

Q3 2017 Financial results

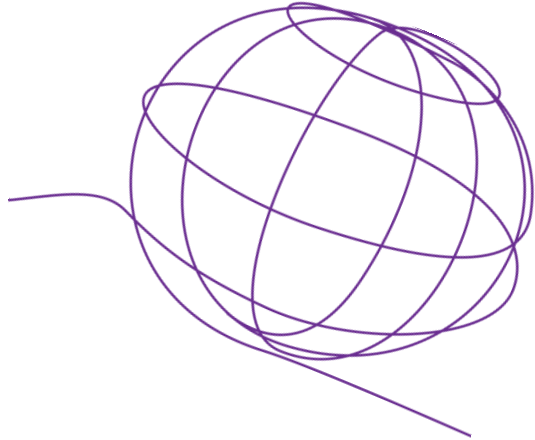


Q3 Highlights



- Increase in Revenue and EBITDA for the first time since Q3 2014
- Improved interconnect balance
- Continued focus on cost optimisation
- Stable customer base
- Growth in Enterprise segment, driven by strong demand for business solutions
- Completion of 4G roll-out plan for 2017 with 45% population coverage
- Ongoing digital transformation programme

Commercial trends



- Repricing and reshaping legacy tariffs
 - ✓ Regional PAYG delisting
 - ✓ Off-net cutting
 - ✓ Split of data allowance to main and bonus traffic
- Development of distribution network
 - ✓ Dealer commission system shifting to the based-on sale-out KPIs
 - ✓ 32 mono-brand sales channels and more than 15 thousand multi-brand
 - ✓ Launch of online sales in Q4 2017
- The smartphone sales in Q3 has resulted in 21.2 thousands units, 26% higher YoY
- Video on Demand service – MobiKino - allows customers to stream licensed video content from world leading rights holders (Sony, HBO, FOX, CBS etc.)
- OTT services rising to ~505 thousands users in Q3'17, 45% higher than in Q2'17
- Revenue from Mobile Financial Services (MFS) has shown exponential growth with 45 thousands MFS users as of the end of Q3'17

Q3 2017 Summary

Net sales

KZT 37,531m
(36,931)

Increase of 1.6%
year-on-year

Service revenue

KZT 35,024m
(35,032)

Stable year-on-year

Data revenue

KZT 11,985m
(10,749)

Increase of 11.5%
year-on-year

Handset sales

KZT 2,505m
(2,029)

Increase of 23.5%
year-on-year

EBITDA*

KZT 14,601m
(14,238)

Increase of 2.5%
year-on-year

EBITDA* margin

38.9%
(38.6)

Net income

KZT 3,862m
(4,378)

Decrease of 11.8%
year-on-year

Subscribers

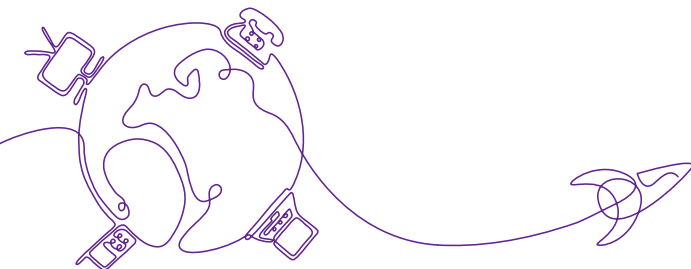
10,001 thousand
(9,992)

Increase by 9 thousand
during the quarter

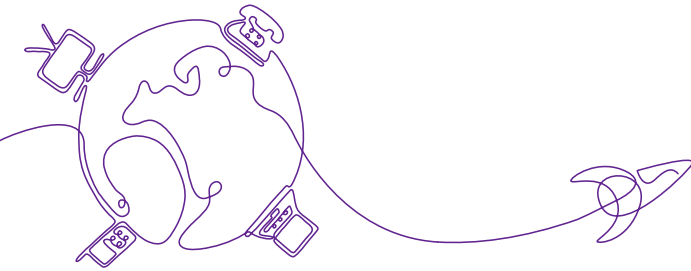
B2B revenue

KZT3,390m
(2,956)

Increase of 14.7%
year-on-year



9m 2017 Summary



Net sales

KZT 109,075m
(108,814)

Increase of 0.2%
year-on-year

Service revenue

KZT 101,677m
(102,558)

