IMPORTANT: You must read the following before continuing. The following applies to the prospectus (the "**Prospectus**") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them, any time you receive any information from us as a result of such access. The Prospectus has been prepared solely in connection with the proposed offering to certain institutional and professional investors of the securities described herein. The Prospectus has been approved by the UK Financial Services Authority as a prospectus prepared in accordance with the Prospectus Rules made under section 73A of the Financial Services and Markets Act 2000. The Prospectus is available from the registered office of Kcell Joint Stock Company.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "**QIB**"), OR (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS NOTICE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

This electronic transmission and the attached document and the offer are only addressed to and directed at persons in Member States of the European Economic Area (the "**EEA**") who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC) ("**Qualified Investors**"). For the purposes of this provision, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in each relevant Member State of the EEA) and includes any relevant implementing measure in each relevant Member State of the EEA and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU. In addition, in the United Kingdom, this electronic transmission and the attached document are being distributed only to, and are directed only at, Qualified Investors who are persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, (the "**Order**") or who are high net worth entities falling within Article 49(2)(a) to (d) of the Order and other persons to whom they may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). This electronic transmission and the attached document must not be acted on or relied on (i) in the United Kingdom, by persons who are not relevant persons, and (ii) in any Member State of the EEA other than the United Kingdom, by persons who are not Qualified Investors. Any investment or investment activity to which this electronic transmission and the attached document relates is available only to (i) in the United Kingdom, relevant persons, and (ii) in any Member State of the EEA other than the United Kingdom, Qualified Investors, and will be engaged in only with such persons.

Confirmation of your representation: This electronic transmission and the attached document are delivered to you on the basis that you are deemed to have represented to each of Credit Suisse Securities (Europe) Limited, UBS Limited, JSC "Visor Capital", Renaissance Securities (Cyprus) Limited and JSC "Halyk Finance" (together, the "**Underwriters**"), Kcell Joint Stock Company (the "**Company**") and Sonera Holding B.V. (the "**Selling Shareholder**") that (1) you are either (a) a Qualified Institutional Buyer (a "**QIB**") (within the meaning of Rule 144A under the Securities Act) or (b) outside the United States transacting in an offshore transaction (in accordance with Regulation S under the Securities Act), (2) if you are located in the United Kingdom, you are a relevant person, (3) if located in any Member State of the EEA other than the United Kingdom, you are a Qualified Investor and (4) you consent to delivery of such document by electronic transmission. You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Prospectus to any other person. The materials relating to the proposed offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law.

The Prospectus does not constitute an advertisement or an offer of securities in the Republic of Kazakhstan. It is not intended to be and must not be distributed publicly and/or to, or for the benefit of, any person within the Republic of Kazakhstan except as may be permitted by Kazakhstan law.

If a jurisdiction requires that the proposed offering be made by a licensed broker or dealer and the Underwriters, as named in the Prospectus, or any affiliate of the Underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Underwriters or such affiliate on behalf of the Company and the Selling Shareholder in such jurisdiction. Under no circumstances shall the Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the Prospectus who intend to subscribe for or purchase the securities are reminded that any subscription or purchase may only be made on the basis of the information contained in the Prospectus.

The Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted in electronic form may be altered or changed during the process of electronic transmission and consequently none of the Underwriters, as named in the Prospectus, nor any person who controls an Underwriter nor any director, officer, employee or agent of it nor affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version available to you on request from the Underwriters.

Kcell Joint Stock Company

(incorporated as a joint stock company organised under the laws of the Republic of Kazakhstan with registered number 1201-1910-06-AO(IU))

Offering of 45,123,528 Global Depositary Receipts
Offer Price: U.S.$10.50 per Global Depositary Receipt

This prospectus (the "**Prospectus**") relates to an offering (the "**Global Offer**") by Sonera Holding B.V. (the "**Selling Shareholder**" or "**Sonera**") of 40,123,528 common shares (the "**Shares**") of Kcell Joint Stock Company (the "**Company**") in the form of global depositary receipts (the "**GDRs**"), each global depositary receipt representing one common share, at an offer price (the "**Offer Price**") of U.S.$10.50 per global depositary receipt.

In connection with the Global Offer, the Selling Shareholder will sell 5,000,000 additional global depositary receipts (the "**Put Option GDRs**") to the Underwriters (as defined below) at the Offer Price for the purpose of conducting stabilisation activities in the global depositary receipts. In connection with the sale of the Put Option GDRs, the Selling Shareholder has granted the Underwriters a put option (the "**Put Option**"), exercisable for a period of up to 30 calendar days from the commencement of conditional dealings on the London Stock Exchange plc (the "**London Stock Exchange**"), to sell to the Selling Shareholder any global depositary receipts which have been purchased in the market as a result of stabilisation activities. The Shares and the GDRs are together referred to as the "**Securities**".

The Global Offer comprises (i) an offering of the GDRs within the United States to qualified institutional buyers ("**QIBs**"), as defined in, and in reliance on, Rule 144A ("**Rule 144A**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or another exemption from, or transaction not subject to, registration under the Securities Act (the "**Rule 144A GDRs**") and (ii) an offering of the GDRs outside of the United States in offshore transactions in reliance on Regulation S ("**Regulation S**") under the Securities Act (the "**Regulation S GDRs**").

Separately from the Global Offer, the Selling Shareholder is offering 4,876,472 common shares in a domestic offering (the "**Domestic Offer**") through JSC "Kazakhstan Stock Exchange" (the "**KASE**"). The Domestic Offer is being led by JSC "Visor Capital". 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. The Global Offer and the Domestic Offer are collectively referred herein as the "**Offering**".

The Securities have not been and will not be registered under the Securities Act, and may not be offered, sold, pledged or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any applicable state securities laws. Prospective purchasers are hereby notified that the Selling Shareholder may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the Securities Act. For a description of these and certain further restrictions on offers, sales and transfers of the Securities and the distribution of this document, see "*The Global Offer*", "*Plan of Distribution*", "*Transfer Restrictions*" and "*Terms and Conditions of the GDRs*".

See "*Risk Factors*" for a discussion of certain factors that prospective investors should consider prior to making an investment decision.

Application has been made (A) to the United Kingdom Financial Services Authority (the "**FSA**") in its capacity as competent authority (the United Kingdom Listing Authority or the "**UKLA**") under the Financial Services and Markets Act 2000 (the "**FSMA**") for up to 200,000,000 GDRs, consisting of (i) 40,123,528 GDRs to be sold by the Selling Shareholder pursuant to the Global Offer on or about 17 December 2012 (the "**Closing Date**"), (ii) 5,000,000 Put Option GDRs and (iii) up to 154,876,472 GDRs to be issued from time to time against the deposit of common shares with Deutsche Bank Trust Company Americas, as depositary (the "**Depositary**"), to be admitted to the official list of the FSA (the "**Official List**") and (B) to the London Stock Exchange for such GDRs to be admitted to trading under the symbol "KCEL" on the London Stock Exchange's main regulated market for listed securities (the "**Regulated Market**") and, in particular, on the International Order Book (the "**IOB**"). The Regulated Market is a regulated market for the purposes of Directive 2004/39/EC (the "**Directive on Markets in Financial Instruments**").

Prior to the Closing Date there has not been any public market for the GDRs. Conditional trading in the GDRs on the London Stock Exchange through the IOB is expected to commence on an if-and-when-issued basis on or about 12 December 2012. Admission to the Official List and unconditional trading on the London Stock Exchange (collectively, "**Admission**") is expected to take place on or about 17 December 2012. **All dealings before the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned.** No application is currently intended to be made for the GDRs to be admitted to listing or dealt with on any other exchange.

This Prospectus has been prepared in accordance with the Prospectus Rules (the "**Prospectus Rules**") of the FSA made under section 73A of the FSMA and has been filed with and approved by the FSA pursuant to section 87A of the FSMA for the purpose of the Admission of the GDRs to the Regulated Market. This Prospectus will be made available to the public in accordance with Rule 3.2 of the Prospectus Rules.

On 19 October 2012, application was made to the KASE for all common shares of the Company, issued and to be issued, to be admitted to the first category of the official list of the KASE. The common shares of the Company were admitted to the first category of the official list of the KASE on 29 November 2012. It is expected that the admission of the common shares of the Company to trading on the KASE will occur on 13 December 2012.

The GDRs will be issued in global form. The Rule 144A GDRs will be evidenced by a master Rule 144A global depositary receipt (the "**Rule 144A Master GDR**") registered in the name of Cede & Co., as nominee for The Depository Trust Company ("**DTC**"), and the Regulation S GDRs will be evidenced by a master Regulation S global depositary receipt (the "**Regulation S Master GDR**" and, together with the Rule 144A Master GDR, the "**Master GDRs**") registered in the name of BT Globenet Nominees Limited, as nominee for Deutsche Bank AG, London Branch, as common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). The Shares represented by the GDRs will be held by SB "HSBC Bank Kazakhstan" JSC, as custodian (the "**Custodian**"), for the Depositary. Except as described herein, beneficial interests in the Master GDRs will be shown on, and transfers thereof will be effected only through, the records of DTC with respect to the Rule 144A GDRs and Euroclear and Clearstream, Luxembourg with respect to the Regulation S GDRs, and their direct and indirect participants, as applicable. It is expected that delivery of the GDRs will be made against payment therefor in U.S. dollars in same day funds through the facilities of DTC, Euroclear and Clearstream, Luxembourg on or about the Closing Date. See "*Settlement and Transfer*".

Joint Global Coordinators and Joint Bookrunners

Credit Suisse **UBS Investment Bank** **Visor Capital**

Joint Bookrunner

Renaissance Capital

Co-Manager

Halyk Finance

The date of this Prospectus is 12 December 2012

RESPONSIBILITY STATEMENT

The Company accepts responsibility for the information contained in this Prospectus. To the best of the Company's knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The contents of the Company's websites do not form any part of this Prospectus.

This document comprises a prospectus relating to the Company in respect of the GDRs for the purposes of Directive 2003/71/EC. For the purposes of this provision, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in each relevant Member State of the European Economic Area), and includes any relevant implementing measure in each relevant Member State of the European Economic Area and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

Investors should rely only on the information in this document. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company or any affiliate thereof. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of the FSMA and Rule 3.4 of the Prospectus Rules, neither the delivery of this document nor any purchase made under this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since, or that the information contained herein is correct as at any time subsequent to, the date of this Prospectus.

The contents of this document are not to be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own legal adviser, financial adviser or tax adviser for legal, financial or tax advice. The Company is making no representation to any offeree or purchaser of the Securities regarding the legality of an investment by such offeree or purchaser.

Credit Suisse Securities (Europe) Limited, UBS Limited, JSC "Visor Capital" (the "**Joint Global Coordinators**"), Renaissance Securities (Cyprus) Limited (together with the Joint Global Coordinators, the "**Joint Bookrunners**") and JSC "Halyk Finance" (together with the Joint Bookrunners, the "**Underwriters**") are acting exclusively for the Company and the Selling Shareholder and no one else in connection with the Global Offer and will not be responsible to any other person for providing the protections afforded to their respective clients or for providing advice in relation to the Global Offer.

In connection with the Global Offer, the Underwriters and any of their respective affiliates acting as an investor for its or their own account(s) may subscribe for or purchase, as the case may be, the GDRs and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such securities, any other securities or other related investments in connection with the Global Offer or otherwise. Accordingly, references in this Prospectus to the GDRs being issued, offered, subscribed or otherwise dealt with should be read as including any issue or offer to, or subscription or dealing by, the Underwriters and any of their respective affiliates acting as an investor for its or their own account(s). The Underwriters do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Neither the Depositary nor any of its agents shall have any obligations with respect to the Global Offer other than those specifically set forth in the Deposit Agreement (as defined under "*The Global Offer*") governing the GDRs. Neither the Depositary nor any of its agents are responsible for the contents of this Prospectus or any other document relating to the Global Offer.

The Company and the Selling Shareholder may withdraw the Global Offer at any time, and the Company and the Selling Shareholder reserve the right to reject any offer to purchase the Securities, in whole or in part, and to sell to any prospective investor less than the full amount of the Securities sought by such investor.

The information set forth in this document is only accurate as at the date on the front cover of this document. The Company's business and financial condition may have changed since that date.

This document should not be considered as a recommendation by the Company or the Selling Shareholder that any recipient of this document should subscribe for or purchase GDRs. Each potential investor in the GDRs should read this document in its entirety and determine for itself the relevance of the information contained in this document and its purchase of GDRs should be based upon such investigation as it deems

necessary. In making an investment decision, prospective investors must rely upon their own examination of this Prospectus, including the risks involved.

The distribution of this document and the offer and sale of the Securities in certain jurisdictions may be restricted by law. Other than described in this Prospectus, no action has been taken by the Company that would permit a public offer of the Securities or possession, publication or distribution of this document (or any other offer or publicity material or application form relating to the Securities) in any jurisdiction where action for that purpose is required. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction and the Company accepts no responsibility therefor. This document does not constitute an offer of, or an invitation to subscribe or purchase, any Securities in any jurisdiction in which such offer or sale would be unlawful. Further information with regard to restrictions on offers and sales of Securities and the distribution of this document is set out in the sections headed "*The Global Offer*", "*Plan of Distribution*", "*Terms and Conditions of the GDRs*" and "*Transfer Restrictions*".

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS. NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION NOR ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION IN THE UNITED STATES HAS APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS DOCUMENT IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY INVESTORS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON PURCHASERS OF SECURITIES UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE COMPANY IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE COMPANY OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421B OF THE NEW HAMPSHIRE REVISED STATUTES ("**RSA 421B**") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO THE UNITED KINGDOM AND OTHER EUROPEAN ECONOMIC AREA INVESTORS

This Prospectus and the Global Offer are only addressed to and directed at persons in Member States of the European Economic Area (the "**EEA**"), who are "qualified investors" ("**Qualified Investors**") within the meaning of Article 2(1)(e) of the Prospectus Directive. In addition, in the United Kingdom, this Prospectus is only being distributed to and is only directed at (1) Qualified Investors who are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or high net worth entities falling within Article 49(2)(a)-(d) of the Order or (2) persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). The GDRs are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, (1) in the United Kingdom, relevant persons and (2) in any Member State of the EEA other than the United Kingdom, Qualified Investors. This Prospectus and its contents should not be acted upon or relied upon (1) in the United Kingdom, by persons who are not relevant persons or (2) in any Member State of the EEA other than the United Kingdom, by persons who are not Qualified Investors.

This Prospectus has been prepared on the basis that all offers of the GDRs will be made pursuant to an exemption under the Prospectus Directive from the requirement to produce a prospectus for offers of the GDRs. Accordingly, any person making or intending to make any offer within the EEA of the GDRs should only do so in circumstances in which no obligation arises for the Company, the Selling Shareholder or any of the Underwriters to produce a prospectus for such offer. None of the Company, the Selling Shareholder or the Underwriters has authorised or authorises the making of any offer of the GDRs through any financial intermediary, other than offers made by the Underwriters which constitute the final placement of the GDRs contemplated in this Prospectus.

For the purposes of this provision, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in each relevant Member State of the EEA), and includes any relevant implementing measure in each relevant Member State of the EEA and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

NOTICE TO PROSPECTIVE INVESTORS IN AUSTRALIA

This document does not constitute a disclosure document under Chapter 6D or Part 7.9 of the Corporations Act 2001 of the Commonwealth of Australia (the "**Corporations Act**"). It has not been, and will not be, lodged with the Australian Securities and Investments Commission ("**ASIC**") as a disclosure document for the purposes of the Corporations Act.

ASIC has not reviewed this document or commented on the merits of investing in the Securities nor has any other Australian regulator.

No offer of Securities is being made in Australia, and the distribution or receipt of this document in Australia does not constitute an offer of securities capable of acceptance by any person in Australia, except in the limited circumstances described below relying on certain exemptions in the Corporations Act.

This document may only be provided in Australia to select investors who are able to demonstrate that they are "wholesale clients" for the purposes of Chapter 7 of the Corporations Act and fall within one or more of the following categories ("**Exempt Investors**"): "sophisticated investor" or "professional investors" who meet the criteria set out in, respectively, section 708(8) and section 708(11) and as defined in section 9 of the Corporations Act, experienced investors who receive the offer through an Australian financial services licensee, where all of the criteria set out in section 708(10) of the Corporations Act have been satisfied or senior managers of the Company (or a related body, including a subsidiary), their spouse, parent, child, brother or sister, or a body corporate controlled by any of those persons, as referred to in section 708(12) of the Corporations Act.

The provisions of the Corporations Act that define these categories of Exempt Investors are complex, and if you are in any doubt as to whether you fall within one of these categories, you should seek appropriate professional advice regarding these provisions.

AVAILABLE INFORMATION

The Company has agreed that, so long as any of the Securities represented thereby are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, in order to permit holders of GDRs to effect resales under Rule 144A, the Company will, during any period in which it is neither subject

to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, furnish, upon written request, to any holder of GDRs, or any prospective purchaser designated by such holder, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

STABILISATION

In connection with the Global Offer, Credit Suisse Securities (Europe) Limited, acting on behalf of the Underwriters, in its capacity as stabilisation manager (the "**Stabilisation Manager**"), or any person acting on behalf of the Stabilisation Manager, may effect transactions with a view to supporting the market price of the GDRs at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager (or any persons acting on behalf of the Stabilisation Manager) will undertake stabilisation action. Such transactions may be effected on the London Stock Exchange or any other securities market, over-the-counter market, stock exchange or otherwise. Any stabilisation action may begin on or after the announcement of the Offer Price and, if begun, may be ended at any time, but it must end no later than 30 calendar days after the date of commencement of conditional trading on the London Stock Exchange. Any stabilisation action shall be conducted in accordance with all applicable laws and rules. Save as required by law, the Stabilisation Manager does not intend to disclose the extent of any stabilisation transactions under the Global Offer or the amount of any long or short positions.

ENFORCEMENT OF FOREIGN JUDGMENTS

The Company is incorporated under the laws of the Republic of Kazakhstan ("**Kazakhstan**" or the "**Republic of Kazakhstan**") and all of its operations are located in the Republic of Kazakhstan. The Selling Shareholder is incorporated under the laws of the Netherlands. See "*Shareholders*". A majority of the directors and executive officers of each of the Company and the Selling Shareholder reside outside the United States and the United Kingdom. The majority of the assets of each of the Company and the Selling Shareholder and substantially all of the assets of the directors and executive officers of the Company and the Selling Shareholder are located outside the United States and the United Kingdom. As a result, it may not be possible to (a) effect service of process upon the Company, the Selling Shareholder or any of their respective directors and executive officers within the United States or the United Kingdom, or (b) enforce against any of them judgments obtained in the courts of the United States or the United Kingdom.

Kazakhstan's courts will not enforce any judgment obtained in a court established in a country other than Kazakhstan unless there is in effect a treaty between such country and Kazakhstan providing for reciprocal enforcement of judgments and then only in accordance with the terms of such treaty. There is no such treaty in effect between Kazakhstan and the United Kingdom or the United States. However, Kazakhstan is a party to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**Convention**") and, accordingly, an arbitral award should be recognised and enforceable in Kazakhstan provided the conditions to enforcement set out in the Convention and the laws of Kazakhstan are met.

In order to obtain a judgment which is enforceable in the Netherlands, the party in whose favour a final and conclusive judgment of the United States court has been rendered will be required to file its claim with a court of competent jurisdiction of the Netherlands. Such party may submit to the Dutch court the final judgment rendered by the United States court. If and to the extent that the Dutch court finds that the jurisdiction of the United States court has been based on grounds which are internationally acceptable and that proper legal procedures have been observed, the court of the Netherlands will, in principle, give binding effect to the judgment of the court of the United States, unless such judgment contravenes principles of public order of the Netherlands. The enforcement in a Dutch court of judgments rendered by a court in the United States is subject to Dutch rules of civil procedure.

Subject to the foregoing and service of process in accordance with applicable treaties, investors may be able to have recognised in the Netherlands judgments in civil and commercial matters obtained from United States federal or state courts. However, no assurance can be given to this effect. In addition, even if a Dutch court has jurisdiction, it is uncertain whether that court will impose civil liability in an original action commenced in the Netherlands and predicated solely upon the United States federal securities laws.

The recognition and enforcement in the Netherlands of a judgment rendered by an English court will be subject to the provisions of the European Union, or the EC Regulation on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters dated 22 December 2000, as amended from time to time, or the EC Regulation creating a European Enforcement Order for uncontested claims of 21 April 2004, as amended from time to time.

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Financial Information

Unless otherwise indicated, financial information set forth herein relating to the Company has been derived from its audited consolidated financial statements as at and for the three years ended 31 December 2011, 2010 and 2009 (the "**Audited Financial Statements**") prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board and its unaudited interim consolidated financial statements as at and for the nine months ended 30 September 2012 with 2011 comparatives (the "**Unaudited Interim Financial Statements**") prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The Audited Financial Statements and the Unaudited Interim Financial Statements (together, the "**Financial Statements**") are included in this Prospectus beginning on page F-2.

The Company acquired two dormant companies: KT-Telecom LLP, a limited liability partnership incorporated in Kazakhstan ("**KT-Telecom**"), in 2008 and AR-Telecom LLP, a limited liability partnership incorporated in Kazakhstan ("**AR-Telecom**"), in 2007. As at the date of this Prospectus, the Company holds 100% of the participating interests in the charter capital of each of KT-Telecom and AR-Telecom. The purpose of these acquisitions was to obtain permits for the use of radio frequencies providing for the right to organise wireless radio-access networks and data transfer services in the territory of Kazakhstan. In this Prospectus, the "**Group**" means the Company together with its subsidiaries KT-Telecom and AR-Telecom.

Changes in Presentation

In 2011, in connection with the preparation of the Audited Financial Statements, the Company made the following changes in the presentation of the statement of comprehensive income:

- distributors' commission expenses relating to the sale of scratch cards to subscribers are presented within selling and marketing expenses and not as a deduction from revenue since the Company believes that the distributors act as agents in selling scratch cards to subscribers without assuming the risks and rewards of ownership of the goods and services. The effect of these reclassifications in the statement of comprehensive income were as follows:

	Effect in 2010	Effect in 2009
	(KZT million)	
Increase in revenue	3,120	3,259
Increase in selling and marketing expenses	3,120	3,259

- the presentation of expenses recognised on the statement of comprehensive income was changed from a classification based on the nature of the expenses to a classification based on their function, since the Company believes that the presentation of expenses "by function" is consistent with industry practice and provides more reliable and more relevant information regarding its financial performance.

These changes in presentation had no impact on operating profit or profit for the year and the financial information in the statement of comprehensive income for the years ended 31 December 2011, 2010 and 2009 was presented on a directly comparable basis in the Audited Financial Statements.

Non-IFRS Financial Information

This Prospectus includes certain financial measures and ratios related thereto that are not measures of performance specifically defined under IFRS. These include gross profit margin, EBITDA, Adjusted EBITDA, EBIT and certain other measures as described in "*Selected Historical Consolidated Financial and Operating Data*".

These measures are presented as supplemental measures of the Company's operating performance, which the Company believes are frequently used by securities analysts, investors and other parties in the evaluation of companies in the telecommunications sector. Gross profit margin, EBITDA, Adjusted EBITDA and EBIT are not required by, or presented in accordance with, IFRS. Gross profit margin, EBITDA, Adjusted EBITDA, EBIT, EBITDA margin, Adjusted EBITDA margin and EBIT margin are not measures of the Company's operating performance under IFRS and should not be considered as alternatives to revenue, profit, operating profit, net cash from operating activities or any other measures of performance under IFRS or as alternatives to cash flow from operating activities or as measures of the

Company's liquidity. In particular, EBITDA and Adjusted EBITDA should not be considered as a measure of discretionary cash available to the Company to invest in the growth of its business.

All of these supplemental measures have limitations as analytical tools, and investors should not consider any one of them in isolation, or any combination of them together, as a substitute for analysis of the Company's operating results as reported under IFRS. Some of these limitations are as follows:

- EBITDA, Adjusted EBITDA and EBIT do not reflect the impact of financing costs, which can be significant and could increase if the Company incurs borrowings, on the Company's operating performance;
- EBITDA, Adjusted EBITDA and EBIT do not reflect the impact of income taxes on the Company's operating performance; and
- EBITDA and Adjusted EBITDA do not reflect the impact of depreciation and amortisation on the Company's performance. The assets of the Company which are being depreciated and/or amortised will need to be replaced in the future and depreciation and amortisation expense may approximate the cost of replacing these assets in the future. By excluding this expense from EBITDA and Adjusted EBITDA, such measures do not reflect the Company's future cash requirements for these replacements.

Furthermore, other companies in the telecommunications sector may calculate EBITDA, Adjusted EBITDA and EBIT differently or may use each of them for purposes different from those of the Company, limiting their usefulness as comparative measures.

For a reconciliation of EBITDA, Adjusted EBITDA and EBIT to profit for the period, see "*Selected Historical Consolidated Financial and Operating Data—Reconciliation of EBITDA, Adjusted EBITDA and EBIT to profit for the period*".

Operating and Other Data

Some key performance indicators ("**KPIs**") used in the telecommunications sector, including average revenue per minute of use ("**ARMU**"), average revenue per user ("**ARPU**") and minutes of use per subscriber per month ("**MOU**"), may be calculated differently by other companies operating in the telecommunications sector. Therefore, the Company's KPIs may not be directly comparable to those of its peers. In addition, the Company calculates for reporting purposes its operating KPIs in the beginning of each month, while certain data comprising these KPIs remains subject to minor adjustments. These adjustments may immaterially change the reported KPIs. Therefore, there may be an immaterial difference between the KPIs as reported by the Company and the KPIs calculated using the adjusted data comprising these KPIs.

The Company defines active subscribers as subscribers that generated revenue in the preceding one-month period (the "**1-month activity rule**"). It defines registered subscribers as subscribers that generated revenue in the preceding six-month period (the "**6-month activity rule**"). The Company also defines its subscribers based on revenue generated in the preceding three-month period (the "**3-month activity rule**"). For internal management purposes, the Company calculates its subscriber base based on both active and registered subscribers. The Company's definitions of active and registered subscribers may not be directly comparable to those of its peers.

In addition, the Company used a more conservative approach in defining its subscriber base for the purpose of calculating certain KPIs for the nine months ended 30 September 2012 and the year ended 31 December 2011. This led to a higher ARPU, churn and net addition figures than would be the case under the relevant activity rule.

Rounding

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Certain Defined Terms

Furthermore, in this Prospectus, all references to "**U.S.**", "**US**", "**USA**" or "**United States**" are to the United States of America, all references to "**UK**" or "**United Kingdom**" are to the United Kingdom of Great Britain and Northern Ireland and all references to the "**EU**" are to the European Union and its

Member States as at the date of this Prospectus. All references to the "**CIS**" are to the following countries that formerly comprised the Union of Soviet Socialist Republics and that are now members or a participating non-member, or an unofficial associate member of the Commonwealth of Independent States: Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

Other Information

Certain information in this Prospectus under the captions "*Summary*", "*Risk Factors*", "*Exchange Rates*", "*Selected Historical Consolidated Financial and Operating Data*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Industry*", "*Business*" and "*Telecommunications Regulation in Kazakhstan*" has been derived from publicly available information, such as annual reports published by the Company's competitors, industry publications and official data published by the National Bank of Kazakhstan (the "**NBK**"), the Agency of the Republic of Kazakhstan for Statistics (the "**NSA**"), the Economist Intelligence Unit (the "**EIU**"), Euromonitor International Ltd ("**Euromonitor**") and the Telegeography division of PriMetrica, Inc. ("**Telegeography**"). The Company has relied on the accuracy of such information without carrying out an independent verification thereof. Such information is sourced in the text or in footnotes where it appears. Such information, data and statistics may be approximations or estimates or may use rounded numbers. Moreover, official data published by Kazakhstan governmental or regional agencies may be substantially less complete or researched than those of more developed countries. Further, official statistics, including those produced by the NBK and the NSA, may be produced on a different basis from those used in more developed countries. Any discussion of matters relating to Kazakhstan in this Prospectus is, therefore, subject to uncertainty due to concerns about the completeness or reliability of available official and public information. Where information has been sourced from a third party, this information has been accurately reproduced in this Prospectus and, as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information presented in this Prospectus inaccurate or misleading.

FORWARD-LOOKING STATEMENTS

Certain statements included herein may constitute forward-looking statements that involve a number of risks and uncertainties. Such forward-looking statements can be identified by the use of forward-looking terminology such as "estimates", "believes", "expects", "may", "are expected to", "intends", "will", "will continue", "should", "would be", "seeks", "approximately" or "anticipates" or similar expressions or the negative thereof or other variations thereof or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the Company's intentions, beliefs or current expectations concerning, amongst other things, the Company's results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which it operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

Forward-looking statements are not guarantees of future performance and the Company's actual results of operations, financial condition and liquidity, and the development of the industry in which it operates, may differ materially from those made in or suggested by the forward-looking statements contained in this Prospectus. In addition, even if the Company's results of operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- overall economic and business conditions;
- demand for the Company's services;
- competition in the industry in which the Company operates;
- changes in regulation and policies regarding the telecommunications sector in Kazakhstan;
- changes in tax law, including changes in tax rates;
- interest rate fluctuations and conditions in the capital markets;
- exchange rate fluctuations;
- economic and political conditions in Kazakhstan; and
- the Company's success at managing the risks associated with the aforementioned factors.

The sections of this Prospectus entitled "*Risk Factors*", "*Dividend Policy*", "*Selected Historical Consolidated Financial and Operating Data*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Industry*", "*Business*" and "*Telecommunications Regulation in Kazakhstan*" contain a more complete discussion of the factors that could affect the Company's future performance and the industry in which it operates. In light of these risks, uncertainties and assumptions, any forward-looking events described in this Prospectus may not occur.

The Company does not undertake any obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Company or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus. Notwithstanding the foregoing, the Company will adhere to its obligations as a Company with securities admitted to the Official List.

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SUMMARY

Summaries are made up of disclosure requirements known as 'Elements'. These Elements are numbered in Sections A—E (A.1—E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of 'not applicable'.

Section A—Introduction and Warnings		
A.1	*Warning*	This summary should be read as an introduction to this Prospectus (the "**Prospectus**"); any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor; where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated; and civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	*Consent by the issuer or person responsible for drawing up the prospectus to the use of the prospectus for subsequent resale or final placement of securities by financial intermediaries*	Not applicable. Kcell Joint Stock Company (the "**Company**") has not consented to the use of the Prospectus for subsequent resale or final placement of securities by financial intermediaries.

Section B—Issuer		
B.31	*Information about the issuer of the underlying shares*	
B.31/B.1	*The legal and commercial name of the issuer*	The Company was incorporated in 1998 in the Republic of Kazakhstan ("**Kazakhstan**" or the "**Republic of Kazakhstan**") as a limited liability partnership. On 14 February 2012, the participants of "GSM Kazakhstan OAO "Kazakhtelecom" LLP resolved at a general meeting of participants to instruct the management of the partnership to initiate all necessary procedures in order to convert it into a joint stock company and name it Kcell Joint Stock Company.
B.31/B.2	*The domicile and legal form of the issuer, the legislation under which the issuer operates and its country of incorporation*	The Company was registered with the Department of Justice of the Ministry of Justice of the Republic of Kazakhstan for Almaty (the "**Department of Justice**") as a joint stock company on 27 August 2012. The Company is incorporated under the Law of the Republic of Kazakhstan "On Joint Stock Companies" dated 13 May 2003, no. 415-II (the "**JSC Law**") with registered number 1201-1910-06-AO(IU).

		The Company's registered office is at building 100, Samal-2 Microdistrict, Almaty 050051, Kazakhstan. The Company's headquarters are located in Almaty and its principal place of business is located at 2G, Timiryazev street, Almaty 050013, Kazakhstan. The telephone number of the Company's principal place of business is +7 727 258 2755.
B.31/B.3	***A description of, and key factors relating to, the nature of the issuer's current operations and its principal activities, stating the main categories of products sold and/or services performed and identification of the principal markets in which the issuer competes***	The Company is the leading provider of mobile telecommunications services in Kazakhstan by market share in terms of revenue and subscribers. The Company had approximately 12.7 million subscribers as at 30 September 2012. As at that date, the Company's market share was 47.7%, as estimated by the Company based on the 1-month activity rule (the Company defines active subscribers as subscribers that generated revenue in the preceding one-month period). Its market share in terms of revenue was 57.0% for the year ended 31 December 2011, based on revenue reported by each operator. The Company 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. The Company has two brands: the Kcell brand, which is targeted primarily at corporate subscribers (including government subscribers) and high net worth individuals 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.
B.31/B.4a	***A description of the most significant recent trends affecting the issuer and the industries in which it operates***	***Macroeconomic conditions in Kazakhstan*** The Company believes that its results of operations have been and will continue to be influenced by macroeconomic conditions in Kazakhstan. In general, favourable economic conditions contribute to growth in revenue, while adverse economic conditions have a negative effect on revenue. ***Pricing and usage*** The Company's pricing policies have affected, and are expected to continue to affect, its results of operations. Kazakhstan's telecommunications market is characterised by high price sensitivity. When an operator reduces its tariffs, the reduction generally stimulates the use of its services by its existing subscribers. Reductions in tariffs also tend to have an impact on subscriber acquisitions, particularly because many subscribers in Kazakhstan own two or more subscriber identification module cards ("**SIM cards**") and readily switch between these SIM cards in order to benefit from the most cost effective tariffs. ***Competition*** The Kazakhstan mobile telecommunications market is characterised by high penetration and intense and growing competition. As at 30 September 2012, mobile voice penetration (which is defined as the number of registered SIM cards divided by the total population) was 158%, based on the Company's calculations using the 6-month activity rule

		(the Company defines registered subscribers as subscribers that generated revenue in the preceding six-month period) and the Economist Intelligence Unit (the "**EIU**") estimates for population. Penetration was higher than 100% as at that date due to the fact that many subscribers in Kazakhstan own two or more SIM cards of different mobile operators. ***Data services*** Data services represent an increasingly important revenue stream for the Company with significant growth potential. Although mobile data services penetration (which is defined as the number of data services users divided by the total population) in Kazakhstan has increased between 2009 and 2011, the Company believes that it remains substantially below that of more developed markets (such as the United States of America or Western Europe). ***Regulation*** The Company believes that its results of operations have been, and will continue to be, affected by the telecommunications regulatory environment in Kazakhstan. The Company's operations are subject to regulation by the Ministry of Transport and Communications of the Republic of Kazakhstan (the "**MTC**", which includes, where applicable, its predecessor, the Ministry of Communications and Information and, where applicable, its predecessor, the Agency of the Republic of Kazakhstan for Informatisation and Communications), the Agency of the Republic of Kazakhstan for Protection of Competition (Antimonopoly Agency) (the "**Competition Agency**") and certain other government authorities. These regulatory authorities have in the past, and may in the future, introduce regulations that are adverse to the Company's interests.
B.31/B.4b	***A description of any known trends affecting the issuer and the industries in which it operates***	***Macroeconomic conditions in Kazakhstan*** The Company believes that its results of operations have been and will continue to be influenced by macroeconomic conditions in Kazakhstan. In general, favourable economic conditions contribute to growth in revenue, while adverse economic conditions have a negative effect on revenue. ***Pricing and usage*** The Company's pricing policies have affected, and are expected to continue to affect, its results of operations. Kazakhstan's telecommunications market is characterised by high price sensitivity. When an operator reduces its tariffs, the reduction generally stimulates the use of its services by its existing subscribers. Reductions in tariffs also tend to have an impact on subscriber acquisitions, particularly because many subscribers in Kazakhstan own two or more SIM cards and readily switch between these SIM cards in order to benefit from the most cost effective tariffs. ***Competition*** The Kazakhstan mobile telecommunications market is characterised by high penetration and intense and growing competition. As at 30 September 2012, mobile voice

		penetration (which is defined as the number of registered SIM cards divided by the total population) was 158%, based on the Company's calculations using the 6-month activity rule and the EIU estimates for population. Penetration was higher than 100% as at that date due to the fact that many subscribers in Kazakhstan own two or more SIM cards of different mobile operators. ***Data services*** Data services represent an increasingly important revenue stream for the Company with significant growth potential. Although mobile data services penetration (which is defined as the number of data services users divided by the total population) in Kazakhstan has increased between 2009 and 2011, the Company believes that it remains substantially below that of more developed markets (such as the United States of America or Western Europe). ***Regulation*** The Company believes that its results of operations have been, and will continue to be, affected by the telecommunications regulatory environment in Kazakhstan. The Company's operations are subject to regulation by the MTC, the Competition Agency and certain other government authorities. These regulatory authorities have in the past, and may in the future, introduce regulations that are adverse to the Company's interests.
B.31/B.5	***If the issuer is part of a group, a description of the group and the issuer's position within the group***	The Company acquired two dormant companies: KT-Telecom LLP, a limited liability partnership incorporated in Kazakhstan ("**KT-Telecom**"), in 2008 and AR-Telecom LLP, a limited liability partnership incorporated in Kazakhstan ("**AR-Telecom**"), in 2007. As at the date of this Prospectus, the Company holds 100% of the participating interests in the charter capital of each of KT-Telecom and AR-Telecom. The purpose of these acquisitions was to obtain permits for the use of radio frequencies providing for the right to organise wireless radio-access networks and data transfer services in the territory of Kazakhstan.
B.31/B.6	***In so far as is known to the issuer, the name of any person who, directly or indirectly, has an interest in the issuer's capital or voting rights which is notifiable under the issuer's national law, together with the amount of each such person's interest. Whether the issuer's major shareholders have different voting rights if any. To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control***	The Prospectus relates to an offering by Sonera Holding B.V. (the "**Selling Shareholder**" or "**Sonera**") of 45,123,528 common shares (the "**Shares**") of the Company in the form of global depositary receipts (the "**GDRs**"), each global depositary receipt representing one common share (the "**Global Offer**"). In addition, Sonera is offering 4,876,472 common shares in a domestic offering (the "**Domestic Offer**") through JSC "Kazakhstan Stock Exchange" (the "**KASE**"). The Global Offer and the Domestic Offer are collectively referred to herein as the "**Offering**".

