



Kcell JSC Q2 2018 Financial results

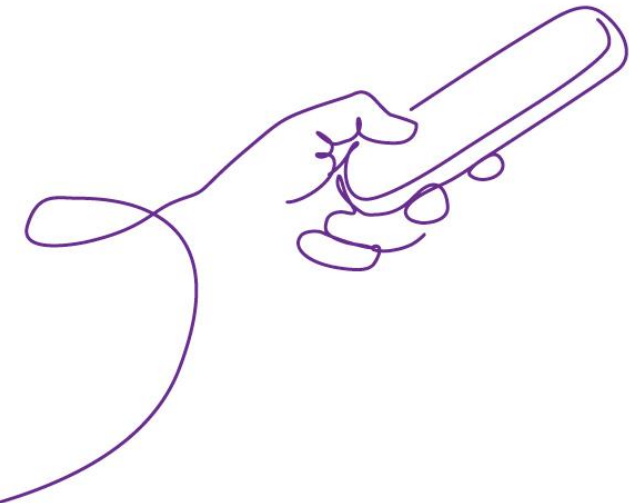


Q2 2018 quarterly highlights



- The underlying business performance impacted by intensely competitive pricing of bundled offers among operators, as well as by the implementation of regulatory changes regarding “Pay As You Go” tariffs
- Strong performance delivered by contract phone sales in line with our strategy
- B2B revenues growth of driven by continued demand for business solutions
- Stable subscriber base
- Further operating improvements reflecting the company’s digital transformation efforts
- A copyright infringement claim against Kcell upheld by the First Instance Court - imposed fine of KZT 672 million
- Court of Appeal upheld the Kazakhstan tax authority’s claim for a total of KZT 9.0 billion, an additional tax provision of KZT 1.4 billion was made and reported as a non-recurring item, of which KZT 0.3 billion relates to corporate income tax

Q2 2018 summary



Net sales

KZT 36,303m
(36,082)

Increase of 0.6% year-on-year

Handset sales

KZT 4,256m
(2,392)

Increase of 77.9% year-on-year

Net income

KZT 2,621m
(666)

Increase of 293.3% year-on-year

Service revenue

KZT 32,065m
(33,356)

Decrease of 3.9% year-on-year

EBITDA*

KZT 11,926m
(13,541)

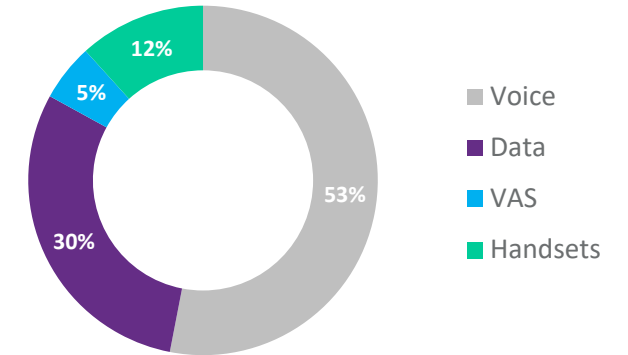
Decrease of 11.9% year-on-year
EBITDA margin of 32.9% (37.5)

Subscribers

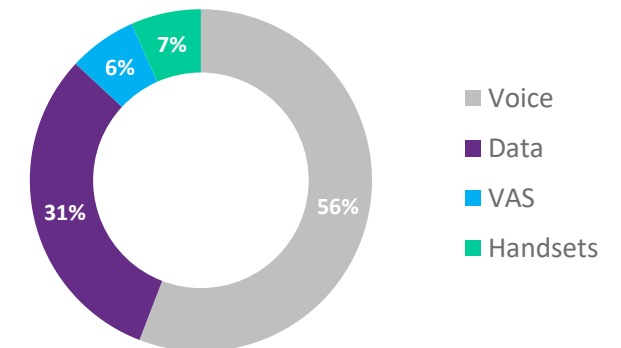
10,062 thousand
(9,958)

Increase by 104,000 subscribers
quarter-on-quarter

Net sales breakdown Q2 2018

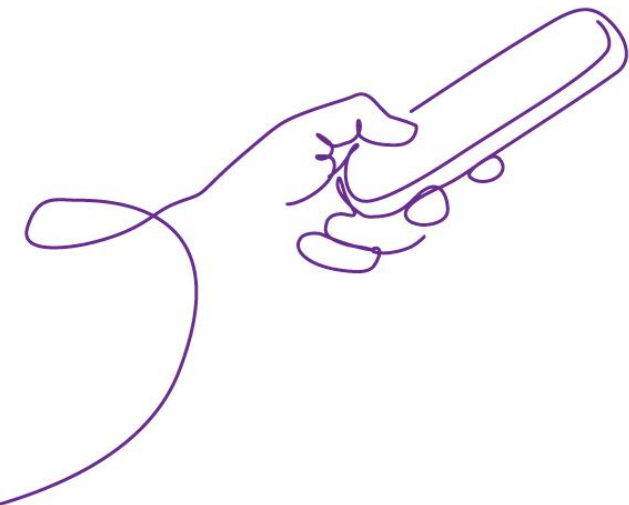


Net sales breakdown Q2 2017



*excluding non-recurring items

H1 2018 summary



Net sales

KZT 72,689m
(71,713)

Increase of 1.4% year-on-year

Handset sales

KZT 8,393m
(4,889)

Increase of 71.7% year-on-year

Net income

KZT 6,373m
(4,617)

