,833 million (76,129). The EBITDA margin rose to 57.2 percent (55.1).

**Net finance cost** decreased to KZT 745 million (1,685), was related to net interest expenses.

**Income tax expense** increased by 4.3 percent to KZT 12,451 million (11,936).

**Net income attributable to owners of the parent company** increased by 1.1 percent to KZT 45,604 million (45,128) and earnings per share increased to KZT 228.0 (225.6).

**CAPEX** decreased to KZT 8,937 million (16,604) and the CAPEX-to-sales ratio decrease to 6.3 percent (12.0).

**Free cash flow** decreased to KZT 52,088 million (60,970).

**Net debt/equity** ratio was -2.7 percent (6.0).

**Net debt/EBITDA** ratio was -0.02 (0.06).

**The equity/assets ratio** was 52.4 percent (61.0).

## Key Milestones 2014

### January

- The Company obtained a State Licence to engage in the sale of facilities for cryptographic protection of information. This licence allows selling smartphones and other devices with encrypting functions.

### May

- The Company won the Global Telecoms Business (GTB) Innovation Award 2014 in the Consumer Service Innovation category for the “Great Silk Road” traveler application. The Global Telecoms Business Innovation Awards recognises the most exciting and innovative projects in the telecoms industry.
- Kcell CEO Ali Agan was named the Executive of the Year by the American Chamber of Commerce at the “AmCham Achievements Award 2014”. This award is given for outstanding achievements of companies and their executives. In 2013 Kcell demonstrated excellent financial results and reinforced its leading position on the Kazakh mobile market.
- Kcell announced that it has started offering iPhone 5s, the most forward-thinking smartphone in the world, and iPhone 5c, one of the most colourful iPhones yet.
- The Annual General Meeting of shareholders (AGM), held on 21 May 2014, approved the following composition of Kcell’s Board of Directors:
  - Jan Erik Rudberg (Independent Director);
  - William H.R. Aylward (Independent Director);
  - Vladimir Smirnov (Independent Director);
  - Kenneth Berndt Karlberg (Representative of the shareholder Sonera Holding B.V.);
  - Erik Hallberg (Representative of the shareholder Fintur Holdings B.V.);
  - Ingrid Maria Stenmark (Representative of the shareholder Fintur Holdings B.V.).
- The AGM approved the proposal of Kcell’s Board of Directors to distribute 70 percent of the net income for 2013 as an Annual Dividend and an additional 30 percent as a Special Dividend. The Company will distribute a total of KZT 63,390 million representing 100 percent of its net income for the period from 1 January 2013 to 31 December 2013.

The total dividend amount will equate to a gross figure of KZT 316.95 per ordinary share (each GDR representing one ordinary share). Kcell shareholders who are registered at the record date of 7 June 2014, (01:00 Almaty time) will be entitled to receive the dividends.



## June

- The dividends are being 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.
- The AGM appointed Deloitte LLP as the Company's auditor.

## August

- Kcell entered the mobile payment device market and mobile payment terminal market (mPOS). Mobile POS terminals are available in all Kcell service centres throughout Kazakhstan.

## September

- Kcell announced that its Chief Technical Officer Rikard Slunga will be appointed acting Chief Executive Officer, subject to receiving relevant authorisation. Ali Agan informed the Board of Directors that he was leaving the Company on 30 September 2014, to pursue other career opportunities. The Board immediately started to search for a new, permanent CEO.
- Kcell launched a major rebranding and repositioning campaign for its popular Activ brand. The objective of the campaign is to reinvigorate the brand in order to strengthen subscriber loyalty, drive growth in the mass-market segment and retain leadership in the highly competitive market.
- Kcell reported non-recurring costs of USD 20 million (net amount, including reserves) in the third quarter based on the results of an assessment of value of assets under construction and inventory, performed by an independent external advisor. The write-down has no cash impact.
- Kcell informed the market about internal investigations. The Board of Directors was made aware that a number of the Company's external supplier contracts were entered into in breach of its own internal policies and procedures. The Board has, therefore, commissioned internal and external investigations into these contracts and the way in which they were entered into. There has currently been no indication that any of the matters under investigation will have any material effect on the Company's balance sheet or on its results of operations. The Board is addressing the deficiencies which have been identified in the Company's internal policies and procedures.

The Board will continue to investigate such matters and make any further changes identified as necessary in order to ensure best practice in relation to the Company's entry into future contracts.

- A syndicated loan in the amount of KZT 14,500 million has been extended to 28 September 2015. Citibank International Plc is acting as a facility agent under the agreement. The term may be further extended to 26 September 2016. The Company has also extended a separate loan it has with SB HSBC Bank Kazakhstan JSC to 25 September 2015. The loan amount has been reduced from KZT 6,000 million to KZT 2,200 million.

- Chief Financial Officer Baurzhan Ayazbaev informed the Company and the Board of Directors about his intention to resign with immediate effect. The Board of Kcell will initiate a recruitment process to find a new CFO.