		As at the date of the Prospectus, the shareholders of the Company were as follows: **Shareholder** / **Number of common shares** / **%[1]** Fintur Holdings B.V. (“**Fintur**”)[2] . . . . . . 102,000,000 51 Sonera[3] . . . . 98,000,000 49 **Total** . . . . **200,000,000** **100** **Notes:** (1) Percentage shareholding of common shares. (2) Owned (indirectly through Sonera and TeliaSonera Finland Oyj) 58.55% by TeliaSonera AB and owned 41.45% by Turkcell İletişim Hizmetleri A.Ş (“**Turkcell**”). TeliaSonera AB owns 14.02% of the share capital of Turkcell (which holding includes publicly traded American depositary receipts and ordinary shares) and 47.09% of the share capital of Turkcell Holding A.Ş. (“**Turkcell Holding**”). Turkcell Holding owns 51% of Turkcell. TeliaSonera AB’s shareholdings in Turkcell and Turkcell Holding are held through Sonera and TeliaSonera Finland Oyj. (3) Wholly owned (indirectly through TeliaSonera Finland Oyj) by TeliaSonera AB. Under the JSC Law and the current charter of the Company adopted by the general meeting of participants of the Company on 1 July 2012, which became effective upon its registration with the Department of Justice on 27 August 2012 (the “**Charter**”), each of Fintur and Sonera will have an interest above the 10% threshold (representing a percentage of the total number of voting shares in the Company), which is notifiable to the Company together with information about the shareholders’ affiliates. Following the Offering (assuming that the Put Option (as defined below) is not exercised), Fintur and Sonera will collectively own 75% of the Company’s share capital (Fintur and Sonera will own 51% and 24% of the Company’s share capital, respectively) and will continue to control the Company, such as through electing members of the board of directors of the Company, declaring dividends (if any) and amending the Charter, and will have control over almost all of the decisions reserved to the competence of a general meeting of shareholders of the Company. In addition, the controlling shareholders may engage in business activities with entities that compete with the Company or which may involve increased risk for the GDR holders. None of the Company’s controlling shareholders has any voting rights different from any other holders of the Company’s shares.
B.31/B.7	***Selected historical key financial information regarding the issuer, presented for each financial year of the period covered by the historical financial information, and any subsequent interim financial period accompanied by comparative data from the same period in the prior***	The Company’s revenue increased by 26,298 million Kazakhstan tenge (“**KZT**” or “**Kazakhstan Tenge**”) to KZT 178,786 million for the year ended 31 December 2011 from KZT 152,488 million for the year ended 31 December 2010 primarily due to the growth in revenue from voice services, data services and other revenue. The Company’s revenue increased by KZT 22,136 million in 2010 from revenue of KZT 130,352 million for the year ended 31 December 2009. The increase in revenue in 2010 was primarily attributable to the growth in revenue from data services and voice services.

	financial year except that the requirement for comparative balance sheet information is satisfied by presenting the year end balance sheet information. This should be accompanied by a narrative description of significant change to the issuer's financial condition and operating results during or subsequent to the period covered by the historical key financial information	The Company's revenue increased by KZT 1,472 million to KZT 133,104 million for the nine months ended 30 September 2012 from KZT 131,632 million for the nine months ended 30 September 2011. The increase was primarily due to the 22.8% increase in revenue from data services. Revenue from voice services decreased slightly and revenue from value-added services increased slightly. Cost of sales increased by KZT 11,599 million to KZT 69,955 million in 2011 from KZT 58,356 million in 2010. The increase in cost of sales in 2011 was primarily attributable to an increase in interconnect fees and expenses, cost of SIM card, scratch card, start package sales and handsets, frequency usage charges as well as amortisation and depreciation. Cost of sales increased by KZT 4,640 million to KZT 58,356 million in 2010 from KZT 53,716 million in 2009. The increase in cost of sales in 2010 was attributable primarily to an increase in the Company's interconnect fees and expenses, transmission rent and amortisation and depreciation. The Company's cost of sales increased by KZT 6,793 million to KZT 55,604 million for the nine months ended 30 September 2012 from KZT 48,811 million for the nine months ended 30 September 2011. The increase was primarily attributable to an increase in interconnect fees and expenses from KZT 13,842 million for the nine months ended 30 September 2011 to KZT 20,110 million for the nine months ended 30 September 2012 (which was attributable to an increase in voice traffic). Other than as stated immediately below, there has been no significant change in the financial or trading position of the Company since 30 September 2012. On 26 September 2012, the Company signed a term loan facility agreement with, among other entities, JSC Citibank Kazakhstan and JSC SB RBS Kazakhstan for a loan in the amount of KZT 30 billion with a fixed interest rate of 4.60% per annum, a one-off transaction fee of 1% of the loan amount and a maturity of twelve months, with a possible extension of up to an additional twelve months, subject to further consent of the lenders. As at the date of the Prospectus, the KZT 30 billion facility was fully drawn. On 17 October 2012, the Company signed a term loan facility agreement with, among other entities, JSC Citibank Kazakhstan and JSC SB RBS Kazakhstan for a loan in the amount of KZT 15 billion with a fixed interest rate of 3.85% per annum, a one-off transaction fee of 1% of the loan amount and a maturity date of 26 September 2013, with a possible extension of up to an additional twelve months, subject to further consent of the lenders. The KZT 15 billion facility is guaranteed by TeliaSonera AB. The Company is subject to the payment of an annual fee in the amount of up to KZT 112.5 million per annum to TeliaSonera AB for its provision of the guarantee in respect of the KZT 15 billion facility. As at the date of the Prospectus, the KZT 15 billion facility was fully drawn. The Company's selected historical financial information as at and for the years ended 31 December 2011, 31 December 2010 and 31 December 2009 presented below has been extracted without material adjustment from the audited consolidated financial statements as at and for the three years ended 31 December 2011, 31 December 2010 and 31 December 2009 prepared in accordance with International

Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board. The Company's selected historical financial information as at and for the nine months ended 30 September 2012 and 30 September 2011 presented below has been extracted without material adjustment from the unaudited interim consolidated financial statements as at and for the nine months ended 30 September 2012 with 2011 comparatives prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Selected consolidated statement of comprehensive income data

	Nine months ended 30 September		Year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
	(KZT million)				
Revenue	**133,104**	**131,632**	**178,786**	**152,488**	**130,352**
Cost of sales	(55,604)	(48,811)	(69,955)	(58,356)	(53,716)
Gross profit	**77,500**	**82,821**	**108,831**	**94,132**	**76,636**
Selling and marketing expenses	(12,108)	(13,079)	(15,763)	(16,167)	(14,336)
General and administrative expenses	(8,083)	(7,660)	(9,943)	(9,741)	(8,445)
Other operating income	372	24	157	252	141
Other operating expenses	(83)	(124)	(384)	(122)	(218)
Operating profit	**57,598**	**61,982**	**82,898**	**68,354**	**53,778**
Finance income	104	663	726	428	51
Finance expense	(19)	—	—	—	—
Profit before income tax	**57,683**	**62,645**	**83,624**	**68,782**	**53,829**
Income tax expense	(11,611)	(12,385)	(16,766)	(14,014)	(10,632)
Profit for the period	**46,072**	**50,260**	**66,858**	**54,768**	**43,197**

Selected consolidated statement of financial position data

	As at 30 September	As at 31 December		
	2012	**2011**	**2010**	**2009**
	(KZT million)			
Cash and cash equivalents	1,077	1,353	5,245	1,534
Total current assets	18,105	19,418	16,589	15,172
Total non-current assets	128,962	125,565	121,807	114,342
Total assets	147,067	144,983	138,396	129,514
Total liabilities	96,619	24,731	27,002	31,288
Total equity	50,448	120,252	111,394	98,226

Selected consolidated statement of cash flow data

	Nine months ended 30 September		Year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
	(KZT million)				
Net cash from operating activities	62,699	62,473	81,413	84,396	55,137
Net cash used in investing activities	(19,857)	(19,786)	(27,304)	(28,279)	(25,742)
Net cash used in financing activities	(43,117)	(21,000)	(58,000)	(52,406)	(29,570)

B.31/B.9	***Where a profit forecast or estimate is made, state the figure***	Not applicable. The Prospectus does not include a profit forecast or estimate by the Company.
B.31/B.10	***A description of the nature of any qualifications in the audit report on the historical financial information***	Not applicable. The Company's audited consolidated financial statements as at and for the three years ended 31 December 2011, 2010 and 2009 prepared in accordance with IFRS have been audited by PricewaterhouseCoopers LLP, independent auditors, as stated in their audit report appearing herein (the "**Independent Auditor's Report**"). The Independent Auditor's Report was not qualified by PricewaterhouseCoopers LLP.

B.31/D.4	*Key information on the key risks that are specific to the issuer*	***Risks Relating to the Company's Business*** • The Company's future growth in revenue and profit is dependent on growth in the market for mobile telecommunications services in Kazakhstan, which has slowed during the past several years. If growth in the number of subscribers or growth in spending by subscribers continues to slow, growth in the Company's revenue and profit could decline or its revenue and profit could decrease. • The Company faces significant competition, and the Company believes that competition will continue to grow. Increasing competition in the Kazakhstan mobile telecommunications market, whether as a result of the actions of other operators or changes in the regulatory regime, may result in pressure on the Company's tariffs, increased churn and loss of market share, any of which could have a material adverse effect on the Company's business, financial condition and results of operations. • The mobile telecommunications market is characterised by the frequent development of product offerings and advances in network and handset technologies. If the Company fails to develop and introduce new products or services, or if the Company's competitors introduce such products or services before it does, the Company could experience higher than expected churn, fail to attract new subscribers, fail to increase or maintain average revenue per user or incur substantial costs in order to maintain or expand its subscriber base, any of which could have a material adverse effect on its business, financial condition and results of operations. • The Company is able to provide services only to the extent that it can protect its networks and systems against damage from events such as telecommunications failures, power failures, security breaches, natural disasters or terrorist attacks. As the Company depends on the reliability of its networks, any damage to its networks or a system failure could result in a loss of subscribers, reduced revenue or unanticipated capital expenditure and operating expenses. • The Company requires substantial capital to build, expand, maintain, upgrade and operate its networks. To the extent the Company is unable to fund its capital expenditure requirements with cash flow from operations, it will be required to seek external sources of funding, which may not be available on attractive terms or at all. If for any reason adequate funding is not available when required, the Company may need to limit its plans for the expansion of its network, which could have a material adverse effect on its business, financial condition and results of operations. • The Company utilises two billing systems in its operations which have been developed, installed and maintained by two different vendors. If the Company fails to receive the quality of software maintenance

services that it requires from either of the two vendors, or if either of the vendors discontinues the provision of its maintenance services or terminates the licence to use its software, the Company may experience difficulty in replacing either of the systems on a timely basis without significant interruption to its services. If the Company's ability to use the software for its billing systems is compromised, its subscribers may be dissatisfied and may elect to use the services of other operators, which could have a material adverse effect on the Company's business, financial condition and results of operations.

- The Company's ability to maintain its competitive position and to implement its business strategy depends to a significant degree on the services of the senior management team and other key personnel. The loss or decline in the services of members of the senior management team or an inability to attract, retain and motivate qualified key personnel could have a material adverse effect on the Company's business, financial condition and results of operations.
- The Company is involved in various claims and legal actions with governmental authorities in Kazakhstan, including the Competition Agency and certain other parties arising in the ordinary course of its business. No assurance can be given that the Company will not experience actual losses in connection with these legal actions or that new disputes will not arise, which could have a material effect on its results of operations.
- There is a risk that certain matters requiring the approval of the Company's shareholders may not receive the support of Fintur, the Company's majority shareholder, by virtue of the current deadlock within Turkcell, Fintur's minority shareholder. This deadlock could delay and/or prevent Fintur from voting its shares in the Company at general meetings of the Company or, in certain circumstances, result in the Company not being able to satisfy shareholder quorum requirements under Kazakhstan law. Such a delay in obtaining, or failure to obtain, any such shareholder approvals could prevent the Company from taking certain corporate actions which could adversely affect the Company's business and operations or negatively impact the interests of other shareholders or holders of the GDRs.

Risks Relating to Regulatory Matters

- The Company holds one general licence for the operation of its business, which is valid for an indefinite term. The Company is subject to licensing control by the MTC, which is entitled to suspend the general licence held by the Company for violation of licensing laws and regulations. The Company is also required to obtain permits for the use of the radio frequencies it requires to provide its services, which are subject to annual extension. In addition, the capacity of the Company's networks is limited by the amount of frequency spectrum allocated to it. If the Company is unable to maintain

		the general licence, obtain and/or maintain radio frequency permits necessary to operate its business, and/or maintain frequency spectrum necessary for the services it wishes to offer, its business, financial condition and results of operations could be materially adversely affected. • The Company's tariffs are subject to regulation by the MTC, which sets maximum tariffs for on-net and off-net calls and data services. Furthermore, the MTC is also entitled to set maximum interconnection tariffs for operators found to have a dominant market position in telecommunications markets. The Company appealed the judgment that required its tariffs for interconnection services to be regulated by the MTC due to its dominant market position. However, if the Company does not prevail on appeal, its tariffs for interconnection services will become subject to regulation by the MTC, which could reduce the Company's interconnection tariffs, while interconnection tariffs of other mobile operators that are not deemed to have a dominant market position would remain unregulated. This could result in a *de facto* asymmetric interconnection regime which would have an adverse effect on the Company's interconnection revenues. Moreover, there can be no assurance that any reduction in tariffs will allow the Company to fully recover its costs and if it is unable to do so, its business, financial condition and results of operations could be materially adversely affected. • In addition to being subject to tariff regulation by the MTC and the Competition Agency, the Competition Agency may undertake investigations or initiate lawsuits against the Company and penalise an entity it has found to have engaged in anti-competitive activities by imposing a fine or seeking confiscation of any income generated as a result of anti-competitive activities. Political considerations may influence the decisions of the MTC and the Competition Agency, since these agencies are not fully independent from other branches of the Kazakhstan government (the "**Government**" or the "**Government of Kazakhstan**") and their personnel may be dismissed by the President of Kazakhstan at will. As a result, the MTC and the Competition Agency may impose fines on the Company or enforce regulations in an unpredictable or arbitrary manner. The Competition Agency initiated administrative actions against the Company in which it contended that the Company violated antimonopoly law and that the Company had abused its dominant market position. Moreover, there can be no assurance that the Competition Agency will not initiate further actions against the Company in the future. If the Company becomes subject to penalties as a result of the aforementioned legal proceedings or otherwise, its business, financial condition and results of operations could be materially adversely affected.

B.32	***Information about the issuer depositary receipts. Name and registered office of the issuer of the depositary receipts. Legislation under which the issuer of the depositary receipts operates and legal form which it has adopted under the legislation***	The Company and Deutsche Bank Trust Company Americas (the "**Depositary**") entered into a deposit agreement dated 23 October 2012 for the issuance of GDRs (the "**Deposit Agreement**"). The Depositary is Deutsche Bank Trust Company Americas, a state registered New York banking corporation and a member of the United States Federal Reserve System, subject to regulation and supervision principally by the United States Federal Reserve Board and the New York State Banking Department. The Depositary was incorporated on 5 March 1903 as a bank with limited liability in the State of New York and operates under the laws of New York and is an indirect wholly owned subsidiary of Deutsche Bank AG. The Depositary is subject to regulation and supervision by the New York State Banking Department, the Federal Reserve Board and the Federal Deposit Insurance Corporation. The registered office of the Depositary is located at 60 Wall Street, New York, New York 10005.

Section C—Securities		
C.13	***Information about the underlying shares***	
C.13/C.1	***A description of the type and the class of the securities being offered and/or admitted to trading, including any security identification number***	The Shares are registered under the national identification number KZ1C59150017, ISIN KZ1C00000876 and the classification of financial instruments code ESVUFR.
C.13/C.2	***Currency of the securities issue***	The currency of the Shares is Kazakhstan Tenge.
C.13/C.3	***The number of shares issued and fully paid and issued but not fully paid. The par value per share, or that the shares have not par value***	The authorised share capital of the Company is KZT 33,800,000,000, divided into 200,000,000 common shares, each with a par value of KZT 169.00. As at the date of this Prospectus, the number of issued and outstanding common shares was 200,000,000. As at the date of this Prospectus all issued and outstanding common shares were fully paid.
C.13/C.4	***A description of the rights attached to the securities***	A holder of common shares has the right: • to participate in the management of a joint stock company in the manner provided for under the JSC Law and/or the charter of the joint stock company; • to receive dividends; • to familiarise himself with the financial statements of the joint stock company and to receive information on its activities using the procedure established at the general meeting of shareholders or in the charter of the joint stock company; • to receive extracts from the joint stock company's registrar or, if appropriate, a nominal holder, confirming the shareholder's ownership right to the securities; • to propose to a general meeting of shareholders candidates for election to the board of directors; • to contest in court the resolutions adopted by the bodies of the joint stock company;

		• if such shareholder or a group of shareholders holds 5% or more of the voting shares of the joint stock company, to file a claim with the court seeking compensation in favour of the joint stock company for losses caused by the joint stock company's officials as well as a return to the joint stock company, by the officials and/or their affiliates, of the profit (income) received by them as a result of adopting a resolution that proposes the conclusion of major transactions and/or interested party transactions; • to file with the joint stock company written requests for information regarding its activities and to receive a response from the joint stock company within 30 calendar days of the date of the filing of such request; • to receive part of the joint stock company's property in the event of the joint stock company's liquidation; and • of pre-emption in relation to the purchase of shares or other securities convertible into shares of the joint stock company in the manner established under the JSC Law. In addition to the above, a major shareholder being any shareholder or group of shareholders representing not less than 10% of the voting shares (individually or collectively, as applicable) (a "**Major Shareholder**") has the right: • to request the convening of an extraordinary general meeting of shareholders, or to file a claim with the court seeking the same where the board of directors refuse to convene a general meeting of shareholders; • to propose additional questions to the board of directors for inclusion on the agenda of a general meeting of shareholders; • to request to call a meeting of the board of directors of the joint stock company; and • to request that an audit of the joint stock company be performed at the expense of the relevant Major Shareholder.
C.13/C.5	***A description of any restrictions on the free transferability of the securities***	The Shares of the Company which are being sold by the Selling Shareholder in the Global Offer which the GDRs will represent are freely transferable subject to selling and transfer restrictions under the relevant laws in certain jurisdictions applicable to the transferor or transferee, including the United States, the United Kingdom, the European Economic Area and Kazakhstan, and contractual lock-ups for certain shareholders and the Company.
C.13/C.6	***An indication as to whether the securities offered are or will be the object of an application for admission to trading on a regulated market and the identity of all the regulated markets where the securities are or are to be traded***	On 19 October 2012, application was made to the KASE for all common shares, issued and to be issued, to be admitted to the first category of the official list of the KASE. The common shares of the Company were admitted to the first category of the official list of the KASE on 29 November 2012. It is expected that the admission of the common shares of the Company to trading on the KASE will occur on 13 December 2012.

C.13/C.7	***A description of the dividend policy***	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. On 17 October 2012, the general meeting of shareholders of the Company approved the Company's dividend policy, which forms part of the corporate governance code of the Company approved on 17 October 2012 (the "**Corporate Governance Code**") and will apply to dividends to be declared by the Company after the declaration of the special dividend as described above. Net income of the Company shall be allocated in accordance with a relevant decision of the general meeting of shareholders for payment of dividends, based on the Company's development or other goals and a long-term targeted net debt to EBITDA ratio in the range of 0.5–0.9. Unless the Company's shareholders decide otherwise, annual dividends on common shares of the Company shall be at least 70% of the net income of the Company 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 intends to pay dividends annually in respect of the previous financial year, as resolved by the Company's general shareholders' meeting. Accordingly, the first ordinary dividend of the Company is intended to be declared and paid in, and to shareholders of the Company as at a record date to be set within, the second quarter of the financial year ending 31 December 2014 in respect of the financial year 1 January 2013 to 31 December 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.
C.14	***Information about the global depositary receipts***	
C.14/C.1	***A description of the type and the class of the securities being offered and/or admitted to trading, including any security identification number***	The Prospectus relates to the Global Offer, an offering by the Selling Shareholder of 40,123,528 Shares of the Company in the form of GDRs, each global depositary receipt representing one common share at an offer price (the "**Offer Price**") of U.S.$10.50 per global depositary receipt. In connection with the Global Offer, the Selling Shareholder will sell 5,000,000 additional global depositary receipts (the "**Put Option GDRs**") to Credit Suisse Securities (Europe)

		Limited, UBS Limited, JSC "Visor Capital", Renaissance Securities (Cyprus) Limited and JSC "Halyk Finance" (together, the "**Underwriters**") at the Offer Price for the purpose of conducting stabilisation activities in the global depositary receipts. In connection with the sale of the Put Option GDRs, the Selling Shareholder has granted the Underwriters a put option (the "**Put Option**"), exercisable for a period of up to 30 calendar days from the commencement of conditional dealings on the London Stock Exchange plc (the "**London Stock Exchange**"), to sell to the Selling Shareholder any global depositary receipts which have been purchased in the market as a result of stabilisation activities. The security code numbers and trading symbols of the GDRs are as follows: Rule 144A GDR Common Code: .... 085262025 Rule 144A GDR ISIN: .... US48668G1067 Rule 144A GDR CUSIP: .... 48668G 106 Rule 144A GDR SEDOL:............. B8KDTN0 Regulation S GDR Common Code: ...... 085262017 Regulation S GDR ISIN: .... US48668G2057 Regulation S GDR CUSIP:............ 48668G 205 Regulation S GDR SEDOL: .... B7W5LY2 London Stock Exchange GDR trading symbol: .... KCEL
C.14/C.2	***Currency of the securities issue***	The GDRs are issued in U.S. dollars.
C.14/C.4	***A description of the rights attached to the securities***	Pursuant to the Deposit Agreement and terms and conditions for the issuance of the GDRs, Holders of GDRs ("**Holder**" is defined as a person or persons recorded in the register as holder for the time being of a GDR) will be entitled to payments of cash dividends and other amounts (including cash distributions) in relation to the GDRs which will be made by the Depositary through The Depository Trust Company ("**DTC**"), Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"), as the case may be, on behalf of persons entitled thereto, upon receipt of funds therefor from the Company, net of the Depositary's fees, taxes, duties and charges. A free distribution or rights issue of Shares to the Depositary on behalf of the Holders will result in the record maintained by the Depositary being marked up to reflect the enlarged number of GDRs represented by a master Rule 144A global depositary receipt or a master Regulation S global depositary receipt. Holders of GDRs will be entitled to receive copies of Company notices and certain information and reports on the Company. Holders will have voting rights with respect to the Shares deposited with the Depositary, subject to and in accordance with any applicable Kazakhstan law.
C.14/C.5	***A description of any restrictions on the free transferability of the securities***	Upon admission of global depositary receipts pursuant to this Prospectus to the official list of the Financial Services Authority and to unconditional trading on the London Stock Exchange (collectively, the "**Admission**"), the GDRs will be freely transferable, subject to the clearing and settlement

		rules of DTC (in the case of the GDRs issued in reliance on Rule 144A of the U.S. Securities Act of 1933, as amended (the "**Securities Act**")) and Euroclear and Clearstream, Luxembourg (in the case of the GDRs issued in reliance on Regulation S of the Securities Act), as applicable, and subject to selling and transfer restrictions under the relevant laws in certain jurisdictions applicable to the transferor or transferee, including the United States, the United Kingdom, the European Economic Area and Kazakhstan, contractual lock-ups for certain shareholders and the Company and the terms and conditions of the GDRs. Each purchaser of GDRs within the United States in reliance on Rule 144A of the Securities Act, by accepting delivery of this Prospectus, will be deemed to make certain representations to ensure compliance with the applicable securities laws of the United States. Each purchaser of GDRs offered in reliance on Regulation S of the Securities Act, by accepting delivery of this Prospectus, will be deemed to make certain representations to ensure compliance with the applicable securities laws of the United States.
C.14	***Describe the exercise of and benefit from the rights attaching to the underlying shares, in particular voting rights, the conditions on which the issuer of the depositary receipts may exercise such rights, and measures envisaged to obtain the instructions of the depositary receipt holders—and the right to share in profits and any liquidations surplus which are not passed on to the holder of the depositary receipt. Description of the bank or other guarantee attached to the depositary receipt and intended to underwrite the issuer's obligations***	Payments of cash dividends and other amounts (including cash distributions) in relation to the GDRs will be made by the Depositary through DTC, Euroclear and Clearstream, Luxembourg, as the case may be, on behalf of persons entitled thereto, upon receipt of funds therefor from the Company, net of the Depositary's fees, taxes, duties and charges. GDR Holders will have voting rights with respect to the Share certificates in respect of certain Shares (the "**Deposited Shares**") and all rights, securities, property and cash deposited with the SB "HSBC Bank Kazakhstan" JSC (the "**Custodian**") which are attributable to the Deposited Shares (together with the Deposited Shares, the "**Deposited Property**"), subject to and in accordance with any applicable Kazakhstan law. The Company has agreed to notify the Depositary of any resolution to be proposed at a general meeting of shareholders of the Company. As soon as practicable after receipt of notice of any general meeting of shareholders of the Company, the Depositary shall, subject to certain conditions, mail to the Holders a notice in such form as the Depositary may in its sole discretion consider appropriate, which shall contain (a) such information as is contained in such notice of meeting; (b) a statement that such Holder at the close of business on a specified record date will be entitled, subject to any applicable provision of Kazakhstan law and the Charter, to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the amount of Shares or other Deposited Property represented by their respective GDRs; and (c) details as to the manner in which such instructions may be given (or deemed to be given). In respect of any proposed resolution: (a) if the vote in respect of such resolution is on a show of hands, the Depositary shall vote in the direction that a majority (if any) of those Holders that have submitted

valid voting requests in writing to the Depositary (for the avoidance of doubt, disregarding for this purpose any Holders that have not submitted any voting instructions), have requested the Depositary to vote; or

(b) if the vote in respect of such resolution is on the basis of a poll, the Depositary shall endeavour, in so far as practicable, to vote or cause to be voted, in respect of each written request of a Holder on such record date, the amount of Shares represented by the GDR or GDRs of the respective Holder in accordance with the instructions set forth in such request.

In order for each voting instruction to be valid, the voting instructions form must be completed and duly signed by the respective Holder and returned to the Depositary by such date as specified by the Depositary. In such voting instruction, each Holder will be required to disclose to the Company, JSC "Central Securities Depositary", the Committee of the National Bank of Kazakhstan on Control and Supervision of the Financial Market and Financial Organisations and any successor Kazakhstan state agency or other relevant Kazakhstan state authority in the manner required under Kazakhstan law the identity of the ultimate beneficial owner of the relevant GDRs wishing to exercise voting rights at the relevant meeting. If, for whatever reason, the Depositary has not by the date specified by the Depositary received instructions from any Holder to vote in respect of any resolution or the instructions fail to specify how the Depositary should vote, or if the Depositary determines that it is not permitted by applicable law to vote the Deposited Shares represented by the GDR or GDRs of the respective Holder at the relevant shareholders' meeting, the Depositary shall not exercise voting rights in relation to such Deposited Shares and such voting rights shall lapse.

Whenever the Depositary shall receive from the Company any cash dividend or other cash distribution on or in respect of the Deposited Shares (including any amounts received in the liquidation of the Company) or otherwise in connection with the Deposited Property, the Depositary, its agent or the Custodian shall as soon as practicable convert the same into United States dollars. The Depositary shall, if practicable in the opinion of the Depositary, give notice to the Holders of its receipt of such payment, specifying the amount per Deposited Share payable in respect of such dividend or distribution and the date, determined by the Depositary, for such payment and shall as soon as practicable distribute any such amounts to the Holders in proportion to the number of Deposited Shares represented by the GDRs so held by them respectively, subject to the provisions of the Deposit Agreement.

If any distribution made by the Company with respect to the Deposited Property and received by the Depositary shall remain unclaimed at the end of 12 years from the first date upon which such distribution is made available to Holders in accordance with the Deposit Agreement, all rights of the Holders to such distribution or the proceeds of the sale thereof shall be extinguished and the Depositary shall (except

		for any distribution upon the liquidation of the Company, which remains unclaimed for such period as aforesaid, when the Depositary shall retain the same) deposit the same, in accordance with the procedure established by the applicable laws, with a public notary, bank or court in Kazakhstan (as may be appropriate under applicable laws) in satisfaction of its obligation to make the relevant distribution. No bank or other guarantee is attached to the GDRs.

Section D—Risks		
D.4	***Key information on the key risks that are specific to the issuer***	***Risks Relating to the Company's Business*** • The Company's future growth in revenue and profit is dependent on growth in the market for mobile telecommunications services in Kazakhstan, which has slowed during the past several years. If growth in the number of subscribers or growth in spending by subscribers continues to slow, growth in the Company's revenue and profit could decline or its revenue and profit could decrease. • The Company faces significant competition, and the Company believes that competition will continue to grow. Increasing competition in the Kazakhstan mobile telecommunications market, whether as a result of the actions of other operators or changes in the regulatory regime, may result in pressure on the Company's tariffs, increased churn and loss of market share, any of which could have a material adverse effect on the Company's business, financial condition and results of operations. • The mobile telecommunications market is characterised by the frequent development of product offerings and advances in network and handset technologies. If the Company fails to develop and introduce new products or services, or if the Company's competitors introduce such products or services before it does, the Company could experience higher than expected churn, fail to attract new subscribers, fail to increase or maintain average revenue per user or incur substantial costs in order to maintain or expand its subscriber base, any of which could have a material adverse effect on its business, financial condition and results of operations. • The Company is able to provide services only to the extent that it can protect its networks and systems against damage from events such as telecommunications failures, power failures, security breaches, natural disasters or terrorist attacks. As the Company depends on the reliability of its networks, any damage to its networks or a system failure could result in a loss of subscribers, reduced revenue or unanticipated capital expenditure and operating expenses. • The Company requires substantial capital to build, expand, maintain, upgrade and operate its networks. To the extent the Company is unable to fund its capital expenditure requirements with cash flow from

		operations, it will be required to seek external sources of funding, which may not be available on attractive terms or at all. If for any reason adequate funding is not available when required, the Company may need to limit its plans for the expansion of its network, which could have a material adverse effect on its business, financial condition and results of operations. • The Company utilises two billing systems in its operations which have been developed, installed and maintained by two different vendors. If the Company fails to receive the quality of software maintenance services that it requires from either of the two vendors, or if either of the vendors discontinues the provision of its maintenance services or terminates the licence to use its software, the Company may experience difficulty in replacing either of the systems on a timely basis without significant interruption to its services. If the Company's ability to use the software for its billing systems is compromised, its subscribers may be dissatisfied and may elect to use the services of other operators, which could have a material adverse effect on the Company's business, financial condition and results of operations. • The Company's ability to maintain its competitive position and to implement its business strategy depends to a significant degree on the services of the senior management team and other key personnel. The loss or decline in the services of members of the senior management team or an inability to attract, retain and motivate qualified key personnel could have a material adverse effect on the Company's business, financial condition and results of operations. • The Company is involved in various claims and legal actions with governmental authorities in Kazakhstan, including the Competition Agency and certain other parties arising in the ordinary course of its business. No assurance can be given that the Company will not experience actual losses in connection with these legal actions or that new disputes will not arise, which could have a material effect on its results of operations. • There is a risk that certain matters requiring the approval of the Company's shareholders may not receive the support of Fintur, the Company's majority shareholder, by virtue of the current deadlock within Turkcell, Fintur's minority shareholder. This deadlock could delay and/or prevent Fintur from voting its shares in the Company at general meetings of the Company or, in certain circumstances, result in the Company not being able to satisfy shareholder quorum requirements under Kazakhstan law. Such a delay in obtaining, or failure to obtain, any such shareholder approvals could prevent the Company from taking certain corporate actions which could adversely affect the Company's business and operations or negatively impact the interests of other shareholders or holders of the GDRs.

