

# Q1 2017 Financial Results



# Progress & challenges in Q1

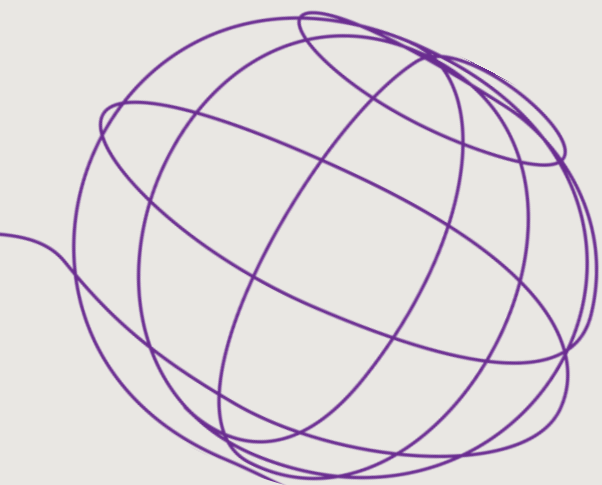
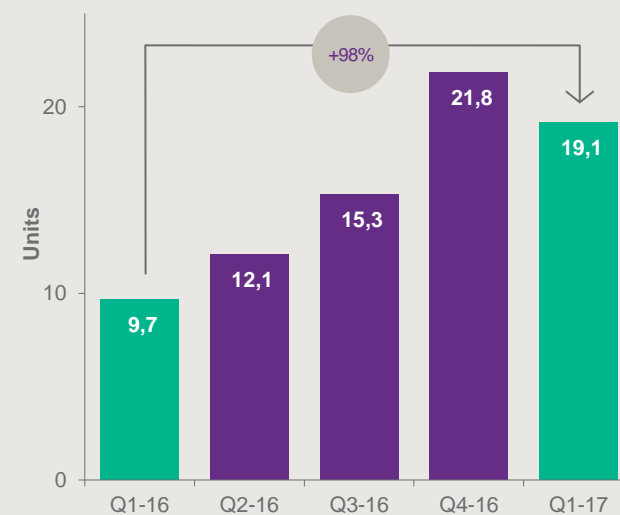
- Improved revenue trends for both voice and data
- An increase in prices and reduction of the off-net allowances by all operators
- Stable subscribers base during Q1 2017 with a minor year-on-year increase
- Significant increase in contract phone subscriptions
- Proposed dividend represents 70% of net income of 2016
- Absolute EBITDA is lower due to higher network capacity expenses driven by increased traffic volumes



# Commercial trends

- The contracts phones sales in Q1 2017 increased by 98% to 19.1K
- The number of OTT users decreased by 20% quarter-on-quarter and amounted to 82K, mainly due to the end of trial free usage period
- Improvement of Prepaid ARPU due to a price increase in November 2016 and out of bundle rate changes effective from 15 February 2017
- The number of 4G Data users in Q1 reached 681K, which is 22% higher than in Q4 2016
- The share of 4G in total traffic grew to 25%

## Contracts phones sales



# Q1 2017 Summary

## Net sales

KZT 35,517m  
(35,470)

Increase of 0.1%  
year-on-year

## Service revenue

KZT 33,022m  
(33,514)

Decrease of 1.5%  
year-on-year

## Data revenue

KZT10,999m  
(9,488)

Increase of 15.9%  
year-on-year

## Handset sales

KZT 2,497m  
(1,955)

Increase of 27.7%  
year-on-year

## EBITDA\* KZT

KZT13,126m  
(14,928)

Decrease of 12.1%  
year-on-year

## EBITDA margin

37.0% (42.1)

