

# Q2 2017 Financial results



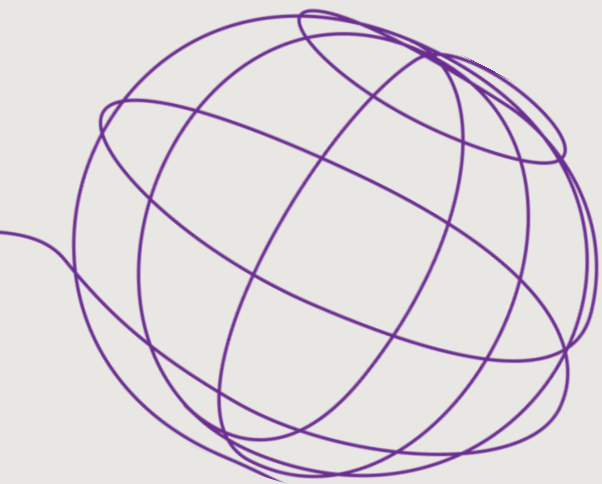
# Progress & challenges in Q2

- Improving trends in Q2
- Price adjustments starting to show positive effect
- Progress on strategic cost reduction projects
- Launch of 4G in 7 more cities
- Expanding VAS revenue
- Growing B2B revenue, business solutions revenue increased by 35% year-on-year
- Dividend of KZT 11,678 million, representing 70 percent of net income; KZT 58.39 per ordinary share/GDR was paid in June 2017
- Tax claim of KZT 9.0 billion



# Commercial trends

- 
- Announced closure of 29 legacy tariffs effective 18 July 2017
  - Price adjustment on legacy tariffs
  - Introduction of changes to daily packages:
    - fee and data limits increase
    - welcome bonus cancellation
    - accumulation of traffic available only if fee charged
  - Launch of a new OTT service with a library of popular magazines - "Mobi Press "
  - Launch of mobile financial services - "mobimoney.kz"
  - Launch of artificial intelligence call center for Activ subscribers
  - Launch of contract devices campaign of low and middle devices
  - "Smartphone+" - upgrade devices campaign



# Q2 2017 Summary

## Net sales

KZT 36,027m  
(36,413)

Decrease of 1.1%  
year-on-year

## Service revenue

KZT 33,631m  
(34,012)

Decrease of 1.1%  
year-on-year

## Data revenue

KZT 11,160m  
(10,244)

Increase of 8.9%  
year-on-year

## Handset sales

KZT 2,392m  
(2,265)

Increase of 5.6% year-  
on-year

## EBITDA\* KZT

KZT 13,484m  
(14,338)

Decrease of 6.0%  
year-on-year

## EBITDA margin

37.4% (39.4)

## Net income

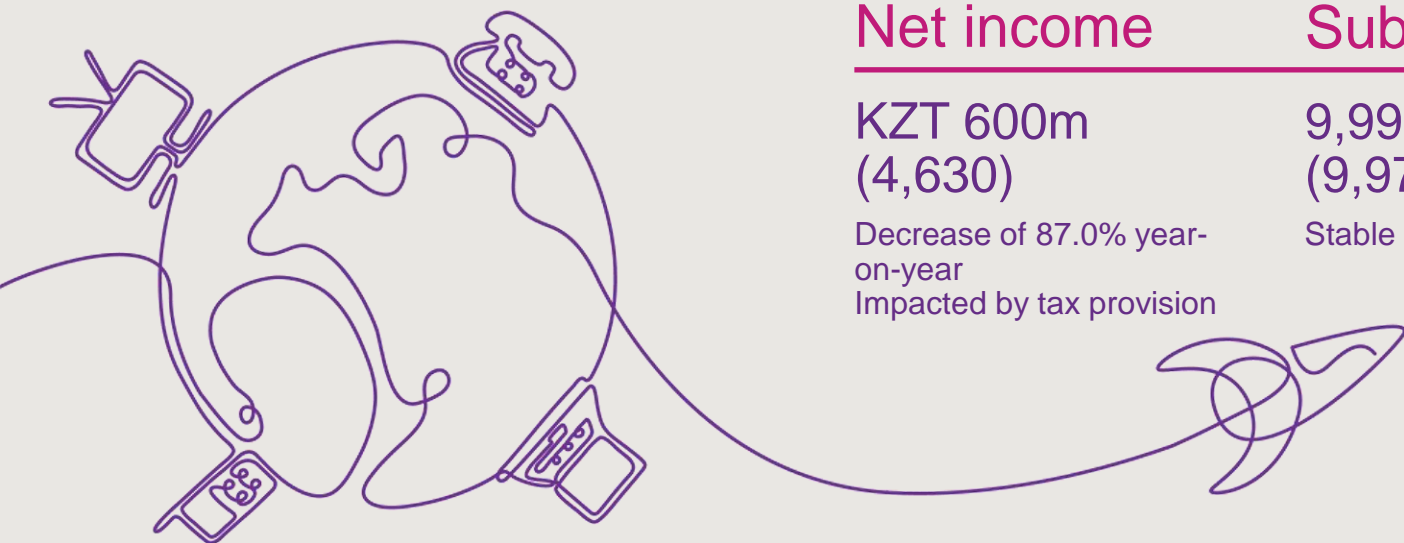
KZT 600m  
(4,630)