		Risks Relating to Regulatory Matters • The Company holds one general licence for the operation of its business, which is valid for an indefinite term. The Company is subject to licensing control by the MTC, which is entitled to suspend the general licence held by the Company for violation of licensing laws and regulations. The Company is also required to obtain permits for the use of the radio frequencies it requires to provide its services, which are subject to annual extension. In addition, the capacity of the Company's networks is limited by the amount of frequency spectrum allocated to it. If the Company is unable to maintain the general licence, obtain and/or maintain radio frequency permits necessary to operate its business, and/or maintain frequency spectrum necessary for the services it wishes to offer, its business, financial condition and results of operations could be materially adversely affected. • The Company's tariffs are subject to regulation by the MTC, which sets maximum tariffs for on-net and off-net calls and data services. Furthermore, the MTC is also entitled to set maximum interconnection tariffs for operators found to have a dominant market position in telecommunications markets. The Company appealed the judgment that required its tariffs for interconnection services to be regulated by the MTC due to its dominant market position. However, if the Company does not prevail on appeal, its tariffs for interconnection services will become subject to regulation by the MTC, which could reduce the Company's interconnection tariffs, while interconnection tariffs of other mobile operators that are not deemed to have a dominant market position would remain unregulated. This could result in a *de facto* asymmetric interconnection regime which would have an adverse effect on the Company's interconnection revenues. Moreover, there can be no assurance that any reduction in tariffs will allow the Company to fully recover its costs and if it is unable to do so, its business, financial condition and results of operations could be materially adversely affected. • In addition to being subject to tariff regulation by the MTC and the Competition Agency, the Competition Agency may undertake investigations or initiate lawsuits against the Company and penalise an entity it has found to have engaged in anti-competitive activities by imposing a fine or seeking confiscation of any income generated as a result of anti-competitive activities. Political considerations may influence the decisions of the MTC and the Competition Agency, since these agencies are not fully independent from other branches of the Government of Kazakhstan and their personnel may be dismissed by the President of Kazakhstan at will. As a result, the MTC and the Competition Agency may impose fines on the Company or enforce regulations in an unpredictable or arbitrary manner. The Competition

		Agency initiated administrative actions against the Company in which it contended that the Company violated antimonopoly law and that the Company had abused its dominant market position. Moreover, there can be no assurance that the Competition Agency will not initiate further actions against the Company in the future. If the Company becomes subject to penalties as a result of the aforementioned legal proceedings or otherwise, its business, financial condition and results of operations could be materially adversely affected.
D.5	***Key information on the key risks that are specific to the securities***	***Risks Relating to the Shares and the GDRs*** • In order to maintain eligibility for the admission of its common shares to the first category of the official list of the KASE, the Company is required to maintain a free float of at least 25% of its outstanding common shares from the date falling two years after the commencement of trading of its common shares on the KASE. To the extent this requirement is not met by that date, the KASE may terminate the Company's first category listing. If the Company's first category listing is terminated, a number of Kazakhstan institutional investors may be unwilling to continue to hold the Company's shares, which could result in a decline in the market price of the Shares and/or the GDRs. • Under Kazakhstan law, dividends payable on shares underlying GDRs are exempt from any tax payment, reporting or compliance requirements in Kazakhstan if they are admitted to the official list of the KASE at the time the relevant dividend is paid. Accordingly, if the Company's common shares are delisted from the official list of the KASE for any reason, dividends payable to the holders of GDRs may become subject to Kazakhstan withholding tax. • TeliaSonera AB, which owns directly and indirectly a majority stake in the Company, has recently been the subject of negative publicity. The Swedish prosecuting authorities have launched an investigation following media allegations of bribery and money laundering in relation to TeliaSonera AB's investment in Uzbekistan. There have been subsequent media allegations in relation to TeliaSonera AB's investment in Nepal. Regardless of the inaccuracy of, or lack of grounds for, any such negative publicity, and the absence of a relationship between such publicity and the Company's operations themselves, the negative publicity created by these and any subsequent allegations may adversely affect the price of the Shares or the GDRs. • Under Kazakhstan law, subject to certain exceptions, prior to the issue of any new shares or securities convertible into shares, the Company must offer all holders of existing shares pre-emptive rights that would allow them to maintain their existing ownership percentages. U.S. holders of GDRs may not be able to receive or exercise pre-emptive rights for new shares

		unless a registration statement under the Securities Act is effective with respect to such rights or an exemption is available. Similar restrictions may apply in other countries. • The global financial markets experienced disruptions leading to a reduction in liquidity between 2007 and 2009 and the disruption has continued since the first half of 2011 due to the sovereign debt crisis. Any such volatility in the global financial markets may have an adverse impact on the price of the Shares and the GDRs. • Investors are subject to currency fluctuation risk and convertibility risk since the shares are quoted in Kazakhstan Tenge on the KASE and the investors are required to pay for the GDRs in U.S. dollars. Dividends on the shares will also be paid in Kazakhstan Tenge, and then converted into U.S. dollars for distribution to GDR investors. Therefore, any devaluation or depreciation in the Kazakhstan Tenge could have an adverse effect on holders of the Shares or the GDRs. There can be no assurance that such devaluation or depreciation will not occur in the future.

Section E—Offer		
E.1	***The total net proceeds and an estimate of the total expenses of the issue/offer, including estimated expenses charged to the investor by the issuer or the offeror***	The Selling Shareholder will receive the net proceeds of the Offering, which will be approximately U.S.$505 million, assuming no exercise of the Put Option, or approximately U.S.$454 million, assuming that the Put Option is exercised in full (in each case assuming full payment of the discretionary fee to the Underwriters). The total commissions, fees and expenses payable by the Selling Shareholder in connection with the Offering will be approximately U.S.$20 million, assuming no exercise of the Put Option, or approximately U.S.$18 million, assuming that the Put Option is exercised in full (in each case assuming full payment of the discretionary fee to the Underwriters). The total fees and expenses payable by the Company in connection with the Offering will be approximately U.S.$4 million.
E.2a	***Reasons for the offer, use of proceeds, estimated net amount of the proceeds***	The Company will not receive any proceeds of the Offering. The Selling Shareholder will receive the net proceeds from the Offering. The Offering allows TeliaSonera AB to achieve its commercial objective of controlling (directly or indirectly) a 75% interest in the Company. It also allows TeliaSonera AB to support the efforts of the Government of Kazakhstan to promote broader share ownership in Kazakhstan and expand, and further develop, the Kazakhstan stock market. This is consistent with the understanding reached between TeliaSonera AB and the Government of Kazakhstan that TeliaSonera AB would seek to conduct an initial public offering (the "**IPO**") of the Company, subject to such IPO being on terms, including as to pricing and timing, acceptable to TeliaSonera AB.

E.3	***A description of the terms and conditions of the offer***	The Global Offer is conditional on Admission becoming effective and on an underwriting agreement entered into between the Company, the Selling Shareholder and the Underwriters dated 12 December 2012 (the "**Underwriting Agreement**") becoming unconditional and not having been terminated in accordance with its terms.
E.4	***A description of any interest that is material to the issue/ offer including conflicting interests***	The Selling Shareholder will pay underwriting commissions as well as certain expenses of the Offering. The Underwriters will receive a base commission of 2.2% of the gross proceeds of the Offering (which, for the avoidance of doubt, includes the gross proceeds of any Put Option GDRs). In addition, the Selling Shareholder may, in its sole discretion, pay the Underwriters an additional commission of up to 1.0% of the gross proceeds of the Offering (which, for the avoidance of doubt, includes the gross proceeds of any Put Option GDRs). No other natural or legal person has a material interest in the issue of the GDRs.
E.5	***Name of the person or entity offering to sell the security. Lock-up agreements: the parties involved; and indication of the period of the lock up***	The Selling Shareholder is Sonera Holding B.V. The Company and the Selling Shareholder each has agreed with the Underwriters that it will not, during the period from the date of the Underwriting Agreement until 180 days after 17 December 2012, subject to certain exceptions, without the prior written consent of the Underwriters, issue, offer, sell or otherwise transfer any shares of the Company or securities convertible or exchangeable into or exercisable therefor.
E.6	***The amount and percentage of immediate dilution resulting from the offer. In the case of a subscription offer to existing equity holders, the amount and percentage of immediate dilution if they do not subscribe to the new offer***	Not applicable. No dilution of the existing shareholders will result from the Offering.
E.7	***Estimated expenses charged to the investor by the issuer or the offeror***	Not applicable. No fees or expenses in connection with the Offering will be charged to investors by the Company. As described in the terms and conditions of the GDRs, the Depositary will be entitled to charge certain fees to the Holders of GDRs.

THE GLOBAL OFFER

The Company	Kcell Joint Stock Company.
The Selling Shareholder	Sonera Holding B.V., a wholly owned subsidiary of TeliaSonera AB ("**TeliaSonera**").
The Global Offer	The Global Offer comprises (i) an offering of the GDRs within the United States to QIBs, as defined in, and in reliance on Rule 144A, or another exemption from, or transaction not subject to, registration under the Securities Act and (ii) an offering of the GDRs outside of the United States in offshore transactions in reliance on Regulation S.
The Domestic Offer	Separately from the Global Offer, the Selling Shareholder is offering 4,876,472 common shares in the Domestic Offer, which is being made through the KASE. The Domestic Offer is being led by JSC "Visor Capital". 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.
The Shares	The authorised share capital of the Company is KZT 33,800,000,000, divided into 200,000,000 common shares, each with a par value of KZT 169.00. The Company's shares have the rights described under "*Description of Share Capital and Certain Requirements of Kazakhstan Law*". As at the date of this Prospectus, the number of issued and outstanding common shares was 200,000,000. As at the date of this Prospectus all issued and outstanding common shares were fully paid.
The GDRs	Each GDR will represent one Share. The GDRs will be delivered by the Depositary pursuant to the deposit agreement by and between the Company and the Depositary dated 23 October 2012 (the "**Deposit Agreement**"). The GDRs will be evidenced by the Regulation S Master GDR and the Rule 144A Master GDR. Pursuant to the Deposit Agreement, the shares represented by GDRs will be held by the Custodian. Except in the limited circumstances described in "*Terms and Conditions of the GDRs*", definitive certificates will not be issued to holders in exchange for beneficial interests in the GDRs represented by the Master GDRs. Subject to the terms of the Deposit Agreement, beneficial interests in the Regulation S Master GDR may be exchanged for beneficial interests in the corresponding number of GDRs represented by the Rule 144A Master GDR, and *vice versa*.
The Depositary	Deutsche Bank Trust Company Americas.
Offer Price	U.S.$10.50 per GDR.
Closing Date	17 December 2012.
Put Option	In connection with the Global Offer, the Selling Shareholder will sell 5,000,000 additional GDRs to the Underwriters at the Offer Price for the purpose of conducting stabilisation activities in the GDRs. In connection with the sale of the Put Option GDRs, the Selling Shareholder has granted the Underwriters the Put Option, exercisable for a period of up to 30 calendar days from the commencement of conditional dealings on the London Stock Exchange, to sell to the Selling Shareholder any GDRs which have been purchased in the market as a result of stabilisation activities.
Lock-up	The Company has agreed with the Underwriters that, during the period from the date of the underwriting agreement entered into

between the Company, the Selling Shareholder, TeliaSonera and the Underwriters dated 12 December 2012 (the "**Underwriting Agreement**") until 180 days after the Closing Date, subject to certain exceptions, neither it, nor any of its consolidated subsidiaries will, without the prior written consent of the Underwriters (such consent not to be unreasonably withheld or delayed and at no cost to the Company or any consolidated subsidiary of the Company), issue, offer, lend, mortgage, assign, charge, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of), directly or indirectly, any shares of the Company, any securities convertible or exchangeable into or exercisable for shares of the Company, any warrants or other rights to purchase shares of the Company, or any security or financial product whose value is determined directly or indirectly by reference to the price of securities of the Company, including equity swaps, forward sales and options, except issuances of shares pursuant to the conversion or exchange of convertible or exchangeable securities or the exercise of warrants or options under share option schemes in existence as at the date of Admission, in each case outstanding on the date of Admission.

The Selling Shareholder has agreed with the Underwriters that, during the period from the date of the Underwriting Agreement until 180 days after the Closing Date, subject to certain exceptions (which include, among others, any transfer of securities by the Selling Shareholder pursuant to any exercise of the Samruk Option (as defined in "*Shareholders*")), neither it, nor any of its subsidiaries (other than the Company or any consolidated subsidiary of the Company) or affiliates (which shall not, for these purposes, include the Company, any consolidated subsidiary of the Company or any entity over which TeliaSonera does not have voting, management or economic control) will, without the prior written consent of the Underwriters (such consent not to be unreasonably withheld or delayed), offer, lend, mortgage, assign, charge, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such offer, sale or disposal of), directly or indirectly, any shares of the Company, any securities convertible or exchangeable into or exercisable for shares of the Company, any warrants or other rights to purchase shares of the Company, or any security or financial product whose value is determined directly or indirectly by reference to the price of securities of the Company, including equity swaps, forward sales and options.

Restrictions on Transfer and Ownership

The GDRs will be subject to certain restrictions on transfer and ownership as described under "*Terms and Conditions of the GDRs*", "*The Global Offer*" and "*Transfer Restrictions*".

Voting

The Deposit Agreement contains arrangements allowing holders of GDRs to instruct the Depositary how to vote the underlying shares in accordance with Kazakhstan law. See "*Description of Share Capital and Certain Requirements of Kazakhstan Law—Summary of the Charter—General meetings*" and "*Terms and Conditions of the GDRs—Voting Rights*".

Listing and Market for the GDRs

Application has been made (A) to the FSA in its capacity as competent authority under the FSMA for up to 200,000,000 GDRs, consisting of (i) 40,123,528 GDRs to be sold by the Selling Shareholder pursuant to the Global Offer on or about the Closing Date, (ii) 5,000,000 Put Option GDRs and (iii) up to 154,876,472 GDRs to be issued from time to time against the deposit of common shares with the Depositary, to be admitted to the Official List and (B) to the London Stock Exchange for such GDRs to be admitted to

trading under the symbol "KCEL" on the Regulated Market and, in particular, on the IOB. Conditional trading in the GDRs on the London Stock Exchange through the IOB is expected to commence on an if-and-when-issued basis on or about 12 December 2012. Admission is expected to take place on or about 17 December 2012.

KASE Listing

On 19 October 2012, application was made to the KASE for all common shares of the Company, issued and to be issued, to be admitted to the first category of the official list of the KASE. The common shares of the Company were admitted to the first category of the official list of the KASE on 29 November 2012. It is expected that the admission of the common shares of the Company to trading on the KASE will occur on 13 December 2012.

Dividend Policy

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.

On 17 October 2012, the general meeting of shareholders of the Company approved the Company's dividend policy, which forms part of the corporate governance code of the Company approved on 17 October 2012 (the "**Corporate Governance Code**") and will apply to dividends to be declared by the Company after the declaration of the special dividend as described above.

Net income of the Company shall be allocated in accordance with a relevant decision of the general meeting of shareholders for payment of dividends, based on the Company's development or other goals and a long-term targeted net debt to EBITDA ratio in the range of 0.5–0.9. Unless the Company's shareholders decide otherwise, annual dividends on common shares of the Company shall be at least 70% of the net income of the Company 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 intends to pay dividends annually in respect of the previous financial year, as resolved by the Company's general shareholders' meeting.

Accordingly, the first ordinary dividend of the Company is intended to be declared and paid in, and to shareholders of the Company as at a record date to be set within, the second quarter of the financial year ending 31 December 2014 in respect of the financial year 1 January 2013 to 31 December 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. See "*Dividend Policy*".

Use of Proceeds

The Company will not receive any proceeds of the Offering. The Selling Shareholder will receive the net proceeds of the Offering, which will be approximately U.S.$505 million, assuming no exercise of the Put Option, or approximately U.S.$454 million, assuming that the Put Option is exercised in full (in each case assuming full payment of

the discretionary fee to the Underwriters). The total commissions, fees and expenses payable by the Selling Shareholder in connection with the Offering will be approximately U.S.$20 million, assuming no exercise of the Put Option, or approximately U.S.$18 million, assuming that the Put Option is exercised in full (in each case assuming full payment of the discretionary fee to the Underwriters). The total fees and expenses payable by the Company in connection with the Offering will be approximately U.S.$4 million. See "*Use of Proceeds*".

The Offering allows TeliaSonera to achieve its commercial objective of controlling (directly or indirectly) a 75% interest in the Company. It also allows TeliaSonera to support the efforts of the government of Kazakhstan (the "**Government**" or the "**Government of Kazakhstan**") to promote broader share ownership in Kazakhstan and expand, and further develop, the Kazakhstan stock market. This is consistent with the understanding reached between TeliaSonera and the Government of Kazakhstan that TeliaSonera would seek to conduct an initial public offering (the "**IPO**") of the Company, subject to such IPO being on terms, including as to pricing and timing, acceptable to TeliaSonera.

Settlement Procedures

The Rule 144A GDRs will be evidenced by the Rule 144A Master GDR registered in the name of Cede & Co., as nominee for DTC, and the Regulation S GDRs will be evidenced by the Regulation S Master GDR registered in the name of BT Globenet Nominees Limited, as nominee for Deutsche Bank AG, London Branch, as common depositary for Euroclear and Clearstream, Luxembourg. Except as described herein, beneficial interests in the Master GDRs will be shown on, and transfers thereof will be effected only through, the records of DTC with respect to the Rule 144A GDRs and Euroclear and Clearstream, Luxembourg with respect to the Regulation S GDRs, and their direct and indirect participants, as applicable. It is expected that delivery of the GDRs will be made against payment therefor in U.S. dollars in same day funds through the facilities of DTC, Euroclear and Clearstream, Luxembourg on or about the Closing Date. See "*Settlement and Transfer*".

Security codes

The security code numbers and trading symbols of the GDRs are as follows:

Rule 144A GDR ISIN:	US48668G1067
Rule 144A GDR Common Code:	085262025
Rule 144A GDR CUSIP:	48668G 106
Rule 144A GDR SEDOL:	B8KDTN0
Regulation S GDR ISIN:	US48668G2057
Regulation S GDR Common Code:	085262017
Regulation S GDR CUSIP:	48668G 205
Regulation S GDR SEDOL:	B7W5LY2
London Stock Exchange GDR trading symbol: . .	KCEL

RISK FACTORS

An investment in the GDRs involves a high degree of risk. Prospective investors in the GDRs should carefully consider the risks described below and the other information contained in this Prospectus before making a decision to invest in the GDRs. Any of the following risks could adversely affect the Company's business, financial condition and results of operations, in which case the trading price of the GDRs could decline, resulting in the loss of all or part of an investment in the GDRs.

In addition, the description of the principal or material risks set forth below does not purport to be an exhaustive description of all risks that the Company faces. Additional risks that are not known to the Company at this time, or that it currently believes are immaterial, could also have a material adverse effect on the Company's business, financial condition, results of operations or future prospects and the trading price of the GDRs.

Risks Relating to the Company's Business

If growth in the Kazakhstan mobile telecommunications market continues to slow, the Company's revenue and profit growth could decline or its revenue and profit could decrease.

The Company's revenue is derived from providing services to subscribers in Kazakhstan. Accordingly, the Company's future growth in revenue and profit is dependent on growth in the market for mobile telecommunications services in Kazakhstan, which has slowed during the past several years. As at 30 September 2012, mobile voice penetration in this market, which is defined as the number of registered subscriber identification module cards ("**SIM cards**") divided by the total population, was 158%, based on the Company's calculations using the 6-month activity rule and EIU estimates for population. Penetration was higher than 100% at that date due to the fact that many subscribers in Kazakhstan own two or more SIM cards. The relatively high level of penetration may make it difficult for the Company and other mobile telecommunications operators in Kazakhstan to increase the number of subscribers. As a result, they may need to depend upon growth in spending by existing subscribers, including growth stemming from increases in the volume of voice and data traffic and higher demand for content and other services. If growth in the number of subscribers or growth in spending by subscribers continues to slow, growth in the Company's revenue and profit could decline or its revenue and profit could decrease.

The Company faces significant competition, which may result in further reductions in tariffs, increased churn and a corresponding loss of market share.

The Kazakhstan mobile telecommunications market is highly competitive and the Company believes that competition will continue to grow. There are currently two operators in the Kazakhstan mobile telecommunications market that the Company considers its principal competitors: VimpelCom Limited ("**VimpelCom**") (operating through its subsidiary Kar-Tel LLP ("**Kar-Tel**") under the Beeline and Dos brands) and Tele2 AB ("**Tele2**"). As at 30 September 2012, the Company, VimpelCom and Tele2 had subscriber market shares of approximately 47.7%, 37.0% and 12.0%, respectively (with the number of subscribers based on the 1-month activity rule). Since its entry into the Kazakhstan mobile telecommunications market, Tele2 has actively engaged in price competition with the Company and other mobile operators. In April 2011, Tele2 launched an aggressive pricing campaign and captured a portion of the Company's and other mobile operators' subscribers. As a result, the market share of Tele2 increased, while the Company's and VimpelCom's market share decreased and churn increased. In 2012, VimpelCom has also been competing aggressively on price. In order to retain subscribers, the Company has reduced its prices, which has adversely affected its profitability. Although the Company has been able to reduce the level of churn from that experienced during the first part of 2011, in part through the introduction of more attractive tariffs, there can be no assurance that it will be successful in maintaining its market share and its profitability may continue to be adversely affected. The Company may continue to experience pressure on its tariffs if other operators continue to reduce their tariffs to gain market share. In addition, the Company may experience pressure on its tariffs as a result of actions taken by the regulatory authorities with a view to promoting competition. For example, in 2010, 2011 and 2012, the Company voluntarily reduced its interconnection tariffs at the request of the Ministry of Transport and Communications of the Republic of Kazakhstan (together with, where applicable, its predecessors, the Ministry of Communications and Information (the "**MCI**") and the Agency of the Republic of Kazakhstan for Informatisation and Communications (the "**AIC**"), the "**MTC**"), and it expects to further reduce its interconnection tariffs in 2013. See "*—Risks Relating to Regulatory Matters—The Company is subject to tariff regulation, which may limit its flexibility in pricing and could result in a reduction in its revenue and net profit*".

Increasing competition in the Kazakhstan mobile telecommunications market, whether as a result of the actions of other operators or changes in the regulatory regime, may result in pressure on the Company's tariffs, increased churn and loss of market share, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

If the Company fails to develop and introduce new products and services on a timely basis, it could lose subscribers, fail to attract new subscribers, fail to increase or maintain ARPU or incur substantial costs in order to maintain or expand its subscriber base.

The mobile telecommunications market is characterised by the frequent development of product offerings and advances in network and handset technologies. The Company believes that a significant portion of its future growth in revenue may come from data services. The Company is currently developing new products and services, including services it intends to offer through its 3G network and, to the extent it launches 4G/LTE, through its 4G network. The Company expects that these initiatives will require substantial capital expenditure and commitment of human resources. For example, in order to take advantage of 4G/LTE technology, the Company will be required to obtain additional frequency spectrum and to purchase and install new network equipment. The Company may not be able to offer new products or services, and, even if it does offer them, they might not be successful. In addition, the Company's competitors may introduce such products or services before it does or competitors' products or services may be perceived by subscribers to be superior. In these circumstances, the Company could experience higher than expected churn, fail to attract new subscribers, fail to increase or maintain ARPU or incur substantial subscriber acquisition and retention costs in order to maintain or expand its subscriber base, any of which could have a material adverse effect on its business, financial condition and results of operations.

If the Company is unable to maintain its favourable brand image, it may be unable to attract new subscribers or retain existing subscribers, which could lead to a loss of market share and revenue.

The ability of the Company to attract new subscribers and retain existing subscribers depends in part on its ability to maintain its favourable brand image. The Company operates under the Kcell and Activ brands and bases its branding strategy on the development of the Kcell brand as a premium brand targeted at corporate subscribers and high net worth individuals and the Activ brand as a brand targeted at the mass market, in particular at the pre-paid market segment. The Company seeks to maintain and improve the position of the Kcell and Activ brands in the market, for example through advertising and sponsorships as well as by maintaining a high quality of service. However, the Company may be unable to maintain its brand image. If the Company's efforts to maintain and improve its brands are not successful, or if brand promotion efforts by the Company's competitors are more successful, the Company could lose subscribers or fail to attract new subscribers or its subscriber acquisition and retention costs could increase, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company depends on the reliability of its networks, and damage to its networks or a system failure could result in a loss of subscribers, reduced revenue or unanticipated capital expenditure and operating expenses.

The Company is able to provide services only to the extent that it can protect its networks and systems against damage from events such as telecommunications failures, power failures, natural disasters, security breaches or terrorist attacks. The Company's facilities are located in areas that may be prone to natural disasters, particularly earthquakes, which may cause damage to the Company's headquarters in Almaty or to its base stations or other properties and may disrupt the Company's provision of services to subscribers. In addition, if such an event were to damage the fibre optics network of Joint Stock Company "Kazakhtelecom" ("**Kazakhtelecom**"), which the Company uses for inter-city data transmission services, its ability to provide services to subscribers could be impaired. Furthermore, if any such disruption were to result in the loss of or damage to subscribers' data or applications, the Company may also incur liability and/or reputational damage as a result. The Company may also be required to incur additional capital expenditure to replace equipment damaged by any such disruptions. Any disruption to the Company's operations, whether as a result of telecommunications failures, power failures, natural disasters, security breaches, terrorist attacks or otherwise, could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company requires capital to build, expand, maintain, upgrade and operate its networks and if it is unable to meet its capital expenditure requirements, its business, financial condition and results of operations could be materially adversely affected.

The Company requires substantial capital to build, expand, maintain, upgrade and operate its 2G and 3G networks and, to the extent the Company rolls out 4G/LTE technology, it will require additional capital expenditure in the future. In addition, the Company is continuing to expand its intra-city fibre optics transmission networks in major cities, which is expected to require additional capital expenditure in the future. Although the Company believes that it will meet its capital expenditure requirements for the financial year ending 31 December 2012 from internal funding sources, there can be no assurance that the Company will be successful in forecasting its capital expenditure requirements or identifying its capital expenditure funding sources beyond 31 December 2012. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital expenditure*". To the extent the Company is unable to fund its capital expenditure requirements with cash flow from operations, it will be required to seek external sources of funding, which may not be available on attractive terms or at all. If for any reason adequate funding is not available when required, the Company may need to limit its plans for the expansion of its network, which could have a material adverse effect on its business, financial condition and results of operations.

The Company purchases telecommunications equipment from a relatively small number of suppliers and if it is unable to source equipment from these suppliers, it may be required to incur additional costs or its network expansion plans could be delayed.

The Company purchases telecommunications equipment from a relatively small number of suppliers, principally TOO Ericsson Kazakhstan, Ericsson Telekomunikasyon A.S. and Ericsson AB (collectively, "**Ericsson**"), ZTE Corporation and ZTE Kazakhstan LLP. If the Company cannot obtain the equipment it requires from these suppliers on commercially acceptable terms, it may need to seek alternative suppliers, which could cause it to incur additional costs or result in delays in its network expansion plans. In particular, as the Company's technological requirements become increasingly advanced, for example as a result of the deployment of 4G/LTE technology, its suppliers may be unable or unwilling to satisfy the Company's demands. To the extent the Company's suppliers do not keep pace with technological developments in comparison with suppliers of the Company's competitors and the Company is unable to replace its existing suppliers on a timely basis, its competitive position could be adversely affected. Any of the foregoing could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company depends on its billing systems and if its ability to use the software for these systems were compromised, this could result in customer dissatisfaction and a loss of subscribers.

The Company utilises two billing systems in its operations: one for pre-paid subscribers and the other for post-paid (including paid-in-advance) subscribers. The two billing systems have been developed, installed and maintained by two different vendors. See "*Business—Network and Technology—Suppliers*". If the Company fails to receive the quality of software maintenance services that it requires from either of the two vendors, or if either of the vendors discontinues the provision of its maintenance services or terminates the licence to use its software, the Company may experience difficulty in replacing either of the systems on a timely basis without significant interruption to its services. It may also incur significant capital expenditure if it is required to replace either of the systems. Furthermore, in 2011, the Company initiated a project to converge its pre-paid and post-paid billing systems into one system. There can be no assurance that the Company will be successful in converging the two billing systems or that the converged billing system will perform as expected and without interruption. If the Company's ability to use the software for its pre-paid or post-paid billing system is compromised or if it is unsuccessful in converging the two systems, its subscribers may be dissatisfied and may elect to use the services of other operators, which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company relies on the duct infrastructure owned by Kazakhtelecom for the construction of its intra-city fibre optics network and on the fibre optics network owned and operated by Kazakhtelecom for inter-city transmission.

The Company continues to expand its intra-city fibre optics transmission networks in major cities by laying fibre optic cable. Duct infrastructure in Kazakhstan is owned primarily by Kazakhtelecom and, to a much lesser extent, by other operators. The Company, therefore, depends to a large extent on duct infrastructure

owned by Kazakhtelecom for the deployment of its intra-city fibre optics network. Kazakhtelecom is deemed to be a natural monopoly in respect of the ownership and operation of its duct infrastructure. As a natural monopoly, it is subject to the Law of the Republic of Kazakhstan "On Natural Monopolies and Regulated Markets" dated 9 July 1998, no. 272-I, as amended (the "**Natural Monopolies and Regulated Markets Law**"), pursuant to which the terms (including tariffs) on which access to duct infrastructure is provided are regulated. However, there can be no assurance that access to Kazakhtelecom's duct infrastructure will continue to be available to the Company on acceptable terms and without delay. In particular, Kazakhtelecom may not provide access to its duct infrastructure in a timely manner or the regulatory landscape relating to duct infrastructure could change in a manner that is adverse to the Company. If the Company's access to Kazakhtelecom's duct infrastructure is denied or delayed, the deployment of the Company's intra-city fibre optics network could be delayed and it may be required to increase its expenditure on the deployment of the network. In addition, Kazakhtelecom may deny or delay access to the Company's fibre optics cable laid in Kazakhtelecom's ducts, which could adversely affect quality of service in certain locations in which maintenance or repairs of the Company's fibre optics cable are required.

The Company also relies on Kazakhtelecom for inter-city transmission and transmission in rural areas. It has entered into a long-term agreement with Kazakhtelecom (the "**Kazakhtelecom Agreement**") governing its use of Kazakhtelecom's fibre optics network, which expires in 2020. See "*Business—Network and Technology—Transmission*". Pursuant to the Kazakhtelecom Agreement, from 1 January 2016, either party may terminate the agreement upon six months' notice. If Kazakhtelecom terminates the Kazakhtelecom Agreement before its expiration in 2020 or if the Company is unable to renew the agreement on acceptable terms following its expiration, the Company may be required to rely on an alternative network. Although alternative fibre optics networks exist, such networks may be more costly or may not have sufficient coverage in all locations in which the Company utilises Kazakhtelecom's fibre optics network. If the Company is unable to find an alternative provider on acceptable terms, its cost of providing services and quality of service in certain locations may be adversely affected.

If the Company is unable to maintain its access to the duct infrastructure owned by Kazakhtelecom or to Kazakhtelecom's fibre optics network, its business, financial condition and results of operations could be materially adversely affected.

The Company's business, financial condition and results of operations may be adversely affected by a devaluation of the Kazakhstan Tenge due to the fact that a substantial proportion of the Company's capital expenditure is denominated in U.S. dollars.

A substantial proportion of the Company's capital expenditure is denominated in U.S. dollars, whereas substantially all of its revenue is denominated in Kazakhstan Tenge. The Company does not hedge its foreign exchange risk. Accordingly, fluctuations in the Kazakhstan Tenge/U.S. dollar exchange rate affect the Company's results of operations. On 4 February 2009, the NBK changed the Kazakhstan Tenge/U.S. dollar exchange rate corridor, within which it was committed to maintain the exchange rate, from KZT 117 – KZT 123 per U.S. dollar to KZT 150 per U.S. dollar (+/−3%). On 5 February 2010, the NBK widened the exchange rate corridor by committing to maintain the exchange rate at KZT 150 per U.S. dollar (+10%/−15%). In February 2011, the NBK cancelled this exchange rate fluctuation corridor and introduced a new currency support regime. This new "managed floating exchange rate" regime generally allows the NBK to intervene when necessary to support the Kazakhstan Tenge, without any reference to a formal fluctuation corridor or specific parameters. Since 4 February 2009, the Kazakhstan Tenge/U.S. dollar exchange rate has remained relatively stable, with the Kazakhstan Tenge strengthening slightly against the U.S. dollar. However, there can be no assurance that the Kazakhstan Tenge will not depreciate against the U.S. dollar in future periods, which would result in an increase in the Company's capital expenditure in Kazakhstan Tenge. In particular, there can be no assurance that the NBK will not change its currency support policy in a manner that results in a devaluation of the Kazakhstan Tenge. If the Kazakhstan Tenge depreciates against the U.S. dollar, the Company's business, financial condition and results of operations could be materially adversely affected.

The Company depends on its senior managers and other key personnel.

The Company's ability to maintain its competitive position and to implement its business strategy depends to a significant degree on the services of the senior management team and other key personnel. If one or more members of the Company's senior management team were unable or unwilling to continue in their present positions, the Company may not be able to replace those individuals in a timely manner or at all.

Moreover, competition for personnel with relevant expertise in Kazakhstan is intense. The Company is not insured against the detrimental effects to its businesses resulting from the loss of key personnel. The loss of or decline in the services of members of the senior management team or an inability to attract, retain and motivate qualified key personnel could have a material adverse effect on the Company's business, financial condition and results of operations.

If the Company fails to maintain or further develop its distribution channels, its ability to add subscribers or maintain its current level of subscribers could be materially adversely affected.

The Company distributes its products and services primarily through a network of 244 exclusive sales outlets, more than 230 non-exclusive dealers and more than 90 sales representatives (as at 30 September 2012). The Company intends to continue to develop its distribution network, for example by opening additional exclusive sales outlets or entering into agreements with additional non-exclusive dealers or sales representatives. However, the Company may not be successful in expanding its distribution network. In addition, the Company may fail to maintain relationships with its non-exclusive dealers or sales representatives, or the non-exclusive dealers or sales representatives may fail to attract new subscribers. Moreover, the Company may not be successful in identifying optimal locations for the opening of exclusive sales outlets. If the Company is unable to expand its distribution network in a timely and cost-effective manner, its business, financial condition and results of operations could be materially adversely affected.

The Company may be sued for infringement of proprietary rights, particularly in relation to its third party content services.

The Company may be sued for infringement of proprietary rights, particularly in relation to third party content services. The Company distributes content provided by third parties under contractual arrangements with the holders of copyrights and trademarks. For example, the Company offers ringtones through its Simfonia service, which offers a ring back tone that is heard on the telephone line by the calling party after dialling and prior to the call being answered, the copyrights for which are ultimately held by record labels. Although the Company seeks to transact business only with reputable companies, it may be unaware of copyright infringement committed by third parties that it deals with. If a third party content provider were to infringe a copyright or trademark, the Company might also be sued for copyright or trademark infringement. Any such claims or lawsuits, irrespective of their merit, could be time consuming, result in costly litigation and diversion of technical and management personnel, or require the Company to develop non-infringing technology or pay penalties or fines or enter into royalty or licensing agreements. Any third party claims for damages or losses not covered by insurance may have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is involved in various claims and legal actions arising in the ordinary course of its business, which could have a material effect on its results of operations.

The Company is currently involved in various claims and legal actions with governmental authorities in Kazakhstan, including the Agency of the Republic of Kazakhstan for Protection of Competition (Antimonopoly Agency) (the "**Competition Agency**") and certain other parties. See "*—Risks Relating to Regulatory Matters—The MTC, the Competition Agency and other regulators having jurisdiction over the Company may enforce regulations applicable to the Company in an unpredictable or arbitrary manner*". No assurance can be given that the Company will not experience actual losses in connection with these legal actions or that new disputes will not arise under which the Company could face additional liabilities and reputational risk. For a more detailed discussion of the Company's significant disputes, see "*Business—Legal Proceedings*".

The Company may be unable to renew its leases on base station sites on acceptable terms, which may result in a decrease in coverage or quality of service.

As at 30 September 2012, the Company leased substantially all of the sites on which its base stations were located. The Company is required to periodically renew such leases, typically on an annual basis. From time to time, the Company encounters difficulties in extending the terms of lease agreements for its base stations. There can be no assurance that the Company will be able to renew its leases for base stations on acceptable terms, if at all. If it is unable to renew a lease for a particular base station, the quality of reception in that location could be reduced or it could be unable to provide its services in that location. In particular, the Company leases base station sites located on properties owned by the Government or entities affiliated with the Government, and if the Government were to impose a ban on the Company's

installation of its base stations, the Company may experience difficulties in identifying alternative locations. If the Company is unable to renew its leases for its base stations on acceptable terms, its business, financial condition and results of operations could be materially adversely affected.

The Company could face claims due to unknown effects of base stations and mobile handsets on human health.

