Kcell JSC

Results for January – March 2013.

Almaty, April 19, 2013 - Kcell Joint Stock Company ("Kcell" or the "Company") (LSE, KASE: KCEL), the leading provider of mobile telecommunications services in Kazakhstan by market share in terms of revenue and subscribers, announces its unaudited results for the first quarter of 2013.

First quarter

- Revenue increased 4.0 percent to KZT 43,053 million (41,397).
- EBITDA, excluding non-recurring items, increased 1.2 percent to KZT 23,728 million (23,454). The EBITDA margin decreased to 55.1 percent (56.7).
- Operating income, excluding non-recurring items, increased 2.1 percent to KZT 17,956 million (17,590).
- Net income increased 2.5 percent to KZT 13,656 million (13,325).
- Free cash flow decreased to KZT 11,026 million (15,227).
- During the quarter the subscriber base increased by 310,000 to 13.8 million.

Financial highlights

KZT in millions, except key ratios, per share data and changes	Jan-Mar 2013	Jan-Mar 2012	*Chg (%)*	Jan-Dec 2012
Revenue	43,053	41,397	*4.0*	182,004
EBITDA excl. non-recurring items	23,728	23,454	*1.2*	101,426
Margin (%)	55.1	56.7		55.7
Operating income	17,956	16,555	*8.5*	77,902
Operating income excl. non-recurring items	17,956	17,590	*2.1*	78,645
Net income attributable to owners of the parent	13,656	13,325	*2.5*	61,828
Earnings per share (KZT)	68.28	66.63	*2.5*	309.14
CAPEX-to-sales (%)	12.3	6.7		14.7
Free cash flow	11,026	15,227		61,203

In this report, comparative figures are provided in parentheses following the operational and financial results and refer to the same item in the first quarter of 2012, unless otherwise stated.

Comments by Veysel Aral, CEO

"During the first quarter of 2013 we continued to deliver superior profitability despite the challenges we faced. The EBITDA margin remained above 55 percent for the quarter due to our continuous focus on cost efficiency. Our subscriber base increased by 310,000 and reached a level of 13.8 million subscribers. Overall, we continue to retain our strong leadership in the Kazakh mobile telecom market.

Kcell is best placed to benefit from the significant growth potential for mobile data services in Kazakhstan. Rapid growth of revenue associated with data services has demonstrated the continued importance of our strategic emphasis on the development of data services.

In line with our plan, which we announced at the time of the IPO last year, we intend to pay a special dividend equivalent to 100 percent of the net income for the period of July 1, 2012 to December 31, 2012, totaling to KZT 32,403 million. The payment will be made not later than June 30, 2013."

CONFERENCE CALL

Kcell will host an analyst conference call on April 19, 2013 at 11:00 UK time / 16:00 Almaty / 14:00 Moscow. Dial in details are as follows:

UK Free Call Dial In	0800 694 0257
Standard International Dial-in	+44 (0) 1452 555 566
Moscow Freecall number	81080020972044
New York LocalCall Dial-in	16315107498
Conference ID	33784982

A replay of the call will be available until April 26, 2013 using the following details:

UK Free Call Dial-In	0800 953 1533
UK LocalCall Dial-In	0844 338 6600
Standard International Dial-In	+44 (0)1452 550 000
USA Dial-In	1 (866) 247-4222
Replay Access Code	33784982

A presentation will be available on the Company website shortly before the conference call on www.investors.kcell.kz./en

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Review of the first quarter 2013

Revenue

Revenue increased 4.0 percent to KZT 43,053 million (41,397).

Revenue from voice services increased 1.1 percent to KZT 33,289 million (32,919). Data revenue increased 37.9 percent to KZT 5,672 million (4,112), revenue from value-added services increased 1.7 percent to KZT 3,923 million (3,858). Other revenue decreased 66.8 percent to KZT 168 million (508).