Decrease of 0.9%
year-on-year

Data revenue

KZT 34,144m
(30,481)

Increase of 12.0%
year-on-year

Handset sales

KZT 7,394m
(6,249)

Increase of 18.3%
year-on-year

EBITDA*

KZT 41,211m
(43,503)

Decrease of 5.3%
year-on-year

EBITDA* margin

37.8%
(40.0)

Net income

KZT 8,261m
(15,633)

Decrease of 47.2%
year-on-year

Subscribers

10,001 thousand
(9,905)

Increase by 96 thousand
year-on-year

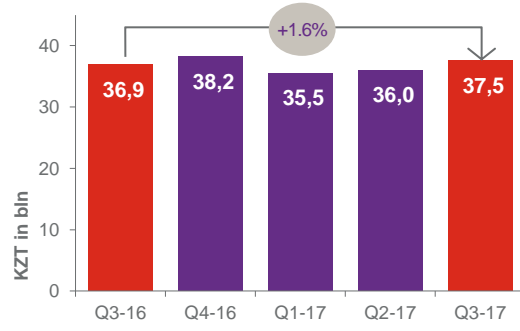
B2B revenue

KZT9,409m
(8,754)

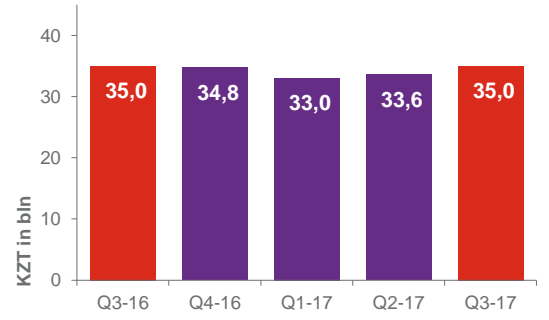
Increase of 7.5%
year-on-year

Revenue

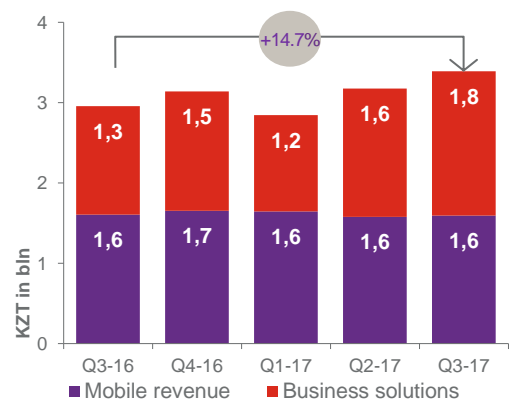
Net sales



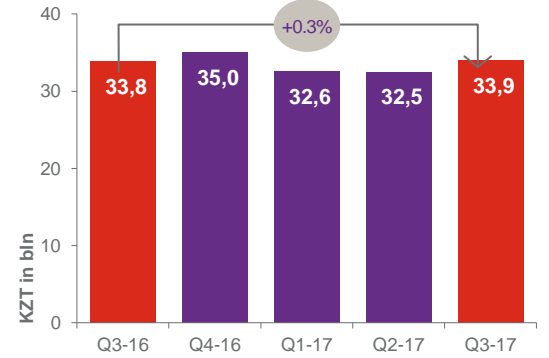
Service revenue



B2B revenue

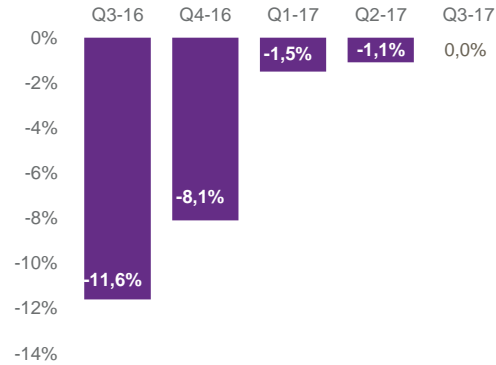


B2C revenue

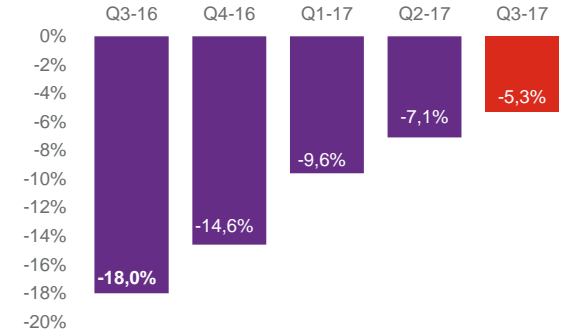


Improvement of revenue trends

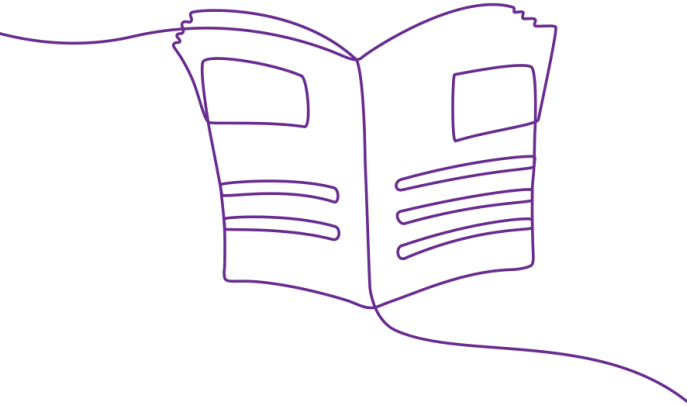
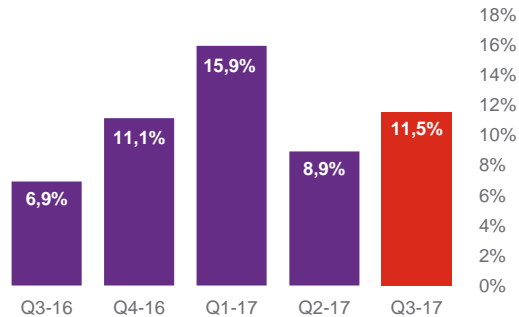
Service revenue