The Company is aware of allegations that there may be health risks associated with the effects of electromagnetic signals from base stations and from mobile handsets. While the Company believes that there is currently no substantiated link between exposure to electromagnetic signals at the level transmitted by its base stations and mobile handsets and long-term damage to health, the actual or perceived health risks of mobile communications devices could adversely affect the Company through a reduction in subscribers, reduced usage per subscriber, increased difficulty in obtaining sites for base stations and exposure to potential liability. Furthermore, the Company may not be able to obtain insurance with respect to such liability on commercially reasonable terms or at all. In recent years, legal proceedings have been brought against mobile operators seeking the removal of base station sites for health reasons. Such legal proceedings may make it more difficult for the Company to establish and maintain such sites. Furthermore, there are conflicting and confusing reports in the media about the health effects of base stations, which may make it increasingly difficult to build new base station sites and maintain existing sites.

The Company is exposed to credit risk as a result of sales on credit terms to its subscribers and distributors.

The Company is exposed to credit risk in relation to its contracts with post-paid subscribers since these subscribers pay for their usage in arrears. Although pre-paid subscribers represent a substantial portion of the Company's subscriber base (86.7% as at 30 September 2012), the Company intends to expand its post-paid subscriber base in the future. To the extent it is successful in doing this, its credit risk will increase. In addition, the Company has in the past sold handsets directly to subscribers, as well as to distributors for further resale to subscribers, in each case on extended credit terms bundled with post-paid long-term calling plans. If the Company elects to continue offering handsets on credit terms, its credit exposure will increase. In addition, because handsets are generally not available on credit terms in neighbouring countries, residents of those countries may acquire handsets from the Company and subsequently leave Kazakhstan without making payments under the accompanying long-term calling plans, exposing the Company to heightened credit risk.

The credit risk to which the Company is exposed in respect of its post-paid subscribers and distributors may be more difficult to quantify than it would be in other countries due to the limited amount of information available on consumer credit in Kazakhstan. In addition, the Company's credit risk could increase if economic conditions in Kazakhstan were to deteriorate.

If the Company is unable to efficiently manage its credit risk in relation to post-paid subscribers and distributors, its business, financial condition and results of operations could be adversely affected.

The Company's reliance on short-term borrowings could adversely affect its business.

The Company has historically financed its capital expenditure and working capital requirements from cash flows from operating activities. In the future, however, the Company generally expects to increase its reliance on borrowings. On 26 September and 17 October 2012, it entered into two loan agreements for Kazakhstan Tenge denominated loans in the aggregate amount of KZT 45 billion. These loans have maturities of 12 months each, with an extension of up to an additional 12 months subject to further consent of the lenders. The loans contain financial covenants. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Short-term borrowings*" for a description of these loan agreements. The Company may need to extend or refinance its short-term borrowings to comply with its dividend policy or fulfil other capital requirements and any such extension or refinancing may not be available on attractive terms or at all. Furthermore, the Company's increasing reliance on borrowings may have important consequences for its business, including, but not limited to:

- increasing its vulnerability to, and reducing its flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of cash flow from operations to the payment of principal of, and interest on, the Company's indebtedness, thereby reducing the availability of such cash flow to fund working capital requirements, capital expenditures, acquisitions or other general corporate purposes;

- limiting the Company's flexibility in planning for, or reacting to, changes in its business, the competitive environment and the industry in which the Company operates; and
- limiting the Company's ability to borrow additional funds and increasing the cost of any such borrowing.

Any of these or other consequences or events could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's share ownership is highly concentrated.

Following the Offering, assuming that the Put Option is not exercised, Fintur Holdings B.V. ("**Fintur**") and Sonera will continue to own 75% of the Company's share capital and will continue to control the Company. For further discussion of matters requiring the approval of the Company's shareholders, see the risk factor entitled "*—There is a risk that certain matters requiring the approval of the Company's shareholders may not receive the support of Fintur, the Company's majority shareholder, by virtue of the current deadlock within Turkcell İletişim Hizmetleri A.Ş., Fintur's minority shareholder*".

As controlling shareholders, Fintur and Sonera will have control over all of the decisions reserved for the general meeting of shareholders of the Company, such as those relating to electing members of the board of directors of the Company, declaring dividends (if any) and amending the current charter of the Company, which was adopted by the general meeting of participants of the Company on 1 July 2012 and which became effective upon the Company's registration as a joint stock company with the Department of Justice of the Ministry of Justice of the Republic of Kazakhstan for Almaty (the "**Department of Justice**") on 27 August 2012 (the "**Charter**"). The interests of Fintur and Sonera may conflict with the interests of the Company's other shareholders and third parties may be discouraged from making a tender offer or bid to acquire the Company because of this concentration of ownership. For a description of the shareholders of the Company, see "*Shareholders*".

There is a risk that certain matters requiring the approval of the Company's shareholders may not receive the support of Fintur, the Company's majority shareholder, by virtue of the current deadlock within Turkcell İletişim Hizmetleri A.Ş., Fintur's minority shareholder.

The Company's majority shareholder is Fintur, which shall, following completion of the Offering, continue to hold directly 51% of the Company's share capital. Fintur is owned 58.55% by Sonera (an indirectly wholly owned subsidiary of TeliaSonera) and 41.45% by Turkcell İletişim Hizmetleri A.Ş. ("**Turkcell**").

Turkcell, in turn, is held directly and indirectly 38.04% by Sonera (which holding includes publicly traded American depositary receipts and ordinary shares) and, according to Turkcell's filings, 13.81% by Çukurova Holding A.Ş. ("**Çukurova**") and 13.22% by Alfa Telecom Turkey ("**Alfa Telecom**"). The remaining 34.93% is held by another shareholder and by way of a public market free float. As a result of a current dispute between Turkcell's shareholders, Turkcell's decision making has in certain circumstances become deadlocked. Notwithstanding the fact that Çukurova and Alfa Telecom between themselves only hold 27.03% of Turkcell's share capital, they control Turkcell through a holding structure. Furthermore, Çukurova's and Alfa Telecom's holdings in Turkcell are owned through a common holding in respect of which each has extensive veto rights over the other.

Whilst the chief executive officer of Fintur is able to represent Fintur in its capacity as a shareholder of the Company on most matters, there are certain matters which for legal, commercial and/or practical reasons require approval at a meeting attended by at least four board members of Fintur, such approval being required, as the case may be, by either (i) three of the Fintur board members or (ii) four of the Fintur board members. Sonera has the right to appoint three Fintur board members and Turkcell has the right to appoint the remaining two board members. As a result, all matters requiring such approval will require in most situations the presence of both Sonera-appointed and Turkcell-appointed board members and matters which require the approval by four Fintur board members, such as resolutions to (i) approve the annual budget and business plan and any amendments thereto, (ii) establish or participate in new companies or establish, acquire, transfer or dissolve subsidiaries and branches of Fintur, (iii) transfer the principal business of Fintur, (iv) issue bonds and securities or (v) file for a request for bankruptcy, will require the support of both Sonera-appointed and Turkcell-appointed board members.

Whilst all members of the board of Fintur should have regard to their fiduciary duty to act in the best interests of Fintur when considering any board resolutions relating to the corporate actions of the Company, differences of view between the Sonera-appointed board members and those appointed by

Turkcell could arise. In this context, the current deadlock at the Turkcell and Turkcell parent level could either exacerbate such differences of view or lead to a lack of attendance and participation by Turkcell at Fintur meetings. Whilst historically this has not generally been the case, this could delay and/or prevent Fintur from voting its shares in the Company at general meetings of the Company or, in certain circumstances, result in the Company not being able to satisfy shareholder quorum requirements under Kazakhstan law in respect of certain shareholder approvals. Such a delay in obtaining, or failure to obtain, any such shareholder approvals could prevent the Company from taking certain corporate actions. This in turn could adversely affect the Company's business and operations or negatively impact the interests of other shareholders or holders of the GDRs.

Risks Relating to Regulatory Matters

The Company depends on its licences and radio frequency permits for the operation of its business and if any of these licences or permits were suspended or revoked, its business, financial condition and results of operations could be materially adversely affected.

The Company holds one general licence for the operation of its business, as described in further detail under "*Telecommunications Regulation in Kazakhstan—Licensing*". The licence is valid for an indefinite term. The Company is subject to licensing control by the MTC, which is carried out through inspections and reporting obligations imposed on licensees. The MTC is entitled to suspend the general licence held by the Company for violation of licensing laws and regulations, including, among other things, the use by the Company of radio frequency spectrum without obtaining the relevant radio frequency permits or failure to comply with licensing requirements. The MTC may also seek revocation of a licence in court.

Separately from the general licence it holds, the Company is required to obtain permits for the use of the radio frequencies it requires to provide its services. These radio frequency permits are obtained pursuant to the requirements of the Law of the Republic of Kazakhstan "On Communication" dated 5 July 2004, no. 567-II, as amended (the "**Communications Law**"). The radio frequency permits are subject to annual extension upon the submission of evidence that the annual fee in respect of the relevant radio frequency permit has been paid. The rules "On assignment of radio frequencies, registration, operation and calculation of electromagnetic compatibility for radio frequency equipment" approved by the Government of Kazakhstan dated 29 December 2011, as amended (the "**Radio Frequency Rules**"), which govern the use of radio frequencies, provide that radio frequencies may not be used jointly with a third party and may not be transferred to a third party for temporary or permanent use. The Company has been allocated 25 frequencies in the 1800 MHz frequency band, and is obtaining 25 additional frequencies as part of the Company's participation in a mobile telecommunications project initiated by the Government. The Company is currently planning to commence the process of registration of these 25 additional frequencies. If the Company is unable to complete the registration process, or if, after registration, the allocation of these 25 additional frequencies is successfully challenged, the Company could be forced to cease its use of these frequencies and may be subject to fines for the use of the frequencies without registration. If the Company is unable to maintain the general licence and obtain or maintain the radio frequency permits necessary to operate its business, its business, financial condition and results of operations could be materially adversely affected.

In addition, the capacity of the Company's networks is limited by the amount of frequency spectrum allocated to it. The Company may require additional frequencies to accommodate future subscriber growth as well as to provide new services, including 4G/LTE services. There can be no assurance that the Company will be able to obtain the additional frequency spectrum it requires, or that the Company's competitors will not obtain more favourable allocations of frequency spectrum, which could enable them to offer services that the Company is not able to offer or reduce their capital expenditure costs relative to those of the Company. If the Company is unable to obtain additional frequency spectrum, including frequency spectrum necessary for 4G/LTE technology to the extent it plans to offer these services, it may be required to acquire entities that hold the rights to the frequencies that the Company wishes to obtain. If it were to acquire such entities, the Company would be required to re-register the frequency rights held by them in its own name. Although the Company has made acquisitions in the past and has successfully re-registered frequencies, there can be no assurance that it will be able to do so in the future. If the Company is unable to obtain or maintain the frequency spectrum necessary for the services it wishes to offer, its business, financial condition and results of operations could be materially adversely affected.

The Company is subject to tariff regulation, which may limit its flexibility in pricing and could result in a reduction in its revenue and net profit.

The Company's tariffs are subject to regulation by the MTC. In 2011, the predecessor of the MTC, the MCI, reviewed the tariffs of the Company and set a maximum tariff for on-net calls. In February 2012, the MTC introduced maximum tariffs for off-net calls and data services. In the past, the MTC and the MCI have also recommended reductions in interconnection tariffs. For example, in 2010, 2011 and 2012, the Company voluntarily reduced its interconnection tariffs at the request of the MTC, and is expected to further reduce its interconnection tariffs in 2013. See "*—Risks Relating to the Company's Business—The Company faces significant competition, which may result in further reductions in tariffs, increased churn and a corresponding loss of market share*".

Furthermore, the MTC is also entitled to set maximum interconnection tariffs for operators found to have a dominant market position in telecommunications markets, as more fully described in "*Telecommunications Regulation in Kazakhstan—Current regulatory framework—Natural Monopolies and Regulated Markets Law*" and "*Telecommunications Regulation in Kazakhstan—Pricing regulation*". On 18 October 2011, the Competition Agency issued order no. 327-OD (the "**Dominant Market Position Order**") mandating the inclusion of the Company in the State Register of Dominant and Monopolistic Entities of the Republic of Kazakhstan (the "**State Register**") in respect of certain services provided by the Company, including interconnection services. The Company challenged its inclusion in the State Register in a lawsuit it initially filed in October 2011 in the Specialised Interdistrict Economic Court of Astana (the "**Astana Economic Court**"). On 28 February 2012, the Astana Economic Court entered judgment in favour of the Company in respect of services other than the interconnection services and in favour of the Competition Agency in respect of interconnection services. The Company appealed the Astana Economic Court's judgment in respect of interconnection services in the Astana city court (the "**Astana City Court**"). On 23 May 2012, the Astana City Court ruled to suspend the appellate proceedings and to appoint an economic and technological expert to conduct an examination of the Company's motion. On 12 October 2012, the Astana City Court upheld the Astana Economic Court's judgment dated 28 February 2012 in respect of interconnection services. The Company has appealed this judgment through a cassation appeal with the cassation judicial panel in the Astana City Court. On 6 December 2012, the cassation judicial panel ruled to cancel the judgments of the Astana City Court and Astana Economic Court in respect of interconnection services and to return the case to the Astana City Court for a new trial. If the Company does not prevail on appeal, it will remain on the State Register and its tariffs for interconnection services will become subject to regulation by the MTC. The MTC could reduce the Company's interconnection tariffs, while interconnection tariffs of other mobile operators that have not been included in the State Register (such as Tele2) would remain unregulated. This could result in a *de facto* asymmetric interconnection regime, which would have an adverse effect on the Company's interconnection revenues. Moreover, there can be no assurance that any reduction in tariffs will allow the Company to recover its costs fully and if it is unable to do so, its business, financial condition and results of operations could be materially adversely affected.

The MTC, the Competition Agency and other regulators having jurisdiction over the Company may enforce regulations applicable to the Company in an unpredictable or arbitrary manner.

In addition to being subject to tariff regulation by the MTC and the Competition Agency, the Competition Agency may undertake investigations or initiate lawsuits against the Company. The Competition Agency is entitled to penalise an entity it has found to have engaged in anti-competitive activities by imposing a fine of 10% of the entity's total revenue generated for the period during which the violation occurred. These fines are aggregated for all infractions that occurred during any period in which the entity was found to have engaged in such anti-competitive activities. In addition, the Competition Agency may seek confiscation of any income generated as a result of anti-competitive activities. Such confiscation may be sought for income earned for a period not exceeding one calendar year. Political considerations may influence the decisions of the MTC and the Competition Agency, since these agencies are not fully independent from other branches of the Government of Kazakhstan and their personnel may be dismissed by the President of Kazakhstan at will. As a result, the MTC and the Competition Agency may impose fines on the Company or enforce regulations in an unpredictable or arbitrary manner.

On 3 July 2010, the Competition Agency initiated an administrative action against the Company in which it contended that the Company had violated antimonopoly law by requiring its post-paid subscribers to maintain a minimum cash balance in order to continue to be able to access its international roaming services. Although a judgment in favour of the Company was initially granted by the Astana Economic

Court on 2 September 2010, the Competition Agency launched a series of appeals and the case was re-tried in the Specialised Interdistrict Administrative Court of Almaty (the "**Almaty Administrative Court**"). The Competition Agency initially sought penalties in the amount of KZT 15,793,500,000 (which represented 10% of the Company's revenue from 1 January 2009 to 31 March 2010), but on re-trial reduced the penalty sought to KZT 281,169,810. On 24 August 2012, the Almaty Administrative Court ruled in favour of the Company and terminated the proceedings. The Competition Agency is, however, entitled to file a petition in the General Prosecutor's Office of the Republic of Kazakhstan (the "**General Prosecutor's Office**") requesting that the General Prosecutor's Office seek reinstatement of the case. If the General Prosecutor's Office supports the Competition Agency and files a protest in an appellate court (which it must do within one year of the judgment it is appealing), the administrative case may be reinstated.

On 3 November 2010, the Competition Agency initiated a second administrative action in which it contended that the Company had abused its dominant market position by setting excessive international roaming tariffs for the use of its network in Kazakhstan by subscribers of Russian mobile telecommunications operators, including OJSC MegaFon ("**MegaFon**"), VimpelCom and OJSC Mobile TeleSystems ("**MTS**"). Although the Almaty Administrative Court ruled in favour of the Company in this case on 1 March 2012, the Competition Agency is entitled to file a petition in the General Prosecutor's Office requesting that the General Prosecutor's Office seek reinstatement of the case. If the General Prosecutor's Office supports the Competition Agency and files a protest in an appellate court (which it must do within one year of the judgment it is appealing), the administrative case may be reinstated. The Competition Agency sought penalties in the amount of KZT 15,793,500,000 (which represented 10% of the Company's revenue from 1 January 2009 to 31 March 2010). In addition, the Competition Agency sought confiscation of monopolistic income from roaming services for the year 2009 in the amount of KZT 2,554,940,000. See "*Business—Legal Proceedings*" for further detail regarding these two administrative actions. If either of these two cases is reinstated and a judgment adverse to the Company is granted, the Company could be required to pay the penalties (and, in the second case, allow the confiscation of monopolistic income) sought by the Competition Agency.

In May 2012, the Competition Agency initiated an inquiry into a potential violation by the Company of antimonopoly legislation in respect of its relationships with cash payments service companies, which primarily operate electronic payment terminals. The inquiry related to the Company's payment of commissions to cash payments service companies, which collect subscribers' payments and receive commissions for such collection. The aim of the inquiry was to examine whether the Company's refusal to enter into direct agreements with certain cash payments service companies represented an abuse of its dominant market position. The cash payments service companies with which the Company refused to enter into direct agreements have been forced to conclude sub-agent agreements with cash payments service companies with which the Company has entered into direct agreements. In June 2012, the inquiry resulted in the Competition Agency proposing to approve the launch of an investigation of the Company. On 5 October 2012, the Company was notified that the Competition Agency had decided to launch the investigation. In November 2012, the Competition Agency completed the investigation. On 13 November 2012, the Competition Agency issued an order for the Company to cease its violation of antimonopoly legislation. In its order, the Competition Agency requested that the Company cease its violation of antimonopoly legislation by 4 December 2012 and notify the Competition Agency of its compliance with the order by 10 December 2012. The Company believes that it has not violated antimonopoly legislation and that the allegations against it are unfounded. The Company has already provided its response to the Competition Agency (prior to the 10 December 2012 deadline), asserting that the Company is in compliance with antimonopoly legislation. If the Competition Agency does not challenge the Company's position, it will inform the Company that there will be no further action in respect of this matter. However, if the Competition Agency challenges the Company's position, it may issue additional instructions for the Company to cease its violation of antimonopoly legislation and assess a fine in the amount of approximately KZT 3,236,000. The Company could then challenge the order and the fine in court. If the Company were to prevail in such an action, the order would be dismissed and the fine would be discharged. If the Company does not prevail on merits in court and fails to comply with the order, it may be subject to a fine in the amount of approximately KZT 3,236,000.

In July 2012, the Competition Agency initiated an inquiry into a potential violation by the Company of antimonopoly legislation. Specifically, the Competition Agency alleged that the Company and VimpelCom, as dominant market participants, engaged in concerted action in setting and maintaining excessively high interconnection tariffs, which were aimed at weakening their competitors. The alleged concerted action

resulted in a reduced level of competition and a restriction of the access of smaller operators (such as Tele2) to Kazakhstan's telecommunications market. On 7 September 2012, the Company was notified that the Competition Agency had determined to launch an investigation. On 5 October 2012, the Company responded to the Competition Agency stating that the allegations were unfounded and requesting that the investigation be terminated. This was rejected by the Competition Agency. Generally, the Competition Agency must complete its investigation within two months from the date it issued the order to carry out such investigation. However, the Competition Agency may extend its investigation for an additional two months. The Company has been informed that the investigation has been extended until 14 January 2013. Based on the findings of the investigation, the Competition Agency may: (a) if it determines that no violation has occurred or if there are other grounds for termination of the investigation, terminate the investigation; (b) if it determines that a violation has occurred, commence administrative proceedings to impose a fine and/or other sanctions; and/or (c) if it determines that a violation has occurred, require that the entity deemed to have violated antimonopoly law ceases its anticompetitive actions. If, in the course of its investigation, the Competition Agency determines that the Company violated antimonopoly legislation, it may assess penalties in the amount of 10% of total revenue generated for the period during which the violation occurred, and may seek the confiscation of income earned as a result of the monopolistic activity (subject to the limitation that the period for which the confiscation of income is sought may not exceed one calendar year). Currently, it is not possible to quantify the amount of penalties to be sought, because the Competition Agency has not yet determined certain key factors required to calculate the amount of penalties (such as, for example, the period during which the alleged violation occurred). The Company believes that the allegations are unfounded, and if the Competition Agency determines that the Company violated antimonopoly legislation, it intends to challenge the Competition Agency's determination in court. If the Company does not prevail in court (including on appeal), it will be obligated to pay the penalties in full. The penalties become payable within 10 days from the date of serving the final resolution of the case in court, but the payee may petition the court for an extension of up to three months from that date. If the payee fails to pay the penalties within the prescribed period, a collection action will be commenced and the payee's assets may be seized pending its payment of the penalties in full.

Moreover, there can be no assurance that the Competition Agency will not initiate further actions against the Company in the future. If the Company becomes subject to the penalties as a result of the aforementioned legal proceedings or otherwise, its business, financial condition and results of operations could be materially adversely affected.

Future changes in the regulation of the mobile telecommunications market in Kazakhstan could have a material adverse effect on the Company's business, financial condition and results of operations.

As a mobile telecommunications operator in Kazakhstan, the Company operates in a regulated environment. The Company's operations are subject to the Communications Law, the Natural Monopolies and Regulated Markets Law, the Law of the Republic of Kazakhstan "On Licensing" dated 11 January 2007, no. 214-III ZRK, as amended (the "**Licensing Law**"), the Law of the Republic of Kazakhstan "On Competition" dated 25 December 2008, no. 112-IV ZRK, as amended (the "**Competition Law**") and the Law of the Republic of Kazakhstan "On National Security" dated 6 January 2012, no. 527-IV, as amended (the "**National Security Law**") and the regulations promulgated thereunder. See "*Telecommunications Regulation in Kazakhstan*" for additional detail on the laws and regulations in Kazakhstan applicable to the Company. The MTC and/or certain other governmental authorities may modify the regulations applicable to the Company in a manner that could adversely affect the Company. In particular, the MTC and its predecessors have sought in the past, and may seek in the future, to implement regulatory initiatives to foster competition, for instance by giving preferential treatment to new entrants to the Kazakhstan mobile telecommunications market. For example, to the Company's knowledge, the MTC has not enforced the network coverage obligations of new market entrants, whereas it has strictly enforced the Company's network coverage obligations. The Company may also be subject to additional scrutiny with regard to its tariffs. In 2011, the MTC introduced certain maximum tariffs applicable to the Company's on-net calls and, in February 2012, it introduced maximum tariffs applicable to the Company's off-net calls and data services. In the past, the MTC has also recommended reductions in interconnection tariffs. In 2010, 2011 and 2012, the Company voluntarily reduced its interconnection tariffs at the request of the MTC. In November 2012, it also entered into a memorandum of understanding with Kar-Tel and Tele2, which provides for the gradual reduction of interconnection rates. See "*Industry—Regulation*" and "*Telecommunications Regulation in Kazakhstan—Interconnection*". The MTC has also recently commissioned a case study to examine the potential effects of regulating interconnection rates and has established a dialogue with operators. At present, the Company believes that the MTC holds the view that

interconnection tariffs should be gradually decreased from 2013. However, it has not implemented these changes through any official decrees or regulations. If the MTC requires operators to decrease their interconnection tariffs in 2013 or in future years beyond what operators agreed amongst themselves, this could have an adverse effect on the Company's business, financial condition and results of operations. See "*—The Company is subject to tariff regulation, which may limit its flexibility in pricing and could result in a reduction in its revenue and net profit*".

In addition, the Company believes that its operations may be affected by the Government's selective utilisation of data content filtering technologies, such as Deep Packet Inspection ("**DPI**"), which monitors internet traffic and content, and restricts access to certain content that it deems to be harmful to Kazakhstan's citizens or state interests. See "*Telecommunications Regulation in Kazakhstan—Interaction of communication operators with state authorities—Data content filtering*". The Company believes that the use of such data content filtering technologies can result in reduced data transmission speed (or even complete blockage of certain content), which could (through its impact on users' consumption of data) have an adverse effect on the Company's data revenues.

The MTC may also introduce other regulatory initiatives that could have a material adverse effect on the Company's operations, including, but not limited to, regulations that:

- allow for mobile number portability;
- allow for the introduction of MVNOs;
- impose additional restrictions on or otherwise limit frequency allocation;
- impose new health and safety requirements;
- impose additional restrictions on the construction and operation of cell towers;
- impose restrictions on the provision of content services;
- limit or otherwise interfere with the services or products that the Company may sell; or
- set higher service standards.

The introduction of these or other regulatory initiatives could cause the Company to lose market share or could increase the cost of conducting its business, which could have a material adverse effect on its business, financial condition and results of operations.

The Company may encounter difficulties in obtaining licences and permits for the installation and operation of its base stations in desired locations and currently operates some of its base stations without the necessary permits.

The Company is required to obtain permits for the installation and operation of its base stations. The process for obtaining such permits is time consuming, particularly in urban areas, where the Company may face difficulties in obtaining permits to install its base stations on buildings. A certain portion of the Company's base stations were not fully covered by permits as at 30 September 2012. The Company has been in the process of obtaining permits for the installation and operation of these base stations. However, there can be no assurance that such permits will be obtained in a timely manner, if at all. The operation of these base stations without permits may result in the Company being forced to remove the base stations and/or in the suspension of the Company's general licence and radio frequency permits, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Risk Factors Relating to Kazakhstan

Financial instability in any emerging market could cause the price of the Company's Shares and the GDRs to fluctuate significantly.

Financial instability in any emerging market tends to adversely affect prices in stock markets in other emerging markets as investors move their money to more developed markets that they perceive to be more stable. As has been the case in the past, financial instability or an increase in the perceived risks associated with investing in emerging markets could constrain foreign investment in Kazakhstan and adversely affect its economy. In addition, during periods of financial instability, companies operating in emerging markets may face liquidity constraints if foreign funding sources are withdrawn. Thus, even if the fundamentals of the Kazakhstan economy remain relatively sound, financial instability in other emerging markets could materially adversely affect the Company's business and/or the price of the Shares and the GDRs.

The Company's operations may involve greater risks, including political, economic, social, financial, regulatory and legal risks, not associated with more developed markets.

The Company's operations are conducted primarily in Kazakhstan, which is considered to be an emerging market. Investments in emerging markets are often subject to greater risks than investments in more developed markets. Economies in emerging markets such as Kazakhstan are in various stages of development or structural reform, and some are subject to rapid fluctuations in their foreign exchange rates, gross domestic product ("**GDP**"), consumer prices and interest rates. The Company's operations may be subject to the risk of sudden changes in regulatory and taxation regimes, political or labour unrest, acts of terrorism or other violence, corruption, inflation or recession. In addition, financial instability in other markets adjacent to Kazakhstan, such as other Central Asian countries, may adversely affect the markets in which the Company operates. All of these factors may affect the economic and trading conditions in which the Company operates, including the ability of subscribers to pay for its services. These factors could also increase the costs of operating in Kazakhstan. Any of the foregoing could have a material adverse effect on the Company's business, financial condition and results of operations.

Substantially all of the Company's operations are conducted, and substantially all of its assets are located, in Kazakhstan. Accordingly, the Company is affected to a significant degree by legal, economic and political conditions prevailing in Kazakhstan.

Kazakhstan became an independent sovereign state in 1991 as a result of the dissolution of the Soviet Union. Since then, Kazakhstan has undergone significant changes as it has emerged from a single party political system and a centrally controlled command economy to a market-oriented economy. The transition was initially marked by political uncertainty and tension, a recessionary economy accompanied by high inflation, instability of the local currency and rapid, but incomplete, changes in the legal environment. Since 1992, Kazakhstan has actively pursued a programme of economic reform designed to establish a free-market economy through privatisation of state enterprises. However, as with any transition economy, there can be no assurance that these reforms will continue or that they will achieve any or all of their intended aims.

According to figures compiled by the EIU, Kazakhstan's GDP grew in real terms following the adoption of a floating exchange rate policy in April 1999, increasing by 13.5% in 2001, 9.8% in 2002, 9.2% in 2003, 9.4% in 2004, 9.4% in 2005, 10.7% in 2006 and 8.9% in 2007. In 2008, real GDP increased by only 3.2% and in 2009, it increased by only 1.2%. In 2010, real GDP growth accelerated to 7.3% and in 2011, GDP grew by 7.5%.

Kazakhstan's financial sector as a whole continues to experience instability and remains under stress. It is not clear what impact this will have on Kazakhstan's telecommunications market. Small and medium-sized enterprises have been particularly affected while larger companies and state-owned entities have generally continued to have access to offshore funding albeit on a more limited basis and on less favourable terms.

Any liquidity problems in Kazakhstan's economy could adversely affect its economic development, which could in turn materially and adversely affect the Company's prospects, business, financial condition and results of operations.

Kazakhstan's economy depends on its relations with neighbouring countries

Kazakhstan depends on neighbouring countries to access world markets for a number of its major exports, including oil, gas, steel, copper, ferro-alloys, iron ore, aluminium, coal, lead, zinc and wheat. Kazakhstan is thus dependent upon good relations with its neighbours to ensure its ability to export and has taken various steps to promote regional economic integration among neighbouring countries. In 2010, the Customs Union between Kazakhstan, Russia and Belarus came into existence with a single customs territory aimed at facilitating free flow of goods, services, capital and labour. From 1 January 2012, the three states introduced the single economic space. However, should access to export routes be materially impaired, this could adversely affect the economy of Kazakhstan. Moreover, adverse economic factors in the markets of other member countries may adversely affect Kazakhstan's economy.

Although Kazakhstan has in the recent past enjoyed relative political stability, it could be adversely affected by political unrest in the Central Asia region. Additionally, in common with other countries in Central Asia, Kazakhstan could be adversely affected by terrorism or by military or other action taken against sponsors of terrorism in the region.

Kazakhstan's corporate governance laws may be less developed than those of more developed markets.

The corporate affairs of the Company are regulated by the Charter, the Corporate Governance Code, the Law of the Republic of Kazakhstan "On Joint Stock Companies" dated 13 May 2003, no. 415-II (the "**JSC Law**") and other laws governing companies incorporated in Kazakhstan. The corporate governance regime in Kazakhstan is less developed than those in more developed markets such as the United States and the United Kingdom. In particular, corporate governance standards in Kazakhstan may be less stringent than corporate governance standards in more developed markets. The Government has stated that it intends to continue to reform corporate governance standards to improve disclosure and transparency in the corporate sector. However, there can be no assurance that these efforts will be successful.

Kazakhstan's economy is highly dependent on oil exports and may be affected by oil price volatility and delays in the completion of infrastructure projects.

Countries in the Central Asia region, such as Kazakhstan, whose economies and state budgets rely in part on the export of oil, oil products and other commodities, could be adversely affected by volatility in oil and other commodity prices and by any sustained fall in prices. In addition, Kazakhstan's economy could be adversely affected by delays in any infrastructure projects related to the oil industry or by a lack of foreign investment in the oil industry. In addition, any fluctuations in the value of the U.S. dollar relative to other currencies may cause volatility in earnings from U.S. dollar denominated oil exports. An oversupply of oil or other commodities in world markets or a general downturn in the economies of any significant markets for oil or other commodities or a weakening of the U.S. dollar relative to other currencies would have a material adverse effect on the Kazakhstan economy, which could, in turn, have a material adverse effect on the business, financial condition and results of operations of the Company.

Uncertainty over the outcome of the implementation of economic reforms in Kazakhstan may impose risks.

There remains a need for substantial investment in many sectors of the Kazakhstan economy and there are areas in which economic performance in the private sector is still constrained by an inadequate business infrastructure. The Government has stated that it intends to address these problems by improving business infrastructure and tax administration. Further, the significant size of the shadow economy may adversely affect the implementation of reforms and hamper the efficient collection of taxes. There can be no assurance that these measures taken by the Government for the implementation of the economic reform will be effective or that any failure to implement them may not materially and adversely affect the Company's business, financial condition, results of operations and prospects.

Kazakhstan's tax regime and its judiciary are not fully developed and are therefore unpredictable.

Although a large volume of legislation has come into force since early 1995 (including the National Security Law in January 2012, the Code of the Republic of Kazakhstan "On Taxes and Other Payments into the Budget" dated 10 December 2008, no. 99-IV, as amended (the "**2009 Tax Code**" or the "**Tax Code**") in January 2009, the Competition Law in December 2008, laws relating to foreign arbitration in 2004, the Communications Law in July 2004 and other legislation covering such matters as securities exchanges, economic partnerships and companies, state enterprise reform and privatisation), the legal framework in Kazakhstan is still in a relatively early stage of development compared to those in countries with established market economies. The judicial system, judicial officials and other Government officials in Kazakhstan may not be independent of external social, economic and political forces. There have been instances of improper payments being made to public officials, and administrative decisions have been inconsistent and court decisions difficult to predict.

Further, due to numerous ambiguities in Kazakhstan's commercial legislation, in particular in its tax legislation, Kazakhstan tax authorities may make arbitrary assessments of tax liabilities and challenge previous tax assessments, thereby rendering it difficult for companies to ascertain whether they are liable for additional taxes, penalties and interest. As a result of these ambiguities, including, in particular, the uncertainty surrounding judgments rendered under the 2009 Tax Code, as well as a lack of an established system of precedent or consistency in legal interpretation, the legal and tax risks involved in doing business in Kazakhstan are substantially greater than those in jurisdictions with more developed legal and tax systems. Tax legislation in Kazakhstan may also continue to evolve, which may result in further uncertainty.

The 2009 Tax Code was adopted at the end of 2008 and came into force on 1 January 2009. The 2009 Tax Code provides for reduced rates for certain taxes, including corporate income tax, which has been reduced from 30% to 20%, and value-added tax ("**VAT**"), which has been reduced from 13% to 12%. Despite these

reductions, the Company expects certain revenue-raising measures to be implemented, which may result in significant additional taxes becoming payable. Additional tax exposure could have a material adverse effect on companies operating in Kazakhstan, such as the Company.

The President of Kazakhstan, Nursultan Nazarbayev, has been in office since 1991 and should he leave office without a smooth transfer to his successor, the political and macroeconomic situation in Kazakhstan could become unstable.

The President of Kazakhstan, Nursultan Nazarbayev, is 72 years old and has been in office since Kazakhstan became an independent sovereign state in 1991. Under President Nazarbayev's leadership, the foundations of a market economy have taken hold, including the privatisation of state assets, liberalisation of capital controls, tax reforms and pension system development. President Nazarbayev was re-elected by a 95.5% majority for a new five year term in elections which took place in early April 2011. In May 2007, Kazakhstan's parliament voted to amend Kazakhstan's constitution to allow President Nazarbayev to run in an unlimited number of elections. While this amendment will allow President Nazarbayev to seek re-election at the end of his term, there is no guarantee that he will remain in office. Should President Nazarbayev fail to complete his current term of office for whatever reason or should a new President of Kazakhstan succeed him without a clear mandate, Kazakhstan's political situation and economy could become unstable and the investment climate in Kazakhstan could deteriorate, which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Official statistics and other data published by Kazakhstan authorities may be unreliable.

Official statistics and other data published by Kazakhstan authorities may not be as complete or reliable as those published by the authorities of more developed countries. Official statistics and other data may also be produced on bases different from those used in more developed countries. The Company has not independently verified such official statistics and other data and therefore any discussion of matters relating to Kazakhstan in this Prospectus is subject to uncertainty. Specifically, investors should be aware that certain statistical information and other data obtained in this Prospectus has been extracted from official Government sources and was not prepared in connection with the preparation of this Prospectus.