17 October 2014

Rikard Slunga  
Acting CEO

## LEGAL PROCEEDINGS

### **“Daytime Unlimited” service**

On 5 September 2014, the order of the Agency of the Republic of Kazakhstan for Competition Protection (ACP) came into force obliging Kcell:

- 1) to stop collecting subscription fees under the “Daytime Unlimited” service when there are insufficient funds on the account (executed by the Company);
- 2) to ensure interruption of connection when subscribers’ balance reaches zero;
- 3) to ensure refund to subscribers for charges made in view of non-interruption of their connection when their balance reached zero.

Compliance with the Order requires major technical changes of the billing system; Kcell has therefore filed a request to postpone the execution of this order. On 16 October 2014, the court denied this request. The Company is going to file this request with the ACP.

Kcell will, therefore, incur additional expenses. The exact amount is to be determined subject to clarification of the ACP order.

### **“Always Available” service**

On 7 August 2014, the Administrative Court upheld the decision of the lower court. This resulted in the Company being brought to administrative responsibility under Article 147, part 3 of the Code of Administrative Offences of the Republic of Kazakhstan. Kcell was consequently issued a fine of KZT 41.8 million, which is has paid in full.

### **Applicable to both cases:**

Kcell intends to further challenge these cases. However, the ACP, in its turn, may also challenge the amount of fines in the court through the prosecution authorities.

This report has not been subject to review by auditors.

The information was submitted for publication at 09:00 ALMT on 17 October 2014.

*Financial Information*

Year-end Report January–December 2014	29 January 2015
Interim Report January–March 2015	21 April 2015
Interim Report January–June 2015	17 July 2015
Interim Report January–September 2015	20 October 2015

*Questions regarding the reports:*

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*Definitions*

**EBITDA:** Earnings Before Interest, Tax, Depreciation and Amortization. Equals operating income before depreciation, amortization 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 2014	Jul-Sep 2013	Chg (%)	Jan-Sep 2014	Jan-Sep 2013	Chg (%)
Revenues	49,165	48,749	0.9	141,307	138,073	2.3
Cost of sales	-22,271	-20,754	7.3	-61,610	-59,132	4.2
<b>Gross profit</b>	<b>26,894</b>	<b>27,995</b>	<b>-3.9</b>	<b>79,698</b>	<b>78,941</b>	<b>1.0</b>
Selling and marketing expenses	-2,851	-4,447	-35.9	-8,973	-12,572	-28.6
General and administrative expenses	-2,602	-2,587	0.6	-7,851	-7,902	-0.6
Other operating income and expenses, net	-3,529	84		-4,073	282	
<b>Operating income</b>	<b>17,912</b>	<b>21,045</b>	<b>-14.9</b>	<b>58,800</b>	<b>58,749</b>	<b>0.1</b>
Finance costs and other financial items, net	-245	-536		-745	-1,685	
<b>Income after financial items</b>	<b>17,666</b>	<b>20,509</b>	<b>-13.9</b>	<b>58,055</b>	<b>57,064</b>	<b>1.7</b>
Income taxes	-4,210	-4,588	-8.3	-12,451	-11,936	4.3
<b>Net income</b>	<b>13,457</b>	<b>15,921</b>	<b>-15.5</b>	<b>45,604</b>	<b>45,128</b>	<b>1.1</b>
<b>Other comprehensive income</b>						
<b>Total comprehensive income</b>						
Total comprehensive income attributable to owners of the parent	13,457	15,921	-15.5	45,604	45,128	1.1
Earnings per share (KZT), basic and diluted	67.3	79.6	-15.5	228.0	225.6	1.1
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	23,985	26,892	-10.8	76,988	76,129	1.1
EBITDA excl. non-recurring items	27,624	26,892	2.7	80,833	76,129	6.2
Depreciation, amortization and impairment losses	-6,073	-5,847	3.9	-18,188	-17,380	4.7
Operating income excl. non-recurring items	21,551	21,045	2.4	62,645	58,749	6.6

**Condensed Consolidated Statements of Financial Position**

<b>KZT in millions</b>	<b>30 Sep 2014</b>	<b>31 Dec 2013</b>
<b>Assets</b>		
Intangible assets	13,097	13,955
Property, plant and equipment	101,426	112,369
Other non-current assets	2,075	3,131
<b>Total non-current assets</b>	<b>116,598</b>	<b>129,455</b>
Inventories	1,762	499
Trade and other receivables	14,180	10,410
Cash and cash equivalents	18,892	18,916
<b>Total current assets</b>	<b>34,834</b>	<b>29,825</b>
<b>Total assets</b>	<b>151,432</b>	<b>159,280</b>
<b>Equity and liabilities</b>		
Share capital	33,800	33,800
Retained earnings	45,607	63,393
<b>Total equity attributable to owners of the parent company</b>	<b>79,407</b>	<b>97,193</b>
Deferred tax liabilities	5,486	5,232
Other long-term liabilities	1,312	1,426
<b>Total non-current liabilities</b>	<b>6,798</b>	<b>6,658</b>
Short-term borrowings	16,719	24,721
Trade payables	42,386	23,361
Other current liabilities	6,122	7,347
<b>Total current liabilities</b>	<b>65,227</b>	<b>55,429</b>
<b>Total equity and liabilities</b>	<b>151,432</b>	<b>159,280</b>