Increase of 38.1% year-on-year

Service revenue

KZT 64,332m
(66,153)

Decrease of 2.8% year-on-year

EBITDA*

KZT 25,381m
(26,802)

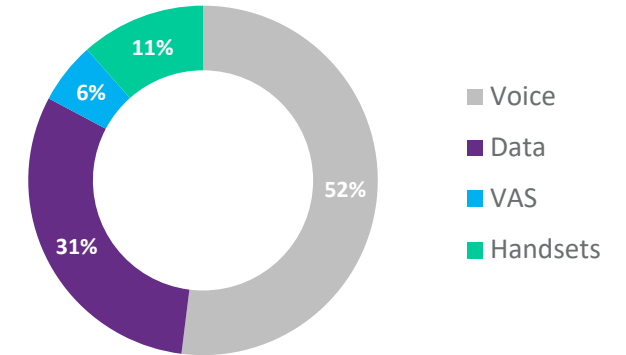
Decrease of 5.3% year-on-year
EBITDA margin of 34.9% (37.4)

Subscribers

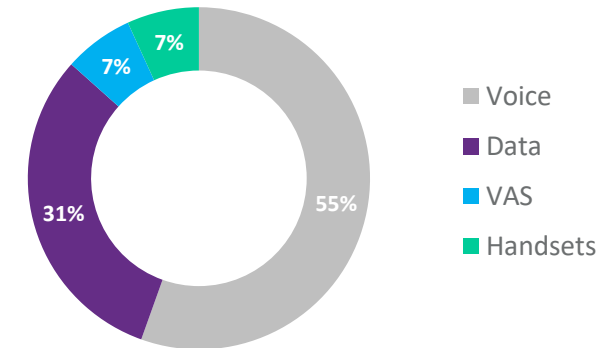
10,062 thousand
(9,992)

