



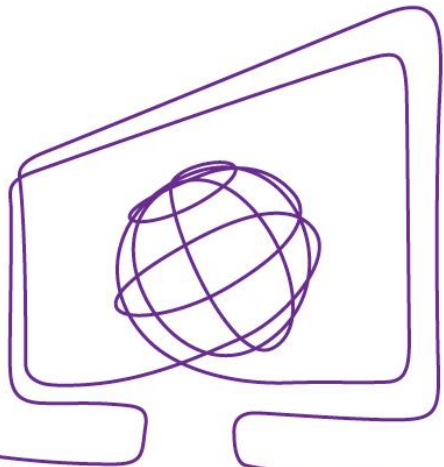
# Kcell JSC Q3 2018 Financial results

# Q3 2018 highlights

- 3.8 percent increase in net sales primarily driven by handset sales, a rise in B2B business solutions sales, as well as improved interconnect revenue
- B2C service revenues remain under pressure, with slight improvements in September related to continuous tariff portfolio developments
- Completion of 4G/LTE roll out plan for 2018 and added network capacity across several large cities
- Revised strategic priorities - moving from volume driven SIM distribution to value driven acquisition



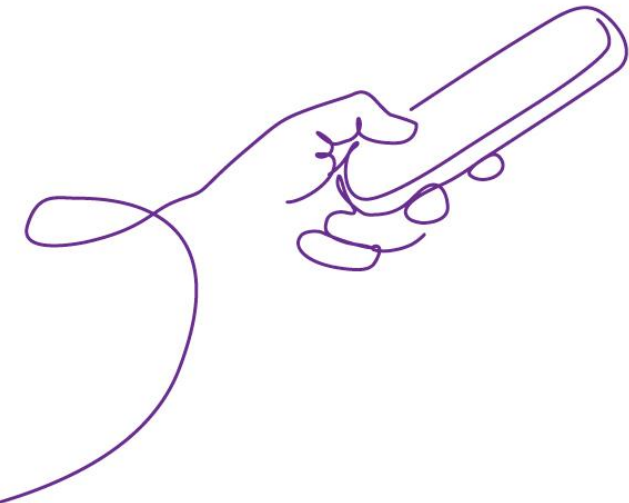
# Change in registered SIM numbers



Shifting from quantity driven SIM distribution to value driven acquisition by attracting quality customers

- Reduced subscriber base of registered users (by 828,000) due to clean up of promo SIMs
- No effect on number of revenue generating customers and revenue market share
- Positive impact on subscriber acquisition costs
- In line with new regulation related to customers' re-registration process

# Q3 2018 summary



## Net sales

**KZT 38,970m**  
**(37,549)**

Increase of 3.8% year-on-year

## B2B revenue

**KZT 4,362m**  
**(3,390)**

Increase of 28.7% year-on-year

## Net income

**KZT 3,007m**  
**(3,889)**

Decrease of 22.7% year-on-year

\*excluding non-recurring items

## Service revenue

**KZT 33,668m**  
**(34,695)**

Decrease of 3.0% year-on-year

## EBITDA\*

**KZT 14,593m**  
**(14,626)**

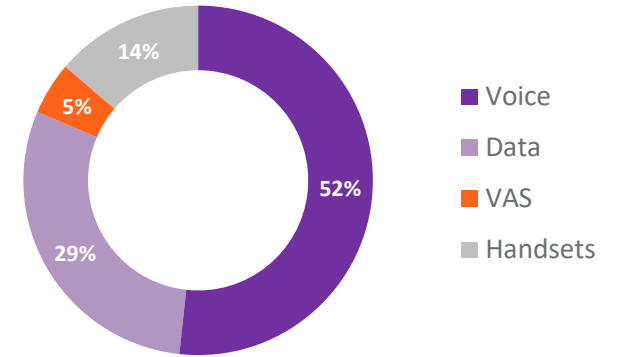
Decrease of 0.2% year-on-year  
EBITDA margin of 37.4% (39.0)