## Net income

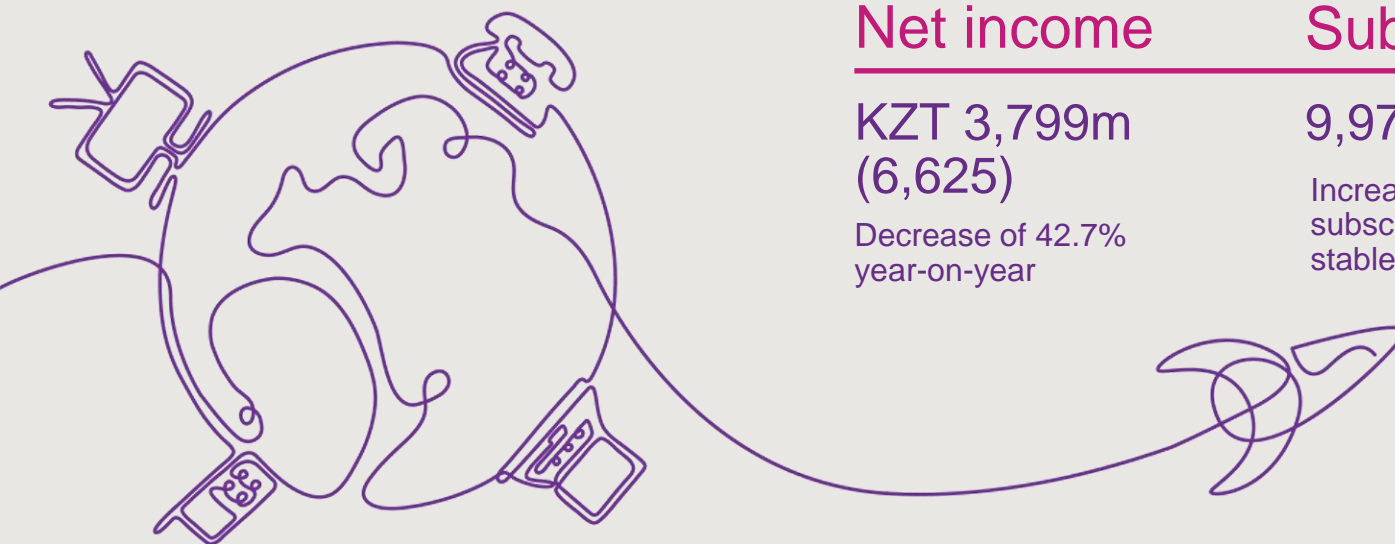
KZT 3,799m  
(6,625)

Decrease of 42.7%  
year-on-year

## Subscribers

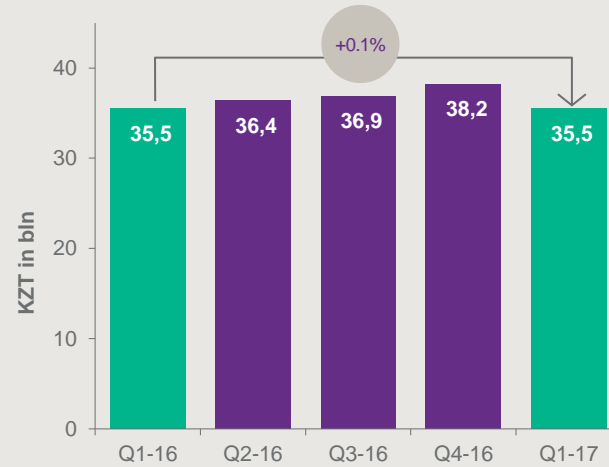
9,979m (9,855)