Decrease of 87.0% year-  
on-year  
Impacted by tax provision

## Subscribers

9,992 thousand  
(9,979)

Stable quarter-on-quarter



# H1 2017 Summary

## Net sales

KZT 71,544m  
(71,883)

Decrease of 0.5%  
year-on-year

## Service revenue

KZT 66,653m  
(67,526)

Decrease of 1.3%  
year-on-year

## Data revenue

KZT 22,159m  
(19,732)

Increase of 12.3%  
year-on-year

## Handset sales

KZT 4,889m  
(4,220)

Increase of 15.9%  
year-on-year

## EBITDA\* KZT

KZT 26,610m  
(29,265)

Decrease of 9.1%  
year-on-year

## EBITDA margin

37.2% (40.7)

## Net income

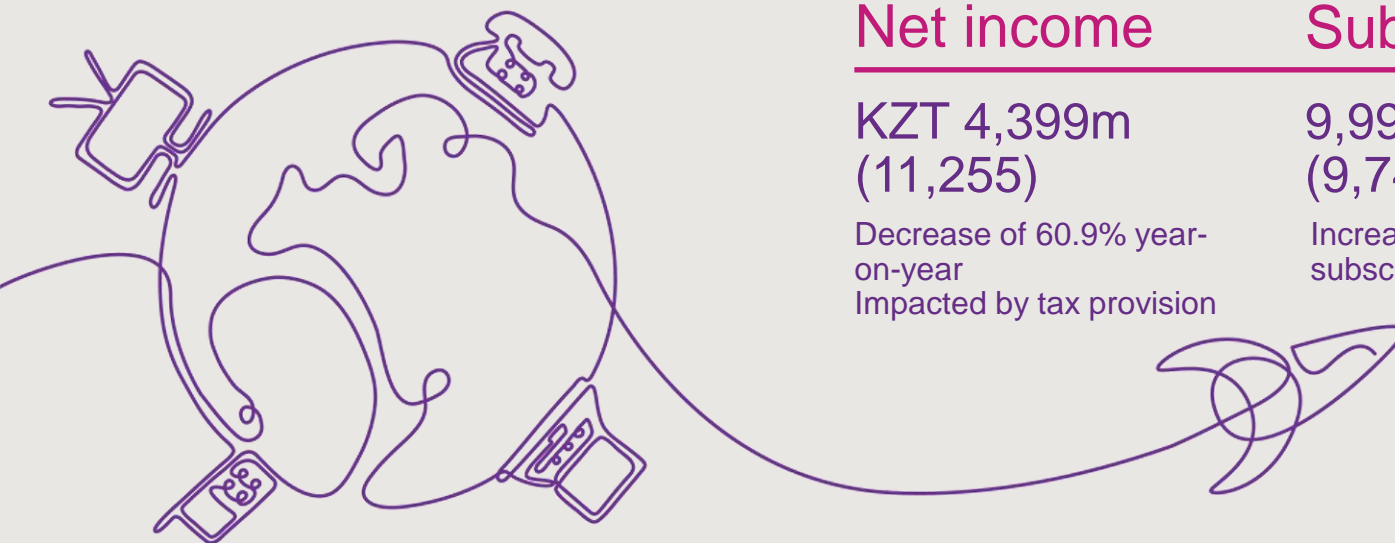
KZT 4,399m  
(11,255)

Decrease of 60.9% year-  
on-year  
Impacted by tax provision

## Subscribers

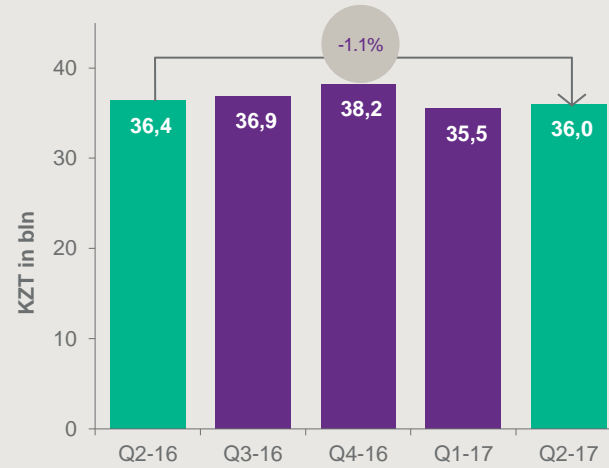
9,992 thousand  
(9,748)