## Subscribers

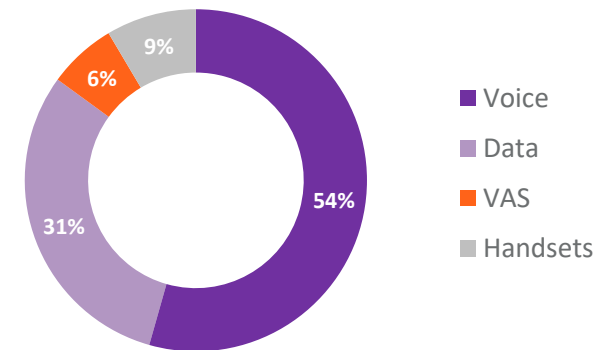
**9,234 thousand**  
**(10,062)**

Decrease by 828,000 subscribers quarter-on-quarter, driven by clean up

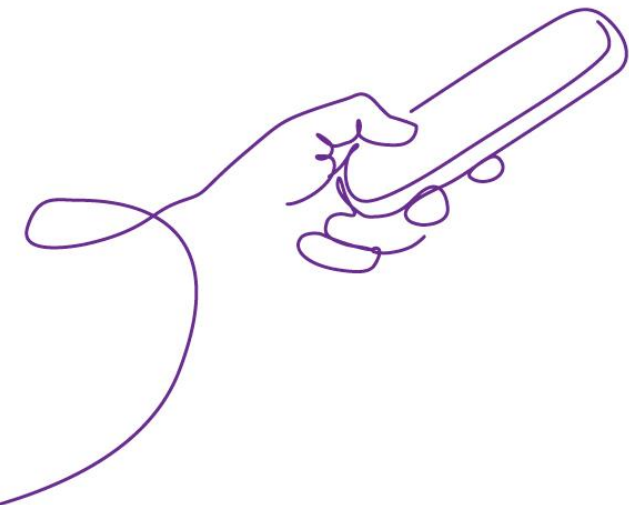
Net sales breakdown Q3 2018



Net sales breakdown Q3 2017



# 9m 2018 summary



## Net sales

**KZT 111,659m**  
**(109,262)**

Increase of 2.2% year-on-year

## B2B revenue

**KZT 12,091m**  
**(9,550)**

Increase of 26.6% year-on-year

## Net income

**KZT 9,380m**  
**(8,506)**

Increase of 10.3% year-on-year

## Service revenue

**KZT 98,000m**  
**(100,848)**

Decrease of 2.8% year-on-year

## EBITDA\*

**KZT 39,974m**  
**(41,427)**

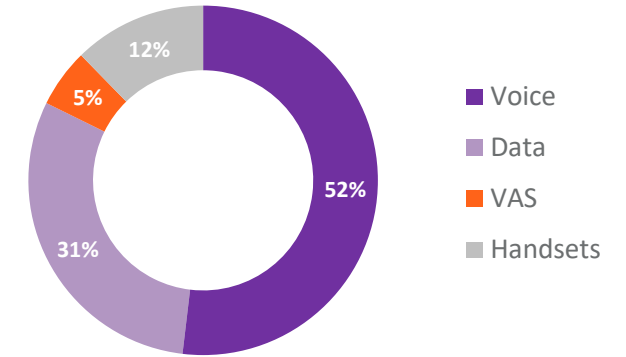
Decrease of 3.5% year-on-year  
EBITDA margin of 35.8% (37.9)

