Kcell JSC

Results for January – December 2016

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Almaty, 27 January 2017 – 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 results for the financial year ended 31 December 2016.

Fourth quarter

- Net sales decreased by 3.5 percent to KZT 38,223 million (39,604). Service revenue down 8.1 percent to KZT 34,779 million (37,841).
- EBITDA, excluding non-recurring items, declined by 15.1 percent to KZT 14,485 million (17,062) with EBITDA margin of 37.9 percent (43.1). In December 2016, a KZT 3,962 million one-off adjustment was related to a tax provision. The KZT 2,027 million provision relates to previous years and reported as non-recurring item. KZT 362 million reported as an operating expense. KZT 745 million reported as a corporate income tax and KZT 829 million reported as an interest expense.
- Operating income, excluding non-recurring items, decreased by 23.4 percent to KZT 8,355 million (10,909).
- Net financial items of KZT -3,380 million (2,860).
- Net income decreased by 84.9 percent to KZT 1,051 million (6,966).
- Free cash flow amounted to KZT -12,301 million (5,821).
- During the quarter, the customer base increased by 81 thousand to 9,986 thousand (9,905).

Full year

- Net sales decreased by 12.7 percent to KZT 147,037 million (168,424). Service revenue down 12.7 percent to KZT 137,337 million (157,288).
- EBITDA, excluding non-recurring items, decreased by 29.1 percent to KZT 57,989 million (81,787). The EBITDA margin decreased to 39.4 percent (48.6).
- Operating income, excluding non-recurring items, was down 41.0 percent to KZT 33,740 million (57,213).
- Net financial items of KZT -8,285 million (7,811).
- Net income declined by 64.2 percent to KZT 16,684 million (46,632).
- Free cash flow was down to KZT -13,293 million (32,400).
- During the reporting year, the customer base decreased to 9,986 thousand (10,357).

Financial highlights

KZT in millions, except key ratios, per share data and changes	Oct-Dec 2016	Oct-Dec 2015	Chg (%)	Jan-Dec 2016	Jan-Dec 2015	Chg (%)
Revenue	38,223	39,604	-3.5	147,037	168,424	-12.7
of which service revenue	34,779	37,841	-8.1	137,337	157,288	-12.7
EBITDA excl. non-recurring items	14,485	17,062	-15.1	57,989	81,787	-29.1
Margin (%)	37.9	43.1		39.4	48.6	
Operating income	6,267	6,624	-5.4	31,041	52,601	-41.0
Operating income excl. non-recurring items	8,355	10,909	-23.4	33,740	57,213	-41.0
Net income attributable to owners of the parent company	1,051	6,966	-84.9	16,684	46,632	-64.2
Earnings per share (KZT)	5.3	34.8	-84.9	83.4	233.2	-64.2
CAPEX-to-sales (%)	23.1	19.4		34.7	11.0	
Free cash flow	-12,301	5,821		-13,293	32,400	

Comments by Arti Ots, CEO

“2016 was extremely challenging for Kcell, although at the end of the year we saw early signs of market stabilisation. Overall revenue for the full year declined compared with the previous year, but fourth quarter revenue rose quarter-on-quarter marking the third consecutive quarterly increase. The revenue improvement was partially driven by demand for contract phones, whilst services revenue was lower.

We are now seeing a positive interconnect balance with revenue exceeding costs and we expect this situation to continue in 2017.

The accelerated rollout of 4G/LTE services is fully on track. By year-end, our 4G/LTE services covered 34 percent of the population. We are also seeing a significant growth in data traffic in the 4G network. The strategic network sharing partnership with Beeline Kazakhstan, in place since August 2016, has been progressing well, with both parties fulfilling their commitments.

We have also undertaken a number of technical improvements in order to further augment the quality of our network and customer services. In addition, we have successfully migrated our post-paid subscribers to a new billing system.

As we move into 2017, there are positive signs of economic recovery in Kazakhstan, with an easing in consumer price inflation and indications of growth in the economy.

“We are now seeing a positive interconnect balance with revenue exceeding costs and we expect this situation to continue in 2017.”

In the coming year we will continue to implement a broad range of service and technology improvements in order to maintain our leading market position and provide additional value both to our customers and our shareholders.”