Increase by 244,000  
subscribers year-on-year

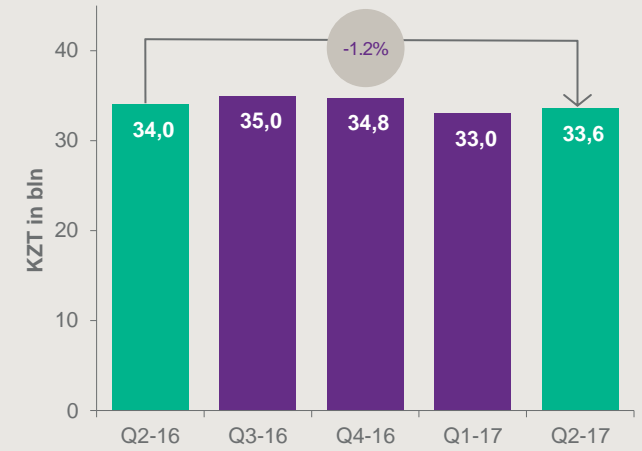


# Revenue

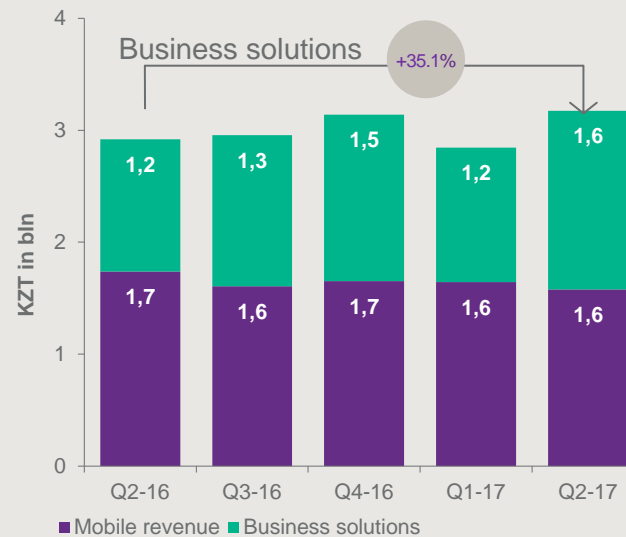
## Net sales



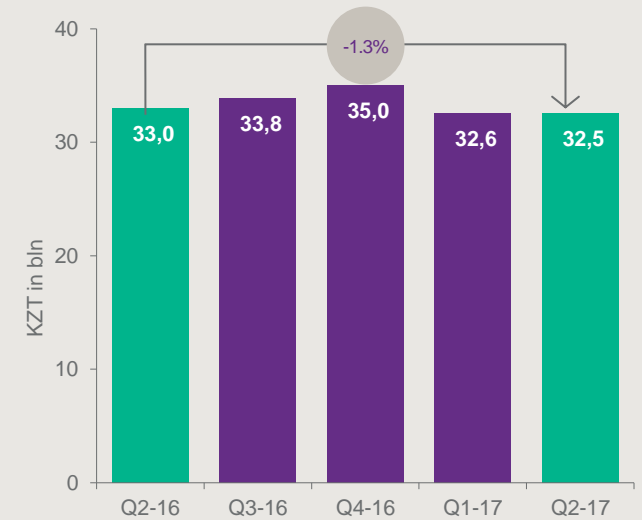
## Service revenue



## Total B2B revenue

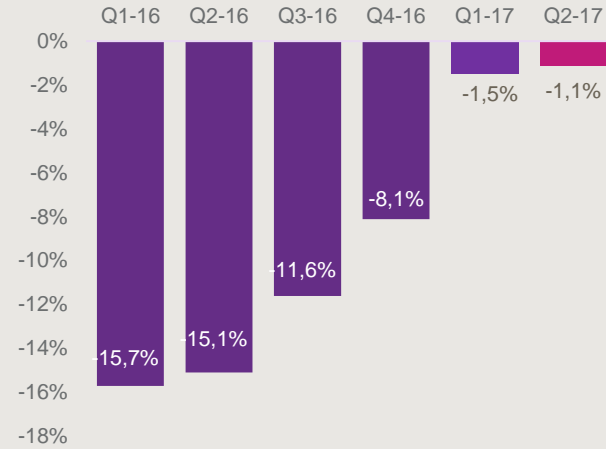


## B2C revenue

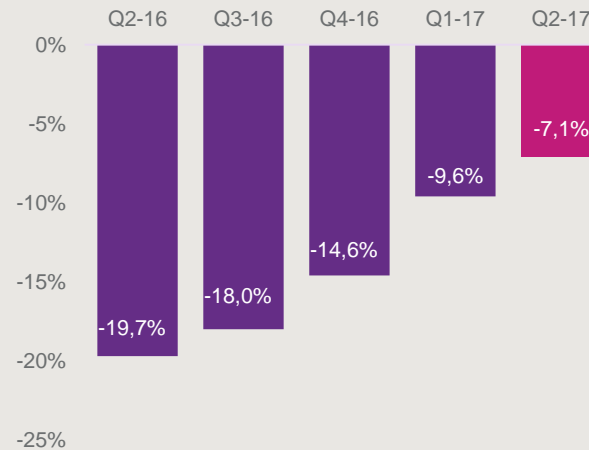