Increase by 124,000  
subscribers year-on-year,  
stable quarter-on-quarter

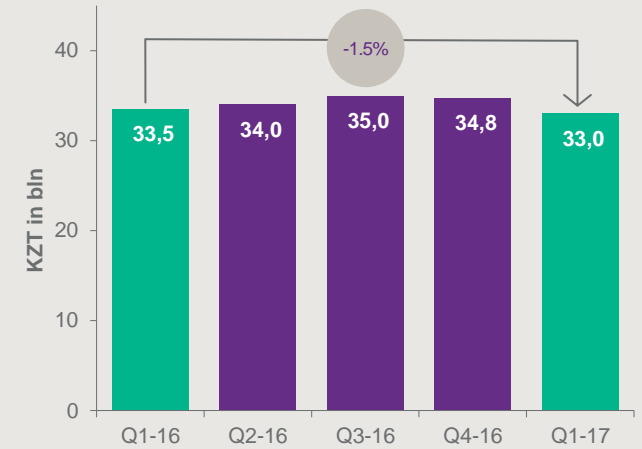


# Revenue

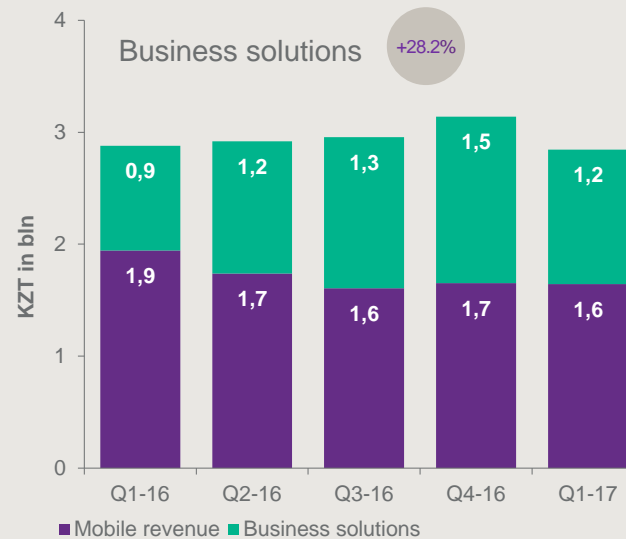
## Net sales



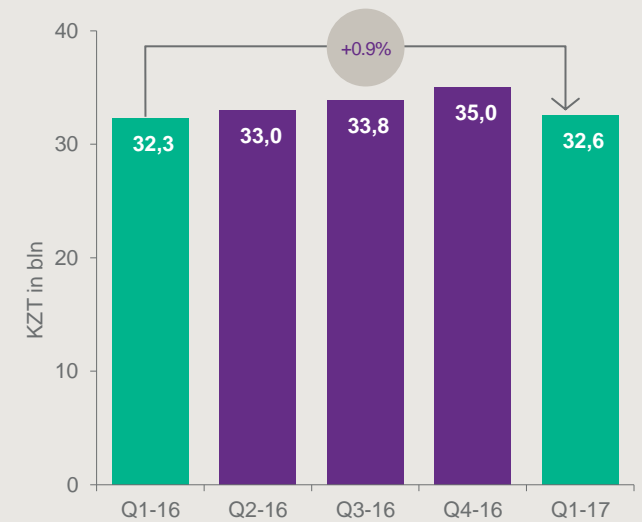
## Service revenue



## Total B2B revenue

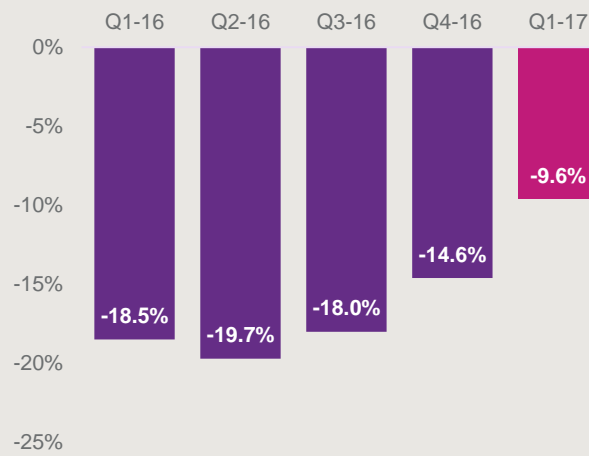


## B2C revenue

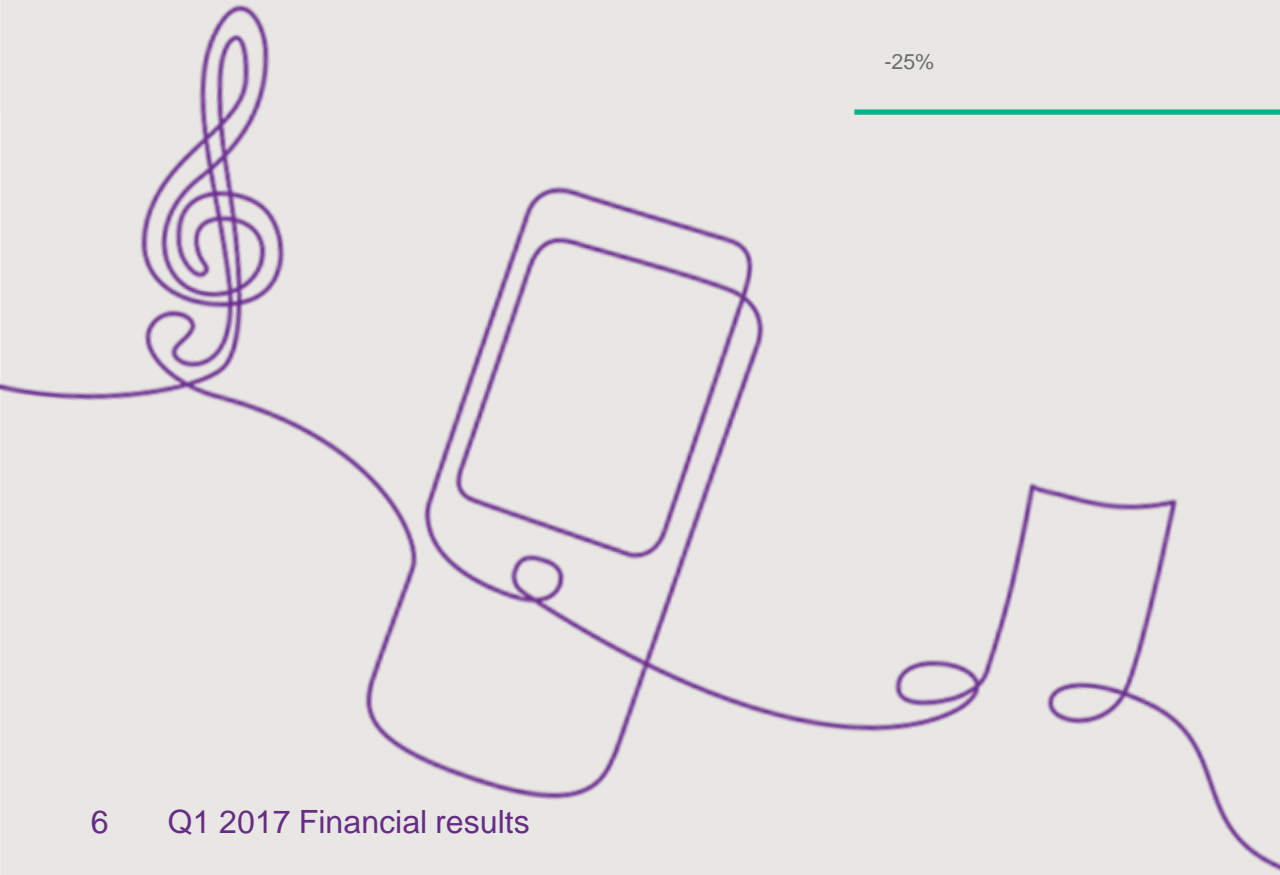
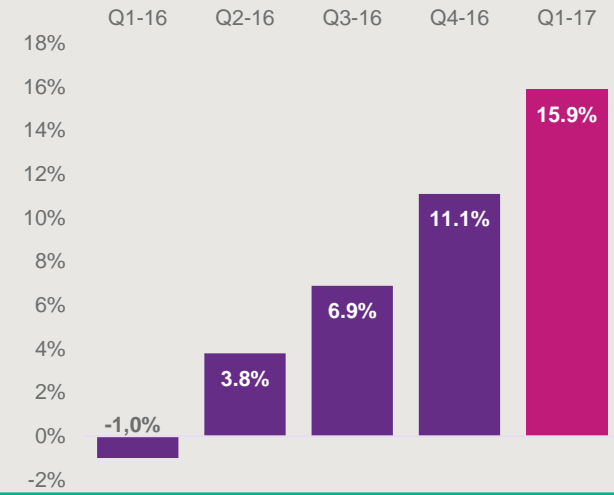