27 January 2017

Arti Ots
CEO

CONFERENCE CALL

Kcell will host an analyst conference call on 27 January 2017 at 10:00 UK time / 16:00 Almaty / 13:00 Moscow. The conference will be held in English, audio webcast will be available at: http://www.audio-webcast.com/cgi-bin/visitors.ssp?fn=visitor&id=4221

Dial in details are as follows:

UK Toll Free:	0800 358 6377
Standard International Dial-in:	+44 330 336 9105
Russia Toll Free:	8 800 500 9283
Russia Local Call number:	+7 495 213 1767
USA Toll Free:	1800 263 0877
USA Dial-In:	+1 719 457 1036
Conference ID	5026610

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

A replay will be available at:
http://kcell270117-live.audio-webcast.com/

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Review of the fourth quarter 2016

Net Sales
Net sales decreased by 3.5 percent to KZT 38,223 million (39,604). Service revenue fell by 8.1 percent to KZT 34,779 million (37,841).

Revenue from voice services fell by 14.6 percent to KZT 21,495 million (25,172). Data revenue increased by 11.1 percent to KZT 10,858 million (9,774). Revenue from value-added services decreased by 16.7 percent to KZT 2,406 million (2,887). Other revenue increased to KZT 3,465 million (1,771).

Voice service
Revenue from voice services fell by 14.6 percent to KZT 21,495 million (25,172). Voice traffic decreased by 3.0 percent to 5,919 million minutes (6,099), and ARMU fell to KZT 2.2 (2.7).

Interconnect revenue declined by 11.1 percent to KZT 5,797 million (6,518) mainly as a result of a decrease in the interconnect rate.

Data service
Data revenue increased by 11.1 percent to KZT 10,858 million (9,774). Data traffic grew by 74.9 percent to 37,935,011 GB (21,693,765). Growth in data traffic was partially offset by offering packages with lower tariffs per MB, which led to a decrease in average revenue per MB (ARMB) to KZT 0.3 (0.4).

Value-added service
Revenue from value-added services decreased by 16.7 percent to KZT 2,406 million (2,887), largely as a result of declining SMS revenue.

Other revenue
Other revenue almost doubled to KZT 3,465 million (1,771), reflecting higher sales of handsets.

KZT in millions, except percentages	Oct-Dec 2016	% of total	Oct-Dec 2015	% of total
Voice services	21,495	56.2	25,172	63.5
Data services	10,858	28.4	9,774	24.7
Value added services	2,406	6.3	2,887	7.3
Other revenues	3,465	9.1	1,771	4.5
Total revenues	38,223	100.0	39,604	100.0

EXPENSES

Cost of sales

Cost of sales was up 6.7 percent to KZT 24,476 million (22,943), mainly due to an increase in cost of goods sold (COGS). Interconnect cost decreased to KZT 6,544 million (8,442).

Selling and marketing expenses

Selling and marketing expenses increased by 60.8 percent to KZT 3,297 million (2,050). The increase was primarily driven by promotional campaigns and an increase in staff cost.

General and administrative expenses

General and administrative expenses increased by 39.6 percent to KZT 4,794 million (3,435), primarily due to the tax provision.

EARNINGS, FINANCIAL POSITION AND CASH FLOW

EBITDA, excluding non-recurring items, decreased by 15.1 percent to KZT 14,485 million (17,062) with an EBITDA margin of 37.9 percent (43.1).

Net financial items were at KZT -3,380 million (2,860), mainly due to interest expenses.

Income tax expense declined by 27.1 percent to KZT 1,836 million (2,518).

Net income attributable to owners of the parent company was down 84.9 percent to KZT 1,051 million (6,966), while earnings per share decreased to KZT 5.3 (34.8).

CAPEX increased to KZT 8,830 million (7,669) and the CAPEX-to-sales ratio grew to 23.1 percent (19.4).

Free cash flow decreased to KZT -12,301 million (5,821).

REVIEW OF FULL YEAR 2016

Net Sales
Net sales decreased 12.7 percent to KZT 147,037 million (168,424). Service revenue down 12.7 percent to KZT 137,337 million (157,288).