## Subscribers

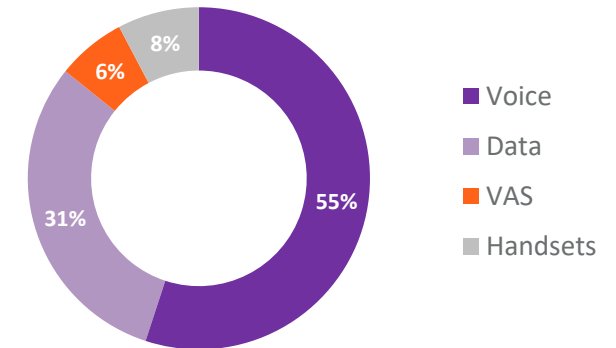
**9,234 thousand**  
**(10,001)**

Decrease by 767,000 subscribers year-on-year

Net sales breakdown 9m 2018

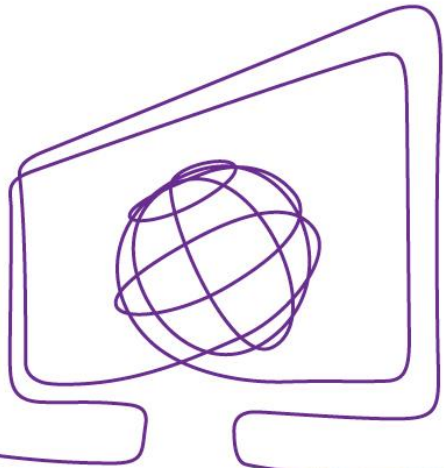


Net sales breakdown 9m 2017



\*excluding non-recurring items

# Commercial update



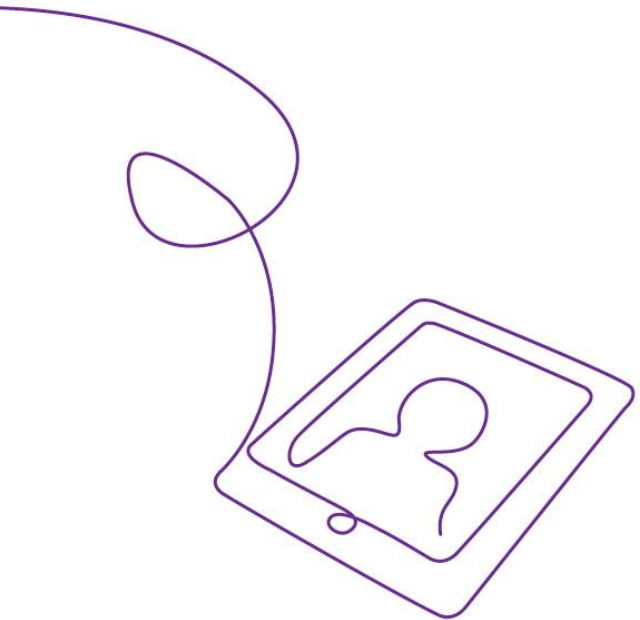
## Service revenue is still under pressure:

- Negative effect from regulation on PAYG charges, but with some improvements seen since September
- Decrease in B2C service revenue partially offset by growth of interconnect revenue and revenue from business solutions in Enterprise Segment

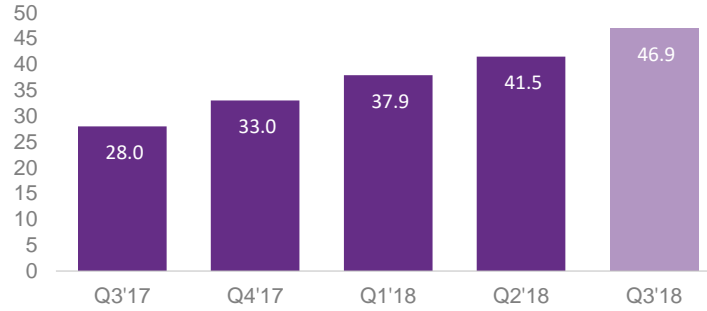
## Focus areas in consumer segment:

- New acquisition strategy: “From Volume to Value”, revision of sales channels commissions
- New approach to the business model of “contract phones”
- Brand and price perception
- Revenue from Business Solutions is still growing supported by Bulk SMS, Free Phone and PBX toll free traffic and price increase, but the core mobile business is still under pressure

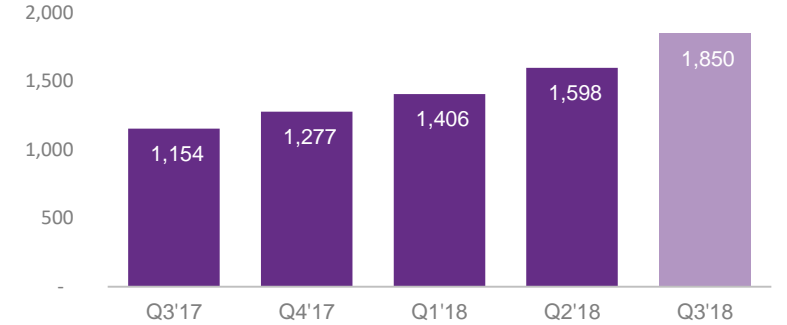
# Commercial trends



4G device penetration %



4G data users ('000)



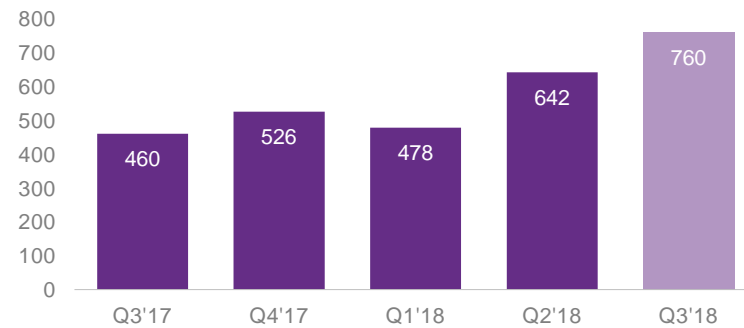
Bundled customers as share of total subs