# Improvement of revenue trends

## VOICE revenue



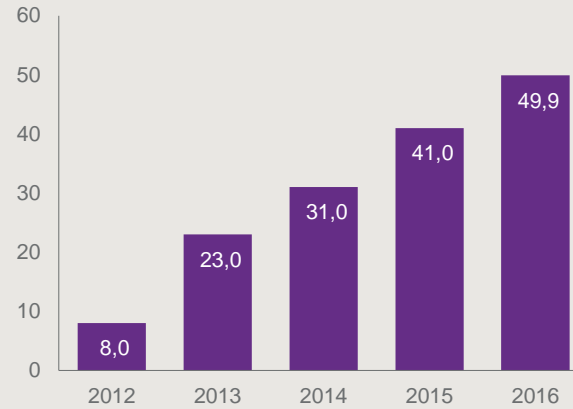
## DATA revenue



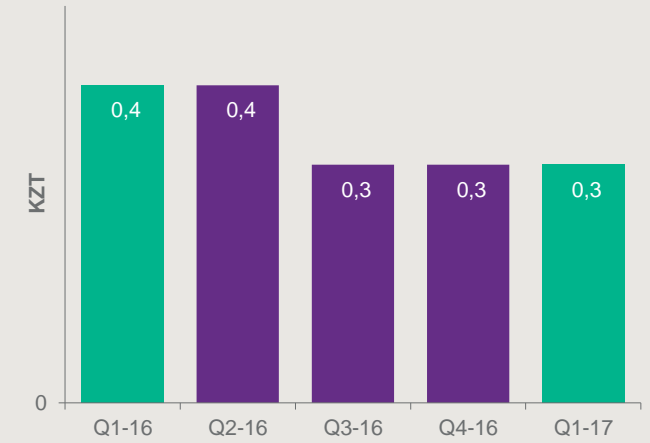
# Data usage & revenues



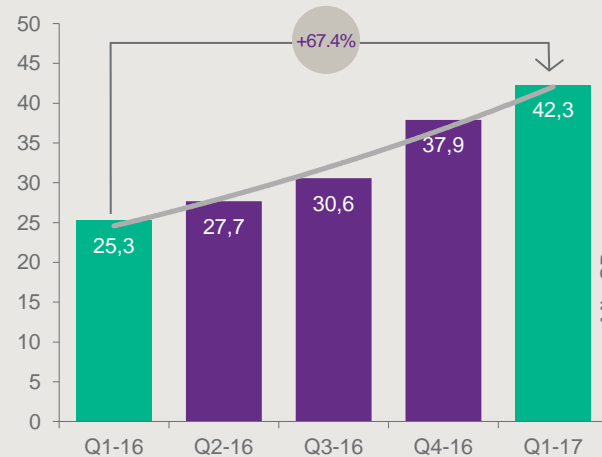
## Smartphone penetration % (network)