KZT in millions, except percentages	Jan-Mar 2013	% of total	Jan-Mar 2012	% of total
Voice services	33,289	77.3	32,919	79.5
Data services	5,672	13.2	4,112	9.9
Value added services	3,923	9.1	3,858	9.3
Other revenues	168	0.4	508	1.2
Total revenues	**43,053**	**100**	**41,397**	**100**

Voice service revenue

Revenue from voice services increased 1.1 percent to KZT 33,289 million (32,919). Voice traffic increased 13.8 percent to 5,524 million minutes as a result of an increase in the subscriber base to 13.8 million (11.2). However, growth in traffic and in the number of subscribers was partially offset by a decrease in tariffs, which caused ARMU to decrease to KZT 4.7 (5.3).

Data service revenue

Data revenue increased 37.9 percent to KZT 5,672 million (4,112). Data traffic increased 120.6 percent to 3,104,833 GB (1,407,282). Growth in data traffic was partially offset by offering of packages with lower tariffs per MB, which led to a decrease in average revenue per MB (ARMB) to KZT 1.9 (2.9) but led to an increase in data ARPU to KZT 139 (124).

Value-added service revenue

Revenue from value-added services increased 1.7 percent to KZT 3,923 million (3,858). The increase was primarily due to an increase in revenue from the provision of content services, such as ring back tones and other information and entertainment services, up 4.3 percent to KZT 2,143 million (2,056).

Other revenue

Other revenue decreased 66.8 percent to KZT 168 million (508). The decrease was primarily attributable to the decrease in sales of handsets and USB modems.

EXPENSES

Cost of sales

Cost of sales increased by 2.7 percent to KZT 18,627 million (18,138) primarily due to an increase in interconnect fees and expenses to KZT 5,469 million (5,216), as well as an increase in site rent expenses and maintenance expenses due to an increase in number of base stations.

Selling and marketing expenses

Selling and marketing expenses increased by 15.7 percent to KZT 3,896 million (3,366). The increase is attributable to an increase in advertising and sales promotion expenses to KZT 772 million (602).

The increase is also attributable to an increase of cash collection commissions to KZT 1,719 million (1,489) due to subscribers increasingly using electronic payment terminals instead of scratch cards to top up their account balances.

General and administrative expenses

General and administrative expenses decreased by 24.3 percent to KZT 2,641 million (3,487) primarily due to a decrease in consulting expenses of KZT 1,038 million related to the Offering.

EARNINGS, FINANCIAL POSITION AND CASH FLOW

EBITDA, excluding non-recurring items, increased 1.2 percent to KZT 23,728 million (23,454). The EBITDA margin is 55.1 percent (56.7).

Financial items totaled KZT -612 million (39) related to net interest expenses in Q1 2013 and net interest income in Q1 2012.

Income tax expense increased by 12.8 percent to KZT 3,688 million (3,269). The increase in the income tax expense was primarily attributable to an increase in taxable income.

Net income attributable to owners of the parent company increased by 2.5 percent to KZT 13,656 million (13,325) and earnings per share increased by 2.5 percent to KZT 68.3 (66.6).

CAPEX increased to KZT 5,274 million (2,763) and the CAPEX-to-sales ratio increase to 12.3 percent (6.7).

Free cash flow decreased to KZT 11,026 million (15,227), primarily due to an increase in capital expenditure and changes to working capital as the proportion of accounts receivable decreased and accounts payable increased. This was offset by recognition of cash balances decided to be held in bank deposits to earn interest before paying dividends as current account receivables.

Net debt/equity ratio was 53.4 percent (69.4).

The equity/assets ratio was 52.0 percent (44.2). The drop is explained by dividends paid during the first quarter 2012 and there were no any payments made during the first quarter 2013.

Key Milestones 2013

January: Based on the decision of the Committee on Indices and Securities Valuation of January 10, 2013 common shares KZ1C59150017 (KZ1C00000876, KASE official list, first category, KCEL) of JSC "Kcell" were included in the representative list of shares for KASE Index calculation from February 1, 2013.

February: On February 6, 2013, Veysel Aral, CEO of Kcell and Regional Head of Central Asia, was appointed President of Business area Eurasia. In this role, he succeeds Tero Kivisaari, who has been managing dual roles since his appointment as President of Business area Mobility Services in October 2012.

March: On March 13, 2013 the Board of Directors of Kcell JSC introduced a function of internal audit in Kcell JSC to perform control over financial and business activity of the Company.