# Improvement of revenue trends

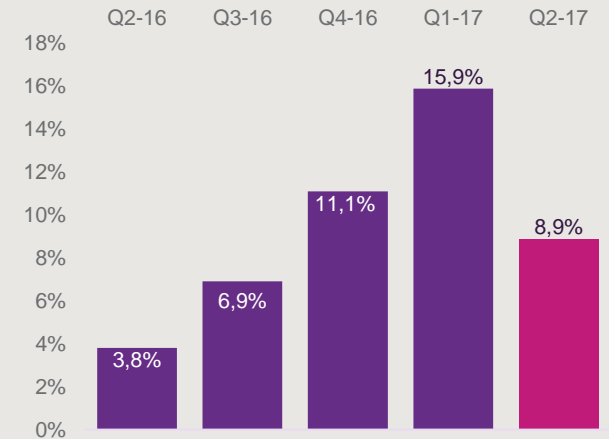
## Service revenue



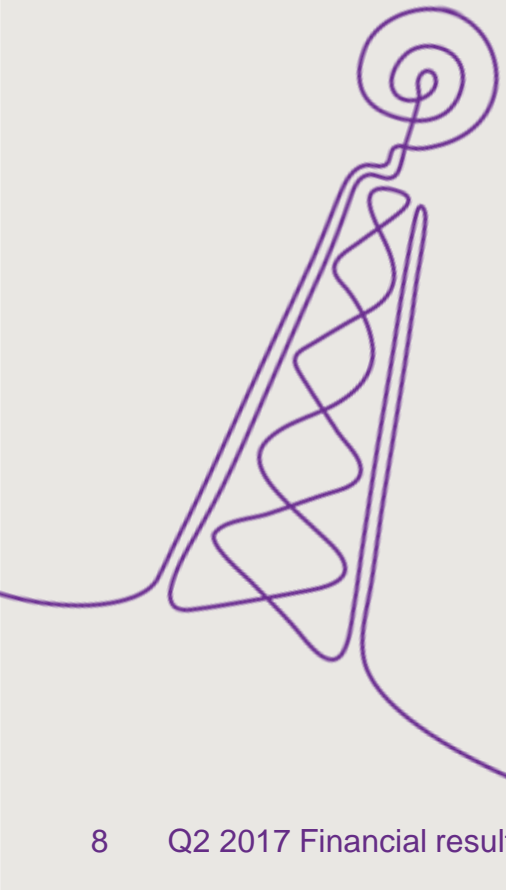
## VOICE revenue



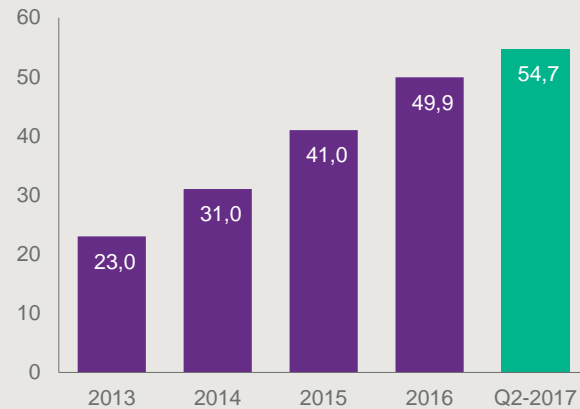
## Data revenue



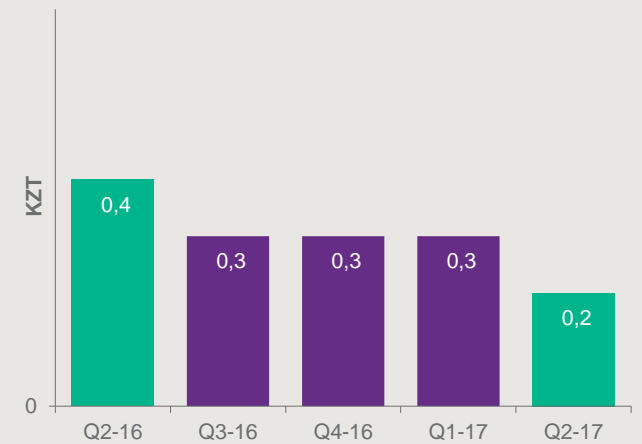
# Data usage & revenues



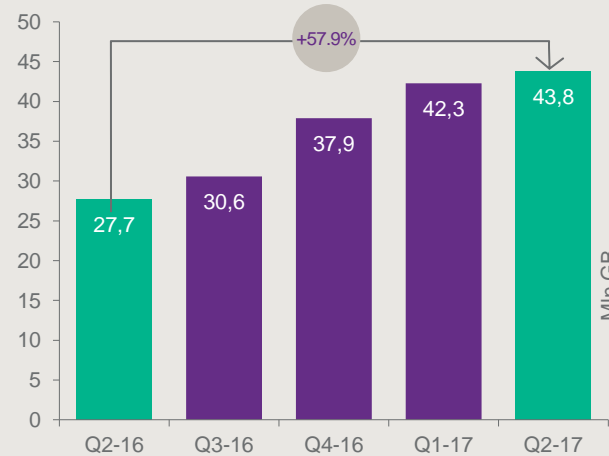
## Smartphone penetration % (network)