### Condensed Consolidated Statements of Cash Flows

KZT in millions	Jul-Sep 2014	Jul-Sep 2013	Jan-Sep 2014	Jan-Sep 2013
Cash flow before change in working capital	22,541	22,177	68,157	64,716
Change in working capital	2,506	8,086	-2,539	12,127
<b>Cash flow from operating activities</b>	<b>25,047</b>	<b>30,263</b>	<b>65,618</b>	<b>76,843</b>
Cash CAPEX	-7,160	-6,900	-13,530	-15,873
<b>Free cash flow</b>	<b>17,887</b>	<b>23,363</b>	<b>52,088</b>	<b>60,970</b>
<b>Total cash flow from investing activities</b>	<b>-7,160</b>	<b>-6,900</b>	<b>-13,530</b>	<b>-15,873</b>
<b>Cash flow before financing activities</b>	<b>17,887</b>	<b>23,363</b>	<b>52,088</b>	<b>60,970</b>
<b>Cash flow from financing activities</b>	<b>-3,800</b>	<b>-20,250</b>	<b>-52,112</b>	<b>-58,852</b>
<b>Cash flow for the period</b>	<b>14,087</b>	<b>3,113</b>	<b>-24</b>	<b>2,118</b>
<b>Cash and cash equivalents, opening balance</b>	<b>4,805</b>	<b>2,080</b>	<b>18,916</b>	<b>3,075</b>
Cash flow for the period	14,087	3,113	-24	2,118
<b>Cash and cash equivalents, closing balance</b>	<b>18,892</b>	<b>5,193</b>	<b>18,892</b>	<b>5,193</b>

### Condensed Consolidated Statements of Changes in Equity

KZT in millions	Jan-Sep 2014			Jan-Sep 2013		
	Share capital	Retained earnings	Total equity	Share capital	Retained earnings	Total equity
Opening balance	33,800	63,393	97,193	33,800	32,403	66,203
Dividends	-	-63,390	-63,390	-	-32,402	-32,402
Total comprehensive income	-	45,604	45,604	-	45,128	45,128
<b>Closing balance</b>	<b>33,800</b>	<b>45,607</b>	<b>79,407</b>	<b>33,800</b>	<b>45,129</b>	<b>78,929</b>

## Basis of preparation

As in the annual accounts for 2013, Kcell's consolidated financial statements of and for the nine-month period ended 30 September 2014, 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 2014	Jul-Sep 2013	Jan-Sep 2014	Jan-Sep 2013
<b>Within EBITDA</b>				
Restructuring charges, synergy implementation costs, etc.	3,639	-	3,844	-
<b>Total</b>	<b>3,639</b>	<b>-</b>	<b>3,844</b>	<b>-</b>

## Investments

KZT in millions	Jul-Sep 2014	Jul-Sep 2013	Jan-Sep 2014	Jan-Sep 2013
<b>CAPEX</b>				
Intangible assets	598	405	1,123	895
Property, plant and equipment	4,078	5,016	7,814	15,709
<b>Total</b>	<b>4,676</b>	<b>5,421</b>	<b>8,937</b>	<b>16,604</b>

## Related party transactions

For the nine months ended 30 September 2014, Kcell purchased services for KZT 2,022 million and sold services for a value of KZT 1,022 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 2014	31 Dec 2013
Long-term and short-term borrowings	16,719	24,721
Less short-term investments, cash and bank	-18,892	-18,916
<b>Net debt</b>	<b>-2,173</b>	<b>5,805</b>



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**Financial key ratios**

	<b>30 Sep 2014</b>	<b>31 Dec 2013</b>
Return on equity (% , rolling 12 months)	80.4	65.2
Return on capital employed (% , rolling 12 months)	93.9	76.5
Equity/assets ratio (%)	52.4	61.0
Net debt/equity ratio (%)	-2.7	6.0
Net debt/EBITDA rate (multiple, rolling 12 months)	-0.02	0.06
Owners' equity per share (KZT)	397.0	486.0

**Contractual obligations**

On 30 September 2014, contractual obligations in respect of property, plant and equipment totaled KZT 2,946 million (31 December 2013: KZT 5,809 million), mostly related to purchase of telecommunications equipment from Ericsson and ZTE Corporation.

<b>Operational data</b>	<b>Jul-Sep 2014</b>	<b>Jul-Sep 2013</b>	<b>Chg (%)</b>	<b>Jan-Sep 2014</b>	<b>Jan-Sep 2013</b>	<b>Chg (%)</b>
Subscribers, period-end (thousands)	13,064	14,251	-8.3	13,064	14,251	-8.3
Of which prepaid	11,537	12,482	-7.6	11,537	12,482	-7.6
MOU (min/month)	168	154	9.1	159	153	3.9
ARPU (KZT)	1,195	1,142	4.6	1,140	1,094	4.2
Churn rate (%)	33.0	39.9	-13.5	47.3	30.3	56.1
Employees, period-end	1,722	1,594	8.0	1,722	1,594	8.0

### **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.