Revenue from voice services decreased by 17.8 percent to KZT 86,634 million (105,345). Data revenue increased by 5.2 percent to KZT 41,339 million (39,278). Revenue from value-added services fell by 26.1 percent to KZT 9,351 million (12,650). Other revenue decreased by 12.9 percent to KZT 9,713 million (11,152).

Voice services
Revenue from voice services decreased by 17.8 percent to KZT 86,634 million (105,345). Voice traffic decreased by 2.5 percent to 22,948 million minutes (23,540), while ARMU decreased to KZT 2.5 (3.2).

Interconnect revenue decreased by 8.3 percent to KZT 21,335 million (23,277). The decrease was mainly due to a reduced interconnect rate.

Data services
Data revenue increased by 5.2 percent to KZT 41,339 million (39,278). Data traffic doubled to 121,587,949 GB (59,607,325). Growth in data traffic was partially offset by packages with lower tariffs per MB, which resulted in a decrease in average revenue per MB (ARMB) to KZT 0.3 (0.7).

Value-added services
Revenue from value-added services fell by 26.1 percent to KZT 9,351 million (12,650), reflecting a decline in SMS revenue.

Other revenue
Other revenue decreased to KZT 9,713 million (11,152).

KZT in millions, except percentages	Jan-Dec 2016	% of total	Jan-Dec 2015	% of total
Voice services	86,634	58.9	105,345	62.5
Data services	41,339	28.1	39,278	23.4
Value added services	9,351	6.4	12,650	7.5
Other revenues	9,713	6.6	11,152	6.6
Total revenues	147,037	100.0	168,424	100.0

EXPENSES

Cost of sales

Cost of sales grew by 2.1 percent to KZT 91,866 million (89,932), primarily due to an increase in frequency expenses.

Selling and marketing expenses

Selling and marketing expenses increased by 19.2 percent to KZT 10,988 million (9,221), mainly as a result of higher staff cost.

General and administrative expenses

General and administrative expenses increased by 14.3 percent to KZT 14,150 million (12,381), primarily due to the tax provision.

EARNINGS, FINANCIAL POSITION AND CASH FLOW

EBITDA, excluding non-recurring items, decreased by 29.1 percent to KZT 57,989 million (81,787). The EBITDA margin decreased to 39.4 percent (48.6).

Net financial items decreased to KZT -8,285 million (7,811), mainly due to interest expenses.

Income tax expense was down 55.9 percent to KZT 6,073 million (13,780).

Net income attributable to owners of the parent company decreased by 64.2 percent to KZT 16,684 million (46,632), while earnings per share decreased to KZT 83.4 (233.2).

CAPEX was higher at KZT 51,017 million (18,531) and the CAPEX-to-sales ratio increased to 34.7 percent (11.0), following the acquisition of new frequencies for KZT 26 billion. CAPEX-to-sales ratio, excluding the acquisition of new frequencies, was 17.0 percent (11.0)

Free cash flow decreased to KZT -13,293 million (32,400).

Net debt/equity ratio was 78.3 percent (23.1).

Net debt/EBITDA rate was 1.03 (0.24).

The equity/assets ratio was 40.1 percent (48.5).

KEY MILESTONES 2016

January

- The Ministry for Investments and Development ("the Ministry") announced that it will allocate radio frequencies to enable all existing mobile operators in the Kazakh market to rollout LTE services.

  The Ministry will allocate to Kcell access to 10+10 MHz radio frequency within the 700/800 MHz band on payment of a one-off fee of KZT 22 billion, to be made in two tranches of KZT 10 billion by 1 March 2016 and KZT 12 billion by 1 December 2016.

  The Ministry will also allocate to Kcell access to 10+10 MHz radio frequency within the 1700/1800 MHz band, on payment of a one-off fee of KZT 4 billion by 1 February 2016.

  In addition, the Ministry will permit all existing mobile operators to use the radio frequencies allocated to them in the GSM, DCS-1800 (GSM-1800) UMTS/WCDMA (3G) standards for the provision of LTE (4G) and LTE Advanced services subject to obtaining the respective radio frequency permits in the prescribed manner.