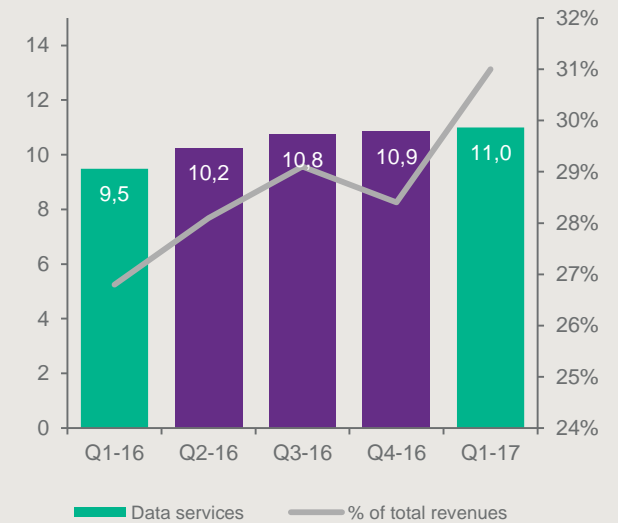
## Average revenue per MB



## Data traffic



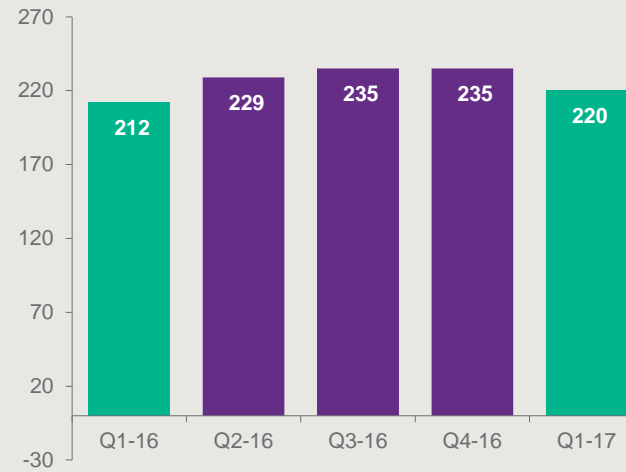
## Data revenue



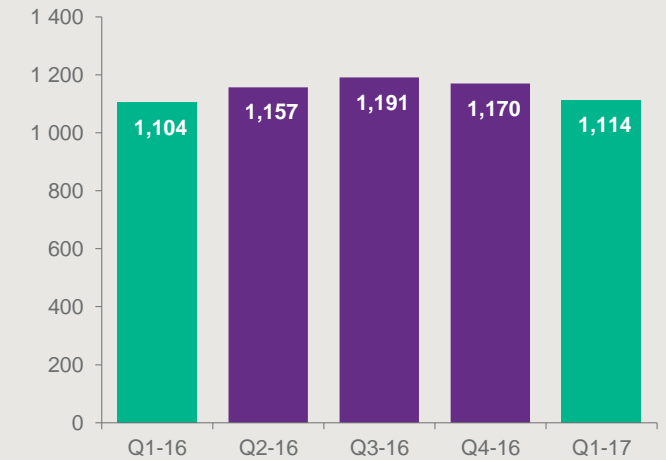
# Operational data



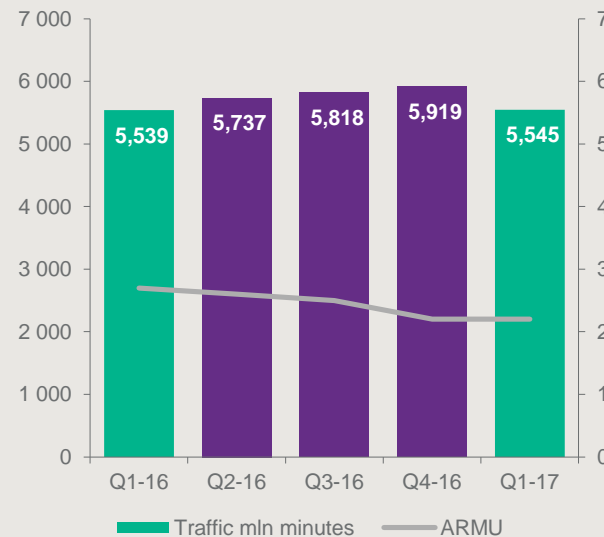
## Minutes of usage (MOU)