Increase by 70,000 subscribers year-on-year

Net sales breakdown H1 2018

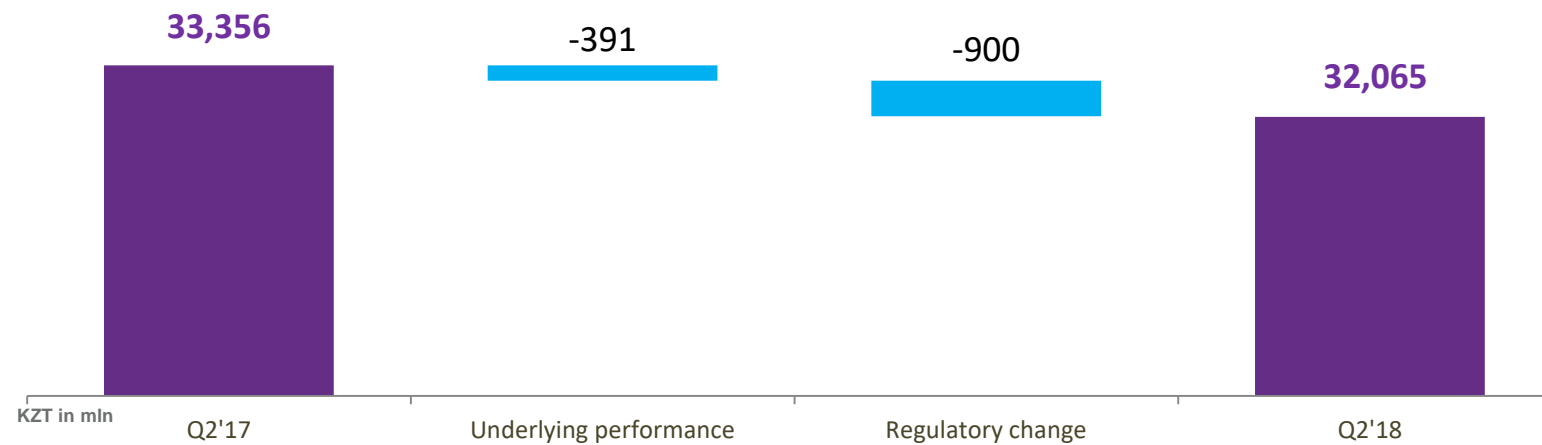


Net sales breakdown H1 2017



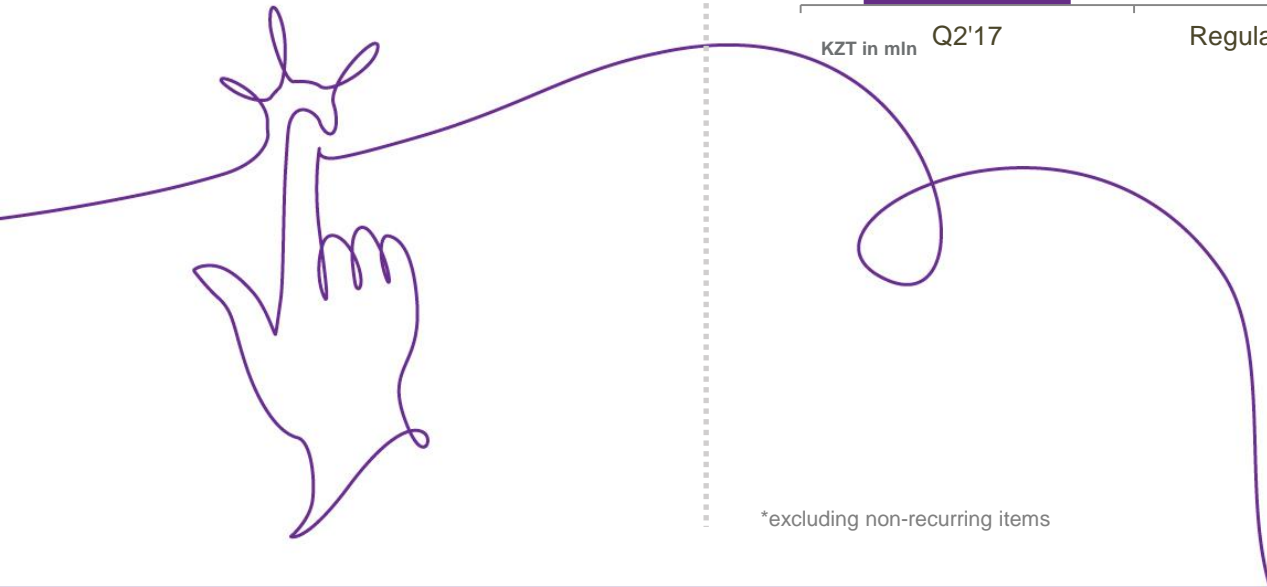
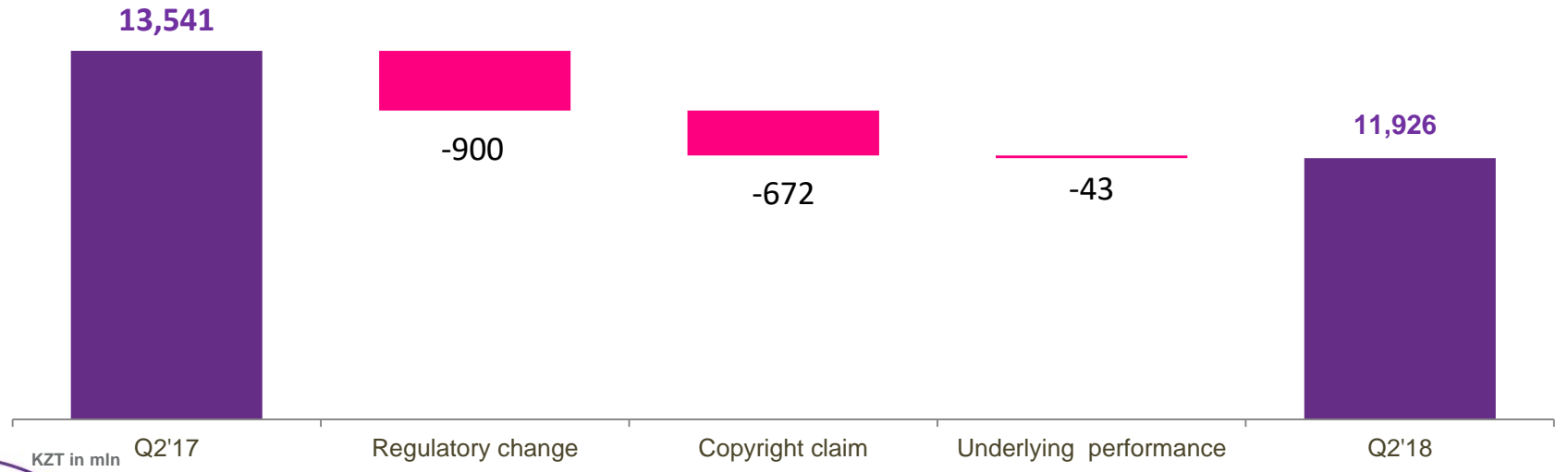
*excluding non-recurring items

Service revenue



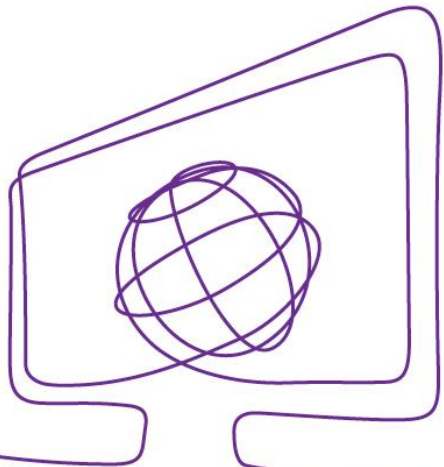
*excluding non-recurring items

EBITDA* development



*excluding non-recurring items

Commercial update



Service revenue decrease as a result of:

- Negative effect following the introduction of PAYG charges on bundles
- Underperformance in the high-value segment
- Decrease in service revenue partially offset by 2.2% interconnect revenue growth

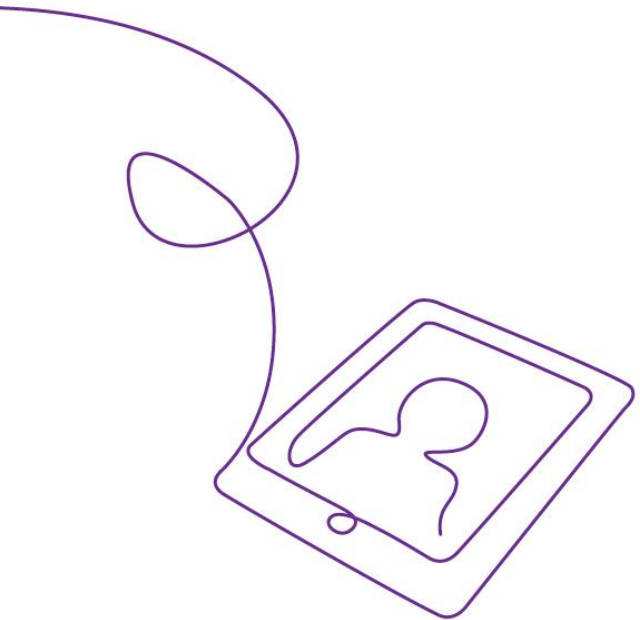
New products

- Launch of a promo 'Unlimited Comfort' tariff plan for Comfort+ with unlimited YouTube, WhatsApp and Instagram
- Opening of the 31st Kcell store