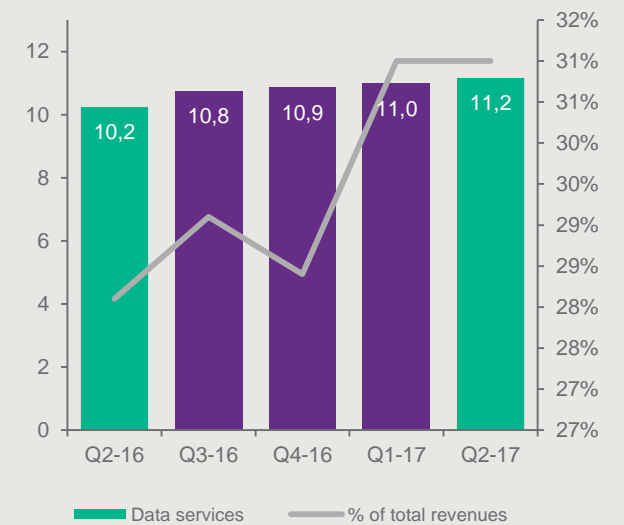
## Average revenue per MB



## Data traffic



## Data revenue

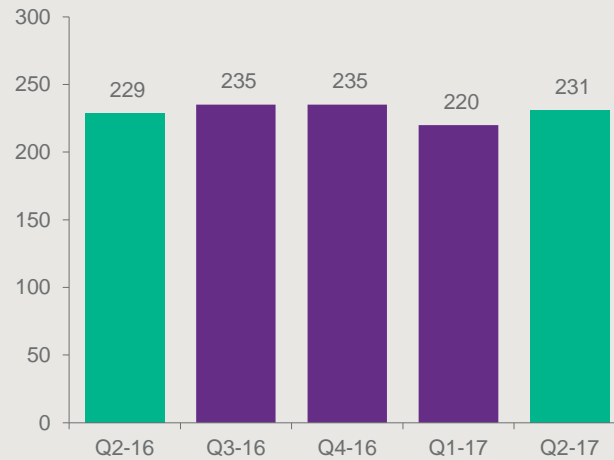




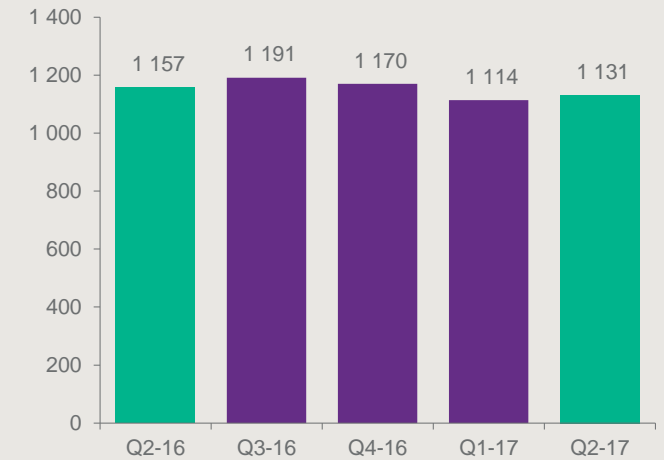
# Operational data



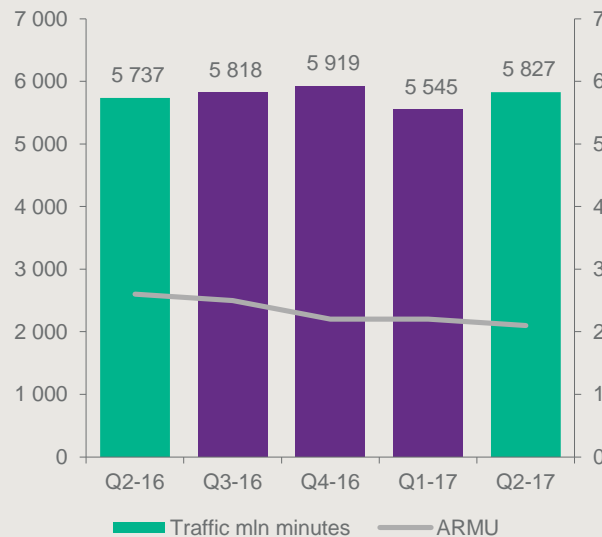
## Minutes of usage (MOU)