Voice revenue

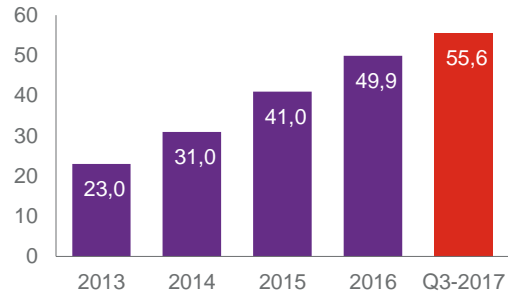


Data revenue

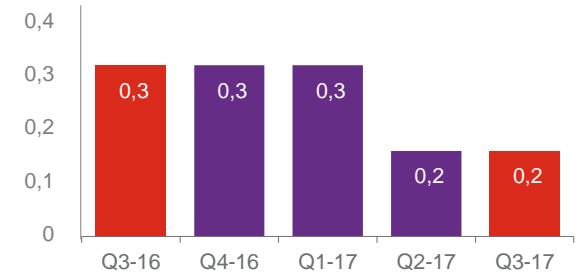


Data usage and revenues

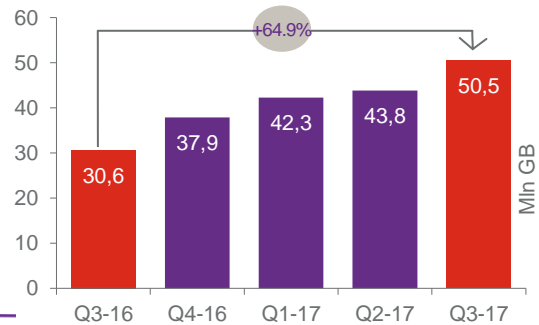
Smartphone penetration %



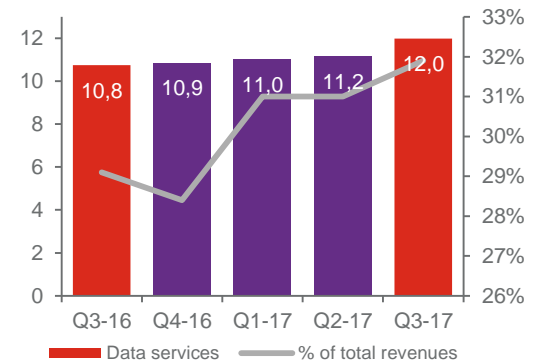
Average revenue per MB



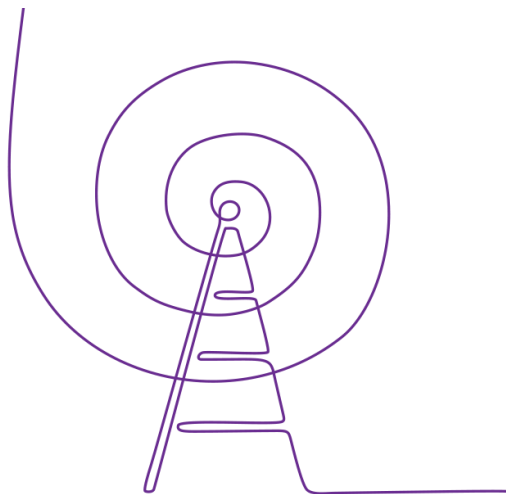
Data traffic



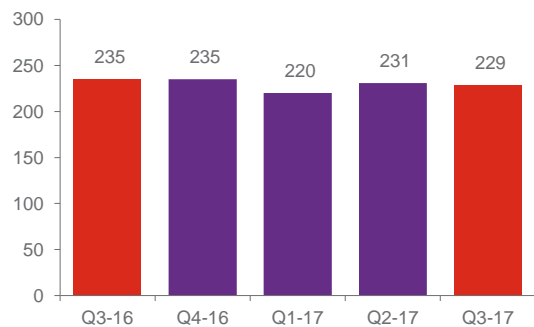
Data revenue



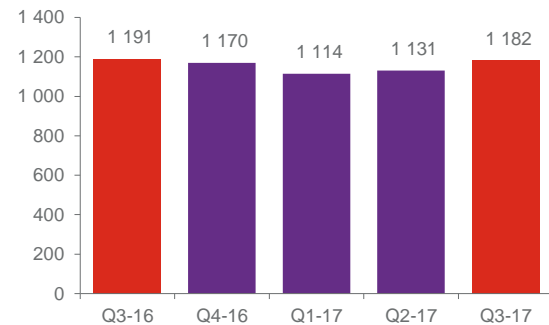
Operational data



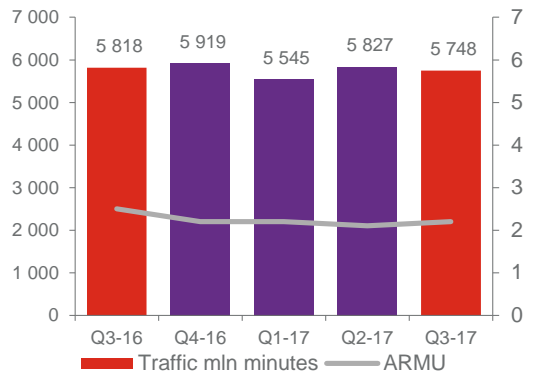
Minutes of usage (MOU)



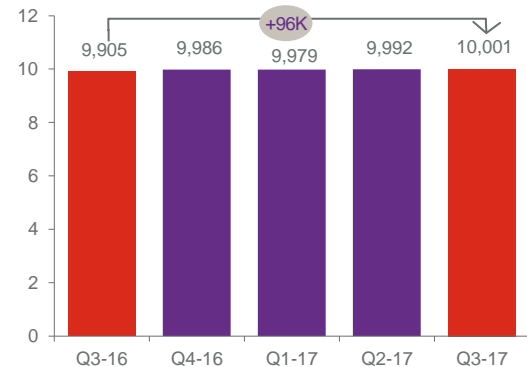
Blended ARPU



Voice traffic & ARMU (KZT)