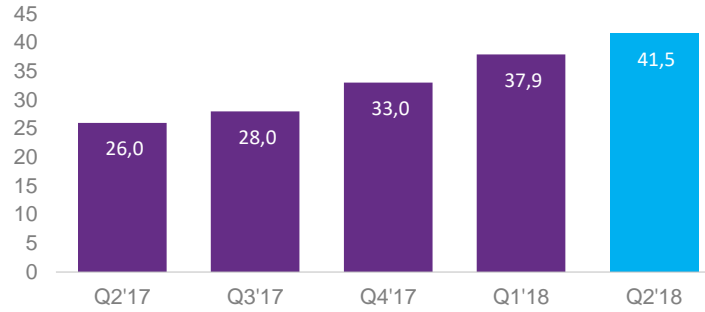
Contract phone sales increased due to:

- Revised pricing model – more competitive pricing, a wider range of products and increased advertising
- Expansion of contract phone sales coverage via partnership with consumer electronics chains

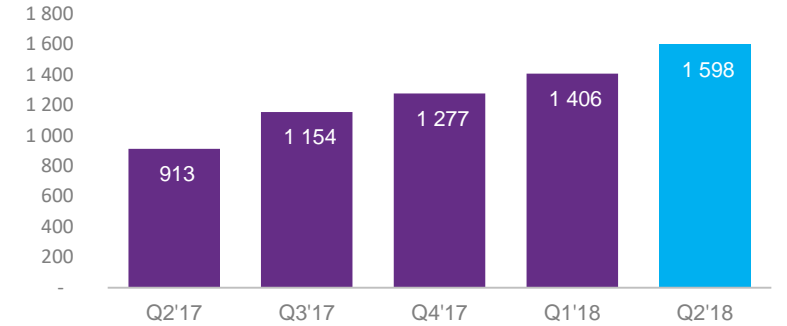
Commercial trends



4G device penetration %



4G data users ('000)



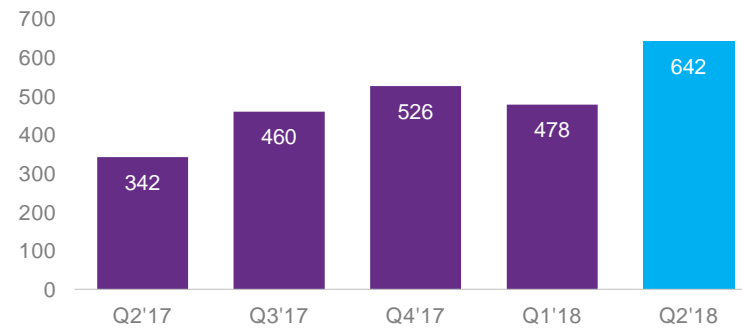
Bundled customers as share of total subs



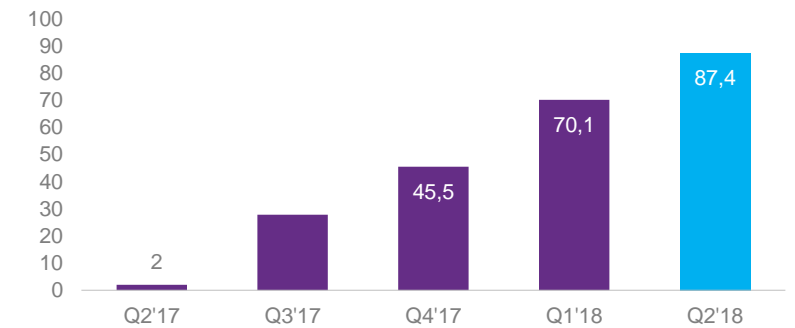
Bundled subs' share of revenue



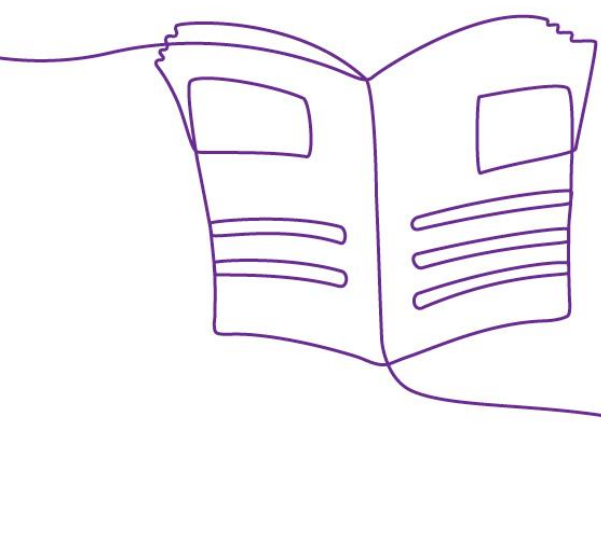
OTT users ('000)