In addition, certain information in this Prospectus (such information is sourced in the text or in footnotes where it appears), including, without limitation, under the captions "*Summary*", "*Risk Factors*", "*Exchange Rates*", "*Selected Historical Consolidated Financial and Operating Data*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Industry*", "*Business*" and "*Telecommunications Regulation in Kazakhstan*", is based on information obtained from unofficial sources. The Company has accurately reproduced such information and, so far as the Company is aware and is able to ascertain from information published by such sources, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. This information has not been independently verified and, therefore, is subject to uncertainty due to questions regarding the completeness or reliability of such information, which was not prepared in connection with the preparation of this Prospectus.

Risks Relating to the Shares and the GDRs

In order to maintain eligibility for the admission of its common shares to the first category of the official list of the KASE, the Company is required to maintain a free float of at least 25% of its outstanding common shares from the date falling two years after the commencement of trading of its common shares on the KASE. To the extent this requirement is not met by that date, the KASE may terminate the Company's first category listing.

In order to maintain its eligibility for the first category listing on the KASE, the Company is required to maintain a free float of at least 25% of its outstanding common shares from the date falling two years after they began trading on the KASE. If for any reason the Company's free float falls below 25% at any time after the date falling two years after the commencement of trading of its common shares on the KASE, the KASE may terminate the Company's first category listing. If the Company's first category listing is terminated, a number of Kazakhstan institutional investors may be unwilling to continue to hold the Company's shares. This could result in a decline in the market price of the Shares and/or the GDRs.

Delisting of the Company's common shares from the official list of the KASE may subject dividends payable on the GDRs to Kazakhstan withholding tax.

The Company's common shares are to be included in the first category of the official list of the KASE. Under the Tax Code, dividends payable on shares underlying GDRs are exempt from any tax payment and any reporting or compliance requirements in Kazakhstan if they are admitted to the official list of the KASE at the time the relevant dividend is paid. Accordingly, if the Company's common shares are delisted from the official list of the KASE for any reason, dividends payable to the holders of GDRs may become subject to Kazakhstan withholding tax at the rate of 15%. A rate of 20% is payable if payment is made to a GDR holder resident in a Country with a Favourable Tax Regime (as defined in "*Taxation*" below). A reduced rate is payable if payment is made to a GDR holder resident in a country that is a party to a double tax treaty with Kazakhstan. In each case the rate is subject to provision of the relevant documents by such GDR holder. See "*Taxation—Republic of Kazakhstan*".

Kazakhstan has a less developed securities market than the United States and Western Europe and there may be limited or no liquidity with respect to the Company's shares.

Although significant developments have occurred in recent years, Kazakhstan's securities market continues to be less developed than securities markets in the United States and Western Europe. In particular, legal protections against market manipulation and insider trading may be less developed and may be less strictly enforced.

In addition, there may be no liquidity with respect to the Company's shares. The trading market for shares in Kazakhstan, the KASE, is currently relatively small in terms of the number of issuers listed, the market capitalisation of these issuers and the number of participants in the market, which could lead to illiquidity of securities listed on the KASE (including the Company's shares). Furthermore, if there is a trading interruption on the KASE, this could have a negative effect on the price of the Company's shares and indirectly on the price of the GDRs.

Sales, or the real or perceived possibility of sales, of a significant number of the Company's shares in the public market could adversely affect prevailing market prices for the Shares and the GDRs.

Sales, or the real or perceived possibility of sales, of a significant number of the Company's shares in the public market could adversely affect prevailing market prices for the Shares and GDRs. Upon completion of the Offering (and assuming that the Put Option is not exercised), Fintur and Sonera will hold 51% and 24% of the Company's outstanding common shares, respectively. The Company cannot predict the effect, if any, that market sales of the shares and GDRs, or the availability of the shares or GDRs for future sale, will have on the market price of its shares and the GDRs; the availability of shares that are eligible for public sale could adversely affect the price of the Shares and the GDRs.

There has been no prior public market for the Shares or GDRs.

To date, there has been no public market for the Shares or GDRs. Investors should not view the initial Offer Price as any indication of the price that will prevail in the trading market. Due to the absence of a prior market, the Offer Price may not accurately reflect the price of the Shares or GDRs following the Offering. There can be no assurance that a liquid market in the Shares or GDRs will develop or be maintained. If a market for the Shares or GDRs does not develop, the price of the Shares or GDRs, and the ability to sell the Shares or GDRs, could be adversely affected.

The price of the Shares and GDRs may be volatile, which could have an adverse impact on holders of the Shares and GDRs.

The price of Shares and GDRs may be volatile and may be affected by factors such as: fluctuations in the operating results of the Company or its competitors from one period to another; announcements by the Company or its competitors regarding the launch of new products, offers or technologies; announcements regarding changes in the Company's management team or key personnel or in its shareholding structure; changes in financial estimates by securities analysts; changes in the regulatory environment; and announcements regarding acquisitions or divestitures in the Kazakhstan telecommunications market. Furthermore, the financial markets have experienced significant price fluctuations in recent years, often unrelated to the underlying performance of listed companies. Such market fluctuations as well as general economic conditions may affect the price of the Shares and/or the GDRs.

The price of the Shares and the GDRs may be adversely affected by negative publicity regarding the TeliaSonera group, which owns a majority stake in the Company.

TeliaSonera, which directly and indirectly owns a majority stake in the Company, has recently been the subject of negative publicity. In September 2012, TeliaSonera became subject to media allegations of bribery and money laundering related to its 2007 investment in a 3G licence, frequencies and number series in Uzbekistan. The anti-corruption unit of the Swedish prosecuting authorities have initiated an investigation, which TeliaSonera is cooperating with. TeliaSonera has publicly stated that such allegations are unfounded and has initiated its own external legal review, to be presented before the end of the year.

There have also been subsequent media reports about TeliaSonera's investment in Nepal which TeliaSonera has publicly stated to be incorrect and unfounded, and there can be no assurance that further incorrect or unfounded media reports will not be made regarding this investment or other investments within TeliaSonera's emerging markets portfolio.

In addition, there can be no assurance that negative publicity relating to TeliaSonera's investments in Uzbekistan or elsewhere may not adversely affect the price of the Shares or the GDRs, regardless of the inaccuracy of, or lack of grounds for, any such negative publicity and the absence of any relationship between such negative publicity and the Company's operations themselves. To the extent that any further allegations were to arise, whether or not those allegations have merit, the price of the Shares and the GDRs could be adversely affected. See "*Shareholders*" for further detail on the allegations in relation to FE "COSCOM" LLC ("**Ucell**").

U.S. and certain other non-Kazakhstan holders of the Company's GDRs may not be allowed to exercise pre-emptive rights.

Under Kazakhstan law, subject to certain exceptions, prior to the issue of any new shares or securities convertible into shares, the Company must offer all holders of existing shares pre-emptive rights to subscribe and pay for a number of shares or securities convertible into shares that would allow them to maintain their existing ownership percentages.

U.S. holders of GDRs may not be able to receive or exercise pre-emptive rights for new shares unless a registration statement under the Securities Act is effective with respect to such rights or an exemption from the registration requirements of the Securities Act is available. The Company does not currently plan to register its shares, GDRs or any future rights under the Securities Act. If U.S. holders of GDRs are not able to receive or exercise pre-emptive rights granted in respect of their GDRs, their proportional ownership interests in the Company will be diluted. Similar restrictions may apply in other countries.

The possible volatility in the global financial markets may have an adverse impact on the price of the Shares and the GDRs.

From August 2007 through to the early part of 2009, the global financial system experienced unprecedented credit and liquidity conditions and disruptions leading to a reduction in liquidity. Following a period of stabilisation in 2010 and the first half of 2011, the recovery was adversely affected by turmoil in the capital markets that was triggered by the sovereign debt crises in Greece, Ireland, Italy, Portugal and Spain. Despite rescue packages provided to certain of these countries during the past two years, uncertainty over the efficacy of these measures has persisted. Furthermore, one or more Member States may exit the Euro, which could result in further market turmoil and greater volatility in the global markets. Any such volatility could have a material adverse effect on the price of the Shares and the GDRs.

As the Company's shares are quoted in Kazakhstan Tenge on the KASE, investors may be subject to potential losses arising out of exchange rate risk on the Kazakhstan Tenge and risks associated with the conversion of Kazakhstan Tenge proceeds into foreign currency.

Investors that purchase GDRs are required to pay for such GDRs in U.S. dollars. Investors are subject to currency fluctuation risk and convertibility risk since the Company's shares are quoted in Kazakhstan Tenge on the KASE. Dividends on the Company's shares will also be paid in Kazakhstan Tenge, and then converted into U.S. dollars for distribution to GDR investors. Any devaluation or depreciation in the Kazakhstan Tenge resulting in a decreased value of the Company's shares or a decreased value of dividend payments could have an adverse effect on holders of the Shares or the GDRs. There can be no assurance that such devaluation or depreciation will not occur in the future.

CAPITALISATION

The following table sets forth the consolidated cash and cash equivalents and capitalisation of the Company as at 30 September 2012. This information should be read in conjunction with "*Selected Historical Consolidated Financial and Operating Data*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Financial Statements, included elsewhere in this Prospectus.

	As at 30 September 2012	
	(KZT million)	*(U.S.$ million[3])*
Cash and cash equivalents	1,077	7.19
Total borrowings[1]	4,999	33.36
Total equity	50,448	336.63
Total capitalisation[2]	**55,447**	**369.99**

Notes:

(1) On 26 September 2012, the Company signed a term loan facility agreement with, among other entities, JSC Citibank Kazakhstan and JSC SB RBS Kazakhstan for a loan in the amount of KZT 30 billion with a fixed interest rate of 4.60% per annum, a one-off transaction fee of 1% of the loan amount and a maturity of twelve months, with a possible extension of up to an additional twelve months, subject to further consent of the lenders. As at the date of the Prospectus, the KZT 30 billion facility was fully drawn. On 17 October 2012, the Company signed a term loan facility agreement with, among other entities, JSC Citibank Kazakhstan and JSC SB RBS Kazakhstan for a loan in the amount of KZT 15 billion with a fixed interest rate of 3.85% per annum, a one-off transaction fee of 1% of the loan amount and a maturity date of 26 September 2013, with a possible extension of up to an additional twelve months, subject to further consent of the lenders. The KZT 15 billion facility is guaranteed by TeliaSonera. The Company is subject to the payment of an annual fee in the amount of up to KZT 112.5 million per annum to TeliaSonera for its provision of the guarantee in respect of the KZT 15 billion facility. As at the date of the Prospectus, the KZT 15 billion facility was fully drawn. The Company entered into these loan facilities principally to pay dividends declared during the nine months ended 30 September 2012. In relation to the dividends declared on 25 January 2012 and 30 June 2012, as at the date of this Prospectus, the Company has paid KZT 95,616 million, with the remaining KZT 20,261 million to be paid by the Company by no later than 30 June 2013. See "*Dividend Policy*".

(2) Total capitalisation consists of total borrowings and total equity.

(3) For the purpose of translation of the relevant Kazakhstan Tenge amounts into U.S. dollars, an exchange rate of KZT 149.86 to one U.S. dollar (representing the official exchange rate quoted by the NBK on 30 September 2012) was used.

Other than as stated in the notes to the table above, there has been no material change in the Company's capitalisation since 30 September 2012.

USE OF PROCEEDS

The Company will not receive any proceeds of the Offering. The Selling Shareholder will receive the net proceeds of the Offering, which will be approximately U.S.$505 million, assuming no exercise of the Put Option, or approximately U.S.$454 million, assuming that the Put Option is exercised in full (in each case assuming full payment of the discretionary fee to the Underwriters). The total commissions, fees and expenses payable by the Selling Shareholder in connection with the Offering will be approximately U.S.$20 million, assuming no exercise of the Put Option, or approximately U.S.$18 million, assuming that the Put Option is exercised in full (in each case assuming full payment of the discretionary fee to the Underwriters). The total fees and expenses payable by the Company in connection with the Offering will be approximately U.S.$4 million.

The Offering allows TeliaSonera to achieve its commercial objective of controlling (directly or indirectly) a 75% interest in the Company. It also allows TeliaSonera to support the efforts of the Government of Kazakhstan to promote broader share ownership in Kazakhstan and expand, and further develop, the Kazakhstan stock market. This is consistent with the understanding reached between TeliaSonera and the Government of Kazakhstan that TeliaSonera would seek to IPO the Company, subject to such IPO being on terms, including as to pricing and timing, acceptable to TeliaSonera.

DIVIDEND POLICY

Dividend History

The Company declared an annual dividend in respect of the years ended 31 December 2009 and 31 December 2010 of KZT 41,600 million and KZT 58,000 million, respectively, with 51% being paid to Fintur and 49% being paid to Kazakhtelecom (the Company's participants as at the date of declaration). As at the date of this Prospectus, these dividends have been paid in full by the Company.

On 25 January 2012, the Company declared an annual dividend in respect of the year ended 31 December 2011 of KZT 66,858 million and a further dividend of KZT 4,005 million in respect of the period prior to such declaration. Such dividends are payable to Fintur and Kazakhtelecom (the Company's participants as at the date of the declaration) by the end of the financial year ending 31 December 2012, with 51% and 49% being paid to Fintur and Kazakhtelecom, respectively.

On 30 June 2012, the Company declared a further dividend of KZT 45,014 million in respect of the period prior to the Offering. The dividend will be paid to Fintur and Sonera (the Company's participants as at the date of the declaration) by no later than 30 June 2013, with 51% and 49% being paid to Fintur and Sonera, respectively.

In relation to the dividends declared on 25 January 2012 and 30 June 2012, as at the date of this Prospectus, the Company has paid KZT 95,616 million, with the remaining KZT 20,261 million to be paid by the Company by no later than 30 June 2013.

Pursuant to Kazakhstan law, any undistributed profits generated by the Company prior to 1 July 2012, being the date on which the Company's participants decided to convert the Company from a limited liability partnership into a joint stock company, will be contributed to the Company's share capital and will not thereafter be available to be declared or paid as a dividend.

Dividend Policy

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.

On 17 October 2012, the general meeting of shareholders of the Company approved the Company's dividend policy, which forms part of the Corporate Governance Code and will apply to dividends to be declared by the Company after the declaration of the special dividend as described above.

Net income of the Company shall be allocated in accordance with a relevant decision of the general meeting of shareholders for payment of dividends, based on the Company's development or other goals and a long-term targeted net debt to EBITDA ratio in the range of 0.5–0.9. Unless the Company's shareholders decide otherwise, annual dividends on common shares of the Company shall be at least 70% of the net income of the Company 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 intends to pay dividends annually in respect of the previous financial year, as resolved by the Company's general shareholders' meeting.

Accordingly, the first ordinary dividend of the Company is intended to be declared and paid in, and to shareholders of the Company as at a record date to be set within, the second quarter of the financial year ending 31 December 2014 in respect of the financial year 1 January 2013 to 31 December 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.

In addition, the Company has a procedure for the distribution of the net income of the Company (the "**Income Distribution Procedure**"), which is required to be prepared by a Kazakhstan joint stock company for the purposes of a prospectus prepared in connection with the issuance of shares. The Income Distribution Procedure is annexed to the prospectus prepared by the Company in connection with the Domestic Offer, which was registered with the Committee of the National Bank of Kazakhstan on Control

and Supervision of the Financial Market and Financial Organisations (the "**FMSC**") on 25 September 2012 in connection with the state registration of the issuance of the Company's shares. The Income Distribution Procedure provides that the net income of the Company shall be distributed in accordance with the procedure provided for by the legislation of the Republic of Kazakhstan, the Charter and the Corporate Governance Code.

See "*Description of Share Capital and Certain Requirements of Kazakhstan Law—Summary of the Charter—Dividends and other distributions*" for a description of the Charter and certain requirements of Kazakhstan law relating to the distribution of dividends. See "*Taxation—Republic of Kazakhstan*" for a description of taxes payable in connection with the distribution of dividends.

Holders of the GDRs will be entitled to receive any dividends paid in respect of the Shares underlying such GDRs in accordance with the terms of the Deposit Agreement. See "*Terms and Conditions of the GDRs—Cash Distributions*".

EXCHANGE RATES

The currency of Kazakhstan is the Kazakhstan Tenge, which was introduced in November 1993. Prior to 5 April 1999, the NBK maintained a managed floating exchange rate system. In April 1999, the NBK and the Government of Kazakhstan publicly announced that they would cease to intervene in the foreign exchange markets, allowing the Kazakhstan Tenge to float freely. As a result, the Kazakhstan Tenge depreciated from a pre-announcement rate of KZT 88 per U.S. dollar to a rate of approximately KZT 130 per U.S. dollar in May 1999. For the next three years, the Kazakhstan Tenge generally continued to depreciate in nominal terms against the U.S. dollar, although from 2002 to 2008 it strengthened overall against the U.S. dollar.

On 4 February 2009, the NBK changed the Kazakhstan Tenge/U.S. dollar exchange rate corridor within which it was committed to maintain the exchange rate from KZT 117 – KZT 123 per U.S. dollar to KZT 150 per U.S. dollar (+/−3%). This devaluation was due in part to pressure on the balance of payments of Kazakhstan as a result of a decline in commodity prices (in particular oil and gas prices) in the international markets and to prevent a significant decrease of Kazakhstan's gold and currency reserves. It was also intended to enhance export competitiveness. On 5 February 2010, the NBK widened the exchange rate corridor by committing to maintain the exchange rate at KZT 150 per U.S. dollar (+10%/–15%). In February 2011, the NBK cancelled this exchange rate fluctuation corridor and introduced a new currency support regime. This new "managed floating exchange rate" regime generally allows the NBK to intervene when necessary to support the Kazakhstan Tenge, without any reference to a formal fluctuation corridor or specific parameters.

The following table sets forth the period end, average and low and high rates for the Kazakhstan Tenge, each expressed in Kazakhstan Tenge and based on the Kazakhstan Tenge/U.S. dollar exchange rates on the KASE, as reported by the NBK:

	Period end	Average[1]	High	Low
2007	120.30	122.55	127.00	118.79
2008	120.77	120.30	120.87	119.48
2009	148.36	147.50	151.40	120.79
2010	147.40	147.35	148.46	146.41
2011	148.40	146.62	148.40	145.17
2012				
January 2012	148.60	148.38	148.61	148.08
February 2012	147.65	148.26	148.72	147.62
March 2012	147.77	147.79	147.99	147.51
April 2012	147.89	147.79	148.07	147.50
May 2012	147.91	147.89	148.06	147.62
June 2012	149.42	148.86	149.42	148.02
July 2012	149.93	149.72	150.03	149.42
August 2012	149.41	149.54	150.22	148.86
September 2012	149.86	149.77	150.12	149.34
October 2012	150.66	150.39	150.68	149.86
November 2012	150.52	150.52	150.86	150.07
December 2012 (to 12 December)	150.35	150.39	150.62	150.13

Note:

(1) The average rate reported by the NBK for the relevant period.

Fluctuations in the exchange rate between the Kazakhstan Tenge and the U.S. dollar in the past are not necessarily indicative of fluctuations that may occur in the future. These rates may also differ from the actual rates used in the preparation of the Financial Statements and other information presented in this Prospectus.

Solely for the convenience of the reader, and except as otherwise noted, this Prospectus contains translations of Kazakhstan Tenge amounts into U.S. dollars at the exchange rate of KZT 149.86 to one U.S. dollar, which was the official exchange rate quoted by the NBK on 30 September 2012.

The Company's inclusion of the exchange rates is not meant to suggest that the Kazakhstan Tenge amounts actually represent such U.S. dollar amounts or that such amounts could have been converted into U.S. dollars at any particular rate, or at all.

The daily average KZT/U.S. dollar exchange rate on the KASE, as reported by the NBK, on 12 December 2012 was KZT 150.35 to one U.S. dollar.

Although the Law of the Republic of Kazakhstan "On Currency Regulation and Currency Control" dated 13 June 2005, no. 75-III ZRK, as amended, provides that non-residents of Kazakhstan are entitled to receive and transfer dividends and other income on securities without any restrictions, it gives the President of Kazakhstan the right to introduce a "special currency regime", the duration of which may not exceed a period of one year. This regime can be introduced in extraordinary circumstances, such as when a threat to the economic security or the stability of the financial system of Kazakhstan arises. Under the special currency regime, certain limitations can be imposed on currency transactions of residents and non-residents, such as, for example, the requirement to place in a non-interest bearing deposit account with a Kazakhstan bank or the NBK a percentage of the currency transaction amount or to obtain the NBK's special permission in order to carry out a currency transaction.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING DATA

The selected consolidated statement of comprehensive income data, the selected consolidated statement of financial position data and the selected consolidated statement of cash flows data have been extracted without material adjustment from the Audited Financial Statements and the Unaudited Interim Financial Statements. The additional financial data includes non-IFRS measures and was derived from data extracted from the Financial Statements. This information should be read in conjunction with "*Risk Factors*", "*Capitalisation*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Presentation of Financial and Certain Other Information*" and the Financial Statements included in this Prospectus beginning on page F-2.

Selected consolidated statement of comprehensive income data

	Nine months ended 30 September		Year ended 31 December		
	2012	2011	2011	2010	2009
	(KZT million)				
Revenue	**133,104**	**131,632**	**178,786**	**152,488**	**130,352**
Cost of sales	(55,604)	(48,811)	(69,955)	(58,356)	(53,716)
Gross profit	**77,500**	**82,821**	**108,831**	**94,132**	**76,636**
Selling and marketing expenses	(12,108)	(13,079)	(15,763)	(16,167)	(14,336)
General and administrative expenses	(8,083)	(7,660)	(9,943)	(9,741)	(8,445)
Other operating income	372	24	157	252	141
Other operating expenses	(83)	(124)	(384)	(122)	(218)
Operating profit	**57,598**	**61,982**	**82,898**	**68,354**	**53,778**
Finance income	104	663	726	428	51
Finance expense	(19)	—	—	—	—
Profit before income tax	**57,683**	**62,645**	**83,624**	**68,782**	**53,829**
Income tax expense	(11,611)	(12,385)	(16,766)	(14,014)	(10,632)
Profit for the period	**46,072**	**50,260**	**66,858**	**54,768**	**43,197**

Selected consolidated statement of financial position data

	As at 30 September	As at 31 December		
	2012	2011	2010	2009
	(KZT million)			
Cash and cash equivalents	1,077	1,353	5,245	1,534
Total current assets	18,105	19,418	16,589	15,172
Total non-current assets	128,962	125,565	121,807	114,342
Total assets	147,067	144,983	138,396	129,514
Total liabilities	96,619	24,731	27,002	31,288
Total equity	50,448	120,252	111,394	98,226

Selected consolidated statement of cash flows data

	Nine months ended 30 September		Year ended 31 December		
	2012	2011	2011	2010	2009
	(KZT million)				
Net cash from operating activities	62,699	62,473	81,413	84,396	55,137
Net cash used in investing activities	(19,857)	(19,786)	(27,304)	(28,279)	(25,742)
Net cash used in financing activities	(43,117)	(21,000)	(58,000)	(52,406)	(29,570)

Additional financial data

	Nine months ended 30 September		Year ended 31 December		
	2012	2011	2011	2010	2009
	(KZT million, except for percentages)				
Gross profit margin(1)(2)	58.2%	62.9%	60.9%	61.7%	58.8%
Profit margin(1)(2)	34.6%	38.2%	37.4%	35.9%	33.1%
EBITDA(1)(3)	74,503	78,976	105,794	87,933	70,588
EBITDA margin(1)(2)(3)	56.0%	60.0%	59.2%	57.7%	54.2%
Adjusted EBITDA(1)(3)(7)	75,592	77,197	103,680	88,494	72,212
Adjusted EBITDA margin(1)(3)(7)(8)	66.3%	66.5%	66.3%	65.1%	62.6%
EBIT(1)(4)	57,598	61,982	82,898	68,354	53,778
EBIT margin(1)(2)(4)	43.3%	47.1%	46.4%	44.8%	41.3%
EBITDA less capital expenditure(1)(3)(5)	54,646	59,190	78,490	59,654	44,846
EBITDA less capital expenditure margin(1)(2)(3)(5)	41.1%	45.0%	43.9%	39.1%	34.4%
Capital expenditure(5)	19,857	19,786	27,304	28,279	25,742
Capital expenditure as a percentage of revenue(1)(5)	14.9%	15.0%	15.3%	18.5%	19.7%
Cash conversion(1)(6)	73.3%	74.9%	74.2%	67.8%	63.5%

Notes:

(1) Non-IFRS measures presented as supplemental measures of the Company's operating performance. These supplemental measures have limitations as analytical tools, and investors should not consider any one of them in isolation, or any combination of them together, as a substitute for analysis of the Company's operating results as reported under IFRS. For additional information see "*Presentation of Financial and Certain Other Information—Non-IFRS Financial Information*".

(2) Gross profit margin, profit margin, EBITDA margin, EBIT margin and EBITDA less capital expenditure margin are calculated by dividing gross profit, profit for the period, EBITDA, EBIT and EBITDA less capital expenditure (as applicable) by revenue, expressed as a percentage.

(3) EBITDA is defined as profit for the period before income tax, finance income and costs, depreciation of property, plant and equipment and amortisation of intangible assets.

(4) EBIT is defined as profit for the period before income tax, finance income and finance costs.

(5) Capital expenditure is defined as cash paid for purchases of property, plant and equipment and intangible assets.

(6) Cash conversion is calculated as EBITDA less capital expenditure divided by EBITDA.

(7) Adjusted EBITDA is defined as EBITDA less interconnect revenue plus interconnect costs.

(8) Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by the total of revenue less interconnect revenue.

Reconciliation of EBITDA, Adjusted EBITDA and EBIT to profit for the period

	Nine months ended 30 September		Year ended 31 December		
	2012	2011	2011	2010	2009
	(KZT million)				
Profit for the period	**46,072**	**50,260**	**66,858**	**54,768**	**43,197**
Income tax expense	11,611	12,385	16,766	14,014	10,632
Finance income	(104)	(663)	(726)	(428)	(51)
Finance expense	19	—	—	—	—
EBIT	**57,598**	**61,982**	**82,898**	**68,354**	**53,778**
Depreciation of property, plant and equipment and amortisation of intangible assets	16,905	16,994	22,896	19,579	16,810
EBITDA	**74,503**	**78,976**	**105,794**	**87,933**	**70,588**
Interconnect revenue	(19,021)	(15,621)	(22,415)	(16,534)	(14,947)
Interconnect costs(1)	20,110	13,842	20,301	17,095	16,571
Adjusted EBITDA	**75,592**	**77,197**	**103,680**	**88,494**	**72,212**

Note:

(1) Interconnect costs include roaming expenses.

Selected operating and other data

	As at and for the nine months ended 30 September		As at and for the year ended 31 December		
	2012	2011	2011	2010	2009
Subscribers[(1)(2)]	12,686	10,141	10,850	8,922	7,165
Kcell brand[(1)(2)]	1,685	1,432	1,497	1,348	1,242
as a % of total subscribers[(2)]	13.2%	14.1%	13.8%	15.1%	17.3%
Activ brand[(1)(2)]	11,001	8,710	9,353	7,574	5,923
as a % of total subscribers[(2)]	86.7%	85.9%	86.2%	84.9%	82.7%
Pre-paid subscribers[(2)(3)]	86.7%	85.9%	86.2%	84.9%	82.7%
Paid-in-advance subscribers[(2)(3)]	12.4%	13.2%	12.9%	14.3%	16.5%
Post-paid subscribers[(2)(3)]	0.8%	0.9%	0.9%	0.8%	0.9%
Mobile voice traffic (*million minutes*)	17,654	9,644	14,443	11,370	7,846
Outgoing (*million minutes*)[(4)]	16,119	8,584	12,892	10,340	6,891
On-net (*million minutes*)	15,005	7,913	11,905	9,680	6,362
Off-net (*million minutes*)	1,114	671	987	661	529
Incoming (*million minutes*)[(5)]	1,535	1,060	1,551	1,029	955
MOU[(6)]	170	112	122	119	92
ARPU[(7)]	1,261	1,508	1,472	1,580	1,493
Pre-paid	1,122	1,286	1,258	1,319	1,213
Paid-in-advance	2,018	2,615	2,559	2,704	2,416
Post-paid	3,784	5,565	5,340	6,797	6,738
Blended	1,261	1,508	1,472	1,580	1,493
Voice	1,029	1,256	1,227	1,363	1,298
Value-added services and other	106	128	125	145	159
Data	126	124	120	72	36
ARMU[(8)]	5.3	10.5	9.5	10.7	13.5
ARMB[(9)]	2.6	13.2	11.1	20.1	25.4
Average monthly usage[(10)]	52	10	19	5	4
Smartphone penetration[(11)]	10%	9%	10%	N/A	N/A
Subscriber acquisition costs *(KZT billion)*[(12)]	2,939	3,186	948	1,402	2,034
Churn rate[(13)]	28.3%	37.3%	35.4%	32.2%	43.1%
Gross additions[(1)(14)]	4,331	3,889	5,426	4,346	3,151
Net additions[(1)(15)]	1,837	1,219	1,927	1,757	83
Intra-city fibre optics cable length *(km)*	900	605	754	450	260

Notes:

(1) Presented in thousands.

(2) Presented based on the 6-month activity rule. For further information on the basis of calculation of subscribers see "*Presentation of Financial and Certain Other Information—Operating and Other Data*".

(3) Post-paid and paid-in-advance subscribers represent subscribers of the Kcell brand. Pre-paid subscribers represent subscribers of the Activ Brand.

(4) Outgoing mobile voice traffic is defined as traffic from on-net and off-net outgoing calls, including calls to mobile and fixed-line numbers.

(5) Incoming mobile voice traffic is defined as traffic originating on another provider's network and terminating on the Company's network.

(6) Minutes of use is defined as minutes of use per subscriber of the Company per month (with the number of subscribers based on the 6-month activity rule).

(7) ARPU represents average revenue per user, which is calculated as the average monthly revenue generated per subscriber (with the number of subscribers based on the 6-month activity rule).

(8) ARMU is defined as average revenue per minute of use. Monthly ARMU is calculated as monthly revenue generated from outgoing voice traffic and subscription fees (which include monthly fees and SIM card revenue) divided by monthly outgoing traffic. Annual and six-month ARMU is calculated as an average of monthly ARMU in each respective period.

(9) ARMB represents average data revenue on the Company's network divided by total data traffic on the Company's network.

(10) Average monthly usage represents monthly data traffic divided by average monthly number of data subscribers (with the number of subscribers based on the 6-month activity rule).

(11) Smartphone penetration represents the number of smartphones divided by the total number of mobile phones that the Company recognises on its network.

(12) Subscriber acquisition costs include advertising expenses, sales promotion expenses, dealer and other commission and activation fees and other costs related to the acquisition of subscribers, and exclude sales commissions to dealers unrelated to subscriber acquisition, such as commissions for cash collection.

(13) Churn-out is defined as monthly closing registered subscribers less opening registered subscribers (based on the 6-month activity rule) less new registered subscribers divided by monthly registered subscribers, and is annualised by multiplying by 12 months. Churn rate is defined as total churn-out registered subscribers for the month divided by the average number of subscriptions during the month. Average number of subscriptions during a month is the average of the number of the prior month's closing registered subscribers and the number of the current month's closing registered subscribers. Churn figures are presented on an annualised basis. Churn rate excludes subscriptions migrated to different subscription packages offered by the Company (internal migration).

(14) Gross additions is defined as the number of new subscribers (based on the 6-month activity rule).

(15) Net additions is defined as gross additions minus churn.

The following table presents registered and active subscribers and market share of the Company as at 30 September 2012 and 31 December 2011, 2010, 2009:

	Nine months ended 30 September	Year ended 31 December		
	2012	2011	2010	2009
Subscribers				
1-month activity rule(1)	9,859	8,327	7,073	5,758
3-month activity rule(1)	11,481	9,553	7,940	6,469
6-month activity rule(1)	12,686	10,850	8,922	7,165
Market share				
1-month activity rule(1)	47.7%	48.3%	49.6%	48.8%

Note:

(1) For further information on the basis of calculation of subscribers see "*Presentation of Financial and Certain Other Information—Operating and Other Data*".

Selected data presented on a quarterly basis

The following table presents subscribers, blended ARPU and revenue of the Company on a quarterly basis from 31 March 2010 to 30 September 2012:

	Three months ended 30 September 2012	Three months ended 30 June 2012	Three months ended 31 March 2012	Three months ended 31 December 2011	Three months ended 30 September 2011	Three months ended 30 June 2011	Three months ended 31 March 2011	Three months ended 31 December 2010	Three months ended 30 September 2010	Three months ended 30 June 2010	Three months ended 31 March 2010
Subscribers *(million)*(1)	12,686	11,691	11,173	10,850	10,141	9,707	9,357	8,922	8,409	7,820	7,460
ARPU *(KZT)*(2)	1,282	1,277	1,222	1,366	1,576	1,510	1,436	1,610	1,665	1,625	1,420
Revenue *(KZT million)*(3)	47,323	44,383	41,397	47,154	47,842	43,672	40,119	42,551	41,098	37,412	31,427

Notes:

(1) Subscribers are represented based on the 6-month activity rule.

(2) Presented based on the 6-month activity rule.

(3) Revenue represents total revenue generated from voice, value-added services, data services and other revenue.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is intended to assist in the understanding and assessment of trends in the Company's financial condition and results of operations. Historical results may not indicate future performance. The forward-looking statements contained in this discussion and analysis are subject to a variety of factors that could cause actual results to differ materially from those contemplated by such statements. Factors that may cause such a difference include, but are not limited to, those discussed in "Forward-Looking Statements" and "Risk Factors". This discussion and analysis should be read in conjunction with the Audited Financial Statements and the Unaudited Interim Financial Statements appearing elsewhere in this Prospectus and the sections of this Prospectus entitled "Presentation of Financial and Certain Other Information" and "Selected Historical Consolidated Financial and Operating Data".

Overview

The Company is the leading provider of mobile telecommunications services in Kazakhstan. The Company earns revenue by offering a broad range of mobile telecommunications services through its extensive, high quality mobile network covering substantially all of the populated territory of Kazakhstan. The services provided by the Company include basic mobile voice telephony services (including international roaming), value-added services (such as text and multimedia messaging services), data transmission services and other mobile telecommunications services. Through dealers and distributors, the Company also offers its subscribers a wide selection of handsets from leading global manufacturers.

Factors Affecting Results of Operations

Macroeconomic conditions in Kazakhstan

The Company believes that its results of operations have been and will continue to be influenced by macroeconomic conditions in Kazakhstan. In general, favourable economic conditions contribute to growth in revenue, while adverse economic conditions have a negative effect on revenue. Despite the economic downturn caused by the global financial crisis of 2008 and 2009, economic conditions in Kazakhstan continued to improve during the last three years. Kazakhstan's real GDP growth was 1.2%, 7.3% and 7.5%, in 2009, 2010 and 2011, respectively, according to the EIU. Real GDP per capita was U.S.$10,254, U.S.$10,849 and U.S.$11,491, in 2009, 2010 and 2011, respectively, which represented a compound annual growth rate of 5.9%. Kazakhstan's unemployment rate has also declined from 6.6% in 2009 to 5.8% in 2010 and further to 5.4% in 2011.

Favourable economic conditions during the last three years have contributed to growth in the disposable income of Kazakhstan's population, which has in turn caused consumer spending to grow, including spending on mobile telecommunications services. This has led to growth in the Company's revenue. Higher disposable income among Kazakhstan's population has led in particular to greater expenditure on certain value-added and data services provided by the Company. In addition, higher disposable income has contributed to an increase in the ownership of smartphones in Kazakhstan. Smartphone users typically have higher rates of consumption of data services, which fact also contributes to growth in the Company's revenue.