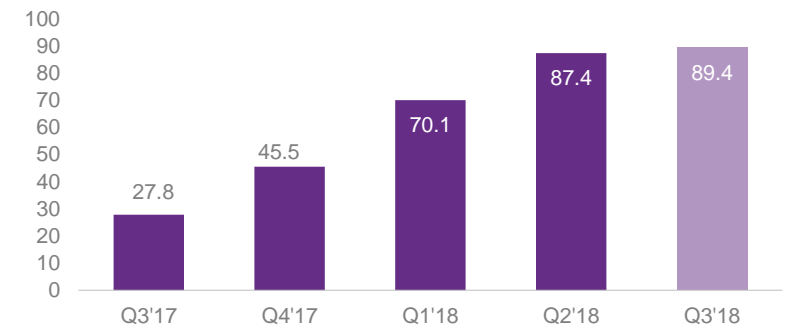
Bundled subs' share of revenue



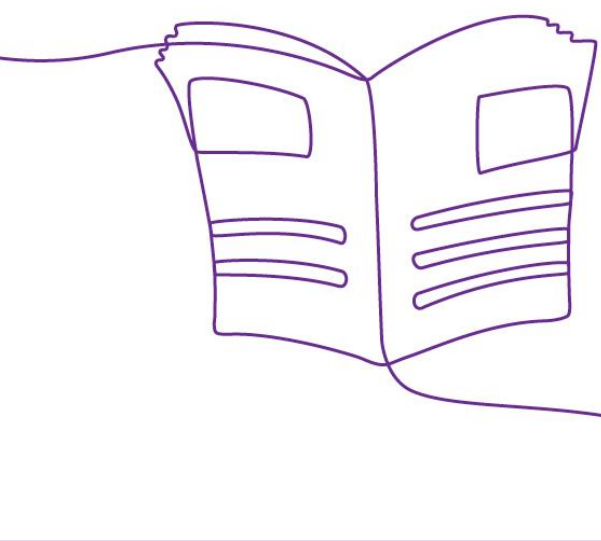
OTT users ('000)



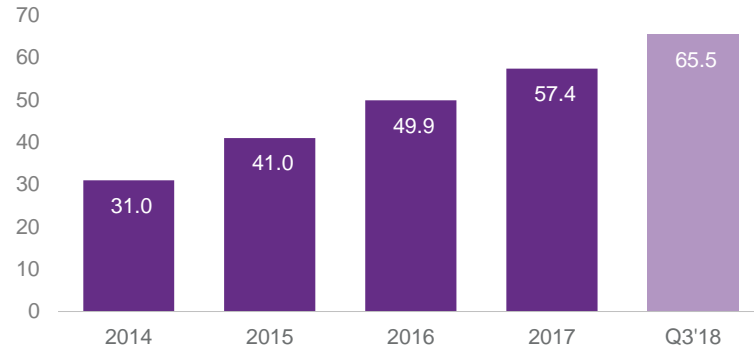
MFS users ('000)