  The Ministry will issue these radio frequency permits to mobile operators in the Kazakh market on condition that they guarantee mobile coverage in communities with 500-plus inhabitants and along the highways and railways of national and regional importance by 31 December 2020.

- Kcell announced the results of its Extraordinary General Meeting of Shareholders ("EGM") held on 6 January 2016.

  The EGM approved the election of Mr. Peter Lav, representative of the shareholder Sonera Holding B.V., as the member of the Board of Directors of Kcell JSC in place of retired Mr. Kenneth Berndt Karlberg; and the election of Mr. Emil Nilsson, representative of shareholder Fintur Holdings B.V., as the member of the Board of Directors of Kcell JSC in place of retired Mr. Erik Hallberg.

February

- Kcell paid KZT 14 billion as the first tranche for LTE radio frequencies.

- Kcell launched its pilot LTE standard (4G) mobile zones in the biggest shopping malls of Astana, Almaty, Shymkent and Aktobe.

April

- The Board recommended the annual dividend in the amount of KZT 23,316 million, or KZT 116.58 per ordinary share. This represents 50 percent of the Company's net income for the 12 months ending 31 December 2015.

  The Company's dividend policy aims for the distribution of at least 70 percent of the Company's net income for the previous reporting year. When recommending the payment of a dividend at the AGM, the Board of Directors has to take into consideration the amount of cash the Company has in hand, its cash flow projections and its investment plans in the medium-term perspective, as well as capital market conditions.

  Given the Company's medium-term investment plans for the development of LTE infrastructure and cash flow projections, the Board decided to curtail the dividend payment for 2015 to 50 percent of the net income.

May

- Kcell announced the results of its Annual General Meeting of Shareholders (“AGM”) held on 18 May 2016. The AGM has approved the Company’s net income of KZT 46,632 million in 2015 and the distribution of 50 percent of net income as an annual dividend, with the dividend per ordinary share amounting to KZT 116.58, gross (each ordinary share representing one GDR).

  Dividends will be paid electronically directly into shareholders’ bank accounts. Kcell shareholders who are registered at the record date of 19 May 2015 (01:00 Almaty time) will be entitled to receive the dividends.

  Dividends will be paid in a lump sum, starting 1 August 2016 (09:00 Almaty time).

  Other decisions adopted by the AGM include the approval of the Company’s Separate and Consolidated Financial Statements for the year ended 31 December 2015 and the Independent Auditor’s Report. Shareholders were also informed on the amount and structure of remuneration for the members of Board of Directors and Executive Body of the Company. The Board of Directors received no queries from shareholders regarding the performance of the Company and its executives.

- Kcell received an award for its high level of transparency and disclosure from the Kazakhstan Stock Exchange (KASE). Four companies, including Kcell, of the 130 companies listed in Kazakhstan received the KASE’s “Striving towards greater transparency” award in 2016.

- Kcell noted that an amendment has been made to the Appendix to State Licence (MTK #DS000270 dated 8 June 1998) for the provision of GSM services (the “Licence”), whereby sub-paragraph “a” of clause 7.11 of the Licence – "Licence can be revoked by the court if the Licensee carries out unlicensed activity" – has been removed.

June

- Kcell informed that it has entered into a credit line agreement with Subsidiary Bank Alfa Bank JSC for KZT 10 billion for the purpose of financing its working capital. The Company obtained the first tranche of KZT 6 billion of the approved credit line on 8 June 2016.

July

- The Board of Directors decided to change the terms of the Agreement between Kcell JSC and Halyk Bank of Kazakhstan JSC signed on 24 September 2013. The credit facility has been increased to KZT 42 billion from KZT 30 billion, while its term extended until 2 December 2019.

- The Board of Directors decided to increase its USD 15 million credit facility from Citibank Kazakhstan JSC to USD 65 million within the framework of the General Agreement on Contingent Obligations from 17 September 2015.

- Kcell announced that it has extended the terms of its KZT 17 billion loan from Kazkommertsbank JSC for twelve months starting from 25 September 2016. The loan was obtained for the purpose of financing the Company’s working capital.