Total subscribers

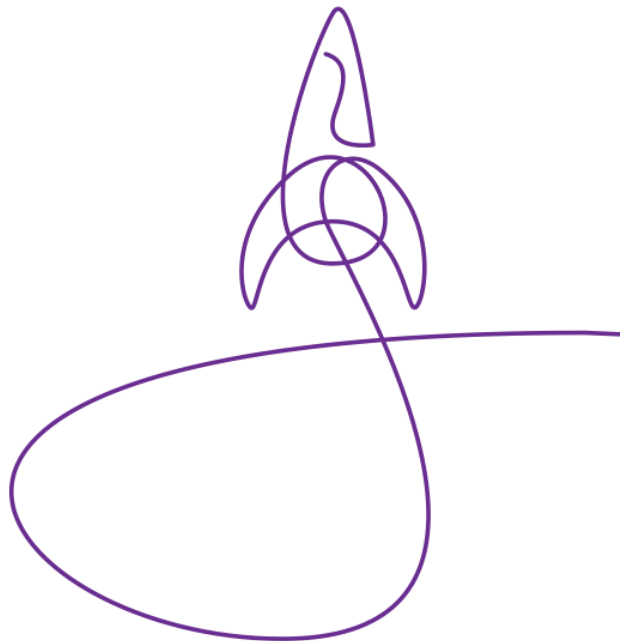


Financial highlights

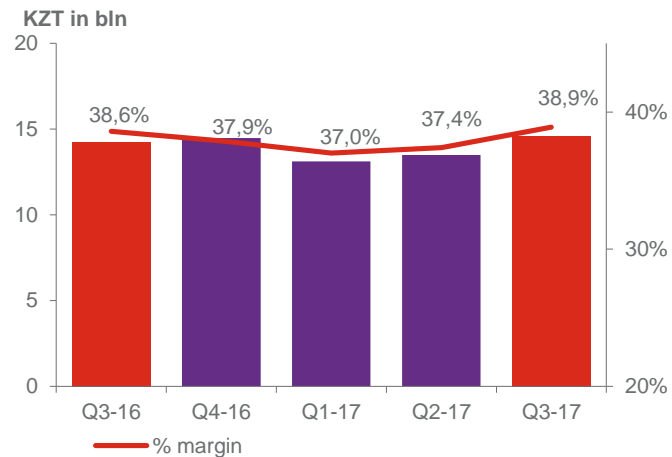


KZT in millions, except per share data, number of shares and changes	Q3 2017	Q3 2016	Chg (%)	9m 2017	9m 2016	Chg (%)
Net Sales	37,531	36,931	1.6	109,075	108,814	0.2
of which service revenue	35,024	35,032	0.0	101,677	102,558	-0.9
EBITDA*	14,601	14,238	2.5	41,211	43,503	-5.3
EBITDA margin (%)	38.9	38.6		37.8	40.0	
Operating income	8,917	7,916	12.7	21,487	24,775	-13.3
Operating income*	8,917	8,056	10.7	24,160	25,384	-4.8
Net income	3,862	4,378	-11.8	8,261	15,633	-47.2
Earnings per share (KZT)	19.3	21.9	-11.8	41.3	78.2	-47.2
CAPEX to sales (%)	9.9	27.1		12.5	38.8	
Free cash flow	3,985	7,968		8,189	-992	

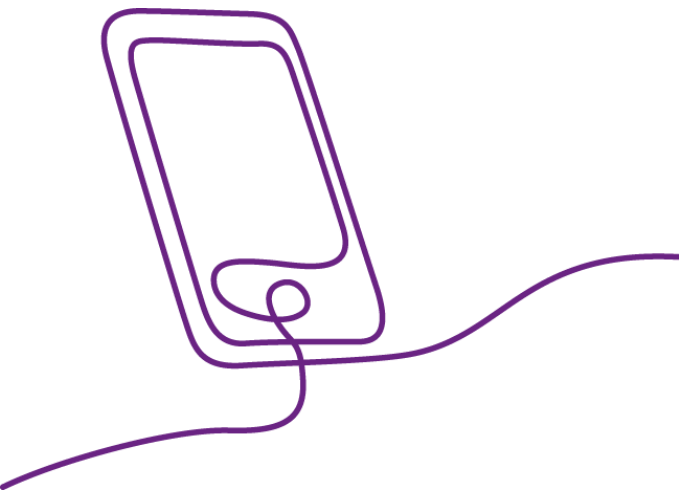
EBITDA* development



- Year-on-year increase in absolute EBITDA mainly due to improved revenue trend, better interconnect balance and cost saving initiatives