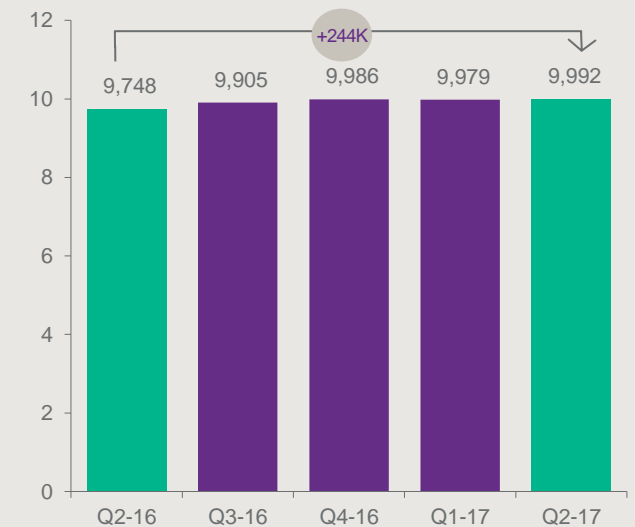
## Blended ARPU



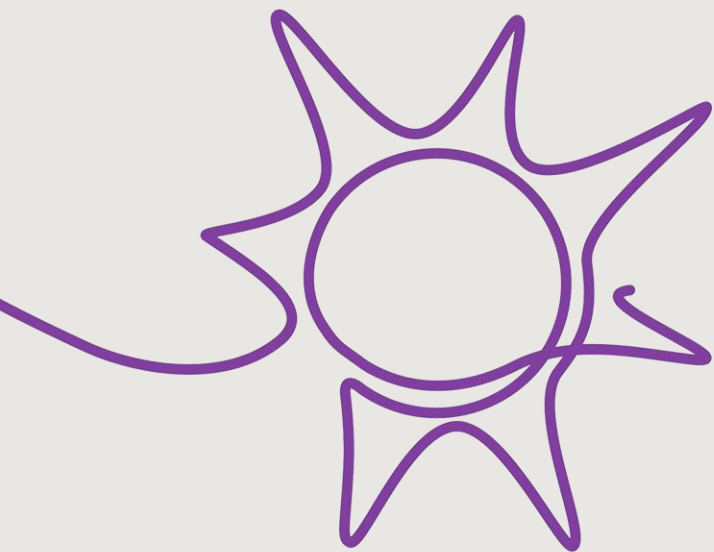
## Total traffic & ARMU (KZT)



## Total subscribers



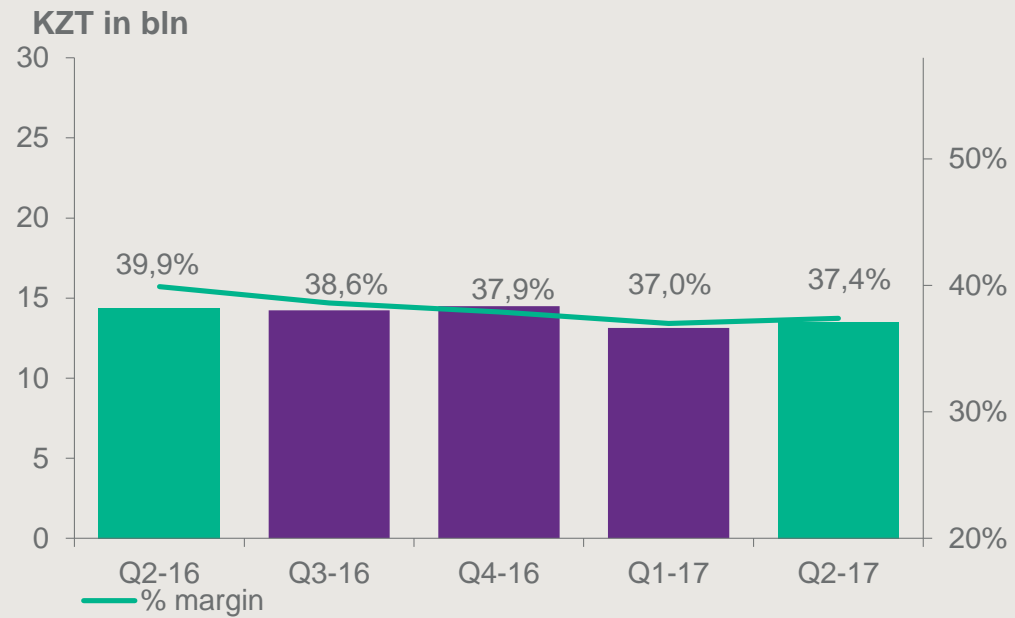
# Financial highlights



KZT in millions, except per share data, number of shares and changes	Q2 2017	Q2 2016	Chg (%)	H1 2017	H1 2016	Chg (%)
Net Sales	36,027	36,413	-1.1	71,544	71,883	-0.5
of which service revenue	33,631	34,012	-1.1	66,653	67,526	-1.3
EBITDA*	13,484	14,338	-6.0	26,610	29,265	-9.1
EBITDA margin (%)	37.4	39.4		37.2	40.7	
Operating income	5,074	7,801	-35.0	12,569	16,859	-25.4
Operating income*	7,747	7,914	-2.1	15,242	17,329	-12.0
Net income	600	4,630	-87.0	4,399	11,255	-60.9
Earnings per share (KZT)	3.0	23.1	-87.0	22.0	56.3	-60.9
CAPEX to sales (%)	11.0	8.3		13.8	44.8	
Free cash flow	2,456	4,534		4,204	-8,960	