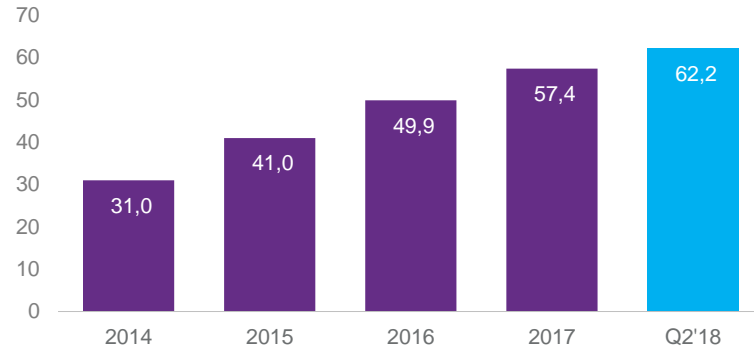
MFS users ('000)



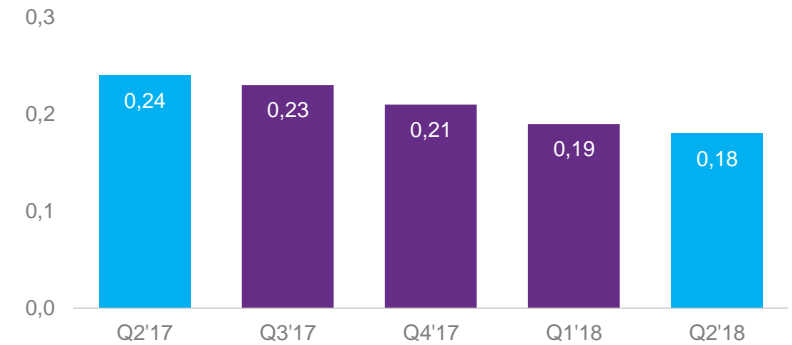
Data usage & revenues



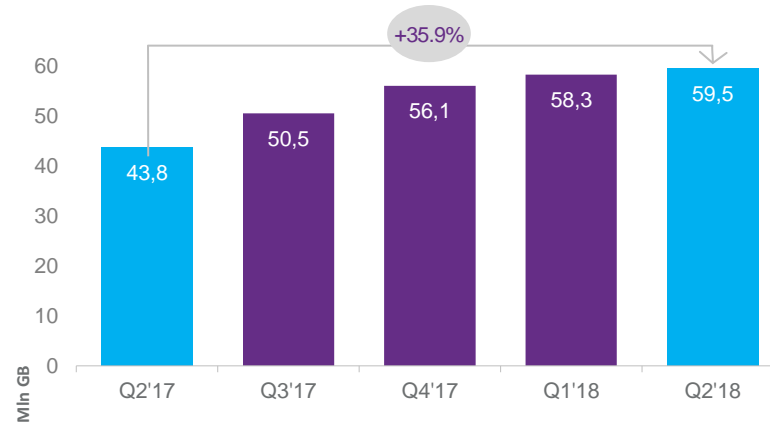
Smartphone penetration %



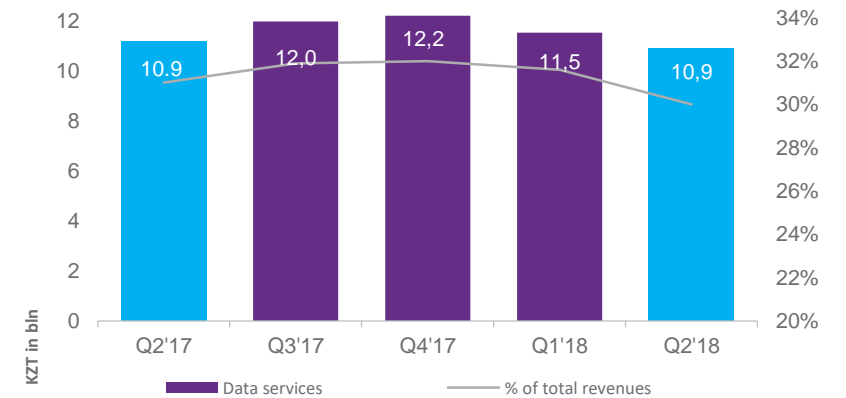
Average revenue per MB (KZT)