August

- Kcell fully paid the annual dividend in the amount of KZT 23,316 million, or KZT 116.58 per ordinary share (each ordinary share representing one GDR).

- Kcell signed a network sharing agreement with Beeline Kazakhstan, part of VimpelCom, for the joint deployment of 4G/LTE services in Kazakhstan. This strategic partnership enables Kcell to swiftly deploy 4G/LTE services in all major areas in Kazakhstan by combining the networks of the two operators.

September

- The Company's Board of Directors decided to convene an Extraordinary General Meeting of Shareholders of Kcell JSC on 4 November 2016. The proposed agenda for AGM includes the following items:
  - Amendments to the Charter of Kcell JSC regarding allocation of work between the Board and the CEO.
  - Approval of instructions related to the allocation of work in line with the amendments to the Charter.

- The Board of Directors of Kcell approved an extension of the credit line opened by Altyn Bank JSC, a subsidiary of Halyk Bank JSC, within the framework of the agreement signed on 24 September 2013.The credit line of KZT 3.0 billion obtained for the working capital financing was extended for a term of twelve months until 23 September 2017.

November

- The Extraordinary General Meeting of Shareholders of Kcell JSC held on 4 November 2016 approved the following items:
  - Amendments to the Charter of Kcell JSC regarding allocation of work between the Board and the CEO.
  - Approval of instructions related to the allocation of work in line with the amendments to the Charter.
- Kcell Board of Directors approved the 3-year contract with Apple Distribution International Ltd. for the purchase of devices.

- Kcell Board of Directors approved the 3-year contract with TNS+ LLP for the provision of Internet Feed Services.

- Kcell Board of Directors approved a decision to repay the KZT 8 billion loan due on 26 December 2016. The loan was obtained for working capital financing under the Framework Agreement from 24 September 2013 between Kcell JSC and Halyk Savings Bank of Kazakhstan JSC. The Board also approved a further drawdown of KZT 8 billion in the form of a short-term loan under the Framework Agreement from 24 September 2013, for a 12-month term or until 27 November 2017.

December

- Kcell Board of Directors approved to enter into a credit agreement between Kcell JSC and Eurasian Development Bank (EDB). The agreement is to establish and further utilise a credit line of KZT 26 billion. It has a tenor of 18 months with a possibility to extend it to a further 18 month-period at maturity on the terms of the abovementioned agreement.

ADMINISTRATIVE AND LEGAL UPDATE

The “Daytime Unlimited” and failure to disconnect calls on Kcell network

During 2013, an investigation was initiated by the Agency for Competition Protection of the Republic of Kazakhstan (the “ACP”), in relation to the “Daytime Unlimited” service under the Activ brand and non-interruption of services when a customer’s balance reaches zero under the Kcell brand.

The ACP ordered that the Company should comply with the following on or before 21 April 2014:

1. to stop collection of subscription fees under the tariff plan “Daytime Unlimited” in case of insufficiency of funds on a subscriber’s account;
2. to ensure interruption of connection (voice or Internet access) when a subscriber’s balance reaches zero;
3. to ensure a refund to subscribers, any fees received as a result of failure to interrupt the connection when a subscriber’s balance reaches zero.

The Company complied with point 1; however, due to technical limitations of the billing system, the Company is currently unable to implement point 2. However, the Company is in the process of introducing a new billing system that will enable the interruption of the connection.

The Company has challenged the ACP findings and decision through courts system in Kazakhstan, culminating in an appeal to the Supreme Court. On 30 June 2015, the Supreme Court of the Republic of Kazakhstan dismissed the Company’s supervisory appeal. On 15 June 2015, ACP filed a claim with court seeking for enforcement of the order. On 9 July 2015, the court issued a resolution on satisfying ACP claim to enforce the order, and as a result the Company must now enforce points 2 and 3 in the above ACP order.

In December 2014, the Company accrued a provision in the amount of KZT 1.6 billion covering the refund to subscribers for the period from January 2012 to September 2013.

In compliance with the Order, on 22 July 2015, the Company started refunding its Kcell brand subscribers for the period from January 2012 to September 2013.

In accordance with an agreement reached with the ACP, the Company has started refunding its subscribers for the subsequent period.