April 19, 2013

Veysel Aral
Chief Executive Officer

This report has not been subject to review by auditors.

The information was submitted for publication at 09:00 ALMT on April 19, 2013.

Financial Information

Interim Report January–June 2013	July 17, 2013
Interim Report January–September 2013	October 17, 2013
Year-end Report January–December 2013	January 30, 2014

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Definitions

EBITDA: Earnings Before Interest, Tax, Depreciation and Amortization. Equals operating income before depreciation, amortization and impairment losses and before income from associated companies.

CAPEX: Capital expenditures and advances paid for property, plant and equipment as well as software and licenses including investments in tangible and intangible non-current assets, but excluding goodwill and fair value adjustments recognized in acquisitions, and excluding the recording of assets retirement obligations.

ARMB: Average revenue per MB

Condensed Consolidated Statements of Comprehensive Income

KZT in millions, except per share data, number of shares and changes	Jan-Mar 2013	Jan-Mar 2012	*Chg (%)*	Jan-Dec 2012
Revenues	43,053	41,397	*4.0*	182,004
Cost of sales	-18,627	-18,138	*2.7*	-76,291
Gross profit	**24,427**	**23,259**	***5.0***	**105,712**
Selling and marketing expenses	-3,896	-3,366	*15.7*	-17,195
General and administrative expenses	-2,641	-3,487	*-24.3*	-11,005
Other operating income and expenses, net	66	149	*-55.7*	389
Operating income	**17,956**	**16,555**	***8.5***	**77,902**
Finance costs and other financial items, net	-612	39		-516
Income after financial items	**17,344**	**16,595**	***4.5***	**77.386**
Income taxes	-3,688	-3,269	*12.8*	-15,558
Net income	**13,656**	**13,325**	***2.5***	**61,828**
Other comprehensive income				
Total comprehensive income				
Total comprehensive income attributable to owners of the parent	13,656	13,325	*2.5*	61,828
Earnings per share (KZT), basic and diluted	68.28	66.63	*2.5*	309.14
Number of shares (thousands)				
Outstanding at period-end	200,000	200,000		200,000
Weighted average, basic and diluted	200,000	200,000		200,000
EBITDA	23,728	22,418	*5.8*	100,683
EBITDA excl. non-recurring items	23,728	23,454	*1.2*	101,426
Depreciation, amortization and impairment losses	-5,773	-5,863	*-1.5*	-22,781
Operating income excl. non-recurring items	17,956	17,590	*2.1*	78,645

Condensed Consolidated Statements of Financial Position

KZT in millions	Mar 31, 2013	Dec 31, 2012
Assets		
Intangible assets	15,700	16,140
Property, plant and equipment	110,185	110,337
Other non-current assets	3,141	3,121
Total non-current assets	***129,027***	***129,598***
Inventories	849	978
Trade and other receivables	21,592	15,990
Cash and cash equivalents	2,151	3,075
Total current assets	***24,591***	***20,043***
Total assets	**153,618**	**149,641**
Equity and liabilities		
Share capital	33,800	33,800
Retained earnings	46,059	32,403
Total equity attributable to owners of the parent	***79,859***	***66,203***
Deferred tax liabilities	5,252	5,104
Other long-term liabilities	1,408	988
Total non-current liabilities	***6,660***	***6,092***
Short-term borrowings	44,772	48,991
Trade payables, and other current liabilities	22,327	28,355
Total current liabilities	***67,099***	***77,346***
Total equity and liabilities	**153,618**	**149,641**

Condensed Consolidated Statements of Cash Flows

KZT in millions	Jan-Mar 2013	Jan-Mar 2012	Jan-Dec 2012
Cash flow before change in working capital	20,216	19,325	85,324
Change in working capital	-3,927	-1,103	863
Cash flow from operating activities	**16,289**	**18,222**	**86,187**
Cash CAPEX	-5,263	-2,995	-24,984
Free cash flow	***11,026***	***15,227***	***61,203***
Total cash flow from investing activities	**-5,263**	**-2,995**	**-24,984**
Cash flow before financing activities	***11,026***	***15,227***	***61,203***
Cash flow from financing activities	**-11,950**	**-12,216**	**-59,481**
Cash flow for the period	**-924**	**3,011**	**1,722**
Cash and cash equivalents, opening balance	**3,075**	**1,353**	**1,353**
Cash flow for the period	-924	3,011	1,722
Cash and cash equivalents, closing balance	**2,151**	**4,364**	**3,075**