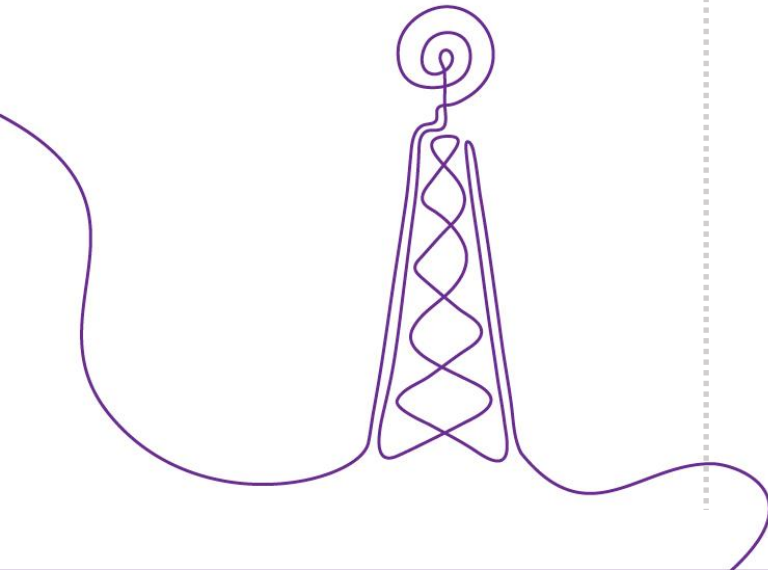
Data traffic



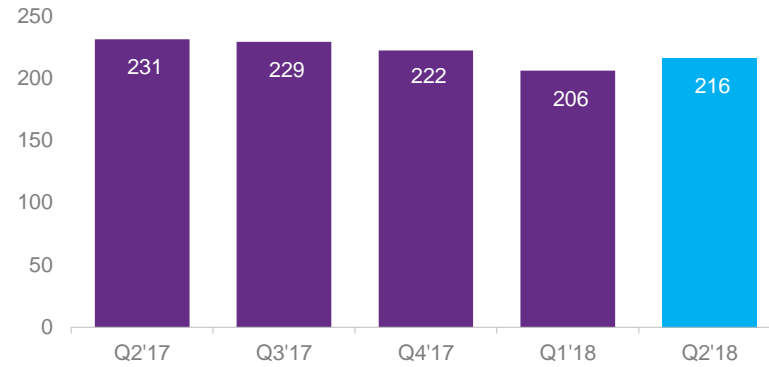
Data revenue



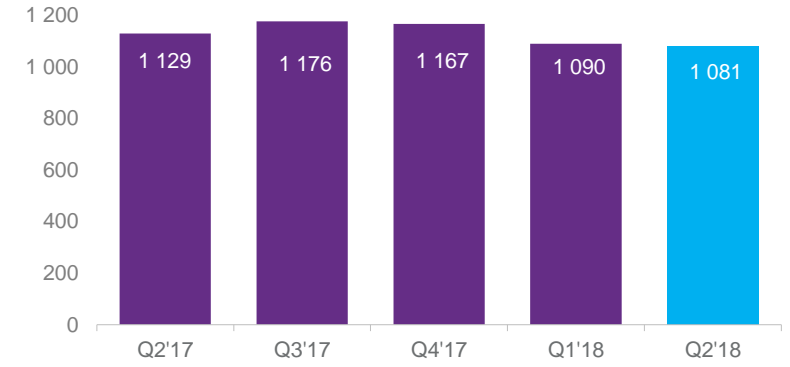
Operational data



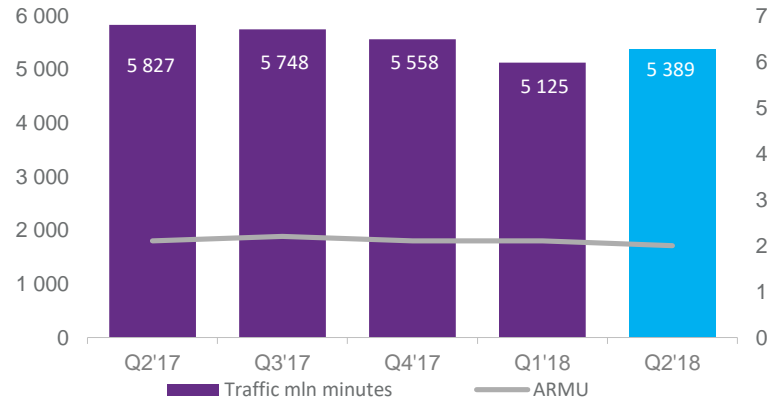
Minutes of usage (MOU)



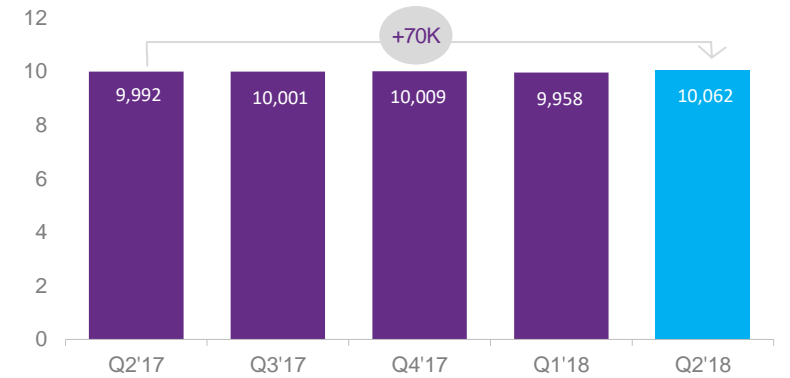
Blended ARPU (KZT)



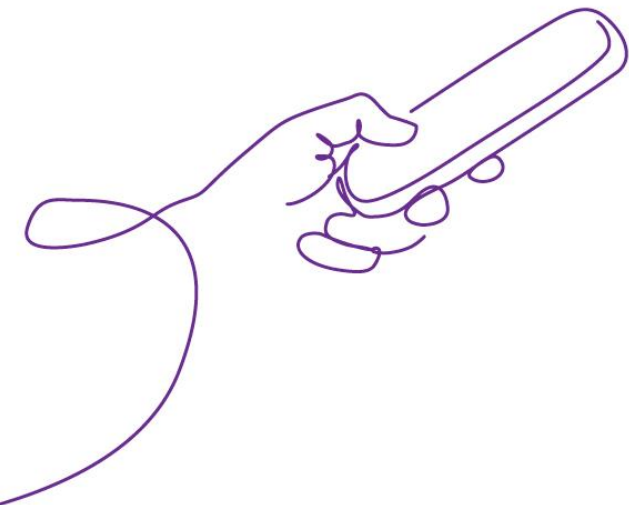
Voice traffic & ARMU (KZT)