\*excluding non-recurring items

# EBITDA\*



- Decline in absolute EBITDA year-on-year mainly due to volume increase and network capacity costs

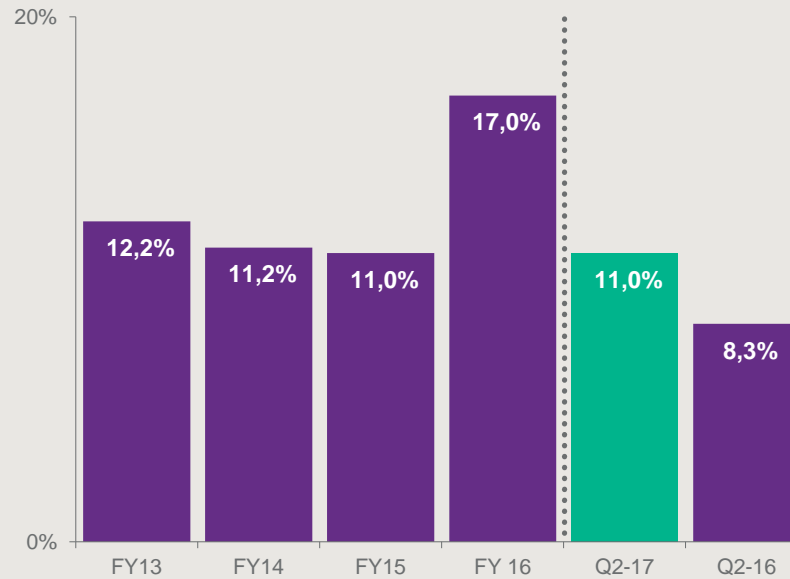
# Initiatives to increase efficiency

- 
- Distribution network development
  - Convergent billing
  - Digital transformation program
  - Network modernization project
  - Field line maintenance (FLM) restructuring
  - Transmission project
  - Network sharing



# Network

## CAPEX-to-sales ratio

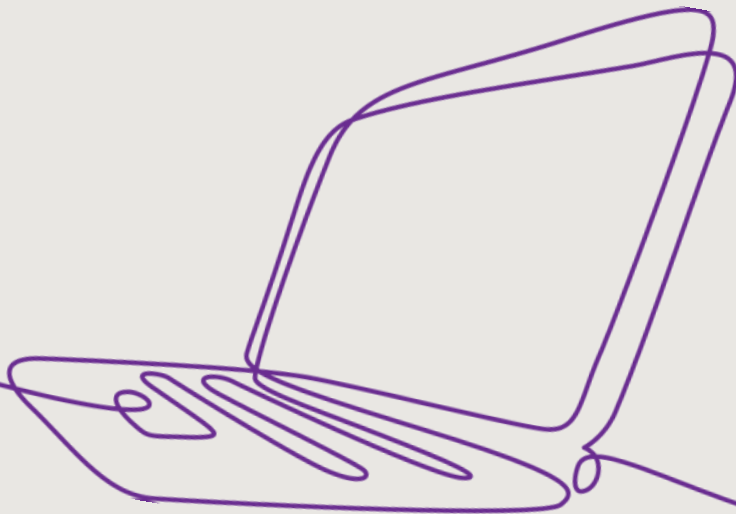


## Network expansion

- Launch of 4G in 7 more cities - Turkestan, Kyzylorda, Petropavlovsk, Shemonaiha, Ekibastuz, Ridder and Taraz
- Population coverage
  - ✓ 2G - 96%
  - ✓ 3G - 73%
  - ✓ 4G - 41%
- Total area coverage – 47%

# Dividends

- The AGM held on 24 May 2017, approved the proposal of Kcell Board of Directors to distribute KZT 11,678 million, representing 70 percent of net income for 2016, as an annual dividend.
- In June 2017, the dividends of KZT 58.39 per ordinary share (each GDR representing one ordinary share) were paid in a lump sum by electronic transfer into shareholders' bank accounts.
- Kcell shareholders registered at the record date of 25 May 2017 were entitled to receive the dividends.



# Administrative and legal update

## Tax audit

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Following the audit, the tax authority has made a total claim of KZT 9.0 billion, of which KZT 5.8 billion is for unpaid taxes and KZT 3.2 billion represents fines and penalties for late payment. Kcell intends to dispute this claim through the available mechanisms, which include court litigation.

The Company considers it unlikely that the full amount of the claim will become payable following the appeal process.



A vibrant landscape featuring a field of purple flowers in the foreground, a green field in the middle ground, and a sunset sky with purple and pink hues. The scene is framed by purple flowering branches at the top. The text "Q & A" is centered in the upper half of the image.

