

## Press Release

### Kcell Announces Price Range for Initial Public Offering

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For Immediate Release 29 November 2012

### Kcell Announces Price Range for Initial Public Offering

Kcell Joint Stock Company ("Kcell" or the "Company"), the leading provider of mobile telecommunications services in Kazakhstan by market share in terms of revenue and subscribers as at 30 September 2012, today announces the indicative price range for the initial public offering of its global depository receipts. The offering will include the offering of the Company's common shares (the "Shares") on the KASE in Kazakhstan (the "Domestic Offer") and the offering of the Company's global depository receipts on the LSE outside Kazakhstan (the "Global Offer" and together with the Domestic Offer, the "Offering").

- The price range for the Offering has been set at between U.S.\$10.50 and U.S.\$13.00 per global depository receipt. Shares offered in the Domestic Offer are expected to be offered at an offer price in KZT per common share that reflects the weighted average Kazakhstan Tenge/U.S. dollar exchange rate set in the morning session of the KASE on the business day preceding the announcement of the Offer Price in connection with the Global Offer. Each global depository receipt represents an interest in one common share of the Company.
- The Offering consists of a sale by Sonera Holding B.V. (the "Selling Shareholder"), a wholly-owned subsidiary of TeliaSonera AB, of 50 million of the Company's common shares, including common shares represented by the global depository receipts, representing 25 percent of the Company's share capital. The current outstanding share capital of the Company consists of 200 million common shares.
- The Selling Shareholder will grant to the underwriters a put option to sell back to the Selling Shareholder at the offer price global depository receipts representing up to 10 percent of the Offering, which may be purchased in the market by the underwriters as a result of stabilisation activities in connection with the Offering.
- Based on the Offering's price range, the market capitalisation of the Company at the commencement of dealings is expected to be between US\$2,100 million and US\$2,600 million.
- Institutional bookbuilding and the roadshow commence today and are expected to end on 11 December 2012

Credit Suisse, UBS Investment Bank and Visor Capital are acting as joint global coordinators and joint bookrunners of the Global Offer. Renaissance Capital is acting as a joint bookrunner and Halyk Finance is acting as a co-manager of the Global Offer. The Domestic Offer is being led by Visor Capital.

**Veysel Aral, Chief Executive Officer of Kcell,** said:

*"The IPO marks an important milestone for our company, and it will help us to further strengthen our corporate brand.*

*"We are delighted with the level of interest being expressed in Kcell and are pleased to be introducing Kcell both to the international and Kazakhstan's capital markets. Kcell provides investors with an opportunity to participate in a profitable business operating in the fast growing economy of Kazakhstan with a dividend policy reflecting our superior cash flow.*

*"With TeliaSonera's on-going commitment we are well placed to benefit from the increase in mobile content and development of data services in Kazakhstan."*

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**Company Overview**

Kcell is the leading provider of mobile telecommunications services in Kazakhstan by market share in terms of revenue and the number of subscribers. It has operated since 1998, and as of 30 September 2012 it had approximately 12.7 million subscribers, representing a market share of 47.7%, as estimated by the Company. Its estimated market share in terms of revenue was 57% for the year ended 31 December 2011.

Kcell provides mobile voice telecommunications services, value-added services such as short message services, multimedia messaging services and mobile content services, as well as data transmission services including internet access. It has two brands: the Kcell brand, which is targeted primarily at corporate subscribers (including government subscribers), and the Activ brand, which is targeted primarily at mass market subscribers. The Company offers its services through its extensive, high quality network which covers substantially all of the populated territory of Kazakhstan.

For the year ended 31 December 2011, the Company generated revenue of KZT 178,786 million (c.US\$1,193.0 million<sup>1</sup>); EBITDA for 2011 was KZT 105,794 million (c.US\$706.0 million), representing a margin of 59.2%; and profit for the year was KZT 66,858 million (c.US\$446.1 million). For the nine months ended 30 September 2012, the Company generated revenue of KZT 133,104 million

(c.US\$888.2 million); EBITDA for the period was KZT 74,503million (c.US\$497.2 million), representing a margin of 56.0%; and profit for the period of KZT 46,072 million (c.US\$307.4 million).

Kcell benefits from operating in the fast growing emerging economy of Kazakhstan. In 2011 Kazakhstan's real GDP growth was 7.5%, according to the Economist Intelligence Unit (EIU). Real GDP per capita has been growing at a compound annual growth rate of 5.9% since 2009 to reach US\$11,491 in 2011, according to the EIU, while Kazakhstan's unemployment rate declined from 6.6% in 2009 to 5.4% in 2011. As at 31 December 2011, Kazakhstan had a positive trade balance of US\$47.3 billion with foreign direct investments of US\$12.9 billion, according to the EIU.

The Company is controlled by TeliaSonera AB, one of Europe's largest telecommunication companies and a strong international telecoms operator with many years of successful experience in managing mobile telecoms and a pioneer in innovation and technology. Prior to the Offering, TeliaSonera AB held 49% of Kcell directly and 37.9% indirectly through Fintur Holdings B.V. ("Fintur"), a company jointly owned by TeliaSonera AB and Turkcell İletişim Hizmetleri A.Ş., resulting in a total effective ownership of 86.9%. Sonera Holding B.V., a 100% subsidiary of TeliaSonera AB, acquired its 49% holding from Kazakhtelecom JSC in 2012.

The board of directors of Kcell is comprised of six members, including two independent directors Jan Erik Rudberg and Bert Åke Stefan Nordberg. Jan Erik Rudberg is also the chairman of the board of directors of the Company.

Kcell plans to benefit from the significant growth potential for mobile data services in Kazakhstan. The Company intends to continue to invest in the deployment of its 3G network to expand coverage. Kcell aims to maintain its market leadership in terms of revenue and the number of subscribers by offering its products and services at competitive prices, expanding its offering of products and services, maintaining the high quality of its network and enhancing its brand value.

#### **Dividend policy**

The Company's dividend policy is governed by the Company's corporate governance code approved by the general meeting of shareholders on 17 October 2012. This dividend policy will apply to dividends to be declared by the Company after the declaration of the special dividend described below. Unless the Company's shareholders decide otherwise, annual dividends on common shares of the Company shall be at least 70% of the Company's net income for the previous financial year. When making decisions on payment of dividends, the general meeting of shareholders will take into consideration the proposal of the Company's board of directors as to the amount of such dividends that shall be based on the Company's best interests, cash on hand, cash flow projections and investment plans in the medium term perspective, as well as capital market conditions.

The Company's current intention is to declare and pay a special dividend in the second quarter of the financial year ending 31 December 2013 in an amount referable to 100% of the net income of the Company for the period 1 July 2012 to 31 December 2012. This special dividend will be paid to shareholders of the Company pro rata to their shareholdings as at a record date to be set within the second quarter of 2013.

There is, however, no guarantee that the Company will declare and pay dividends in accordance with the foregoing policy or as stated above. In practice, the payment of dividends will depend upon a number of factors and is subject to various contingencies.

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<sup>1</sup>The functional currency of the Company is Kazakhstan Tenge. Translations of Kazakhstan Tenge amounts into U.S. dollars are given solely for the convenience of the reader as at 30 September 2012 at the exchange rate of KZT 149.86 to one U.S. dollar, which was the official exchange rate quoted by the National Bank of Kazakhstan on 30 September 2012.