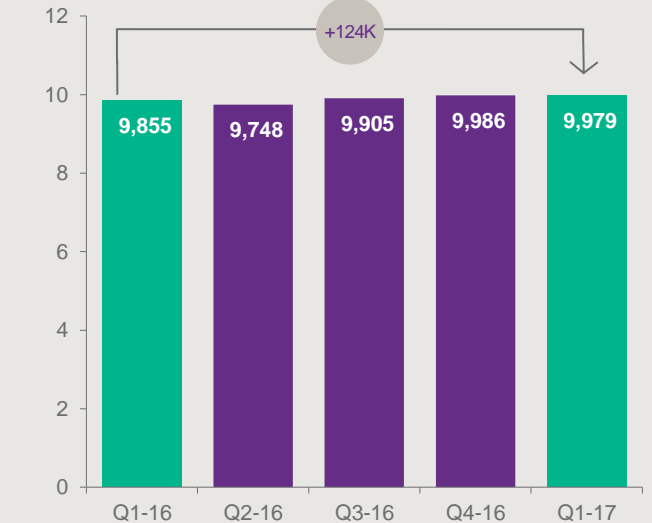
## Blended ARPU



## Total traffic & ARMU (KZT)

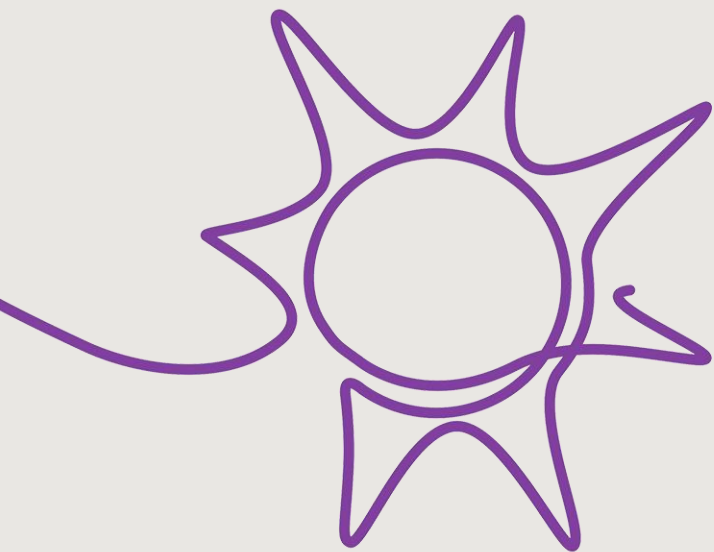


## Total subscribers



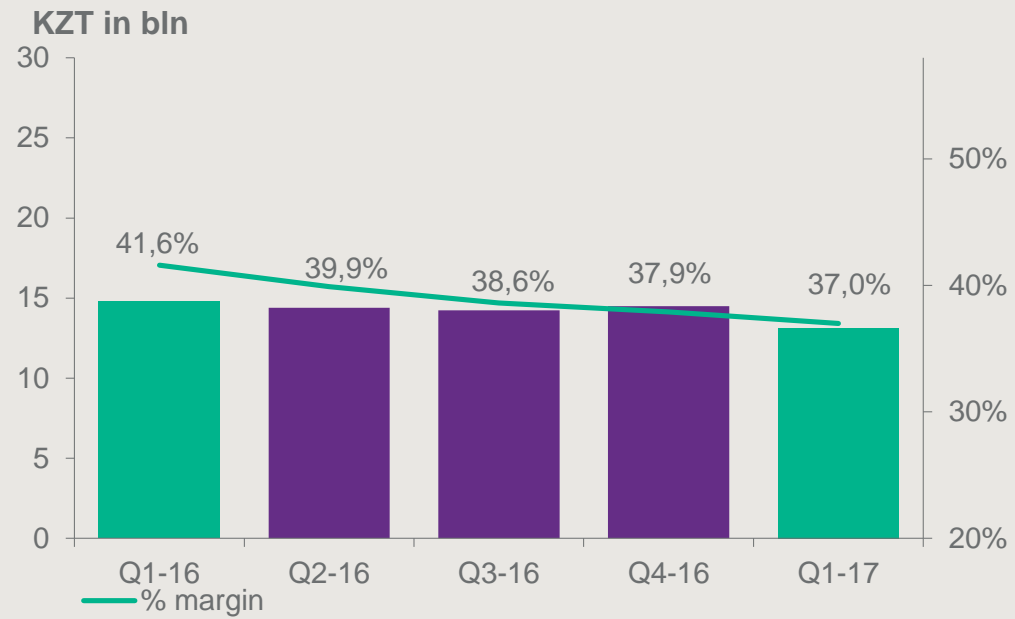


# Financial highlights



KZT in millions, except per share data, number of shares and changes	Q1 2017	Q1 2016	Chg (%)	FY 2016
Net Sales	35,517	35,470	0.1	147,037
of which service revenue	33,022	33,514	-1.5	137,337
EBITDA*	13,126	14,928	-12.1	57,989
EBITDA margin (%)	37.0	42.1		39.4
Operating income	7,496	9,058	-17.2	31,041
Operating income*	7,496	9,415	-20.4	33,740
Net income	3,799	6,625	-42.7	16,684
Earnings per share (KZT)	19.0	33.1	-42.7	83.4
CAPEX to sales (%)	16.7	82.2		34.7
Free cash flow	1,748	-13,494		-13,293

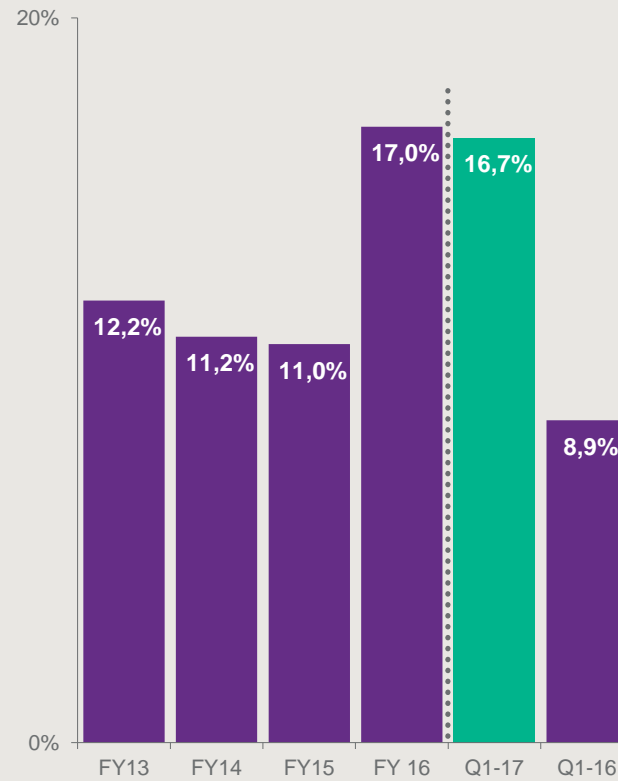
# EBITDA



Slight decline in absolute EBITDA due to volume increase and network capacity costs.

# Network

## CAPEX-to-sales ratio\*



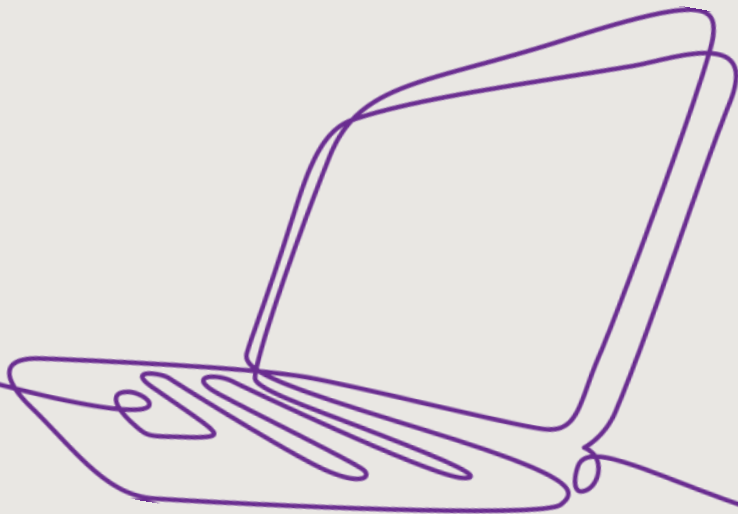
## Network expansion

- Rollout of new base stations
- Population coverage
  - ✓ 2G - 96%
  - ✓ 3G - 73%
  - ✓ 4G - 34%
- Area coverage – 47%

\*Capex excl. KZT 26 bln for LTE licenses

# Dividends

- The Board of Directors approved a decision to convene the Annual General Meeting of shareholders (“AGM”) on 24 May 2017
- The Board of Directors has recommended the annual dividend in the amount of KZT 11,678 million, or KZT 58.39 per ordinary share. This represents 70 percent of the Company’s net income for 2016
- The proposed record date of Shareholders entitled to receive the dividends is 25 May 2017
- The earliest day of dividend payment is 1 June 2017



# Administrative and legal update

## Tax audit

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The Company is undergoing tax inspection that covers the period of 2011-2015. The tax audit has not been concluded yet and the Company therefore has not received any official claims. At the end of 2016, the Company has made a provision of KZT 3,962 million based on the preliminary assessment.