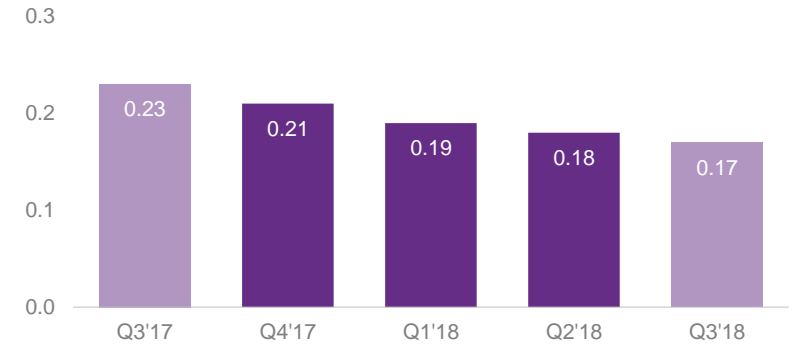
# Data usage & revenues



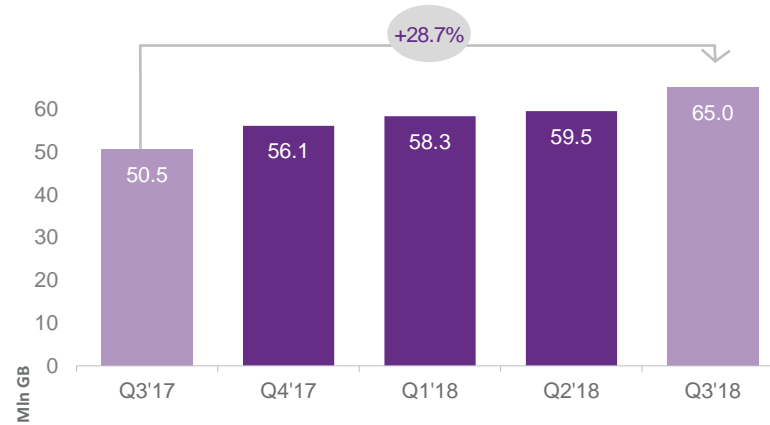
Smartphone penetration %



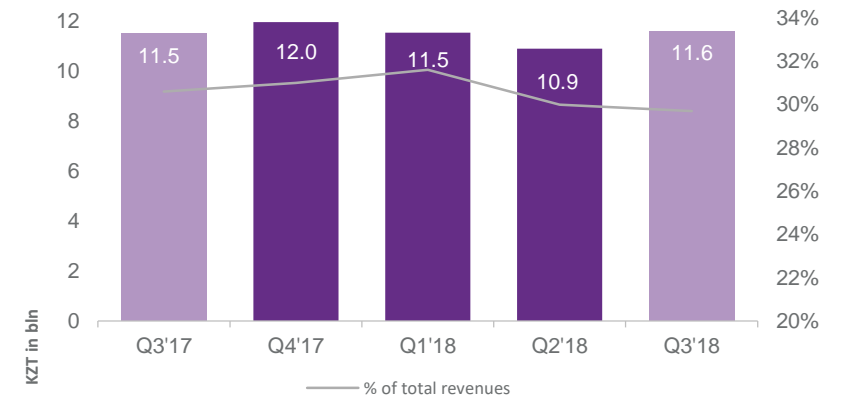
Average revenue per MB (KZT)