Q & A

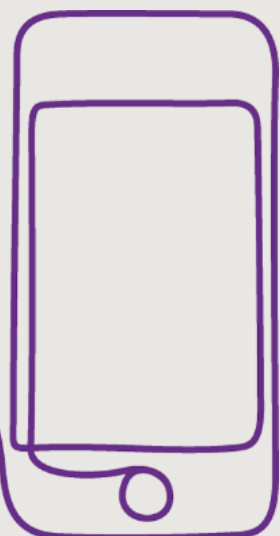


# Income statement



KZT in millions, except per share data, number of shares and changes	Q2 2017	Q2 2016	Chg (%)	H1 2017	H1 2016	Chg (%)
Revenues	36,027	36,413	-1.1	71,554	71,883	-0.5
Cost of sales	-22,274	-23,206	-4.0	-44,853	-43,934	2.1
<b>Gross profit</b>	<b>13,752</b>	<b>13,207</b>	<b>4.1</b>	<b>26,690</b>	<b>27,948</b>	<b>-4.5</b>
Selling and marketing expenses	-2,449	-2,478	-1.2	-5,086	-4,991	1.9
General and administrative expenses	-6,171	-3,204	92.6	-9,148	-6,326	44.6
Other operating income and expenses, net	-59	276		113	227	
<b>Operating income</b>	<b>5,074</b>	<b>7,801</b>	<b>-35.0</b>	<b>12,569</b>	<b>16,859</b>	<b>-25.4</b>
Finance costs and other financial items, net	-1,961	-1,834	6.9	-4,644	-2,584	79.7
<b>Income after financial items</b>	<b>3,113</b>	<b>5,967</b>	<b>-47.8</b>	<b>7,925</b>	<b>14,275</b>	<b>-44.5</b>
Income taxes	-2,513	-1,337	87.9	-3,526	-3,020	16.8
<b>Net income</b>	<b>600</b>	<b>4,630</b>	<b>-87.0</b>	<b>4,399</b>	<b>11,255</b>	<b>-60.9</b>
Earnings per share (KZT), basic and diluted	3.0	23.1	-87.0	22.0	56.3	-60.9

# Balance sheet



KZT in millions	30 Jun 2017	31 Dec 2016
<b>Assets</b>		
Intangible assets	42,331	42,842
Property, plant and equipment	94,316	95,322
Other non-current assets	86	86
Long-term receivables	1,125	1,163
<b>Total non-current assets</b>	<b>137,858</b>	<b>139,413</b>
Inventories	3,264	3,587
Trade and other receivables	29,120	29,554
Cash and cash equivalents	13,848	8,477
<b>Total current assets</b>	<b>46,232</b>	<b>41,617</b>
<b>Total assets</b>	<b>184,090</b>	<b>181,031</b>
<b>Equity and liabilities</b>		
Share capital	33,800	33,800
Retained earnings	31,601	38,880
<b>Total equity attributable to owners of the parent company</b>	<b>65,401</b>	<b>72,680</b>
Long term borrowings	34,000	8,000
Deferred tax liabilities	4,909	6,012
Other long-term liabilities	1,355	1,285
<b>Total non-current liabilities</b>	<b>40,264</b>	<b>15,298</b>
Short-term borrowings	44,456	57,415
Trade payables and other current liabilities	33,969	35,638
<b>Total current liabilities</b>	<b>78,425</b>	<b>93,053</b>
<b>Total equity and liabilities</b>	<b>184,090</b>	<b>181,031</b>

# Statement of cash flows



KZT in millions	Q2 2017	Q2 2016	H1 2017	H1 2016
Cash flow before change in working capital	16,745	11,507	26,620	22,205
Change in working capital	-7,502	-3,274	-10,780	-7,615
<b>Cash flow from operating activities</b>	<b>9,243</b>	<b>8,233</b>	<b>15,840</b>	<b>14,590</b>
Cash CAPEX	-6,787	-3,699	-11,636	-23,550
<b>Free Cash Flow</b>	<b>2,456</b>	<b>4,534</b>	<b>4,204</b>	<b>-8,960</b>
Cash flow from financing activities	1,322	3,815	1,322	3,815
<b>Cash flow for the period</b>	<b>3,778</b>	<b>8,349</b>	<b>5,526</b>	<b>-5,145</b>
<b>Cash and cash equivalents, opening balance</b>	<b>10,044</b>	<b>19,142</b>	<b>8,477</b>	<b>31,589</b>
Cash flow for the period	3,778	8,349	5,526	-5,145
Exchange rate difference	26	-287	-155	760
<b>Cash and cash equivalents, closing balance</b>	<b>13,848</b>	<b>27,203</b>	<b>13,848</b>	<b>27,203</b>

# Financial key ratios

	30 Jun 2017	31 Dec 2016
Return on equity* %	14.2	23.0
Return on capital employed* %	12.9	25.9
Equity/assets ratio %	35.5	40.1
Net debt/equity ratio (multiple)	93.6	78.3
Net debt/EBITDA* rate %	1.28	1.03



# Forward looking statement

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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.