Total subscribers ('000)



Enterprise segment



Total B2B revenue

KZT 3,985m
(3,518)

Increase of 13.3% year-on-year

Business solutions

KZT 2,259m
(1,690)

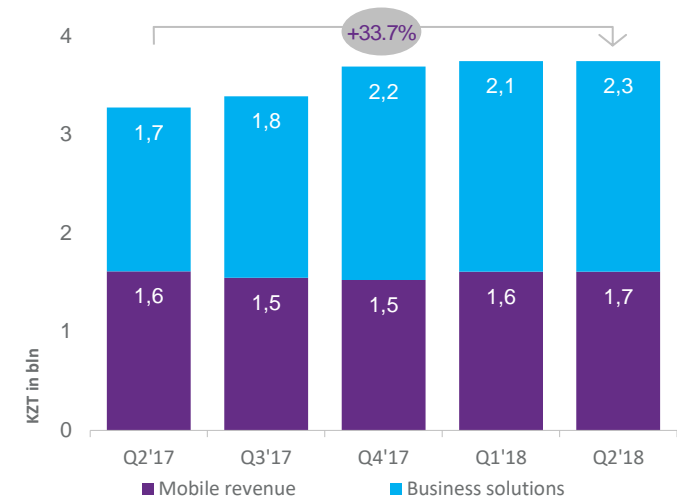
Increase of 33.7% year-on-year

B2B revenue share

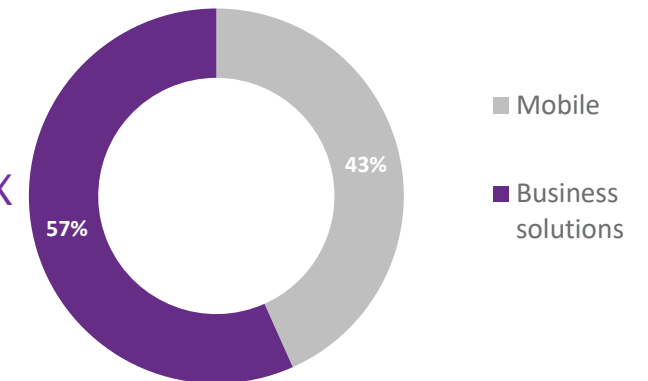
11.0% (9.8)

- Key growth drivers - Bulk SMS, Freephone and PBX
- Launch of Virtual PBX and introduction of a new discount roaming campaign in June

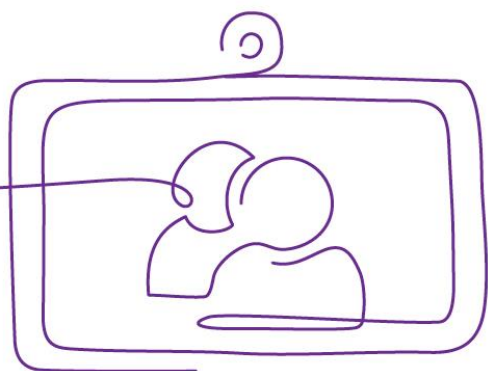
B2B revenue



B2B revenue breakdown

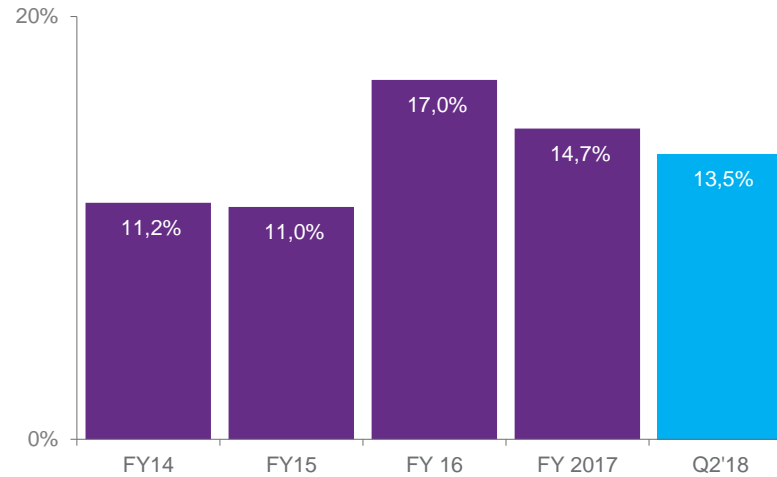


Financial highlights



KZT in millions, except per share data, number of shares and changes	Q2 2018	Q2 2017	Chg (%)	H1 2018	H1 2017	Chg (%)
Net Sales	36,303	36,082	0.6	72,689	71,713	1.4
of which service revenue	32,065	33,356	-3.9	64,332	66,153	-2.8
EBITDA excluding non-recurring items	11,926	13,541	-11.9	25,381	26,802	-5.3
EBITDA margin (%)	32.9	37.5		34.9	37.4	
Operating income	4,169	5,131	-18.7	11,414	12,761	-10.6
Operating income excluding non-recurring items	5,234	7,804	-32.9	12,479	15,434	-19.1
Net income	2,621	666	293.3	6,373	4,617	38.1
Earnings per share (KZT)	13.1	3.3	293.3	31.9	23.1	38.1
CAPEX to sales (%)	13.5	11.0		10.6	13.8	
Free cash flow	-1,162	2,456		341	4,204	