Data traffic

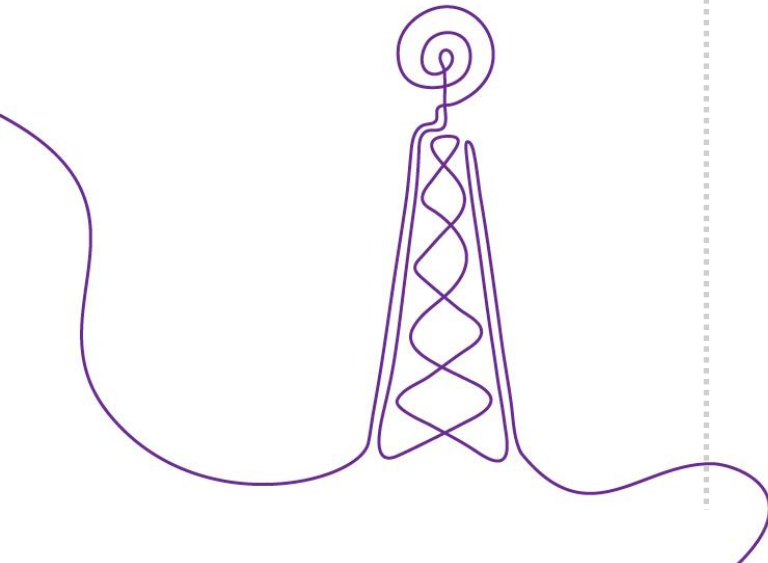


Data revenue

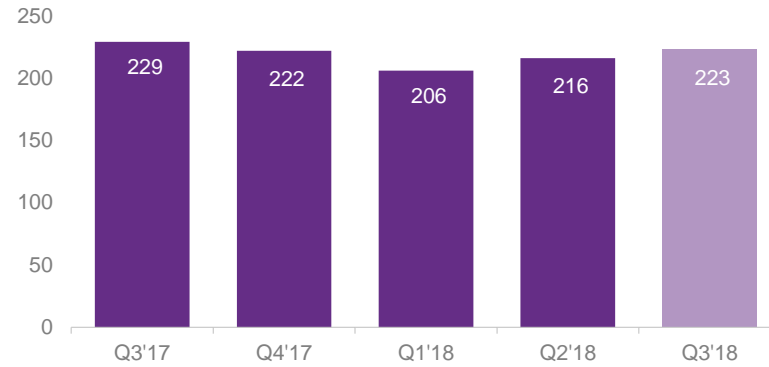




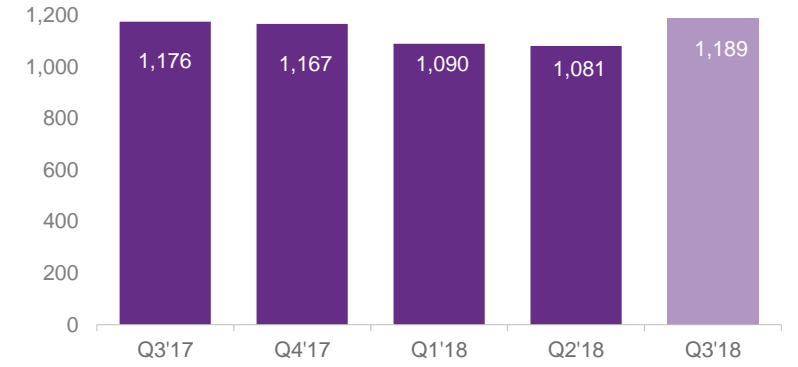
# Operational data



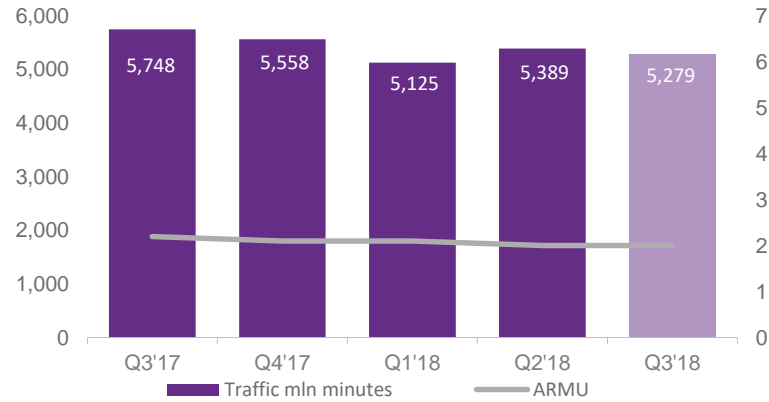
Minutes of usage (MOU)



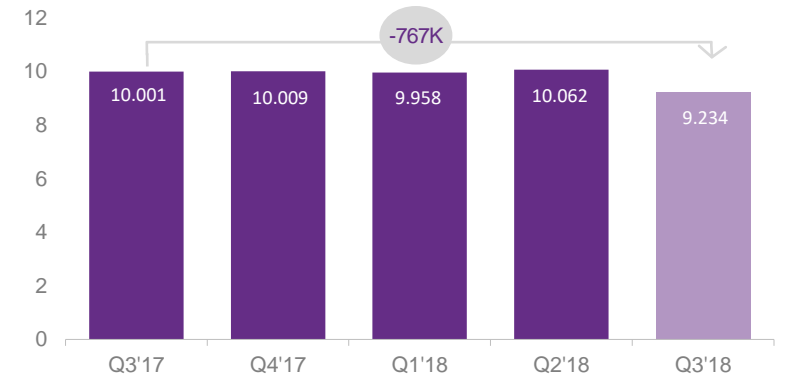
Blended ARPU (KZT)



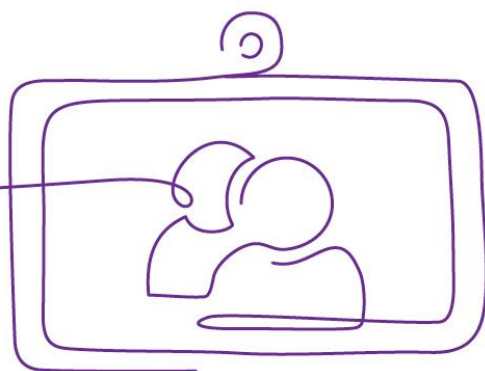
Voice traffic & ARMU (KZT)



Total subscribers ('000)