Since the Kcell brand subscribers are being refunded for the services rendered, the Company's tax liabilities will be reduced.

As of 24 October 2016, Kcell has returned KZT 2,539 million to its customers. The transition (migration) to Amdocs convergent billing system has been started in July 2016. Migration of post-paid subscribers was completed in December 2016.

Tax inspection

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. Based on the preliminary assessment, the Company has made a provision of KZT 3,962 million.

The January – December 2016 financial statements have been audited by the external auditors, their report will be available on the Kcell website starting from 25 February 2017.

The information was submitted for publication at 09:00 ALMT on 27 January 2017.

Financial Information

Interim Report January – March 2017	26 April 2017
Interim Report January – June 2017	20 July 2017

Questions regarding the reports:

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In this report, comparative figures are provided in parentheses following the operational and financial results and refer to the same item in the fourth quarter or the full year 2015, unless otherwise stated.

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 retire-ment obligations.

ARMB: Average revenue per MB.

Condensed Consolidated Statements of Comprehensive Income

KZT in millions, except per share data, number of shares and changes	Oct-Dec 2016	Oct-Dec 2015	Chg (%)	Jan-Dec 2016	Jan-Dec 2015	Chg (%)
Revenues	38,223	39,604	-3.5	147,037	168,424	-12.7
Cost of sales	-24,476	-22,943	6.7	-91,866	-89,932	2.1
Gross profit	**13,748**	**16,661**	**-17.5**	**55,171**	**78,492**	**-29.7**
Selling and marketing expenses	-3,297	-2,050	60.8	-10,988	-9,221	19.2
General and administrative expenses	-4,794	-3,435	39.6	-14,150	-12,381	14.3
Other operating income and expenses, net	610	-4,552		1,008	-4,289	
Operating income	**6,267**	**6,624**	**-5.4**	**31,041**	**52,601**	**-41.0**
Finance costs and other financial items, net	-3,380	2,860		-8,285	7,811	
Income after financial items	**2,887**	**9,484**	**-69.6**	**22,756**	**60,412**	**-62.3**
Income taxes	- 1,836	-2,518	-27.1	-6,073	-13,780	-55.9
Net income	**1,051**	**6,966**	**-84.9**	**16,684**	**46,632**	**-64.2**
Total comprehensive income attributable to owners of the parent company	1,051	6,966	-84.9	16,684	46,632	-64.2
Earnings per share (KZT), basic and diluted	5.3	34.8	-84.9	83.4	233.2	-64.2
Number of shares (thousands)						
Outstanding at period-end	200,000	200,000		200,000	200,000	
Weighted average, basic and diluted	200,000	200,000		200,000	200,000	
EBITDA	12,397	12,777	-3.0	55,290	77,175	-28.4
EBITDA excl. non-recurring items	14,485	17,062	-15.1	57,989	81,787	-29.1
Depreciation, amortization and impairment losses	-6,130	-6,153	-0.4	-24,249	-24,574	-1.3
Operating income excl. non-recurring items	8,355	10,909	-23.4	33,740	57,213	-41.0

Condensed Consolidated Statements of Financial Position

KZT in millions	31 December 2016	31 December 2015
Assets		
Intangible assets	42,842	16,956
Property, plant and equipment	95,322	94,502
Other non-current assets	86	145
Financial aid	–	300
Long-term receivables	1,163	397
Total non-current assets	**139,413**	**112,301**
Inventories	3,587	2,802
Trade and other receivables	29,554	19,336
Cash and cash equivalents	8,477	31,589
Total current assets	**41,617**	**53,726**
Total assets	181,031	**166,027**
Equity and liabilities		
Share capital	33,800	33,800
Retained earnings	38,880	46,646
Total equity and liabilities	**72,680**	**80,446**
Long-term borrowings	8,000	–
Deferred tax liabilities	6,012	5,037
Other long-term liabilities	1,285	1,286
Total non-current liabilities	**15,298**	**6,323**
Short-term borrowings	57,415	50,201
Trade payables, and other current liabilities	35,638	29,057
Total current liabilities	**93,053**	**79,258**
Total equity and liabilities	**181,031**	**166,027**