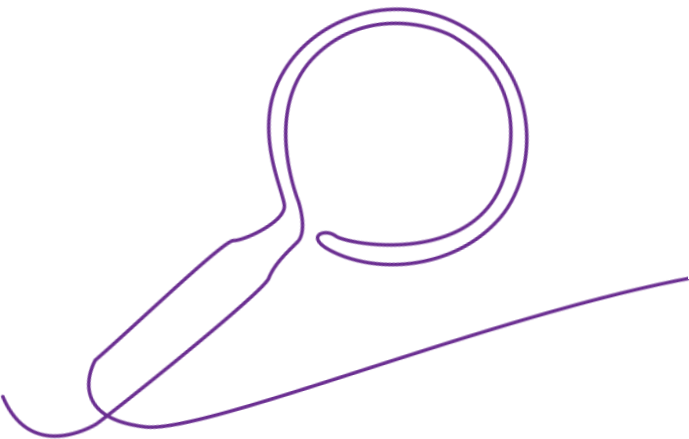
Network



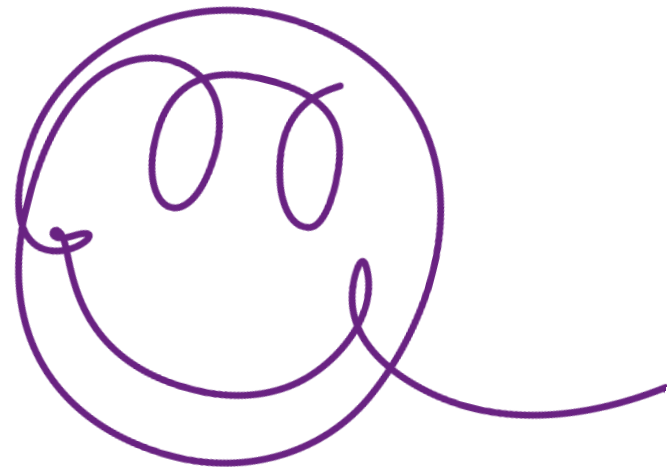
- LTE traffic - 38% from total data traffic
- Population coverage
 - 2G - 96%
 - 3G - 73%
 - 4G - 45%
- Total area coverage – 47%
- CAPEX - KZT13,599 million for 9m 2017 vs. KZT16,187 million* for 9m 2016
- YTD CAPEX-to-sales ratio - 12.5% (14.9*).

Tax audit

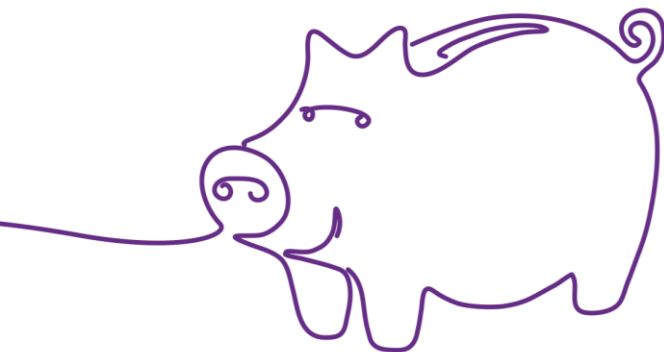
- In July 2017, the Kazakhstan tax authority completed its comprehensive tax audit for the period between 2012 and 2015
- Total claim of KZT 9.0 billion, of which KZT 5.8 billion is for unpaid taxes and KZT 3.2 billion represents fines and penalties for late payment
- In Q4 2016 a tax provision of KZT 3,962 million was made, with additional accrual of KZT 2,673 in Q2 2017
- The Company has submitted an appeal to highest level of Kazakhstan's government and to the Ministry of Finance



Q&A



Income statement



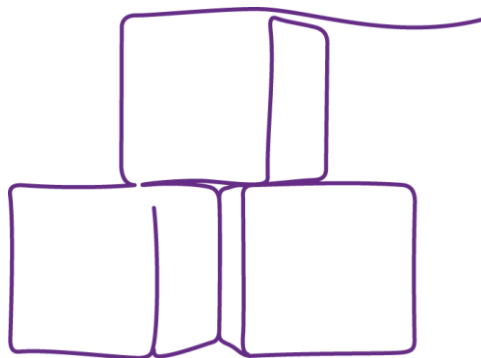
KZT in millions, except per share data, number of shares and changes	Q3 2017	Q3 2016	Chg (%)	9m 2017	9m 2016	Chg (%)
Revenues	37,531	36,931	1.6	109,075	108,814	0.2
Cost of sales	-22,332	-23,456	-4.8	-67,185	-67,390	-0.3
Gross profit	15,200	13,475	12.8	41,890	41,424	1.1
Selling and marketing expenses	-2,726	-2,701	0.9	-7,812	-7,691	1.6
General and administrative expenses	-3,351	-3,029	10.6	-12,498	-9,355	33.6
Other operating income and expenses, net	-206	170		-93	398	
Operating income	8,917	7,916	12.7	21,487	24,775	-13.3
Finance costs and other financial items, net	-2,267	-2,321		-6,911	-4,905	
Income after financial items	6,650	5,594	18.9	14,576	19,869	-26.6
Income taxes	-2,788	-1,216	-129.2	-6,314	-4,236	49.0
Net income	3,862	4,378	-11.8	8,261	15,633	-47.2
Earnings per share (KZT), basic and diluted	19.3	21.9	-11.8	41.3	78.2	-47.2