Pricing and usage

The Company's pricing policies have affected, and are expected to continue to affect, its results of operations. Kazakhstan's telecommunications market is characterised by high price sensitivity. When an operator reduces its tariffs, the reduction generally stimulates the use of its services by its existing subscribers. Reductions in tariffs also tend to have an impact on subscriber acquisitions, particularly because many subscribers in Kazakhstan own two or more SIM cards and readily switch between these SIM cards in order to benefit from the most cost effective tariffs.

The Company has reduced its tariffs several times during the last three years, both in response to increased competition from other mobile operators, in particular Tele2 and also VimpelCom in recent months (see "*—Competition*"), and as a result of the introduction of price caps by the MTC and its predecessors (see "*—Regulation*"). The Company has also introduced attractively priced service plans that are targeted at specific subscriber groups. See "*Business—Products and Services—Tariff plans*". Although tariff reductions have an adverse effect on revenue, this effect is generally at least partially offset by the increase in traffic and/or subscribers resulting from the tariff reductions. The Company's tariff reductions was one of the factors contributing to the increase in its subscriber base from 7.2 million in 2009 to 10.8 million in 2011

and further to 12.7 million for the nine months ended 30 September 2012, the increase in voice traffic from 7,846 million minutes in 2009 to 14,443 million minutes in 2011 and further to 17,654 million minutes as at 30 September 2012 and the increase in MOU from 92 in 2009 to 122 in 2011 and further to 170 for the nine months ended 30 September 2012.

Competition

The Kazakhstan mobile telecommunications market is characterised by high penetration and intense and growing competition. As at 30 September 2012, mobile voice penetration (defined as the number of registered SIM cards divided by the total population) was 158%, based on the Company's calculations using the 6-month activity rule and the EIU's estimates for population. Penetration was higher than 100% as at that date due to the fact that many subscribers in Kazakhstan own two or more SIM cards of different mobile operators.

Competition in the Kazakhstan mobile telecommunications market has intensified as a result of the entrance into the market of Tele2, which acquired a controlling stake in the local operator TOO Mobile Telecom-Service ("**NEO**") in 2010. In April 2011, Tele2 began offering tariffs significantly lower than those offered by the Company and VimpelCom (the second largest mobile telecommunications operator in Kazakhstan). As a result, Tele2 captured a portion of the Company's subscriber base (particularly subscribers of the Activ brand, who are typically characterised by a lower ARPU than the subscribers of the Kcell brand) and a portion of the subscriber base of VimpelCom. In 2012, VimpelCom and Tele2 continued to compete predominantly on pricing in an effort to maintain and/or increase their market shares. In order to retain its subscriber base, the Company has also reduced its tariffs, closely matching its prices to those of the competition. The reduction in tariffs and, to a lesser extent, the loss in market share, caused the Company's revenue growth to slow in the second half of 2011 and the nine months ended 30 September 2012.

As Tele2 has gained market share and its subscriber base has continued to grow, the volume of calls from its subscribers to the Company's subscribers has increased significantly, which has contributed to an increase in the Company's interconnect revenue. However, growth in interconnect revenue was partially offset by an increase in its interconnect fees and expenses stemming from an increase in the volume of off-net calls made by the Company's subscribers.

In the past, the Company's revenue growth has largely resulted from growth in its subscriber base and MOU. The level of penetration in Kazakhstan may, however, make it difficult for the Company and other operators to add subscribers. Further, as competition increases, the Company may face greater levels of churn and may increasingly be required to reduce its tariffs in order to retain subscribers.

Data services

Data services represent an increasingly important revenue stream for the Company with significant growth potential. In 2010, 2011 and the nine months ended 30 September 2012, revenue from data services was KZT 6,946 million, KZT 14,064 million and KZT 13,088 million, which represented 4.6%, 7.9% and 9.8% of total revenue, respectively. Although mobile data services penetration (defined as the number of data services users divided by the total population) in Kazakhstan has increased between 2009 and 2011, the Company believes that it remains substantially below that of more developed markets (such as the United States or Western Europe). The Company also believes that Kazakhstan's relatively young population will support further growth in mobile data services, since mobile data services usage is typically higher among younger subscribers. In addition, due to a relative lack of fixed-line internet service providers in Kazakhstan, the Company expects that mobile internet enabled devices will be the primary mode of internet access.

The Company believes that it is well positioned to take advantage of expected growth in demand for data services. It has rolled out its 3G network in all major regional centres in Kazakhstan, and continues to further develop its network by installing additional 3G base stations. As at 30 September 2012, the Company had 1,897 3G base stations. The rollout of the 3G network has enabled the Company to provide its subscribers with higher data transmission speeds, which has made its data services more attractive. In addition, higher data transmission speeds have allowed the Company to offer new data services (such as mapping services, access to social networks and media consumption services, among others). Increasing penetration of smartphones, USB modems and other internet enabled devices has also contributed to growth in the consumption of data services. As a result of these factors, data traffic increased from 121,007 GB in 2009 to 1,631,947 GB in 2011.

The Company believes that there is further potential for growth in demand for data services. In particular, based on the Company's estimates, smartphone penetration (which is defined as the number of smartphones divided by the total number of mobile phones that the Company recognises on its network) was approximately 10% as at 30 September 2012. As a result of the relatively low level of smartphone penetration, the Company believes that there is potential for an increase in the usage of data services among its existing subscribers.

As the Company and other operators expand their 3G networks and competition in data services grows, tariffs for data services may decline, which may offset the Company's revenue growth from these services.

Regulation

The Company believes that its results of operations have been, and will continue to be, affected by the telecommunications regulatory environment in Kazakhstan. The Company's operations are subject to regulation by the MTC (including, where applicable, its predecessor, the MCI and, where applicable, its predecessor, the AIC), the Competition Agency and certain other government authorities. These regulatory authorities have in the past, and may in the future, introduce regulations that are adverse to the Company's interests. In May 2011, the MTC introduced a cap on on-net tariffs of KZT 18 per minute (excluding VAT), which represented a decrease of approximately 25% from the Company's on-net tariff applicable immediately prior to the introduction of the cap. In addition, in February 2012, the MTC introduced a cap on off-net tariffs of KZT 35 per minute (excluding VAT) and a cap on internet access tariffs of KZT 22 per 1 MB (excluding VAT). These caps reflected decreases in the Company's off-net tariff and internet access tariff applicable immediately prior to the introduction of the caps of 17% and 30%, respectively. Although the reduction of its tariffs in compliance with the caps had an adverse effect on the Company's revenue, this was partially offset by the increase in traffic volume resulting from the reductions.

The Company has also been subject to regulatory scrutiny with respect to its interconnection tariffs. These are the tariffs the Company charges other operators for incoming calls, as distinguished from off-net tariffs, which are tariffs the Company charges its subscribers for calls placed outside of the Company's network. In 2010, 2011 and 2012, the Company voluntarily reduced its interconnection tariffs at the request of the MTC, and is expected to further reduce its interconnection tariffs in 2013. In addition, in 2011, the Company was included in the State Register in respect of the interconnection services, which the Company has contested in court. See "*Risk Factors—Risks Relating to Regulatory Matters—The Company is subject to tariff regulation, which may limit its flexibility in pricing and could result in a reduction in its revenue and net profit*" and "*Business—Legal Proceedings*". If the Company is unsuccessful in challenging its inclusion in the State Register, its interconnection tariffs will become subject to tariff regulation, and the MTC could impose caps on these tariffs. The introduction of caps on interconnection tariffs could result in lower growth in, or cause a decline in, the Company's interconnect revenue (which increased from KZT 16,534 million in 2010 to KZT 22,415 million in 2011 and from KZT 15,621 million for the nine months ended 30 September 2011 to KZT 19,021 million for the nine months ended 30 September 2012). If caps on interconnection tariffs were also introduced in relation to interconnection tariffs of other major mobile operators (such as VimpelCom, which has also been included in the State Register), the Company's interconnect fees and expenses could decrease.

Further, in February 2011, the MCI (the predecessor of the MTC) reduced the on-net, off-net and interconnection charging units from a 10-second charging unit to a one-second charging unit. The roaming charging unit was also reduced from a one-minute charging unit to a 30-second charging unit. In addition, in January 2012, the internet access charging unit was reduced from a 10 kB to a 1 kB charging unit. As a result of the decreases in the charging units, the voice and data traffic for which the Company can charge its subscribers has decreased due to shorter charging increments, which has adversely affected the Company's revenue.

Recent Developments

On 26 September 2012, the Company signed a term loan facility agreement with, among other entities, JSC Citibank Kazakhstan and JSC SB RBS Kazakhstan for a loan in the amount of KZT 30 billion with a fixed interest rate of 4.60% per annum, a one-off transaction fee of 1% of the loan amount and a maturity of twelve months, with a possible extension of up to an additional twelve months, subject to further consent of the lenders. As at the date of the Prospectus, the KZT 30 billion facility was fully drawn. On 17 October 2012, the Company signed a term loan facility agreement with, among other entities, JSC Citibank Kazakhstan and JSC SB RBS Kazakhstan for a loan in the amount of KZT 15 billion with a fixed interest

rate of 3.85% per annum, a one-off transaction fee of 1% of the loan amount and a maturity date of 26 September 2013, with a possible extension of up to an additional twelve months, subject to further consent of the lenders. The KZT 15 billion facility is guaranteed by TeliaSonera. The Company is subject to the payment of an annual fee in the amount of up to KZT 112.5 million per annum to TeliaSonera for its provision of the guarantee in respect of the KZT 15 billion facility. As at the date of the Prospectus, the KZT 15 billion facility was fully drawn. Also see "*—Liquidity and Capital Resources—Short-term borrowings*".

Conversion

On 1 July 2012, the participants of "GSM Kazakhstan OAO "Kazakhtelecom" LLP approved the Company's conversion from a limited liability partnership into a joint stock company and changed the Company's name to Kcell Joint Stock Company. Pursuant to Kazakhstan law, upon conversion, the total equity of the Company as at the date of the conversion became the charter capital of the Company and ceased to be available for distribution to shareholders. The charter capital of the Company is represented by shares distributed among the then current participants of the limited liability partnership in proportion to their interest in the limited liability partnership at the time of the conversion. See Note 11 to the Unaudited Interim Financial Statements.

Acquisitions and Investments

Investment in Rodnik Inc LLP by Sonera and Lovou B.V. and the Telecommunication Service Agreement

On 13 October 2012, Sonera and Lovou B.V. (the "**Visor Entity**") entered into a framework agreement (the "**Rodnik SPA**") with Alatau LLP ("**Alatau**") pursuant to which Sonera and the Visor Entity each agreed to acquire 25% of the participatory interests in the charter capital of Rodnik Inc LLP ("**Rodnik**"). Rodnik owns 79.9% of the total share capital of KazTransCom JSC ("**KTC**"). The remaining share capital of KTC is held by KTC management and public shareholders. KTC is a Kazakhstan joint stock company listed on the KASE and owns, among other businesses, a fibre optics network in Kazakhstan. The purchase of the participatory interests in Rodnik from Alatau under the Rodnik SPA is made on terms customary for the acquisition of an indirect non-controlling stake in a listed company from a financial vendor. Completion of the proposed purchase of the participatory interests in Rodnik is subject to regulatory approvals in Kazakhstan.

The purchase price for each acquisition is U.S.$20 million, subject to adjustments to be made based on the amount of net debt of Rodnik and KTC at the time the acquisition is completed. In order to fund the Visor Entity's proposed acquisition of its 25% participatory interests in Rodnik, the Visor Entity has entered into a facility agreement with Sonera dated 13 August 2012, which together with the security documentation relating thereto are referred to as the "**Rodnik Finance Documents**". Pursuant to the Rodnik Finance Documents, the facility will be secured by a pledge to Sonera of the participatory interests that the Visor Entity acquires. The Visor Entity has also granted Sonera a call option to acquire the participatory interests in the event of a default by the Visor Entity in the repayment of the facility.

In connection with the proposed acquisition of interests in Rodnik, Sonera entered into a relationship agreement with the Visor Entity, Almaty Engineering Company ("**AEC**") (which owns the other 50% of the participatory interests in Rodnik not owned by Alatau) and Rodnik (the "**Rodnik Relationship Agreement**"), as well as a call option agreement in respect of the remaining 75% of the interests in Rodnik, which constitute all of the participatory interests in Rodnik not acquired by Sonera pursuant to the Rodnik SPA (the "**Rodnik Call Option Agreement**") on 13 August 2012. The Rodnik SPA, the Rodnik Finance Documents, the Rodnik Relationship Agreement and the Rodnik Call Option Agreement are referred to as the "**Rodnik Documents**". Pursuant to the terms of the Rodnik Relationship Agreement, AEC is entitled to appoint four directors to Rodnik's eight-member supervisory board and each of Sonera and the Visor Entity is entitled to appoint two directors to Rodnik's eight-member supervisory board. AEC is also entitled to nominate two directors to be appointed to the six-member board of KTC and each of Sonera and the Visor Entity is entitled to nominate one director to be appointed to the six-member board of KTC. The Rodnik Relationship Agreement provides that a number of key corporate governance matters related to Rodnik and KTC require the unanimous consent of AEC, Sonera and the Visor Entity so long as each of them holds no less than 12.5% of the participatory interests in Rodnik.

Under the Rodnik Call Option Agreement, Sonera acquired two independent call options to acquire (i) all participatory interests held by AEC in Rodnik from time to time and (ii) all participatory interests held by the Visor Entity in Rodnik from time to time. Each of the call options is exercisable once per calendar year

and for a period of three years starting from the date when Sonera completes its acquisition of the 25% of the participatory interests in Rodnik pursuant to the Rodnik SPA. The option contemplated in the Rodnik Call Option Agreement to acquire all participatory interests held by the Visor Entity in Rodnik is separate to the call option that the Visor Entity granted to Sonera as part of the security package detailed in the Rodnik Finance Documents.

Pursuant to the terms of the Rodnik Call Option Agreement, Sonera will make an initial payment of U.S.$15 million on the date when the call options become capable of being exercised, which is the date when Sonera completes its acquisition of the 25% of the participatory interests in Rodnik to be acquired pursuant to the Rodnik SPA. In certain circumstances and if certain conditions subsequent are not satisfied, the U.S.$15 million will be repayable to Sonera, in which event, following such repayment, the call option with respect to the participatory interests held by AEC in Rodnik will lapse. The call option exercise price will be calculated as follows. In relation to the participatory interests held by AEC or the Visor Entity on the date when the call options become exercisable (the "**Existing Participatory Interests**"), the option exercise price will be the higher of 85% of the fair market value of the Existing Participatory Interests and the price per participatory interest paid by Sonera to Alatau pursuant to the terms of the Rodnik SPA. In relation to any participatory interests in Rodnik acquired by AEC or the Visor Entity after the date when the call options become exercisable ("**Additional Participatory Interests**"), the option exercise price will be the higher of 100% of their fair market value and the cost incurred by AEC or the Visor Entity in acquiring such Additional Participatory Interests.

In connection with Sonera's acquisition of participatory interests in Rodnik, the Company signed a five-year telecommunications agreement (the "**Service Agreement**") with KTC on 14 August 2012. Pursuant to the terms of the Service Agreement, KTC has agreed to provide the Company with digital transparent communication channels and IP VPN services. Prior to entering into the Service Agreement, the Company was party to a similar agreement with KTC for the provision of similar services for tariffs less favourable to the Company than those under the Service Agreement. Subject to certain limited exceptions, if KTC allows any other Kazakhstan telecommunications operator to use its digital transparent communication channels under similar conditions as used by the Company at lower tariffs, the tariffs payable by the Company will be reduced to the level that KTC offers them to such other telecommunications operator.

Pursuant to the terms of the Service Agreement, the Company's leased transmission capacity will continue to increase over the five-year term, while cost of transmission per MB will continue to decrease. In addition to the use of KTC's fibre optics network, the Company will be able to utilise networks owned by KTC's partners without having to enter into separate contractual arrangements with them. The Company will be subject to penalties for early termination of the Service Agreement. If the Rodnik SPA is terminated, or completion of the sales and purchases contemplated by it do not take place before 13 February 2013 (or such other longstop date as the parties to the Rodnik SPA may agree), then the Service Agreement will automatically terminate three months after the occurrence of such event.

WIMAX Business Acquisition by Sonera

On 13 August 2012, Sonera entered into a framework agreement (the "**KazNet SPA**") with Midas Telecom LLP to buy all of the participatory interests in the charter capital of KazNet Media LLP ("**KazNet**") for a total consideration of U.S.$170 million, of which U.S.$20 million has been paid by way of a non-refundable deposit. The purchase price payable under the KazNet SPA is subject to adjustments to be made based on the radio frequency permits and telecommunications equipment held by, and the amount of net debt and working capital of, the KazNet group as at completion of the purchase.

As a condition precedent to Sonera's purchase of the participatory interests in KazNet, KazNet has acquired two limited liability partnerships in Kazakhstan, namely Aksoran LLP ("**Aksoran**") and Instaphone LLP ("**Instaphone**"). Aksoran and Instaphone each holds certain radio frequency permits that are capable of being deployed (and in some instances have been deployed) for the operation of a WIMAX business in Kazakhstan. Aksoran already runs commercial Wimax operations in 7 cities. It also has network infrastructure which is capable of being deployed in an additional 8 cities (although it has not yet launched commercial operations in those cities). The sale and purchase of KazNet under the KazNet SPA is also conditional upon anti-trust clearance in Kazakhstan and upon the KazNet group obtaining radio frequency permits that provide the right to use a specified threshold of agreed frequency bandwidths in specified regions in Kazakhstan, together with certain other permits required by law in respect of such radio frequency permits. Further, the sale and purchase of KazNet is also conditional *inter alia* upon completion

of the purchase of 25% of the participatory interests in Rodnik by each of Sonera and the Visor Entity pursuant to the terms of the Rodnik SPA.

Potential on-sale to the Company

On 26 August 2012, Sonera and the Company entered into a memorandum of understanding (the "**Buy and Sell MoU**"), under which the Company has the right to require Sonera to sell to it, and Sonera has the right to require the Company to acquire from it, all participatory interests owned by Sonera in KazNet together with all rights and obligations of Sonera under the KazNet SPA (the "**KazNet Right**") and all the participatory interests owned by Sonera in Rodnik together with all rights and obligations of Sonera under the Rodnik Documents (the "**Rodnik Right**").

Subject to satisfaction of the applicable conditions, each of Sonera and the Company is entitled to exercise its KazNet Right and/or Rodnik Right at any time during the period between the date which is nine months after the date of the Offering and the twentieth anniversary of the date of the Buy and Sell MoU save that Sonera may not exercise its KazNet Right prior to 1 January 2014. The purchase price that the Company will pay to Sonera for the acquisition resulting from the exercise of the KazNet Right and/or Rodnik Right will be the amount of net consideration and cost incurred by Sonera in connection with the transactions contemplated by the KazNet SPA and/or the Rodnik Documents (as the case may be) plus interest accrued on such amount at a rate equal to 12-month USD London Interbank Offered Rate plus 3.5% per annum accruing daily and compounding annually for the period commencing on and including the date on which any such amount of net cost was paid, borne or received by Sonera and ending on but excluding the date of completion of the acquisition resulting from the exercise of the KazNet Right and/or Rodnik Right (as the case may be).

Unless otherwise agreed by Sonera and the Company, the exercise of each of the KazNet Right and the Rodnik Right is conditional upon Fintur having consented to, authorised or voted in favour of the acquisition to be made by the Company as a result of the exercise of such right. See "*Risk Factors—Risks Relating to the Company's Business—There is a risk that certain matters requiring the approval of the Company's shareholders may not receive the support of Fintur, the Company's majority shareholder, by virtue of the current deadlock within Turkcell İletişim Hizmetleri A.Ş., Fintur's minority shareholder*". Exercise of the KazNet Right is further conditional upon the Government of Kazakhstan having announced the timing, conditions and criteria for implementation of the LTE rollout programme in Kazakhstan. In addition, completion of the acquisitions contemplated by the exercise of the KazNet Right and Rodnik Right is subject to law, regulation and any requisite approvals, including the approval by the Company's board of directors (in relation to which matter all directors will be entitled to vote). Sonera has the right to terminate the Buy and Sell MoU at any time by serving a written notice on the Company.

Description of statement of comprehensive income line items

Revenue

The Company generates revenue from providing mobile telecommunications services. The Company's revenue consists of revenue from voice services, value-added services and data services, as well as other revenue.

Revenue is recorded on an accrual basis at the sales value, adjusted for discounts and VAT. Revenue is measured at the fair value of consideration received or receivable. See Note 2 to the Audited Financial Statements. The Company reports its operations as a single reporting segment.

Voice services

Voice services revenue includes call out revenue (which is revenue from calls originating on the Company's network), interconnect fees charged to other local mobile and fixed-line operators for calls originating outside of the Company's network and terminating on the Company's network, roaming fees charged to the Company's subscribers for roaming on other mobile operators' networks and revenue arising from charges to other mobile operators for subscribers of those operators using the transmission capacity of the Company's network.

Value-added services

Value-added services revenue consists of revenue from SMS, MMS, information services (such as weather forecasts and currency exchange rate information), third party content (such as ring back tones), fax and voice mail services. See "*Business—Products and Services—Value-added services*".

Data services

Data services revenue includes revenue from internet access services. See "*Business—Products and Services—Data services*".

Other revenue

Other revenue primarily includes revenue in respect of sales of handsets and USB modems to distributors and subscribers. Revenue from the sale of handsets is recognised at the time such sales are made.

Expenses by function

Cost of sales

The Company's cost of sales consists of interconnect fees and expenses (which include roaming expenses), network maintenance expenses, transmission rent, frequency usage charges, cost of SIM card, scratch card, start package sales and handsets, depreciation and amortisation of operating assets (such as radio equipment, switches and transmission devices, software and certain other operational assets) as well as other expenses related to its operations (including staff costs, property insurance expenses, security expenses and certain other operating expenses).

Selling and marketing expenses

The Company's selling and marketing expenses consist of sales commissions to dealers and distributors, advertising expenses, selling and marketing staff costs as well as other expenses (such as expenses related to sponsorships, market research and public relations).

General and administrative expenses

General and administrative expenses consist of taxes other than on income, staff costs, depreciation and amortisation of non-operating assets (such as depreciation expense related to the Company's buildings used for administrative purposes), as well as other administrative expenses (such as office rent and maintenance, bad debt and security expenses).

Other operating expenses

Other operating expenses comprise primarily expenses from the disposal of assets.

Expenses by nature

The Company's expenses have been presented in the statement of comprehensive income in the Unaudited Interim Financial Statements and the Audited Financial Statements using a function-based classification: "Cost of sales", "Selling and marketing expenses" and "General and administrative expenses", as described above. In addition, expenses have been presented by nature, as described below. See Note 15 to the Unaudited Interim Financial Statements and Note 15 to the Audited Financial Statements.

Interconnect fees and expenses

Interconnect fees and expenses consist of interconnect fees and expenses and roaming expenses.

Interconnect expenses: interconnect expenses comprise charges payable by the Company to other operators for access to, and use of, their networks. Mobile operators must interconnect with other mobile and fixed-line local, long distance and international telephone operators to gain access to their networks and sometimes, via these operators, to the networks of other operators around the world.

Roaming expenses: other mobile operators that allow the Company's subscribers to roam on their networks charge the Company for providing these services. Roaming expenses represent the amounts the Company pays to other mobile operators pursuant to roaming agreements with them. The Company

recognises roaming expenses in the period during which the mobile operators provide roaming services to the Company's subscribers. These expenses are charged to subscribers with an additional mark up.

Network maintenance expenses

Network maintenance expenses primarily comprise expenses relating to network and telecommunications equipment maintenance, cell sites rental expenses, utilities expenses, software support expenses and other expenses related to network maintenance.

Transmission rent

Transmission rent expenses primarily comprise payments under operating leases of fibre optics transmission channels and, to a lesser extent, satellite transmission channels.

Frequency usage charges and taxes other than on income

Frequency usage charges comprise charges paid by the Company for the use of radio frequency spectrum. Taxes other than on income include mobile services fees (which are fees calculated based on the volume of mobile traffic), property taxes and certain other taxes.

Cost of SIM card, scratch card, start package sales and handsets

Cost of SIM card, scratch card, start package sales and handsets comprises the cost of the SIM cards, scratch cards, start package sales and handsets that the Company sells to distributors and its subscribers, as well as the cost of other equipment (such as USB modems).

Sales commissions to dealers and distributors and advertising expenses

Sales commissions to dealers and distributors and advertising expenses consist primarily of refill and other dealer and distributor commissions, cash collection commissions and advertising and sales promotion expenses. Refill and other dealer and distributor commissions are commissions paid to dealers and distributors for the sale of the Company's services (such as scratch cards), the activation of new subscribers and distribution of products (such as USB modems), including products bundled with the Company's services. Cash collection commissions are commissions paid by the Company for receiving payments from subscribers through electronic payment terminals.

Staff costs

Staff costs consist primarily of employees' wages and salaries, including contributions to pension funds, paid annual leave and sick leave, bonuses and other benefits.

Depreciation of property, plant and equipment and amortisation of intangible assets

Depreciation of property, plant and equipment comprises depreciation of buildings, radio equipment, switches and transmission devices and other assets. Amortisation of intangible assets comprises amortisation relating to the Company's general licence and rights.

Others

Other operating expenses comprise office rent, security expenses, consultants' fees and other service fees, business trips and insurance, among other miscellaneous expenses.

Other operating income

Other operating income comprises income other than from operations, such as income from the disposal of assets and interest income from deposits with banks.

Finance income

Finance income comprises income from interest received from short-term investments with banks.

Income tax expense

Income tax expense comprises taxes paid by the Company on its taxable income.

Results of Operations

Nine months ended 30 September 2012 and 2011

The following table presents the Company's results of operations for the nine months ended 30 September 2012 and 2011:

	Nine months ended 30 September	
	2012	2011
	(KZT million)	*(KZT million)*
Revenue	133,104	131,632
Cost of sales	(55,604)	(48,811)
Gross profit	**77,500**	**82,821**
Selling and marketing expenses	(12,108)	(13,079)
General and administrative expenses	(8,083)	(7,660)
Other operating income	372	24
Other operating expenses	(83)	(124)
Operating profit	**57,598**	**61,982**
Finance income	104	663
Finance expense	(19)	—
Profit before income tax	**57,683**	**62,645**
Income tax expense	(11,611)	(12,385)
Profit for the period	**46,072**	**50,260**

Revenue

The following table presents a breakdown of the Company's revenue for the nine months ended 30 September 2012 and 2011:

	Nine months ended 30 September			
	2012		2011	
	(KZT million)	*% of total*	*(KZT million)*	*% of total*
Voice services	107,921	81.1%	109,486	83.2%
Value-added services	10,950	8.2%	10,881	8.2%
Data services	13,088	9.8%	10,656	8.1%
Other revenue	1,145	0.9%	609	0.5%
Total revenue	**133,104**	**100%**	**131,632**	**100%**

Revenue increased by KZT 1,472 million, or 1.1%, to KZT 133,104 million for the nine months ended 30 September 2012 from KZT 131,632 million for the nine months ended 30 September 2011. The increase was primarily due to the 22.8% increase in revenue from data services. Revenue from voice services decreased slightly while revenue from value-added services increased slightly.

Voice services

Voice services revenue decreased by KZT 1,565 million, or 1.4%, to KZT 107,921 million for the nine months ended 30 September 2012 from KZT 109,486 million for the nine months ended 30 September 2011. Voice traffic increased from 8,584 million minutes for the nine months ended 30 September 2011 to 16,119 million minutes for the nine months ended 30 September 2012, which was due to an increase in the subscriber base from 10.1 million as at 30 September 2011 to 12.7 million as at 30 September 2012 as well as an increase in MOU from 112 for the nine months ended 30 September 2011 to 170 for the nine months ended 30 September 2012. However, growth in traffic and in the number of subscribers was offset by a decrease in tariffs, which caused ARMU to decrease from KZT 10.5 for the nine months ended 30 September 2011 to KZT 5.3 for the nine months ended 30 September 2012. The Company decreased its tariffs primarily in response to competitive pressures, including Tele2's and VimpelCom's aggressive tariff reductions. See "*—Factors Affecting Results of Operations—Competition*".

The Company's interconnect revenue increased by KZT 3,400 million, or 21.8%, from KZT 15,621 million for the nine months ended 30 September 2011 to KZT 19,021 million for the nine months ended

30 September 2012. This increase resulted from growth in the volume of incoming calls from the subscribers of other mobile operators, which was in turn due to the increase in the number of subscribers in Kazakhstan and the fact that Tele2 was reducing its tariffs. In April 2011, Tele2 reduced its tariffs, which resulted in an increase in the volume of off-net calls made by its subscribers to the subscribers of other mobile operators. VimpelCom also reduced its tariffs, which further contributed to the increase in the volume of off-net calls.

Value-added services

Value-added services revenue increased by KZT 69 million, or 0.6%, to KZT 10,950 million for the nine months ended 30 September 2012 from KZT 10,881 million for the nine months ended 30 September 2011. 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, from KZT 4,579 million for the nine months ended 30 September 2011 to KZT 6,093 million for the nine months ended 30 September 2012. This increase was offset by a decrease in revenue from SMSs, from KZT 6,302 million for the nine months ended 30 September 2011 to KZT 4,857 million for the nine months ended 30 September 2012. The decrease in SMSs sent for the nine months ended 30 September 2012 was primarily due to subscribers using voice services (calling instead of sending SMSs) and data services (communicating through social networks and over-the-top messaging applications such as iMessage and WhatsApp instead of sending SMSs) as voice and data services became more affordable. The Company offers SMS packages and SMS bundling with other services to minimise the decrease in revenue from SMSs.

Data services

Data services revenue increased by KZT 2,432 million, or 22.8%, to KZT 13,088 million for the nine months ended 30 September 2012 from KZT 10,656 million for the nine months ended 30 September 2011. Data traffic increased from 870,867 GB for the nine months ended 30 September 2011 to 4,976,087 GB for the nine months ended 30 September 2012. The Company's rollout of its 3G network in Almaty, Astana and other cities in Kazakhstan contributed to the increase in data traffic, as it enabled the Company to provide its subscribers with higher data transmission speeds, which made its data services more attractive. The increased usage of smartphones, USB modems and other internet enabled devices by subscribers also contributed to growth in data traffic. Growth in data traffic was partially offset by lower tariffs, which led to a decrease in ARMB. The Company believes that growth in data traffic for the nine months ended 30 September 2012 may also have been adversely affected by the use of content filtering technologies, such as DPI, which the Company believes were utilised on the level of primary providers' networks. The utilisation of such technologies is believed to result in slower data transmission speeds, and, therefore, may have had an adverse effect on the Company's data revenue for the nine months ended 30 September 2012. Also see "*Risk Factors—Risks Relating to Regulatory Matters—Future changes in the regulation of the mobile telecommunications market in Kazakhstan could have a material adverse effect on the Company's business, financial condition and results of operations*" and "*Telecommunications Regulation in Kazakhstan—Interaction of communication operators with state authorities—Data content filtering*". The Company offered its subscribers a variety of attractively priced data packages (such as bundled packages with reduced prices per MB of data transferred), which were intended to foster increased usage of data services by its subscribers and caused data ARPU to increase from KZT 124 for the nine months ended 30 September 2011 to KZT 126 for the nine months ended 30 September 2012.

Other revenue

Other revenue increased by KZT 536 million, or 88.0%, to KZT 1,145 million for the nine months ended 30 September 2012 from KZT 609 million for the nine months ended 30 September 2011. The increase was primarily due to the Company's sale of handsets and USB modems to distributors for resale to the Company's subscribers, which was intended to increase the use of internet enabled devices (and particularly 3G enabled handsets) by its subscribers, which in turn would foster an increase in the use of its data services. Sales of handsets and USB modems to distributors for the nine months ended 30 September 2012 generated revenue of KZT 753 million compared with KZT 411 million for the nine months ended 30 September 2011.

Cost of sales

The Company's cost of sales increased by KZT 6,793 million, or 13.9%, to KZT 55,604 million for the nine months ended 30 September 2012 from KZT 48,811 million for the nine months ended 30 September 2011.

The increase was primarily attributable to an increase in interconnect fees and expenses from KZT 13,842 million for the nine months ended 30 September 2011 to KZT 20,110 million for the nine months ended 30 September 2012, which was attributable to the increase in interconnect voice traffic by 66.0%.

Selling and marketing expenses

The Company's selling and marketing expenses decreased by KZT 971 million, or 7.4%, to KZT 12,108 million for the nine months ended 30 September 2012 from KZT 13,079 million for the nine months ended 30 September 2011. The decrease was primarily attributable to a decrease in advertising expenses from KZT 2,383 million for the nine months ended 30 September 2011 to KZT 1,475 million for the nine months ended 30 September 2012, and a decrease in refill and other dealer and distributor commissions from KZT 3,026 million for the nine months ended 30 September 2011 to KZT 2,397 million for the nine months ended 30 September 2012. The decrease in selling and marketing expenses was partially offset by an increase in cash collection commissions from KZT 1,986 million for the nine months ended 30 September 2011 to KZT 2,853 million for the nine months ended 30 September 2012.

General and administrative expenses

The Company's general and administrative expenses increased by KZT 423 million, or 5.5%, to KZT 8,083 million for the nine months ended 30 September 2012 from KZT 7,660 million for the nine months ended 30 September 2011. The increase was primarily due to an increase in consulting expenses primarily related to the Offering, from KZT 177 million for the nine months ended 30 September 2011 to KZT 773 million for the nine months ended 30 September 2012, which was partially offset by a decrease in office rent costs from KZT 386 million for the nine months ended 30 September 2011 to KZT 184 million for the nine months ended 30 September 2012 (following the Company's move to new office buildings, which it owns rather than leases), and a decrease in other tax and duties from KZT 2,153 million for the nine months ended 30 September 2011 to KZT 2,011 million for the nine months ended 30 September 2012, which was due to a 0.1% reduction in the mobile tax rate in 2012.

Other operating expenses

The Company's other operating expenses decreased by KZT 41 million, or 33.1%, to KZT 83 million for the nine months ended 30 September 2012 from KZT 124 million for the nine months ended 30 September 2011. The decrease was primarily due to a decrease in foreign exchange losses.

Expenses presented by nature

The following table presents the Company's expenses by nature for the nine months ended 30 September 2012 and 2011.

	Nine months ended 30 September			
	2012		2011	
	(KZT million)	*% of total*	*(KZT million)*	*% of total*
Interconnect fees and expenses	20,110	26.5%	13,842	19.9%
Network maintenance expenses	7,561	10.0%	7,627	11.0%
Transmission rent	6,428	8.5%	6,034	8.7%
Frequency usage charges and taxes other than on income	4,375	5.8%	4,378	6.3%
Cost of SIM card, scratch card and start package sales and handsets	2,130	2.8%	2,236	3.2%
Sales commissions to dealers and distributors and advertising expenses	8,591	11.3%	9,829	14.1%
Staff costs	5,640	7.4%	5,199	7.5%
Others	4,055	5.4%	3,411	4.9%
Depreciation of property, plant and equipment and amortisation of intangible assets	16,905	22.3%	16,994	24.4%
Total	**75,795**	**100%**	**69,550**	**100%**

Interconnect fees and expenses

Interconnect fees and expenses increased by KZT 6,268 million, or 45.3%, to KZT 20,110 million for the nine months ended 30 September 2012 from KZT 13,842 million for the nine months ended 30 September 2011. The increase was due to an increase in the volume of off-net calls made by the Company's subscribers which increased by 66.0%, from 671 million minutes for the nine months ended 30 September 2011 to 1,114 million minutes for the nine months ended 30 September 2012. The increase was primarily attributable to the Company's reduction in its off-net tariffs.

The increase in interconnect traffic was partially offset by a reduction in interconnection tariffs. In March 2012, the Company reduced its interconnection tariffs for each of VimpelCom, Tele2 and JSC Altel ("**Altel**") to KZT 15.30 per minute, from KZT 17.0 for VimpelCom and KZT 16.0 for each of Tele2 and Altel. See "*—Factors Affecting Results of Operations—Regulation*".