# Q & A

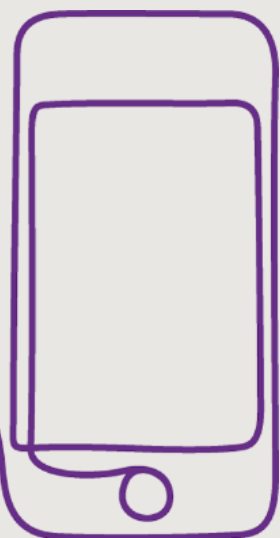


# Income statement



KZT in millions, except per share data, number of shares and changes	Q1 2017	Q1 2016	Chg (%)	FY 2016
Revenues	35,517	35,470	0.1	147,037
Cost of sales	-22,579	-20,728	8.9	-91,866
<b>Gross profit</b>	<b>12,938</b>	<b>14,741</b>	<b>-12.2</b>	<b>55,171</b>
Selling and marketing expenses	-2,637	-2,513	5.0	-10,988
General and administrative expenses	-2,977	-3,122	-4.7	-14,150
Other operating income and expenses, net	172	-49		1,008
<b>Operating income</b>	<b>7,496</b>	<b>9,058</b>	<b>-17.2</b>	<b>31,041</b>
Interest expenses	-2,648	-2,006		-10,421
Net forex gain/loss	-181	939		682
Net other financial income/expenses	146	317		1,454
<b>Total finance costs and other financial items, net</b>	<b>-2,683</b>	<b>-750</b>		<b>-8,285</b>
<b>Income after financial items</b>	<b>4,813</b>	<b>8,308</b>	<b>-42.1</b>	<b>22,756</b>
Income taxes	-1,013	-1,683	-39.8	-6,073
<b>Net income</b>	<b>3,799</b>	<b>6,625</b>	<b>-42.7</b>	<b>16,684</b>
Earnings per share (KZT), basic and diluted	19.0	33.1	-42.7	83.4

# Balance sheet



KZT in millions	31 March 2017	31 Dec 2016
<b>Assets</b>		
Intangible assets	41,593	42,842
Property, plant and equipment	96,894	95,322
Other non-current assets	86	86
Long-term receivables	1,106	1,163
<b>Total non-current assets</b>	<b>139,679</b>	<b>139,413</b>
Inventories	2,848	3,587
Trade and other receivables	32,238	29,554
Cash and cash equivalents	10,044	8,477
<b>Total current assets</b>	<b>45,130</b>	<b>41,617</b>
<b>Total assets</b>	<b>184,809</b>	<b>181,031</b>
<b>Equity and liabilities</b>		
Share capital	33,800	33,800
Retained earnings	42,679	38,880
<b>Total equity attributable to owners of the parent company</b>	<b>76,479</b>	<b>72,680</b>
Long term borrowings	34,000	8,000
Deferred tax liabilities	5,544	6,012
Other long-term liabilities	1,355	1,285
<b>Total non-current liabilities</b>	<b>40,899</b>	<b>15,298</b>
Short-term borrowings	31,274	57,415
Trade payables and other current liabilities	36,157	35,638
<b>Total current liabilities</b>	<b>67,431</b>	<b>93,053</b>
<b>Total equity and liabilities</b>	<b>184,809</b>	<b>181,031</b>



# Statement of cash flows

KZT in millions	Q1 2017	Q1 2016	FY 2016
Cash flow before change in working capital	9,875	10,698	45,299
Change in working capital	-3,278	-4,341	-14,751
<b>Cash flow from operating activities</b>	<b>6,597</b>	<b>6,357</b>	<b>30,547</b>
Cash CAPEX	-4,849	-19,851	-43,840
<b>Free Cash Flow</b>	<b>1,748</b>	<b>-13,494</b>	<b>-13,293</b>
Cash flow from financing activities	-	-	-10,501
<b>Cash flow for the period</b>	<b>1,748</b>	<b>-13,494</b>	<b>-23,794</b>
<b>Cash and cash equivalents, opening balance</b>	<b>8,477</b>	<b>31,589</b>	<b>31,589</b>
Cash flow for the period	1,748	-13,494	-23,794
Exchange rate difference	-181	1,047	682
<b>Cash and cash equivalents, closing balance</b>	<b>10,044</b>	<b>19,143</b>	<b>8,477</b>



# Financial key ratios

	31 March 2017	31 Dec 2016
Return on equity* %	18.6	23.0
Return on capital employed* %	16.4	25.9
Equity/assets ratio %	41.4	40.1
Net debt/equity ratio (multiple)	72.2	78.3
Net debt/EBITDA* rate %	1.03	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.