Condensed Consolidated Statements of Changes in Equity

	Jan-Mar 2013			Jan-Mar 2012		
KZT in millions	**Share capital**	**Retained earnings**	**Total equity**	**Share capital**	**Retained earnings**	**Total equity**
Opening balance	33,800	32,403	**66,203**	3,915	116,338	**120,252**
Dividends	-	-	**-**	-	-70,863	**-70,863**
Total comprehensive income	-	13,656	**13,656**	-	13,325	**13,325**
Closing balance	**33,800**	**46,059**	**79,859**	**3,915**	**58,799**	**62,714**

Basis of preparation

General. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention as modified by the initial recognition of financial instruments based on fair value.

New accounting standards. Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after January 1, 2013 or later, and which the Group has not early adopted. For additional information, see corresponding section in auditors' report.

Non-recurring items

KZT in millions	Jan-Mar 2013	Jan-Mar 2012	Jan-Dec 2012
Within EBITDA			
Restructuring charges, synergy implementation costs, etc.	-	1,035	743
Total	**-**	**1,035**	**743**

Investments

KZT in millions	Jan-Mar 2013	Jan-Mar 2012	Jan-Dec 2012
CAPEX			
Intangible assets	312	87	2,325
Property, plant and equipment	4,962	2,676	24,405
Total	**5,274**	**2,763**	**26,730**

Related party transactions

For the first quarter ended March 31, 2013, Kcell purchased services for KZT 117 million and sold services for a value of KZT 50 million. Related parties in these transactions were mainly TeliaSonera and its group entities, Turkcell and Fintur Holding B.V.

Net debt

KZT in millions	Mar 31, 2013	Dec 31, 2012
Long-term and short-term borrowings	44,772	48,991
Less short-term investments, cash and bank	2,151	3,075
Net debt	**42,621**	**45,916**

Financial key ratios

	Mar 31, 2013	Dec 31, 2012
Return on equity (%, rolling 12 months)	77.8	93.4
Return on capital employed (%, rolling 12 months)	90.3	107.0
Equity/assets ratio (%)	52.0	44.2
Net debt/equity ratio (%)	53.4	69.4
Net debt/EBITDA rate (multiple, rolling 12 months)	0.42	0.46
Owners' equity per share (KZT)	399.3	331.0

Contractual obligations

On March 31, 2012, contractual obligations in respect of property, plant and equipment totaled KZT 4,490 million (December 31, 2012: KZT 4,285 million), mostly related to purchase of telecommunications equipment from Ericsson and ZTE Corporation.

Forward-looking statements

This report contains statements concerning, among other things, Kcell's financial condition and results of operations that are forward-looking in nature. Such statements are not historical facts but, rather, represent Kcell's future expectations. Kcell believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions; however, forward-looking statements involve inherent risks and uncertainties, and a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement. Such important factors include, but may not be limited to: Kcell's market position; growth in the telecommunications industry; and the effects of competition and other economic, business, competitive and/or regulatory factors affecting the business of Kcell and the telecommunications industry in general. Forward-looking statements speak only as of the date they were made, and, other than as required by applicable law, Kcell undertakes no obligation to update any of them in light of new information or future events.

Operational data	**Jan-Mar 2013**	**Jan-Mar 2012**	***Chg (%)***	**Jan-Dec 2012**
Subscribers, period-end (thousands)	13,773	11,174	*23.3*	13,462
Of which prepaid	12,067	9,635	*25.2*	11,721
MOU (min/month)	149	160	*-7.5*	168
ARPU (KZT)	1,043	1,222	*-14.6*	1,252
Churn rate (%)	23.1	36.6	*-36.8*	25.3
Employees, period-end	1,638	1,616	*1.4*	1,612