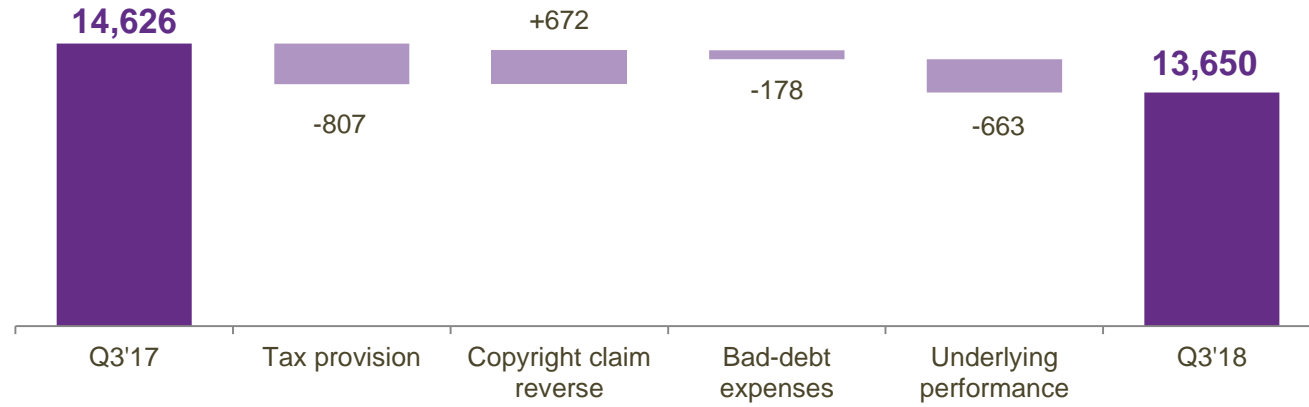


# Financial highlights



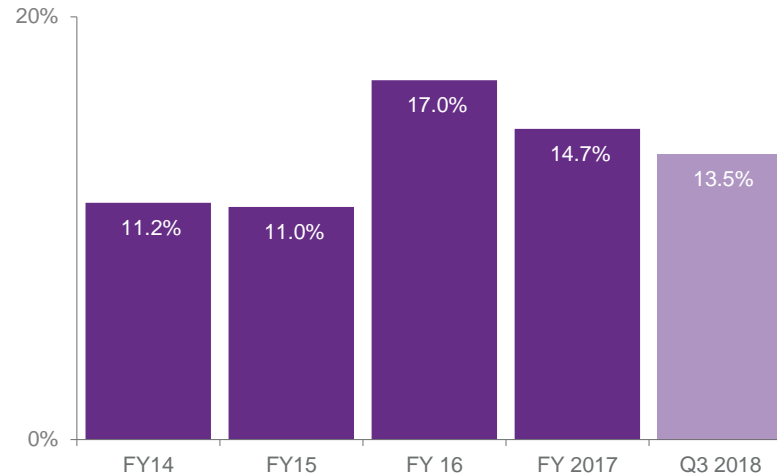
KZT in millions, except per share data, number of shares and changes	Q3 2018	Q3 2017	Chg (%)	9m 2018	9m 2017	Chg (%)
Net Sales	38,970	37,549	3.8	111,659	109,262	2.2
of which service revenue	33,668	34,695	-3.0	98,000	100,848	-2.8
EBITDA excluding non-recurring items	14,593	14,626	-0.2	39,974	41,427	-3.5
EBITDA margin (%)	37.4	39.0		35.8	37.9	
Operating income	6,932	8,943	-22.5	18,346	21,703	-15.5
Operating income excluding non-recurring items	7,875	8,943	-11.9	20,354	24,376	-16.5
Net income	3,007	3,889	-22.7	9,380	8,506	10.3
Earnings per share (KZT)	15.0	19.4	-22.7	46.9	42.5	10.3
CAPEX to sales (%)	13.5	9.9		11.6	12.4	
Free cash flow	3,762	3,986		4,103	8,190	

# EBITDA development



# CAPEX

## CAPEX-to-sales ratio



- ✓ Improvements in LTE network capacity
- ✓ 3<sup>rd</sup> LTE layer rolled out in Aktau city
- ✓ 30% incremental data growth
- ✓ 20% increase in data speed
- ✓ Implementation of further improvements in LTE network capacity in Almaty, Astana and Atyrau