Network maintenance expenses

Network maintenance expenses decreased by KZT 66 million, or 0.9%, to KZT 7,561 million for the nine months ended 30 September 2012 from KZT 7,627 million for the nine months ended 30 September 2011. The decrease was primarily attributable to revision of the system service contract with Ericsson. The decrease was partially offset by marginal growth in other network maintenance expenses.

Transmission rent

Transmission rent increased by KZT 394 million, or 6.5%, to KZT 6,428 million for the nine months ended 30 September 2012 from KZT 6,034 million for the nine months ended 30 September 2011. The increase was primarily attributable to growth in data traffic from 870,867 GB for the nine months ended 30 September 2011 to 4,976,087 GB for the nine months ended 30 September 2012. In order to sustain growth in voice and data traffic without compromising its quality of service, the Company was required to increase its leased transmission capacity. The increase in transmission rent was partially offset by a reduction in the cost of leasing transmission capacity due to the renegotiation of the Kazakhtelecom Agreement and signing of the Service Agreement by the Company in connection with Sonera's acquisition of participating interests in Rodnik. See "*Business—Material Agreements*".

Frequency usage charges and taxes other than income

Frequency usage charges and taxes other than income decreased by KZT 3 million, or 0.1%, to KZT 4,375 million for the nine months ended 30 September 2012 from KZT 4,378 million for the nine months ended 30 September 2011. The decrease was primarily attributable to a decrease in mobile tax charges from KZT 1,490 million for the nine months ended 30 September 2011 to KZT 1,400 million for the nine months ended 30 September 2012, which was in turn due to a decrease in mobile tax tariffs, and a decrease in withholding income tax from KZT 121 million for the nine months ended 30 September 2011 to KZT 86 million for the nine months ended 30 September 2012. The decrease was partially offset by an increase in frequency usage charges from KZT 1,811 million for the nine months ended 30 September 2011 to KZT 1,926 million for the nine months ended 30 September 2012, which was due to an increase in frequency usage tariffs.

Cost of SIM card, scratch card, start package sales and handsets

The cost of SIM card, scratch card, start package sales and handsets decreased by KZT 106 million, or 4.7%, to KZT 2,130 million for the nine months ended 30 September 2012 from KZT 2,236 million for the nine months ended 30 September 2011. The decrease was primarily attributable to a decrease in the cost of SIM card, scratch card and start package sales to KZT 879 million in the nine months ended 30 September 2012 from KZT 1,078 million in the nine months ended 30 September 2011, which was primarily due to a reduction in the use of scratch cards, as subscribers increasingly used electronic payment terminals to top up their account balances. The decrease was partially offset by an increase in the cost of USB modems and handsets sold. The cost of USB modems and handsets sold increased to KZT 1,251 million in the nine months ended 30 September 2012 from KZT 1,158 million in the nine months ended 30 September 2011, which was primarily due to an increase in the sales of USB modems as the Company offered USB modems bundled with data packages in order to foster the use of data services by its subscribers.

Sales commissions to dealers and distributors and advertising expenses

Sales commissions to dealers and distributors and advertising expenses decreased by KZT 1,238 million, or 12.6%, to KZT 8,591 million for the nine months ended 30 September 2012 from KZT 9,829 million for the nine months ended 30 September 2011. The decrease was primarily attributable to a decrease in advertising expenses from KZT 2,383 million for the nine months ended 30 September 2011 to KZT 1,475 million for the nine months ended 30 September 2012. This decrease was due to the Company's negotiation of volume discounts on advertising.

The decrease in advertising expenses was partially offset by an increase in sales commissions to dealers and distributors, from KZT 5,012 million for the nine months ended 30 September 2011 to KZT 5,250 million for the nine months ended 30 September 2012. The increase was primarily due to an increase in cash collection commissions, which increased from KZT 1,986 million for the nine months ended 30 September 2011 to KZT 2,853 million for the nine months ended 30 September 2012, which was due to subscribers increasingly using electronic payment terminals (instead of scratch cards) to top up their account balances. This trend also contributed to a decrease in refill and other commissions to dealers and distributors, from KZT 3,026 million for the nine months ended 30 September 2011 to KZT 2,397 million for the nine months ended 30 September 2012.

Staff costs

Staff costs increased by KZT 441 million, or 8.5%, to KZT 5,640 million for the nine months ended 30 September 2012 from KZT 5,199 million for the nine months ended 30 September 2011. The increase in staff costs in 2012 was primarily attributable to an increase in salaries and the number of employees in 2012.

Others

Other operating expenses increased by KZT 644 million, or 18.9%, to KZT 4,055 million for the nine months ended 30 September 2012 from KZT 3,411 million for the nine months ended 30 September 2011. The increase in other operating expenses in 2012 was primarily attributable to an increase in expenses related to external services from KZT 203 million for the nine months ended 30 September 2011 to KZT 806 million for the nine months ended 30 September 2012. These external services were mainly related to the Offering. For the nine months ended 30 September 2012, external services related to the Offering were KZT 668 million. The increase in external services was partially offset by a decrease in office rent expenses, from KZT 672 million for the nine months ended 30 September 2011 to KZT 309 million for the nine months ended 30 September 2012, which was due to the Company's acquisition of office premises, among other things.

Depreciation of property, plant and equipment and amortisation of intangible assets

Depreciation of property, plant and equipment and amortisation of intangible assets decreased by KZT 89 million, or 0.5%, to KZT 16,905 million for the nine months ended 30 September 2012 from KZT 16,994 million for the nine months ended 30 September 2011. The decrease was primarily attributable to a decrease in the depreciable asset base as certain non-operational assets were written off.

Other operating income

The Company's other operating income increased by KZT 348 million to KZT 372 million for the nine months ended 30 September 2012 from KZT 24 million for the nine months ended 30 September 2011. The increase was primarily due to an increase in revenue from the disposal of fixed assets and revenue recorded upon the transfer of assets by a major supplier free of charge. The transfer of assets was primarily attributable to equipment transferred by Ericsson to the Company as an incentive for its purchasing large volumes of telecommunications equipment from Ericsson.

Finance income

Finance income decreased by KZT 559 million to KZT 104 million for the nine months ended 30 September 2012 from KZT 663 million for the nine months ended 30 September 2011. The decrease in finance income was primarily attributable to a decrease in cash available for term deposits.

Income tax expense

Income tax expense decreased by KZT 774 million, or 6.2%, to KZT 11,611 million for the nine months ended 30 September 2012 from KZT 12,385 million for the nine months ended 30 September 2011. The Company's effective tax rate was stable in the nine months ended 30 September 2012 and 2011 (20.1% in the nine months ended 30 September 2012 and 19.8% in the nine months ended 30 September 2011). The decrease in the income tax expense for the nine months ended 30 September 2012 was primarily attributable to a decrease in taxable income.

Years ended 31 December 2011, 2010 and 2009

The following table presents the Company's results of operations for the years ended 31 December 2011, 2010, and 2009:

	Year ended 31 December		
	2011	2010	2009
	(KZT million)	*(KZT million)*	*(KZT million)*
Revenue	**178,786**	**152,488**	**130,352**
Cost of sales	(69,955)	(58,356)	(53,716)
Gross profit	**108,831**	**94,132**	**76,636**
Selling and marketing expenses	(15,763)	(16,167)	(14,336)
General and administrative expenses	(9,943)	(9,741)	(8,445)
Other operating income	157	252	141
Other operating expenses	(384)	(122)	(218)
Operating profit	**82,898**	**68,354**	**53,778**
Finance income	725	428	51
Profit before income tax	**83,623**	**68,782**	**53,829**
Income tax expense	(16,765)	(14,014)	(10,632)
Profit for the year	**66,858**	**54,768**	**43,197**

Revenue

The following table presents a breakdown of the Company's revenue for the years ended 31 December 2011, 2010 and 2009:

	Year ended 31 December					
	2011		2010		2009	
	(KZT million)	*% of total*	*(KZT million)*	*% of total*	*(KZT million)*	*% of total*
Voice services	146,076	81.7%	131,185	86.0%	112,939	86.6%
Value-added services	14,532	8.1%	13,790	9.0%	13,506	10.4%
Data services	14,064	7.9%	6,946	4.6%	3,033	2.3%
Other revenue	4,114	2.3%	567	0.4%	874	0.7%
Total revenue	**178,786**	**100%**	**152,488**	**100%**	**130,352**	**100%**

Revenue increased by KZT 26,298 million, or 17.2%, to KZT 178,786 million for the year ended 31 December 2011 from KZT 152,488 million for the year ended 31 December 2010. The increase was primarily due to growth in revenue from voice services, data services and other revenue, and to a lesser extent growth in revenue from value-added services. Revenue increased by KZT 22,136 million, or 17.0%, to KZT 152,488 million for the year ended 31 December 2010 from KZT 130,352 million for the year ended 31 December 2009. The increase was primarily attributable to growth in revenue from voice services and data services which was partially offset by a decrease in other revenue.

Voice services

Voice services revenue increased by KZT 14,891 million, or 11.4%, to KZT 146,076 million for the year ended 31 December 2011 from KZT 131,185 million for the year ended 31 December 2010. The increase was primarily due to an increase in voice traffic. Voice traffic increased from 10,340 million minutes in 2010 to 12,892 million minutes in 2011. The increase was primarily due to an increase in the number of subscribers as well as an increase in MOU. The Company's subscriber base increased from 8.9 million as at

31 December 2010 to 10.8 million as at 31 December 2011, representing an increase of 8.9%, with most of this growth coming from regional markets (outside of Almaty and Astana). MOU increased from 119 in 2010 to 122 in 2011, which was attributable to voice services becoming more affordable due to a decrease in the Company's tariffs. The increase in voice traffic was partially offset by lower tariffs for voice services in the second half of 2011 as the Company reduced its tariffs in response to the lower tariffs introduced by Tele2 and other mobile operators. See *"—Factors Affecting Results of Operations—Competition"*.

The increase in interconnect revenue, from KZT 16,534 million in 2010 to KZT 22,415 million in 2011, also contributed to the increase in voice services revenue. This increase resulted from growth in the volume of incoming calls from the subscribers of other mobile operators, which was in turn due to the increase in the number of subscribers in Kazakhstan, from 14.3 million subscribers as at 31 December 2010 to 17.2 million subscribers as at 31 December 2011. Tele2's reduction in its tariffs also contributed to the increase. In April 2011, Tele2 reduced its tariffs, which resulted in an increase in the volume of off-net calls made by its subscribers to the subscribers of other mobile operators. VimpelCom also reduced tariffs, which further contributed to the increase in the volume of off-net calls.

Voice services revenue increased by KZT 18,246 million, or 16.2%, to KZT 131,185 million for the year ended 31 December 2010 from KZT 112,939 million for the year ended 31 December 2009. The increase was primarily due to an increase in voice traffic. Voice traffic increased from 6,891 million minutes in 2009 to 10,340 million minutes in 2010. The increase was primarily due to an increase in the number of subscribers as well as an increase in MOU. The Company's subscriber base increased from 7.2 million as at 31 December 2009 to 8.9 million as at 31 December 2010, representing an increase of 23.6%. MOU increased from 92 in 2009 to 119 in 2010, which was attributable to voice services becoming more affordable due to a decrease in the Company's tariffs.

Value-added services

Value-added services revenue increased by KZT 742 million, or 5.4%, to KZT 14,532 million for the year ended 31 December 2011 from KZT 13,790 million for the year ended 31 December 2010. The increase was primarily due to an increase in revenue from content services, such as ring back tones and other information and entertainment services, from KZT 4,392 million in 2010 to KZT 6,498 million in 2011. Growth in revenue from content services was partially offset by a decrease in revenue from SMSs, from KZT 9,398 million in 2010 to KZT 8,034 million in 2011. The volume of SMSs sent in 2011 decreased as compared with 2010, primarily due to subscribers' use of voice services (calling instead of sending SMSs) and data services (communicating through social networks instead of sending SMSs) as these services became more affordable.

Value-added services revenue increased by KZT 284 million, or 2.1%, to KZT 13,790 million for the year ended 31 December 2010 from KZT 13,506 million for the year ended 31 December 2009. The increase was primarily due to growth from the volume of SMSs and MMSs.

Data services

Data services revenue increased by KZT 7,118 million, or 102.5%, to KZT 14,064 million in 2011 from KZT 6,946 million in 2010. Data traffic increased from 343,997 GB in 2010 to 1,631,947 GB in 2011. The Company's rollout of its 3G network in Almaty, Astana and other cities in Kazakhstan contributed to the increase in data traffic, as it enabled the Company to provide its subscribers with higher data transmission speeds, which made its data services more attractive. In addition, the Company offered its subscribers a variety of attractively priced data plans (such as bundled packages with reduced prices per MB of data transferred). The increased usage of smartphones, USB modems and other internet enabled devices by subscribers also contributed to growth in data traffic. Growth in data traffic was partially offset by lower tariffs, which led to a decrease in ARMB.

Data services revenue increased by KZT 3,913 million, or 129.0%, to KZT 6,946 million in 2010 from KZT 3,033 million in 2009. Data traffic increased from 123,911 GB in 2009 to 343,997 GB in 2010 from the increase in data traffic, which was in turn due to the increased usage of smartphones, USB modems and other internet enabled devices by subscribers, as well as the Company's attractively priced data plans, including data plans bundled with internet enabled devices (such as a USB modem bundled with a data plan). In addition, in the second half of 2010, the Company began the rollout of its 3G network, which by the end of 2010 began to contribute to further growth in data traffic, and, therefore, data revenue.

Other revenue

Other revenue increased by KZT 3,547 million, to KZT 4,114 million in 2011 from KZT 567 million in 2010. The increase was primarily due to the Company's sale of handsets to distributors for resale to the Company's subscribers, intended to increase the use of internet enabled devices (and particularly 3G enabled handsets) by its subscribers and thereby increase the use of its data services. In 2011, sales of handsets to distributors generated revenue of KZT 3,531 million.

Other revenue decreased by KZT 307 million, or 35.1%, to KZT 567 million in 2010 from KZT 874 million in 2009. The decrease was primarily due to changes in the structure of the Company's interconnection agreements with other mobile services providers. Following these changes, fixed fees are no longer payable pursuant to the Company's interconnection agreements.

Cost of sales

Cost of sales increased by KZT 11,599 million, or 19.9%, to KZT 69,955 million in 2011 from KZT 58,356 million in 2010. The increase was primarily attributable to an increase in interconnect fees and expenses, from KZT 17,095 million in 2010 to KZT 20,301 million in 2011, an increase in cost of SIM card, scratch card, start package sales and handsets, from KZT 1,545 million in 2010 to KZT 5,735 million in 2011, an increase in frequency usage charges, from KZT 1,694 million in 2010 to KZT 2,383 million in 2011, as well as an increase in amortisation and depreciation included in cost of sales, from KZT 17,041 million in 2010 to KZT 19,907 million in 2011.

Cost of sales increased by KZT 4,640 million, or 8.6%, to KZT 58,356 million in 2010 from KZT 53,716 million in 2009. The increase was primarily attributable to an increase in interconnect fees and expenses, from KZT 16,571 million in 2009 to KZT 17,095 million in 2010, an increase in transmission rent, from KZT 6,415 million in 2009 to KZT 7,498 million in 2010 and an increase in amortisation and depreciation included in cost of sales, from KZT 14,568 million in 2009 to KZT 17,041 million in 2010.

Selling and marketing expenses

Selling and marketing expenses decreased by KZT 404 million, or 2.5%, to KZT 15,763 million in 2011 from KZT 16,167 million in 2010. The decrease was primarily attributable to a decrease in advertising expenses, from KZT 3,056 million in 2010 to KZT 2,816 million in 2011 and a decrease in other sales and marketing expenses, from KZT 1,687 million in 2010 to KZT 1,116 million in 2011, which were offset by an increase in sales promotion expenses, from KZT 1,982 million in 2010 to KZT 2,072 million in 2011 and an increase in refill commissions and other dealer commissions, from KZT 4,257 million in 2010 to KZT 4,501 million in 2011.

Selling and marketing expenses increased by KZT 1,831 million, or 12.8%, to KZT 16,167 million in 2010 from KZT 14,336 million in 2009. The increase was primarily attributable to an increase in advertising expenses, from KZT 2,367 million in 2009 to KZT 3,056 million in 2010, an increase in commission for cash collection, from KZT 1,950 million in 2009 to KZT 2,719 million in 2010 and an increase in staff costs, from KZT 2,003 million in 2009 to KZT 2,467 million in 2010, which were partially offset by a decrease in refill commissions and other dealer commissions, from KZT 5,336 million in 2009 to KZT 4,257 million in 2010.

General and administrative expenses

General and administrative expenses increased by KZT 202 million, or 2.1%, to KZT 9,943 million in 2011 from KZT 9,741 million in 2010. The increase was primarily attributable to an increase in taxes other than on income, from KZT 2,715 million in 2010 to KZT 2,849 million in 2011 and an increase in amortisation and depreciation included in general and administrative expenses, from KZT 2,539 million in 2010 to KZT 2,988 million in 2011, offset by decreases in consulting and bad debts expenses.

General and administrative expenses increased by KZT 1,296 million, or 15.3%, to KZT 9,741 million in 2010 from KZT 8,445 million in 2009. The increase was primarily attributable to an increase in taxes other than on income, from KZT 2,362 million in 2009 to KZT 2,715 million in 2010, an increase in staff costs, from KZT 1,774 million in 2009 to KZT 2,145 million in 2010 and an increase in amortisation and depreciation included in general and administrative expenses, from KZT 2,242 million in 2009 to KZT 2,539 million in 2010.

Other operating expenses

Other operating expenses increased by KZT 262 million to KZT 384 million for the year ended 31 December 2011 from KZT 122 million for the year ended 31 December 2010. The increase was primarily attributable to an increase in expenses from the disposal of fixed assets (such as write-offs of obsolete equipment).

Other operating expenses decreased by KZT 96 million to KZT 122 million for the year ended 31 December 2010 from KZT 218 million for the year ended 31 December 2009. The decrease was primarily attributable to a decrease in expenses from the disposal of obsolete fixed assets.

Expenses by nature

The following table presents the Company's expenses by nature for the years ended 31 December 2011, 2010 and 2009:

	Year ended 31 December					
	2011		2010		2009	
	(KZT million)	*% of total*	*(KZT million)*	*% of total*	*(KZT million)*	*% of total*
Interconnect fees and expenses	20,301	21.2%	17,095	20.3%	16,571	21.7%
Network maintenance expenses	9,400	9.8%	9,884	11.7%	9,599	12.5%
Transmission rent	7,768	8.1%	7,498	8.9%	6,415	8.4%
Frequency usage charges and taxes other than on income	5,786	6.0%	4,941	5.9%	4,248	5.6%
Cost of SIM card, scratch card and start package sales and handsets	5,735	6.0%	1,546	1.8%	1,304	1.7%
Sales commissions to dealers and distributors and advertising expenses	12,992	13.6%	12,448	14.8%	11,670	15.3%
Staff costs	6,977	7.4%	6,885	8.2%	5,780	7.6%
Others	3,806	4.0%	4,388	5.2%	4,101	5.4%
Depreciation of property, plant and equipment and amortisation of intangible assets	22,896	23.9%	19,579	23.2%	16,810	22.0%
Total	**95,661**	**100%**	**84,264**	**100%**	**76,498**	**100%**

Interconnect fees and expenses

Interconnect fees and expenses increased by KZT 3,206 million, or 18.8%, to KZT 20,301 million for the year ended 31 December 2011 from KZT 17,095 million for the year ended 31 December 2010. The increase was due to an increase in the volume of off-net calls made by the Company's subscribers to the subscribers of other mobile operators, as well as an increase in roaming expenses. Off-net traffic increased by 49.3%, from 661 million minutes in 2010 to 987 million minutes in 2011, which was primarily attributable to a reduction by the Company of its off-net tariffs.

The increase in interconnect traffic was partially offset by a reduction in interconnection tariffs. In October 2010, the Company reduced its interconnection tariffs from KZT 19.98 per minute for all mobile operators to KZT 16.98 per minute for VimpelCom and to KZT 15.96 per minute for Tele2 and Altel. See "—*Factors Affecting Results of Operations—Regulation*". Although interconnection tariffs were reduced, this reduction contributed to the increase in off-net traffic, as off-net calls became more affordable.

Roaming expenses increased by KZT 1,171 million, or 55.3%, to KZT 3,289 million for the year ended 31 December 2011 from KZT 2,117 million for the year ended 31 December 2010. The increase was primarily attributable to an increase in the number of subscribers using roaming services, as a result of the Company offering lower roaming rates as well as roaming packages (such as discounted roaming for

subscribers from certain countries). The Company also began to actively promote roaming to subscribers of the Activ brand, whereas previously roaming was only available to the subscribers of the Kcell brand.

Interconnect fees and expenses increased by KZT 524 million, or 3.2%, to KZT 17,095 million for the year ended 31 December 2010 from KZT 16,571 million for the year ended 31 December 2009. The increase was primarily due to growth in the Company's subscriber base and an increase in off-net calls, which was partially offset by a decrease in interconnection tariffs in October 2010 as well as a decrease in roaming expenses. Off-net traffic increased by 25.0%, from 529 million minutes in 2009 to 661 million minutes in 2010, which was in line with the 24.5% increase in the subscriber base. The increase in interconnect fees and expenses was partially offset by the aforementioned decrease in the interconnection rates in October 2010.

Roaming expenses decreased by KZT 497 million, or 19.0%, to KZT 2,117 million for the year ended 31 December 2010 from KZT 2,615 million for the year ended 31 December 2009. The decrease was primarily attributable to the Company's negotiation of a reduction in roaming rates with a number of roaming operators.

Network maintenance expenses

Network maintenance expenses decreased by KZT 484 million, or 4.9%, to KZT 9,400 million for the year ended 31 December 2011 from KZT 9,884 million for the year ended 31 December 2010. The decrease was due to the Company's introduction of measures to optimise its network maintenance costs. The Company renegotiated its equipment maintenance agreement with Ericsson, which resulted in the cost of maintenance remaining unchanged in absolute terms, although the serviceable equipment base increased as a result of the renegotiation. In addition, the Company entered into agreements with local equipment maintenance services providers, which reduced the cost of maintenance for equipment . The Company also reduced its maintenance expenses by purchasing new equipment (including equipment for the rollout of its 3G network), which was serviced under a warranty. In the first half of 2011, the Company began acquiring new equipment manufactured by ZTE Corporation, which was covered by a two-year warranty, and as a result, maintenance expenses related to this equipment decreased significantly in the second half of 2011.

Network maintenance expenses increased by KZT 285 million, or 3.0%, to KZT 9,884 million for the year ended 31 December 2010 from KZT 9,599 million for the year ended 31 December 2009. The increase was primarily due to the acquisition of new equipment, which necessitated a greater volume of repair and maintenance work due to normal wear and tear.

Transmission rent

Transmission rent increased by KZT 270 million, or 3.6%, to KZT 7,768 million for the year ended 31 December 2011 from KZT 7,498 million for the year ended 31 December 2010. The increase was primarily attributable to an increase in the Company's subscriber base and growth in the use of voice services and data services. This required the Company to lease additional transmission capacity in order to be able to continue providing its services without compromising its quality of service. In addition, the Company incurs satellite transmission costs in remote locations in which it is required to provide mobile services and only satellite transmission is available. In 2011, the Company's satellite transmission costs increased.

The Company leases transmission channels from a number of providers, of which Kazakhtelecom represented over 50% of all leased capacity. The increase in transmission rent in 2011 was partially offset by the cost savings resulting from the Kazakhtelecom Agreement. See "*Business—Material Agreements*". Pursuant to the amended agreement, the Company pays a fixed annual fee for a fixed level of transmission capacity.

Transmission rent increased by KZT 1,083 million, or 16.9%, to KZT 7,498 million for the year ended 31 December 2010 from KZT 6,415 million for the year ended 31 December 2009. The increase was primarily attributable to an increase in the subscriber base and growth in voice and data services usage, which required the Company to lease additional transmission capacity.

Frequency usage charges and taxes other than on income

Frequency usage charges and taxes other than on income increased by KZT 845 million, or 17.1%, to KZT 5,786 million for the year ended 31 December 2011 from KZT 4,941 million for the year ended

31 December 2010, which was primarily due to a significant increase in charges for the Company's use of frequency spectrum as well as a marginal increase in taxes other than on income.

Frequency usage charges increased by KZT 689 million, or 40.7%, to KZT 2,383 million for the year ended 31 December 2011 from KZT 1,694 million for the year ended 31 December 2010. The increase was primarily attributable to the Company beginning to pay for the use of 3G frequencies in 2011. In January 2011, the Company acquired a 3G licence and began paying charges for its use of 3G frequency spectrum. For the year ended 31 December 2011, frequency usage charges relating to the use of 3G frequency spectrum were KZT 532 million. Frequency usage charges for 2G frequencies also increased as a result of an increase in the number of 2G base stations.

Taxes other than on income increased by KZT 156 million, or 4.8%, to KZT 3,402 million for the year ended 31 December 2011 from KZT 3,246 million for the year ended 31 December 2010. The increase was primarily attributable to an increase in mobile service fees which increased due to an increase in mobile traffic in 2011, as well as an increase in property taxes, which increased due to the acquisition of additional properties in 2011 (including offices, Kcell flagship stores and cell towers).

Frequency usage charges and taxes other than on income increased by KZT 693 million, or 16.3%, to KZT 4,941 million for the year ended 31 December 2010 from KZT 4,248 million for the year ended 31 December 2009. The increase was primarily due to an increase in frequency charges for the use of additional 2G frequencies, which increased by KZT 336 million, or 24.7%, to KZT 1,694 million for the year ended 31 December 2010 from KZT 1,359 million for the year ended 31 December 2009, as well as an increase in taxes other than on income by KZT 357 million, or 4.8%, to KZT 3,246 million for the year ended 31 December 2010 from KZT 2,889 million for the year ended 31 December 2009. The increase in these expenses was primarily attributable to an increase in mobile service fees and property taxes.

Cost of SIM card, scratch card, start package sales and handsets

The cost of SIM card, scratch card, start package sales and handsets increased by KZT 4,189 million, or 271.0%, to KZT 5,735 million for the year ended 31 December 2011 from KZT 1,546 million for the year ended 31 December 2010. The increase was primarily attributable to the Company's pilot programme for the sale of handsets to dealers and distributors for resale to the subscribers. See "*Business—Products and Services—Handset sales*". The increase was also attributable to an increase in the cost of USB modems sold to the subscribers. The sale of handsets to dealers and distributors for further resale to the subscribers and the sale of USB modems were aimed at fostering the subscribers' use of the Company's data services.

The cost of SIM card, scratch card, start package sales and handsets increased by KZT 242 million, or 18.6%, to KZT 1,546 million for the year ended 31 December 2010 from KZT 1,304 million for the year ended 31 December 2009. The increase was primarily attributable to an increase in the volume of SIM cards, scratch cards and start packages sold by the Company as the Company's subscriber base continued to grow. In addition, the increase was attributable to an increase in the cost of USB modems sold.

Sales commissions to dealers and distributors and advertising expenses

Sales commissions to dealers and distributors and advertising expenses increased by KZT 544 million, or 4.4%, to KZT 12,992 million for the year ended 31 December 2011 from KZT 12,448 million for the year ended 31 December 2010. The increase was primarily due to an increase in sales commissions to dealers and distributors, which was partially offset by a decrease in advertising and sales promotion expenses.

Sales commissions to dealers and distributors increased from KZT 6,975 million in 2010 to KZT 7,224 million in 2011, which was primarily attributable to an increase in refill and other dealers and distributors commissions, from KZT 4,257 million in 2010 to KZT 4,501 million in 2011. This increase was primarily due to the increase in the volume of scratch cards purchased by dealers and distributors.

Advertising and sales promotion expenses decreased from KZT 5,038 million in 2010 to KZT 4,888 million in 2011, which was primarily attributable to a decrease in advertising expense from KZT 3,056 million in 2010 to KZT 2,816 million in 2011. This decrease was due to the Company's negotiation of volume discounts on advertising. In addition, the Company's advertising costs decreased as a result of the Company's regional expansion, since the cost of advertising campaigns in the regions is generally lower than in larger cities, such as Almaty and Astana. The Company also performs feasibility studies to gauge the effectiveness of its advertising and sales promotion campaigns and discontinues ineffective campaigns, which also contributed to a decrease in the advertising costs.

Sales commissions to dealers and distributors and advertising expenses increased by KZT 779 million, or 6.7%, to KZT 12,448 million for the year ended 31 December 2010 from KZT 11,670 million for the year ended 31 December 2009. The increase was primarily due to an increase in cash collection commission from KZT 1,950 million in 2009 to KZT 2,719 million in 2010, which was in turn due to subscribers increasingly using electronic payment terminals (instead of scratch cards) to top up their account balances. Advertising and sales promotion expenses increased from KZT 4,338 million in 2009 to KZT 5,038 million in 2010, which was primarily attributable to an increase in advertising expense from KZT 2,367 million in 2009 to KZT 3,056 million in 2010. The increase was due to the Company's promoting its services in the regions more actively due to increased competition.

Staff costs

Staff costs increased by KZT 92 million, or 1.3%, to KZT 6,977 million for the year ended 31 December 2011 from KZT 6,885 million for the year ended 31 December 2010. The increase was primarily due to an increase in salaries in 2010.

Staff costs increased by KZT 1,105 million, or 19.1%, to KZT 6,885 million for the year ended 31 December 2010 from KZT 5,780 million for the year ended 31 December 2009. The increase was primarily the result of the Company adjusting the salaries of its staff to market levels following limited growth in staff salaries in the years 2008 and 2009 during the global economic downturn, which adversely affected Kazakhstan's economy.

Others

Other expenses decreased by KZT 582 million, or 13.3%, to KZT 3,806 million for the year ended 31 December 2011 from KZT 4,388 million for the year ended 31 December 2010. The decrease was primarily due to a decrease in consulting expenses by KZT 491 million. In 2010, the Company retained consultants to conduct various studies, and particularly to analyse the effect of Tele2's entry into the market. In 2011, the Company did not retain consultants, which resulted in a decrease in other expenses.

Other expenses increased by KZT 287 million, or 7.0%, to KZT 4,388 million for the year ended 31 December 2010 from KZT 4,101 million for the year ended 31 December 2009. The increase was primarily due to an increase in security expenses by KZT 123 million and rental expense by KZT 134 million due to regional expansion.

Depreciation of property, plant and equipment and amortisation of intangible assets

Depreciation and amortisation increased by KZT 3,317 million, or 16.9%, to KZT 22,896 million for the year ended 31 December 2011 from KZT 19,579 million for the year ended 31 December 2010. The increase was primarily attributable to the growth in the Company's depreciable asset base. In 2011, the Company acquired new equipment (such as radio equipment, switches and transmission devices) and new buildings and completed the renovation of its buildings in order to relocate some of its service centres from leased premises. The Company also acquired a 3G licence, computer software and software licences and rights, which increased its intangible asset base and resulted in an increase in amortisation.

Depreciation and amortisation increased by KZT 2,769 million, or 16.5%, to KZT 19,579 million for the year ended 31 December 2010 from KZT 16,810 million for the year ended 31 December 2009. The increase was primarily due to the Company's acquiring new equipment and computer software and software licences and rights.

Other operating income

Other operating income decreased by KZT 95 million, to KZT 157 million for the year ended 31 December 2011 from KZT 252 million for the year ended 31 December 2010. The decrease was primarily attributable to a decrease in interest income from current accounts at banks, from KZT 83 million for the year ended 31 December 2010 to KZT 3 million for the year ended 31 December 2011.

Other operating income increased by KZT 111 million, to KZT 252 million for the year ended 31 December 2010 from KZT 141 million for the year ended 31 December 2009. The increase was primarily attributable to an increase in interest income from current accounts at banks, from KZT 7 million for the year ended 31 December 2009 to KZT 83 million for the year ended 31 December 2010.

Income tax expense

Income tax increased by KZT 2,751 million, or 19.6%, to KZT 16,765 million for the year ended 31 December 2011 compared to KZT 14,014 million for the year ended 31 December 2010. The Company's effective tax rate was stable in 2011 and 2010 (20.0% in 2011 and 20.4% in 2010). The increase in income tax in 2011 was primarily attributable to an increase in profit before income tax, which increased by KZT 14,842 million, or 21.6%, to KZT 83,624 million in 2011 compared to KZT 68,782 million in 2010.

Income tax expense increased to KZT 14,014 million for the year ended 31 December 2010, or 31.8%, from KZT 10,631 million for the year ended 31 December 2009. The Company's effective tax rate was stable (20.4% in 2010 and 19.8% in 2009). The increase in tax expense in 2010, therefore, was primarily driven by an increase in profit before income tax, which increased by KZT 14,953 million, or 27.8%, to KZT 68,782 million in 2010 compared to KZT 53,829 million in 2010.

Liquidity and Capital Resources

General

The Company's liquidity requirements relate primarily to working capital needs and capital expenditure for the expansion and improvement of the Company's networks. The Company has historically financed these requirements from cash flows from operating activities.

Cash flows

The following table presents the Company's cash flows for the nine months ended 30 September 2012 and 2011 and the years ended 31 December 2011, 2010 and 2009:

	Nine months ended 30 September		Year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
			(KZT million)		
Net cash from operating activities	62,699	62,473	81,413	84,396	55,137
Net cash used in investing activities	(19,857)	(19,786)	(27,305)	(28,279)	(25,742)
Net cash used in financing activities	(43,117)	(21,000)	(58,000)	(52,406)	(29,570)
Net increase/(decrease) in cash and cash equivalents	(276)	21,686	(3,892)	3,711	(175)
Cash and cash equivalents at the end of the period	1,077	26,931	1,353	5,245	1,534

Cash flows from operating activities

Net cash from operating activities increased by KZT 226 million, to KZT 62,699 million for the nine months ended 30 September 2012, from KZT 62,473 million for the nine months ended 30 September 2011. The increase was primarily attributable to a decrease in amounts due from related parties of KZT 2,173 million for the nine months ended 30 September 2012, compared to an increase of KZT 1,424 million for the nine months ended 30 September 2011. The decrease for the nine months ended 30 September 2012 was primarily due to reclassification of receivables from Kazakhtelecom from related party receivables to regular receivables. Subsequent to the reclassification of Kazakhtelecom's receivables, Kazakhtelecom paid out interconnect charges. The increase in net cash from operating activities was also attributable to an increase in trade and other receivables of KZT 1,478 million for the nine months ended 30 September 2012 compared to an increase of KZT 3,701 million for the nine months ended 30 September 2011, which was primarily attributable to advances in connection with the acquisition of inventory (such as handsets and USB modems). In addition, inventories decreased by KZT 874 million for the nine months ended 30 September 2012 compared to a decrease of KZT 199 million for the nine months ended 30 September 2011 due to sale of handsets and USB modems, and trade and other payables increased by KZT 737 million for the nine months ended 30 September 2012 compared to a decrease of KZT 186 million for the nine months ended 30 September 2012, primarily representing an increase in advances received from dealers and distributors for scratch cards and handsets.

Net cash from operating activities decreased by KZT 2,983 million to KZT 81,413 million for the year ended 31 December 2011 from KZT 84,396 million for the year ended 31 December 2010. The decrease was primarily attributable to an increase in trade and other receivables of KZT 5,341 million, compared to a decrease of KZT 3,503 million in 2010, as well as a decrease in trade and other payables of KZT 966 million, compared to an increase of KZT 3,816 million in 2010. The increase in trade and other receivables in 2011 was primarily due to an increase in trade receivables from distributors and advances to

suppliers. Trade receivables from distributors increased from KZT 2,373 million in 2010 to KZT 5,324 million in 2011, primarily representing an increase in receivables from dealers and distributors. See "*Business—Products and Services—Handset sales*". Advances to suppliers increased from KZT 1,736 million in 2010 to KZT 3,381 million in 2011, primarily representing advances in connection with the acquisition of equipment, in particular handsets for distribution to dealers and distributors.