CAPEX-TO-SALES



YTD investments (KZT mln)

7,670

*2016 excludes KZT 26,000 million for LTE frequencies

LTE traffic

47%

of total traffic data

LTE population coverage

51.5%

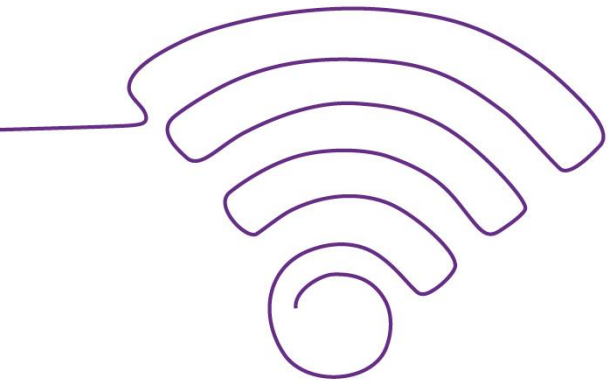
LTE coverage plan by the end of 2018

54%

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 tax adjustment and KZT 3.2 billion is fines and penalties.
- In January 2018, Kcell disputed the Notification of the tax authority in the First Instance Court and the Kcell appeal was dismissed. Whilst Kcell further appealed this decision, in June 2018, the Court of Appeal reviewed the appeal claim and left the unfavorable ruling of the First Instance Court in force.
- In the fourth quarter of 2016 and in the second quarter of 2017, the Company made tax provisions of KZT 4.0 billion and KZT 2.8 billion, respectively. The Company made another tax provision of KZT 1.4 billion, which was reported as a non-recurring item in the second quarter of 2018.
- Kcell reserves the right to further appeal it in the Supreme Court.

Administrative and legal update



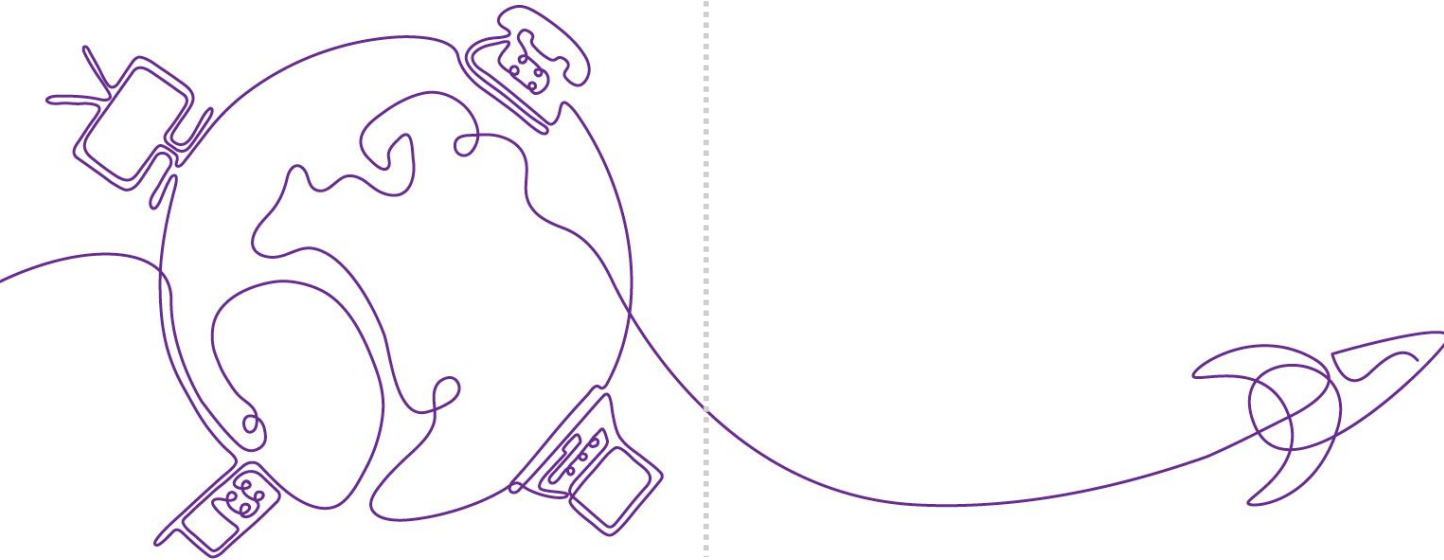
- Kcell received a claim about alleged infringement of copyrights.
- On 15 May 2018, the Court of First Instance confirmed a violation of copyrights and awarded a total of KZT 672 million in compensation. The decision is not yet binding. However, in the second quarter, the Company has made a provision for this amount.
- The Company is confident that this claim of copyright infringement is unsubstantiated, the appellate claim was submitted to the court of higher instance.
- In addition, Kcell has received notifications of two further pre-trial claims related to alleged copyright infringements from the same party for KZT 1 billion and KZT 4 billion. The Company believes these claims also have no grounds.

Q&A



Financial key ratios

	30 Jun 2018	31 Dec 2017
Return on equity* %	21.3	18.2
Return on capital employed* %	18.9	23.9
Equity/assets ratio %	40.0	41.8
Net debt/equity ratio %	78.8	76.4
Net debt/EBITDA* rate %	1.04	1.05



Forward looking statement

Statements made in this document relating to future status or circumstances, including future performance and other trend projections are forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There can be no assurance that actual results will not differ materially from those expressed or implied by these forward-looking statements due to many factors, many of which are outside the control of Kcell.