\*2016 excludes KZT 26,000 million for LTE frequencies

## LTE traffic

**51%**

of total traffic data

## LTE population coverage

**58.1%**

## LTE coverage plan by the end of 2018

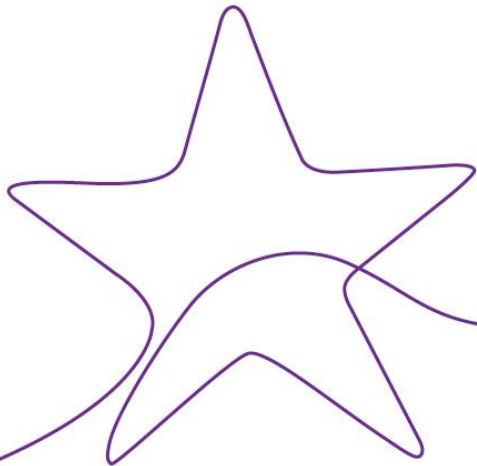
**58.8%**

## YTD investments (KZT mln)

**12,944**

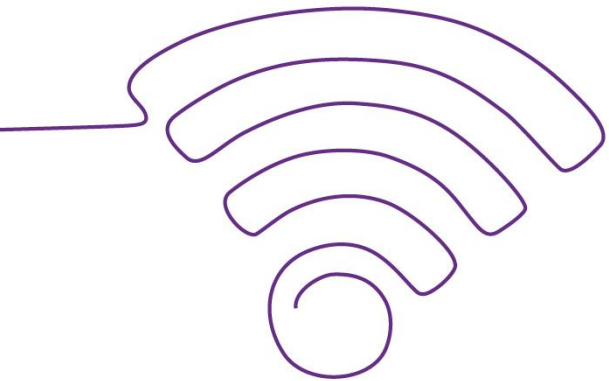
# Tax audit

- 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
- 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 left the unfavorable ruling of the First Instance Court in force. Although the decision is binding, Kcell reserves the right to further appeal it in the Supreme Court
- 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. In the second quarter of 2018 the Company has made another tax provision of KZT 1.4 billion
- During the reporting period the Company has made a provision for remaining KZT 0.8 billion



# Administrative and legal update

- In August 2018, Kcell won the copyright court case. Further to the announcement on 12 June 2018, the Appellate Judicial Board of Almaty city court upheld Kcell's appeal about alleged infringement of copyrights. The previous decision of the Court of First Instance regarding KZT 672 million compensation was therefore annulled, and the provisions made for this amount were reversed
- On 27 September 2018, the Company announced the liquidation of its subsidiary AR-Telecom

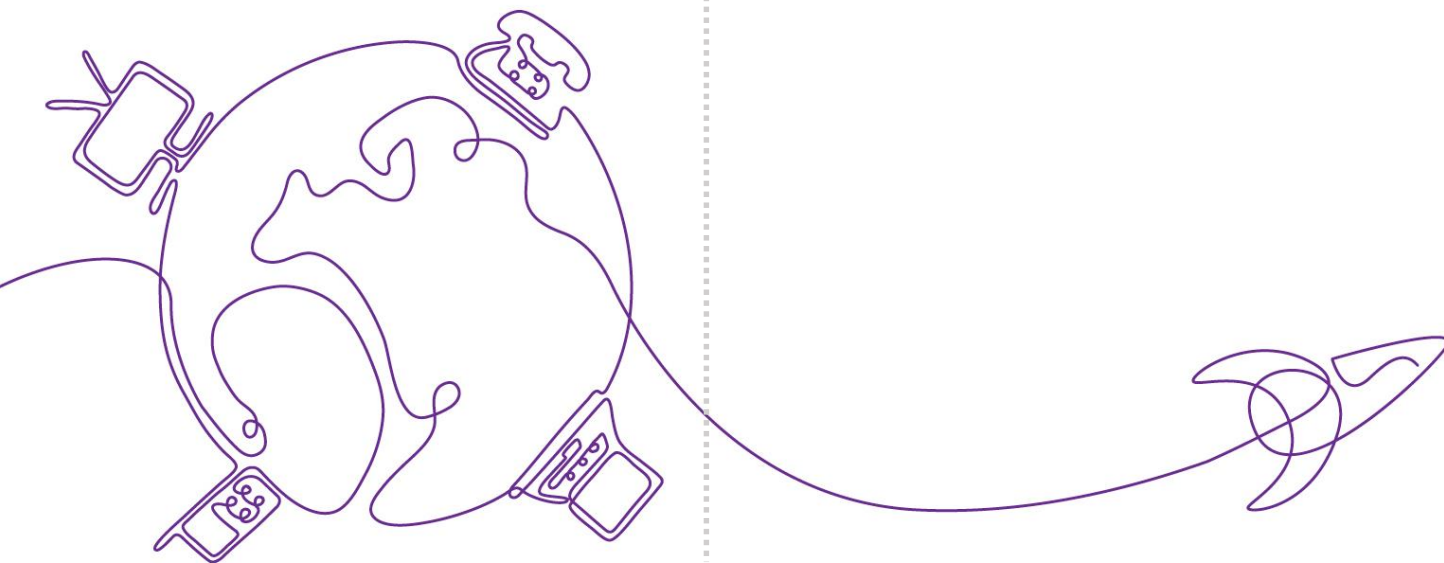


Q&A



# Financial key ratios

	30 Sep 2018	31 Dec 2017
Return on equity* %	19.5	18.2
Return on capital employed* %	16.3	23.9
Equity/assets ratio %	42.7	41.8
Net debt/equity ratio %	87.6	76.4
Net debt/EBITDA* rate %	1.21	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.