Balance sheet



KZT in millions	30 Sep 2017	31 Dec 2016
Assets		
Intangible assets	41,669	42,842
Property, plant and equipment	92,931	95,322
Other non-current assets	39	86
Long-term receivables	1,235	1,163
Total non-current assets	135,874	139,413
Inventories	2,798	3,587
Trade and other receivables	27,438	29,554
Cash and cash equivalents	14,073	8,477
Total current assets	44,309	41,617
Total assets	180,183	181,031
Equity and liabilities		
Share capital	33,800	33,800
Retained earnings	35,464	38,880
Total equity attributable to owners of the parent company	69,264	72,680
Long term borrowings	26,000	8,000
Deferred tax liabilities	4,680	6,012
Other long-term liabilities	1,355	1,285
Total non-current liabilities	32,035	15,298
Short-term borrowings	48,439	57,415
Trade payables and other current liabilities	30,445	35,638
Total current liabilities	78,884	93,053
Total equity and liabilities	180,183	181,031

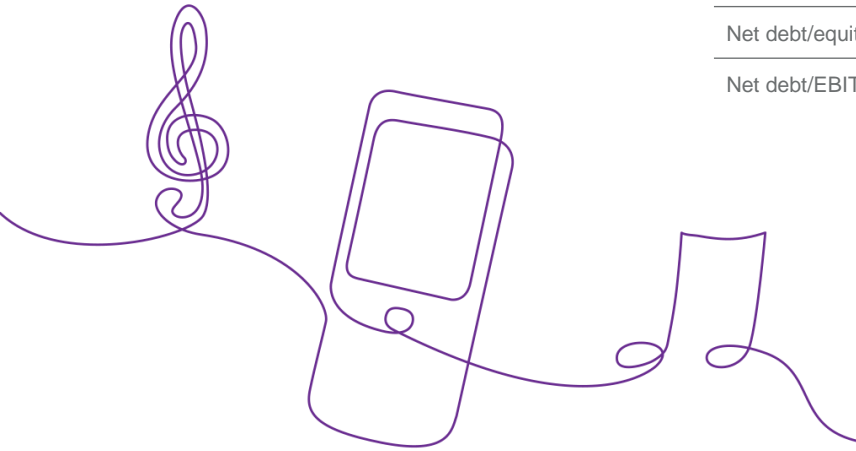
Statement of cash flows



KZT in millions	Q3 2017	Q3 2016	9m 2017	9m 2016
Cash flow before change in working capital	9,794	13,813	36,414	36,018
Change in working capital	-1,027	-1,670	-11,807	-9,285
Cash flow from operating activities	8,767	12,143	24,607	26,733
Cash CAPEX	-4,782	-4,175	-16,418	-27,725
Free Cash Flow	3,985	7,968	8,189	-992
Cash flow from financing activities	-4,000	-14,316	-2,678	-10,501
Cash flow for the period	-15	-6,348	5,511	-11,493
Cash and cash equivalents, opening balance	13,848	27,203	8,477	31,589
Cash flow for the period	-15	-6,348	5,511	-11,493
Exchange rate difference	240	-108	85	651
Cash and cash equivalents, closing balance	14,073	20,747	14,073	20,747

Financial key ratios

	30 Sep 2017	31 Dec 2016
Return on equity* %	13.1	23.0
Return on capital employed* %	17.2	25.9
Equity/assets ratio %	38.4	40.1
Net debt/equity ratio %	85.1	78.3
Net debt/EBITDA* rate %	1.19	1.03



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.