Condensed Consolidated Statements of cash flows

KZT in millions	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Cash flow before change in working capital	9,281	13,330	45,299	65,572
Change in working capital	-5,467	-3,502	-14,751	-9,858
Cash flow from operating activities	**3,814**	**9,828**	**30,547**	**55,714**
Cash CAPEX	-16,115	-4,007	-43,840	-23,314
Free cash flow	**-12,301**	**5,821**	**-13,293**	**32,400**
Total cash flow from investing activities	**-16,115**	**-4,007**	**-43,840**	**-23,314**
Cash flow before financing activities	**-12,301**	**5,821**	**-13,293**	**32,400**
Cash flow from financing activities	**–**	**-17,778**	**-10,501**	**-33,260**
Cash flow for the period	**-12,301**	**-11,957**	**-23,794**	**-860**
Cash and cash equivalents, opening balance	**20,747**	**38,958**	**31,589**	**19,520**
Cash flow for the period	-12,301	-11,957	-23,794	-860
Exchange rate difference	31	4,588	682	12,929
Cash and cash equivalients, closing balance	**8,477**	**31,589**	**8,477**	**31,589**

Condensed Consolidated Statements of changes in equity

	Jan-Dec 2016			Jan-Dec 2015		
KZT in millions	Share capital	Retained earnings	Total equity	Share capital	Retained earnings	Total equity
Opening balance	33,800	46,646	80,446	33,800	58,274	92,074
Dividends	–	-23,316	-23,316	–	-58,260	-58,260
Retained earnings of consolidated subsidiaries	–	-1,134	-1,134	–	–	–
Total comprehensive income	–	16,684	16,684	–	46,632	46,632
Closing balance	**33,800**	**38,880**	**72,680**	**33,800**	**46,646**	**80,446**

Basis of preparation

As in the annual accounts for 2015, Kcell's consolidated financial statements as of the end of 2016, have been prepared in accordance with International Financial Reporting Standards (IFRSs). The accounting policies adopted are consistent with those of the previous financial year. All amounts in this report are presented in KZT millions, unless otherwise stated. Rounding differences may occur.

Non-recurring items

KZT in millions	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Within EBITDA				
Restructuring charges, synergy implementation costs, etc.	2,089	4,285	2,699	4,612
Total	**2,089**	**4,285**	**2,699**	**4,612**

Investments

KZT in millions	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
CAPEX				
Intangible assets	3,304	2,742	32,923	7,329
Property, plant and equipment	5,526	4,927	18,094	11,202
Total	**8,830**	**7,669**	**51,017**	**18,531**

Related party transactions

For the year ended 31 December 2016, Kcell purchased services for the amount of KZT 5,292 million and sold services for a value of KZT 1,416 million. Related parties in these transactions were mainly TeliaSonera and its group entities, Turkcell and Fintur Holding B.V.

Net debt

KZT in millions	31 Dec 2016	31 Dec 2015
Long-term and short-term borrowings	65,415	50,201
Less short-term investments, cash and bank	-8,477	-31,589
Net debt	56,938	**18,612**

Financial key ratios

	31 Dec 2016	31 Dec 2015
Return on equity (%, rolling 12 months)	23.0	54.1
Return on capital employed (%, rolling 12 months)	25.9	69.6
Equity/assets ratio (%)	40.1	48.5
Net debt/equity ratio (%)	78.3	23.1
Net debt/EBITDA rate (multiple, rolling 12 months)	1.03	0.24
Owners' equity per share (KZT)	363.4	402.2

Operational data

	Oct-Dec 2016	Oct-Dec 2015	*Chg (%)*	Jan-Dec 2016	Jan-Dec 2015	*Chg (%)*
Subscribers, period-end (thousands)	9,986	10,357	-3.6	9,986	10,357	-3.6
Of which prepaid	9,049	9,075	-0.3	9,049	9,075	-0.3
MOU (min/month)	235	229	2.6	228	212	7.5
ARPU (KZT)	1,170	1,188	-1.5	1,155	1,206	-4.2
Churn rate (%)	57.2	51.7		49.3	45.1	
Employees, period-end	1,821	1,830	-0.5	1,821	1,830	-0.5

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.