Cash provided by operating activities increased by KZT 29,259 million to KZT 84,396 million for the year ended 31 December 2010 from KZT 55,137 million for the year ended 31 December 2009. The increase was attributed primarily to an increase in profit for the year by KZT 11,571 million from KZT 43,197 million in 2010 to KZT 54,768 million in 2011 as well as a decrease in advances to suppliers from KZT 2,709 million in 2009 to KZT 1,736 million in 2010 and in VAT recoverable (net) from KZT 1,985 million in 2009 to nil in 2010. The decrease in advances to suppliers in 2010 was due to the prepayment of customs duties for telecommunications equipment purchased in 2009 that was delivered in 2010. VAT recoverable (net) decreased primarily due to the Company's purchasing equipment in 2009 and paying VAT as part of customs clearance process, which resulted in a decrease in VAT recoverable on a net basis in 2010.

Cash flow from investing activities

Net cash used in investing activities increased by KZT 71 million to KZT 19,857 million for the nine months ended 30 September 2012 from KZT 19,786 million for the nine months ended 30 September 2011, which was primarily due to an increase in spending on intangible assets.

Net cash used in investing activities decreased by KZT 974 million to KZT 27,305 million for the year ended 31 December 2011 from KZT 28,279 million for the year ended 31 December 2010. The decrease was primarily due to a decrease in the purchase of intangible assets of KZT 4,479 million, from KZT 7,240 million in 2010 to KZT 2,761 million in 2011, which was primarily due to payment for a 3G licence in 2010 for KZT 5,000 million and not having a similar expenditure in 2011.

Net cash used in investing activities increased by KZT 2,537 million to KZT 28,279 million for the year ended 31 December 2010 from KZT 25,742 million for the year ended 31 December 2009. The increase was primarily due to an increase in the purchase of intangible assets by KZT 4,030 million, from KZT 3,210 million in 2009 to KZT 7,240 million in 2010. The increase was primarily due to the acquisition of a 3G licence for KZT 5,000 million.

Cash flows from financing activities

Net cash used in financing activities increased by KZT 22,117 million to KZT 43,117 million for the nine months ended 30 September 2012 from KZT 21,000 million for the nine months ended 30 September 2011. The increase was due to dividends paid by the Company. See "*Dividend Policy*".

Net cash used in financing activities increased by KZT 5,594 million to KZT 58,000 million for the year ended 31 December 2011 from KZT 52,406 million for the year ended 31 December 2010. The increase was due to dividends paid by the Company.

Net cash used in financing activities increased by KZT 22,836 million to KZT 52,406 million for the year ended 31 December 2010 from KZT 29,570 million for the year ended 31 December 2009. The increase was due to dividends paid by the Company.

Capital expenditure

The Company's capital expenditure was KZT 19,857 million and KZT 19,786 million for the nine months ended 30 September 2012 and 2011, respectively, and KZT 27,304 million, KZT 28,279 million and KZT 25,742 million for the years ended 31 December 2011, 2010 and 2009, respectively. Capital expenditure has historically been allocated to investments in telecommunications equipment (including equipment necessary for the rollout of the Company's 3G network), as well as telecommunications and software licences and rights. The Company develops its capital expenditure budget based, among other things, on its marketing plans, expected subscriber base growth, launch of new services and coverage expansion plans.

The table below presents the Company's capital expenditure, representing purchases of property, plant and equipment and intangible assets (on a cash basis), for the nine months ended 30 September 2012 and 2011 and the years ended 31 December 2011, 2010 and 2009:

	Nine months ended 30 September		Year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
	(KZT million)				
Radio network equipment	11,211	12,514	15,553	11,877	12,958
2G radio network	6,142	5,057	5,829	9,567	12,958
3G radio network	5,069	7,457	9,724	2,310	—
Core network	2,254	1,017	1,609	2,018	2,627
Transmission network	1,997	2,351	3,505	1,920	1,329
Services and network management	1,591	1,535	3,574	3,678	3,352
Licences and frequencies	—	—	—	5,000	—
Buildings and other non-operational	2,340	1,900	2,549	3,377	4,903
Other	464	469	514	409	573
Total capital expenditure	**19,857**	**19,786**	**27,304**	**28,279**	**25,742**

For the nine months ended 30 September 2012 and the years ended 31 December 2011, 2010 and 2009, total capital expenditure was KZT 101,182 million. A substantial portion of the Company's capital expenditure has historically been allocated to investments in radio network equipment, which accounted for KZT 11,211 million, KZT 15,553 million, KZT 11,877 million and KZT 12,958 million in the nine months ended 30 September 2012 and the years ended 31 December 2011, 2010 and 2009, respectively. In addition, in 2010, the Company incurred KZT 5,000 million of capital expenditure related to the acquisition of its 3G licence.

The Company anticipates that its capital expenditure for 2012 will represent approximately 15% of its revenue.

Capital resources

The Company's operations and capital expenditure have been historically financed primarily from internally generated cash flows from operating activities.

Short-term borrowings

On 26 September 2012, the Company signed a term loan facility agreement with, among other entities, JSC Citibank Kazakhstan and JSC SB RBS Kazakhstan for a loan in the amount of KZT 30 billion with a fixed interest rate of 4.60% per annum, a one-off transaction fee of 1% of the loan amount and a maturity of twelve months, with a possible extension of up to an additional twelve months, subject to further consent of the lenders. As at the date of the Prospectus, the KZT 30 billion facility was fully drawn. On 17 October 2012, the Company signed a term loan facility agreement with, among other entities, JSC Citibank Kazakhstan and JSC SB RBS Kazakhstan for a loan in the amount of KZT 15 billion with a fixed interest rate of 3.85% per annum, a one-off transaction fee of 1% of the loan amount and a maturity date of 26 September 2013, with a possible extension of up to an additional twelve months, subject to further consent of the lenders. As at the date of the Prospectus, the KZT 15 billion facility was fully drawn.

Interest under these facilities is payable every six months. Financial covenants include a requirement that total net debt/EBITDA not to exceed 1.5:1 and a requirement that EBITDA to net finance charges exceed 4.00:1. The KZT 15 billion facility is guaranteed by TeliaSonera. The Company is subject to the payment of an annual fee in the amount of up to KZT 112.5 million per annum to TeliaSonera for its provision of the guarantee in respect of the KZT 15 billion facility. If TeliaSonera ceases to control the Company, the KZT 15 billion loan facility will become due and payable immediately.

As at 30 September 2012, the Company also had short-term loans in the aggregate amount of KZT 4,999 million with an effective interest rate ranging between 5.1% to 6.1% per annum. These loans mature in October and November 2012. See Note 13 to the Unaudited Interim Financial Statements.

Working capital

The Company defines working capital as current assets less current liabilities. The Company's adjusted working capital (without taking into account KZT 67,761 million in dividends payable) was negative KZT 6,226 million as at 30 September 2012. The Company provides services to its subscribers predominantly on a pre-paid basis, such that 95.6% of its revenue was generated from pre-paid and paid-in-advance subscriptions for the nine months ended 30 September 2012. Such revenue is initially accounted for as deferred revenue within current liabilities, which results in current liabilities exceeding current assets. Such deferred revenue does not, however, result in cash outflows, as funds paid by subscribers on a pre-paid basis are retained by the Company.

Off balance sheet arrangements

As at 30 September 2012, the Company had no off balance sheet financing arrangements.

Contractual capital expenditure commitments and non-cancellable lease obligations

Contractual capital expenditure

As at 30 September 2012, the Company had contractual capital expenditure commitments totalling KZT 3,622 million, which were primarily related to purchases of telecommunications equipment from Ericsson and ZTE Corporation.

Non-cancellable lease obligations

The Company's operating leases relate primarily to the Kazakhtelecom Agreement. See "*Business—Material Agreements*". In December 2011, the Kazakhtelecom Agreement was amended to set the Company's fixed capacity and the annual lease cost of the fibre optics communication channels and the IP VPN network (except for international channels and intra-city channels) until 2020. The Kazakhtelecom Agreement cannot be terminated prior to 31 December 2015. See "*Related Party Transactions*". Also, on 14 August 2012 the Company signed a five-year fibre optics lease agreement with KTC in the amount of KZT 2,655 million (which represents the sum of the lease payments over the five-year period).

The table below presents the Company's outstanding commitments in respect of non-cancellable operating leases under the agreements as at 31 December 2011 and 30 September 2012:

	As at 30 September 2012	As at 31 December 2011
	(KZT million)	
Within one year	4,806	4,162
Between one and two years	4,830	4,200
Later than two years	6,950	8,600
Total	**16,586**	**16,962**

Contingent liabilities

Government investigations

The Company has been involved in actions with the Competition Agency relating to its international roaming services. For further information see "*Business—Legal Proceedings*". No provision has been recorded in the Audited Financial Statements in respect of either of these actions.

Quantitative and qualitative disclosure about market and other risks

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), liquidity risk and credit risk. The Company's overall risk management strategy seeks to minimise potential adverse effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge risk exposures.

Risk management is carried out by management under policies approved by the Company's management committee. The management provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk.

Credit risk

The Company is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Company's sales on credit terms as well as other transactions with counterparties that give rise to financial assets.

The Company has policies in place to ensure that sales of products and services are made to customers and distributors with positive credit history. The Company evaluates the credit history of its subscribers based on the length of the relationship, the subscriber's financial position, past experience and other financial factors. The Company's management reviews ageing of trade receivables and follows up on past due balances. The Company disconnects its services to the subscribers that fail to settle their liabilities until the liabilities are settled. The Company's management provides the ageing analysis of trade receivables and other information about credit risk in Note 10 to the Audited Financial Statements. The carrying amount of accounts receivable, net of provision for impairment of receivables, represents the Company's maximum credit exposure. The Company has no significant concentrations of credit risk since its subscriber base is diversified among a large number of customers, both individuals and companies. Although collection of receivables could be influenced by economic factors, the management believes that there is no significant risk of loss to the Company beyond the provisions already recorded.

The Group has established relationships with a number of banks that are considered at the time of deposit to have minimal risk of default. The Group accepts only those banks in Kazakhstan that have the highest credit ratings. The Group reviews credit ratings of those banks periodically to decrease credit risk exposure. As the Republic of Kazakhstan continues to display some characteristics of an emerging market, certain risks inherent to the country are also inherent to the banks where the Group placed its cash and cash equivalents and term deposits at the end of the reporting period.

Foreign exchange risk

In 2011, more than 50% of the Company's purchases of telecommunications equipment, computer software and software licences and rights, as well as certain services (such as roaming) were denominated in U.S. dollars. Hence, the major concentration of foreign exchange risk arises from the movement of the U.S. dollar against the Kazakhstan Tenge. The Company does not hedge its foreign exchange risk.

At 31 December 2011, if the U.S. dollar had weakened or strengthened by 10% against the Kazakhstan Tenge with all other variables held constant, after-tax profit for the year ended 31 December 2011 would have been KZT 81.8 million lower or higher, as the case may have been, mainly as a result of foreign exchange gains or losses on translation of U.S. dollar denominated bank balances, receivables and payables.

Interest rate risk

As the Company has no significant interest-bearing liabilities (other than a short-term loan in the amount of KZT 30 billion with a fixed interest rate of 4.6% per annum and a short-term loan in the amount of KZT 15 billion with a fixed interest rate of 3.85% per annum), its income and operating cash flows are not affected to a significant degree by changes in market interest rates.

Liquidity risk

The Company's treasury aims to maintain flexibility in funding by keeping sufficient cash available for operations. For further information see Note 18 of the Audited Financial Statements.

Significant accounting policies

A detailed description of the main accounting policies used in preparing the Financial Statements is set out in Note 2 to the Audited Financial Statements.

Critical accounting estimates and judgments

Critical accounting estimates and judgments are those that require the application of the management's most challenging, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods.

A detailed description of certain critical accounting estimates and judgments used in preparing the Financial Statements is set out in Note 3 to the Audited Financial Statements.

Recent accounting pronouncements

Recent accounting pronouncements are described in Note 4 to the Audited Financial Statements.

INDUSTRY

Macroeconomic Overview

The Company believes that Kazakhstan is an attractive market for telecommunications services due to the combination of strong economic growth and favourable demographics. Kazakhstan's economy is the largest in Central Asia in terms of GDP. Its economy continued to grow over the past decade with annual real GDP growth of 8.3% on average between 2001 and 2011, according to the EIU. Despite the recent global economic downturn, Kazakhstan's economy has expanded between 2009 and 2011, with real GDP growing at a compound annual growth rate ("**CAGR**") of 7.4%. Kazakhstan's real GDP is expected to grow at a CAGR of 5.8% between 2012 and 2016, according to the EIU. Real GDP per capita increased at a CAGR of 5.9% and was U.S.$11,491, U.S.$10,849 and U.S.$10,254 in 2011, 2010 and 2009, respectively. Inflation was 7.3% in 2009, 7.1% in 2010, 8.3% in 2011, and is expected to be 6.0% in 2012 and 7.3% in 2013, according to the EIU.

As at 31 December 2011, Kazakhstan had a population of approximately 16.7 million, which reflected a CAGR of 1.5% from 2009 to 2011. Disposable income per capita is expected to increase at a CAGR of 11.3% from U.S.$5,105 for the year ended 31 December 2011 to U.S.$6,325 for the year ended 31 December 2013, according to the EIU. The unemployment rate decreased from 6.6% in 2009 to 5.8% in 2010 and is expected to increase from 5.4% in 2011 to 5.6% in 2012 and 5.6% in 2013, according to the EIU. The Kazakhstan Tenge to U.S. dollar exchange rate over the last three years has remained relatively stable and is expected to be KZT 146.9 and KZT 145.5 per U.S.$1.00 for the years ended 31 December 2012 and 2013, respectively. See "*Exchange Rates*". As at 31 December 2011, Kazakhstan had a positive trade balance of U.S.$47.3 billion with foreign direct investments of U.S.$12.9 billion, according to the EIU.

The following table sets forth certain macroeconomic and demographic data, as well as mobile penetration data, for Kazakhstan and selected comparable countries as at and for the year ended 31 December 2011:

	Kazakhstan	Russia	Ukraine	Turkey	Other CIS (average)[1]
Real GDP (*U.S.$ billion*)[2][3]	191.6	2,104.0	291.2	950.0	49.6
Real GDP/capita (*U.S.$*)[2][3]	11,491	14,874	6,386	12,834	5,737
Real GDP growth 2010-2011[2][3]	7.5%	4.3%	5.2%	8.5%	6.5%
Public debt as a percentage of GDP[4]	12.6%	8.3%	35.9%	39.9%	24.8%[5]
Personal disposable income (*U.S.$ billion*)[3]	85.1	996.6	128.5	548.9	—
Population (*million*)[3]	16.7	141.5	45.6	74.0	9.0
Inflation[3][6]	8.3%	8.4%	8.0%	6.5%	16.4%
Unemployment rate[3]	5.4%	6.6%	7.9%	9.8%	—
Mobile voice penetration[7]	131%[8]	179%	118%	88%	86%
Fixed broadband penetration[9]	25%	39%	24%	47%	14%
PSTN household penetration[10]	64%	89%	65%	94%	68%

Notes:

(1) Includes Armenia, Azerbaijan, Belarus, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan and Uzbekistan.

(2) At constant market prices, rebased to the year ended 31 December 2005 constant prices and translated into U.S. dollars using the local currency unit ("**LCU**") to U.S. dollars purchasing power parity ("**PPP**") exchange rate for the year ended 31 December 2005.

(3) Source: the EIU.

(4) Total debt owed by a government to domestic residents, foreign nationals and multilateral institutions, as a percentage of nominal GDP. Source: the EIU.

(5) Excludes Kyrgyzstan, Tajikistan, and Turkmenistan.

(6) Consumer price index change per annum, based on average values.

(7) Mobile voice penetration as at 31 December 2011. Source: Telegeography (except for Kazakhstan).

(8) Calculated as total subscribers divided by total population. Total subscribers sourced from Company estimates based on the 6-month activity rule; population source: the EIU.

(9) Fixed broadband penetration as at 31 December 2011. Source: Telegeography.

(10) PSTN penetration as at 31 December 2011. Source: Telegeography.

The following table sets forth certain macroeconomic and demographic forecast data for Kazakhstan and selected comparable countries for the period from 2009 to 2013:

	Kazakhstan	Russia	Ukraine	Turkey	Other CIS (average)[1]
Real GDP for 2009–2013 CAGR[2][3]	6.4%	4.1%	3.9%	6.3%	5.0%
Population 2009–2013 CAGR[3]	1.3%	(0.2%)	(0.4%)	0.9%	1.1%

Notes:

(1) Includes Armenia, Azerbaijan, Belarus, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan and Uzbekistan.

(2) GDP at constant market prices, rebased to 2005 constant prices and converted into U.S. dollars using the LCU to U.S. dollars PPP exchange rate in 2005.

(3) Source: the EIU.

The following table sets forth certain macroeconomic and demographic data (including forecasted data for 2012 to 2013) for Kazakhstan for the period from 2009 to 2013:

	Year ended 31 December				
	2009	2010	2011	2012	2013
Disposable income per capita (*U.S.$*)[1]	3,517	4,320	5,105	5,602	6,325
Export levels (*U.S.$ billion*)[1][2]	43.2	59.1	88.1	90.9	90.1
Share of export levels in real GDP[1]	23.7%	29.9%	40.6%	38.6%	35.6%
Current account (deficit)/surplus as a percentage of nominal GDP[3]	(3.6)%	1.6%	7.6%	4.8%	3.4%
Budget (deficit)/surplus as a percentage of nominal GDP[3]	(3.1)%	(2.5)%	(2.3)%	(2.6)%	(2.5)%
Net foreign direct investment (*U.S.$ billion*)[1][4]	11	2	8	12	13
Net foreign direct investment as a percentage of nominal GDP[1][4]	5.8%	1.1%	3.9%	4.9%	5.0%

Notes:

(1) Source: the EIU.

(2) Based on nominal export in U.S. dollars and nominal GDP in U.S. dollars at PPP. Source: the EIU.

(3) Nominal GDP in U.S. dollars at PPP. Sources: Renaissance Capital research and Bloomberg L.P. (for oil price (Brent)).

(4) Net foreign direct investment is calculated by subtracting outward non-residential investments from the inward non-residential investments in Kazakhstan. Source: the EIU.

The following table sets forth the percentage of the GDP of Kazakhstan represented by various economic sectors as at 31 December 2011:

	Year ended 31 December 2011[1]
Industry	31%
Mining and quarrying	18%
Wholesale and retail trade	14%
Manufacturing	11%
Construction	7%
Real estate	9%
Other	10%

Note:

(1) Source: the NSA.

Telecommunications Market

The Kazakhstan telecommunications market generated total revenue of KZT 483 billion for the year ended 31 December 2011 (which represents approximately U.S.$3.3 billion using an average KZT/USD exchange rate for 2011 of U.S.$1.00 to KZT 146.6). In 2011, mobile telecommunications services represented the largest segment of the telecommunications market in Kazakhstan, at approximately 65% of total revenue.

The Kazakhstan fixed-voice telephony market is dominated by the incumbent operator, Kazakhtelecom. As at 31 December 2011, Kazakhtelecom had a total of 3.95 million PSTN lines, an increase from 3.45 million in 2009, out of a total of 4.25 million for the Kazakhstan market, according to Telegeography. According to the same source, the Kazakhstan telecommunications market is characterised by low fixed broadband household penetration, which has increased from 11% in 2009 to 25% in 2011 and generated total revenue of KZT 84 billion, KZT 65 billion and KZT 44 billion in 2011, 2010 and 2009, respectively. Kazakhtelecom is the leading operator in the fixed broadband market with a market share of 57.6% as at 31 December 2011, followed by VimpelCom (operating the Beeline and Dos brands through its subsidiary Kar-Tel), which had a market share of 3.6% as at 31 December 2011, according to Telegeography. A number of internet service providers operate in the market by reselling their own products via another provider's network. Fibre optics cable network development has been limited to metropolitan areas and key communication channels.

The following table sets forth the Kazakhstan telecommunications market's total revenue and penetration for the years ended 31 December 2011, 2010 and 2009:

	Year ended 31 December					
	2011		2010		2009	
	(KZT billion)	*(% annual growth)*	*(KZT billion)*	*(% annual growth)*	*(KZT billion)*	*(% annual growth)*
Fixed						
Voice revenue[(1)]	85	1.6%	83	0.7%	83	—
Voice penetration[(2)]	64%	—	63%	—	61%	—
Broadband revenue[(1)]	84	28.3%	65	50.0%	44	—
Broadband household penetration[(2)]	25%	—	13%	—	11%	—
Mobile						
Revenue[(3)]	314	14.4%	274	13.5%	242	—
Mobile penetration[(4)]	131%	—	108%	—	96%	—
Total revenue	483	14.0%	422	14.9%	369	—

Notes:

(1) Source: the NSA.

(2) Source: Telegeography report published March 2012.

(3) Source: the Company's data, VimpelCom, Tele2 and Altel filings.

(4) Calculated as total subscribers divided by total population. Total subscribers sourced from Company estimates based on the 6-month activity rule; population source: the EIU.

(5) Mobile penetration is calculated as the number of total subscribers divided by total population. The number of total subscribers represents the Company's estimate based on the 6-month activity rule, while total population is based on the EIU's estimates.

Mobile Telecommunications Market

The number of registered mobile subscribers in Kazakhstan was 20.7 million as at 30 September 2012, 17.2 million as at 31 December 2011, 14.3 million as at 31 December 2010 and 11.8 million as at 31 December 2009, based on the Company's estimates using the 1-month activity rule. Mobile voice penetration (defined as a number of registered SIM cards divided by the total population) in Kazakhstan reached 158% as at 30 September 2012, an increase from 131% as at 31 December 2011, 108% as at 31 December 2010 and 98% as at 31 December 2009, based on the Company's calculations using the 6-month activity rule and the EIU's estimates for population.

The Kazakhstan telecommunications mobile market is primarily a pre-paid market. The Company's pre-paid and paid-in-advance subscribers represent approximately 99% of total subscribers as at 30 September 2012. Mobile subscribers buy pre-paid scratch cards, pay at mobile operators' retail outlets and through electronic payment terminals or make online payments, all of which provide airtime on a specific operator's network. Accessing an operator's network requires a subscriber to have a SIM card that provides a phone number and an access point to the network.

Kazakhstan's mobile revenue increased at a CAGR of 13.9% from 2009 to 2011. Mobile revenue was KZT 242 billion, KZT 274 billion and KZT 314 billion for the years ended 31 December 2009, 2010 and 2011, respectively, according to reports published by mobile operators in Kazakhstan. Kazakhstan's mobile market is mainly a voice market. Voice revenues accounted for approximately 82%, 86% and 87% of total

mobile revenue in the years ended 31 December 2011, 2010 and 2009, respectively. ARMU in Kazakhstan, based on the Company's ARMU, was KZT 10, KZT 11 and KZT 14 for the years ended 31 December 2011, 2010 and 2009, respectively, compared to ARMU in Russia of KZT 4, KZT 5 and KZT 5 for the years ended 31 December 2011, 2010 and 2009, respectively (based on MTS's ARMU for the Russian market, converted applying the exchange rate of KZT 4.34 for 1 ruble). Voice ARPU in Kazakhstan was KZT 1,029 for the nine months ended 30 September 2012 and KZT 1,227, KZT 1,363 and 1,298 for the years ended 31 December 2011, 2010 and 2009, respectively, based on the Company's ARPU. Voice ARPU as a percentage of total ARPU in Kazakhstan was 81.6% for the nine months ended 30 September 2012 and 83.4%, 86.2% and 87.0% for the years ended 31 December 2011, 2010 and 2009, respectively, based on the Company's ARPU. MOU in Kazakhstan, based on the Company's MOU, increased to 122 for the year ended 31 December 2011 from 119 and 92 for the years ended 31 December 2010 and 2009, respectively, compared to 267, 246 and 241 for the years ended 31 December 2011, 2010 and 2009, respectively, in Russia, based on the average MOU of MegaFon, MTS and VimpelCom for the Russian market as reported by each operator.

Mobile broadband use in Kazakhstan remains relatively low compared to other markets. In 2011, the Company's average monthly usage of data services was approximately 19 MB per subscriber, based on the Company's calculations using the 6-month activity rule, compared with 284 MB per subscriber reported by MTS and 626 MB per subscriber reported by MegaFon (MTS's and MegaFon's usage data for the Russian mobile telecommunications market applying). The Company's data ARPU was U.S.$0.8, based on the Company's calculations using the 6-month activity rule, compared with data ARPU of U.S.$2.3 reported by MTS, U.S.$2.6 reported by MegaFon and U.S.$2.7 reported by VimpelCom, each based on the 3-month activity rule (MTS, MegaFon and VimpelCom data ARPU for the Russian mobile telecommunications market applying an exchange rate of KZT 146.6 to U.S.$1.00). Kazakhstan's fixed broadband penetration has also been relatively low, at 25% in 2011, and the construction of fixed broadband infrastructure remains costly and time consuming.

The following table sets forth the Company's average monthly data usage for the nine months ended 30 September 2012 and 2011, and for the years ended 31 December 2011, 2010 and 2009.

	Nine Months Ended 30 September		**Years Ended 31 December**		
	2012	**2011**	**2011**	**2010**	**2009**
Average monthly usage (*MB per subscriber*)[(1)]	52	10	19	5	4

Note:

(1) Company estimate based on the number of the Company's subscribers that use data services calculated based on the 6-month activity rule.

The Company's smartphone penetration (which represents the number of smartphones divided by the total number of mobile phones that the Company recognises on its network) increased from approximately 9% for the nine months ended 30 September 2011 to approximately 10% for the nine months ended 30 September 2012. The following table sets forth the Company's smartphone penetration for the second and third quarter of 2011 and the second and third quarters of 2012.

	Years Ended 31 December			
	2011		**2012**	
	Second quarter	**Third quarter**	**Second quarter**	**Third quarter**
Smartphone penetration[(1)]	8%	9%	9%	10%

Note:

(1) Source: the Company's data.

The following table sets forth smartphone penetration for the Company and selected comparable operators and regions for the year ended 31 December 2011.

	Year ended 31 December 2011
The Company[(1)(2)]	10%
MTS[(1)(3)]	14%
Turkcell[(1)(4)]	12%
Western Europe[(5)]	24%
U.S.[(5)]	39%

Notes:

(1) Source: the Company's data; MTS and Turkcell filings.

(2) Smartphone penetration is defined as a percentage of smartphones from the total number of mobile phones that the Company recognises on its network.

(3) Smartphone penetration is defined as a percentage of smartphones from the total number of all registered mobile phones on MTS's network.

(4) Smartphone penetration is defined as a percentage of smartphones from the total number of all registered mobile phones on Turkcell's network.

(5) Smartphone penetration is defined as smartphone users (i.e. individuals of any age who own at least one smartphone and use the smartphone at least once per month) as a percentage of mobile phone users. Source: eMarketer Inc.

Regulation

In Kazakhstan, GSM is currently the most widely deployed technology. GSM technology was introduced in Kazakhstan in 1999, with the entry into the market of the two GSM operators, the Company and Kar-Tel (a joint venture between Turkish and Kazakhstan investors, subsequently acquired by VimpelCom). In 2003, the Company launched Kazakhstan's first GPRS-based network, closely followed by VimpelCom. Enhanced data rates for GSM evolution ("**EDGE**") technology was introduced in 2004 by the Company, followed by VimpelCom in 2005 and NEO (now Tele2) in 2007.

3G licences were awarded in 2010 to the Company, VimpelCom and Altel. In 2011, Tele2 also acquired a 3G licence.

As at 30 September 2012, the rollout of 4G/LTE networks has not occurred on a commercial basis. Mobile operators have expressed a preference for using frequencies in the 700–800 MHz band for their LTE networks, primarily due to the cost efficiencies associated with these frequencies. However, these frequency bands are not expected to be used for 4G/LTE until 2015. While frequencies in the 2.3–2.7 GHz band could become available sooner, deployment of an LTE network on these frequencies is generally more costly. Although no 4G/LTE licence has been issued and no auction has been announced, 4G/LTE technology trials have successfully been performed by the Company and by VimpelCom in Almaty and Astana. In 2012, Kazakhtelecom received 50 MHz of spectrum to undertake 4G/LTE technology trials. Given the high proportion of 2G devices in Kazakhstan, and the stage of development of the mobile market, the Company does not expect commercial deployment of 4G/LTE during 2013.

The MTC and the Competition Agency are the main regulators of the Kazakhstan mobile telecommunications market. See "*Telecommunications Regulation in Kazakhstan*". In 2011, the MTC set maximum tariffs for on-net calls. In February 2012, the MTC set a maximum tariff for off-net calls and data services.

Historically, interconnection rates have been determined bilaterally between operators, with the regulator retaining the right to recommend rates to operators. Interconnection rates were stable at KZT 19.98 per minute for voice and at KZT 6.68 per SMS from 2006 to October 2010, but began to decrease beginning from November 2010, following recommendations by the MTC to reduce these rates by 15% to 20%. Prior to 31 March 2012, interconnection rates were KZT 0.283 per second for calls terminating on VimpelCom's network, KZT 0.266 per second for calls terminating on Altel's network and KZT 0.266 per second for calls terminating on other networks. Since 31 March 2012, interconnection rates have been KZT 0.255 for calls terminating on the networks of all cellular operators. Also, in 2012 Altel and Tele2 have reportedly agreed to reciprocally reduce their interconnection rates to KZT 5 per minute. Interconnection rates may become subject to regulation as a result of the Dominant Market Position Order, which the Company has challenged in court. See "*Risk Factors—Risks Relating to Regulatory Matters—The Company is subject to*

tariff regulation, which may limit its flexibility in pricing and could result in a reduction in its revenue and net profit".

In November 2012, the Company, Kar-Tel and Tele2 entered into a memorandum of understanding which provides for the gradual reduction of interconnection rates as follows: KZT 0.217 per second effective from the date on which the memorandum enters into force, KZT 0.185 per second effective from 1 January 2014 and KZT 0.157 per second effective from 1 January 2015, in each case exclusive of value added tax.

The following table sets forth interconnection rates for national traffic (PSTN) between the networks of the Company and Kazakhtelecom.

Charging unit[1]	*(KZT/ charging unit)*[2]
10 seconds until 5 February 2011	2.203
1 second from 5 February 2011	0.2203

Notes:

(1) Source: the Company's data.

(2) Excluding VAT.

The following table sets forth interconnection rates for the competitors of the Company as at 30 September 2012, 31 March 2012 and 31 October 2010.

	30 September 2012	**31 March 2012**	**31 October 2010**
Voice (*KZT/minute*)[1]			
VimpelCom	15.3	17.0	20.0
Altel	15.3	16.0	20.0
Tele2	15.3	16.0	20.0
SMS (*KZT/SMS*)[1]			
VimpelCom	5.7	5.7	6.7
Altel	5.3	5.3	6.7
Tele2	5.3	5.3	6.7

Note:

(1) Source: the Company's data.

In addition, the potential introduction of mobile number portability ("**MNP**"), which enables mobile subscribers to retain their telephone numbers when they change service providers, is currently under discussion by the MTC. The MTC has recently issued a tender for the preparation of a case study in relation to MNP in Kazakhstan.

MVNOs are not provided for under Kazakhstan law and, to the Company's knowledge, no requests have been submitted to the MTC requesting the sanctioning of MVNOs. However, the MTC has stated that it will review the possibility of allowing the introduction of MVNOs commencing next year.

Competition

There are four main mobile operators in the Kazakhstan telecommunications market: the Company, VimpelCom, Tele2 (NEO) and Altel. The Company and VimpelCom are the market leaders, with a registered subscriber market share of approximately 47.7% and 37.0% respectively, as at 30 September 2012, according to the Company's calculations based on the 1-month activity rule. Tele2 began to actively compete with the Company in 2011. It had a market share of 12.0% as at 30 September 2012. Altel had a market share of 3.4% as at the same date.

VimpelCom (Beeline)

As at 30 September 2012, VimpelCom was the second largest mobile telecommunications services provider in Kazakhstan, with a registered subscriber market share of approximately 37.0%, according to the Company's data calculated based on the 1-month activity rule. VimpelCom operates in Kazakhstan through its subsidiary Kar-Tel, which is wholly owned by Limnotex Developments Limited, a company 75% owned by VimpelCom and 25% owned by Crowell Investments Limited. As at 30 September 2012, VimpelCom held a GSM 900/1800 licence, a GSM/GPRS 900 licence and a WCDMA licence. VimpelCom launched a pilot LTE network in Astana in December 2010, according to Telegeography. VimpelCom has similar coverage to the Company within city centres, but the Company generally has broader coverage in rural areas.

Tele2 (NEO)

As at 30 September 2012, Tele2's subsidiary NEO was the third largest mobile telecommunications services provider in Kazakhstan, with a registered subscriber market share of approximately 12.0%, according to the Company's data calculated based on the 1-month activity rule. As at 31 December 2011, NEO was 51% owned by Tele2 and 49% by Asianet Holdings B.V. (a company affiliated with the Amun Capital group), according to Tele2's filings. According to the same source, Tele2 bought its stake for a consideration of Swedish krona ("**SEK**") 545 million in March 2010, with a call option to buy the remaining 49% from December 2014. As at 30 September 2012, Tele2 held a GSM 900 licence, a GSM/GPRS 900 licence and a GSM/EDGE 900 licence, according to Telegeography.

Altel

As at 30 September 2012, Altel had a registered subscriber market share of 3.4%, according to the Company's data calculated based on the 1-month activity rule. As at that date, Altel was 100% owned by Kazakhtelecom, according to Kazakhtelecom's filings, and held a WCDMA 1x800 licence and a WCDMA 1xEV-DO licence, according to Telegeography. Altel's operations are limited to a relatively small number of cities, and therefore, the Company does not consider Altel to be a significant competitor.

The following tables set forth the number of mobile subscribers, subscriber and revenue market shares, ARPU and churn rate for the Company, VimpelCom, Tele2 and Altel as at and for the nine months ended 30 September 2012 and as at and for the years ended 31 December 2011, 2010 and 2009:

	Nine months ended 30 September	Year ended 31 December		
	2012	2011	2010	2009
Subscribers[(1)(2)(3)(4)]				
The Company	11,481	9,553	7,940	6,469
VimpelCom	8,596	8,409	6,867	6,135
Tele2	3,051	1,371	332	265
Altel	N/A	N/A	N/A	N/A

Notes:

(1) Presented based on the 3-month activity rule.

(2) For further information on the basis of calculation of activity rules see "*Presentation of Financial and Certain Other Information—Operating and Other Data*".

(3) Presented in thousands.

(4) Source: the Company's data, VimpelCom and Tele2 filings.

	Nine months ended 30 September	Year ended 31 December		
	2012	2011	2010	2009
Mobile registered subscriber market share[(1)(2)]				
The Company	47.7%	48.3%	49.6%	48.8%
VimpelCom	37.0%	40.7%	42.7%	43.2%
Tele2	12.0%	6.2%	1.4%	1.8%
Altel	3.4%	4.8%	6.4%	6.2%

Notes:

(1) Presented as estimated by the Company based on the 1-month activity rule.

(2) For further information on the basis of calculation of activity rules see "*Presentation of Financial and Certain Other Information—Operating and Other Data*".

Mobile revenue market share:[1]	Year ended 31 December		
	2011	2010	2009
The Company	57.0%	55.6%	54.0%
VimpelCom	36.6%	39.5%	39.4%
Tele2	2.5%	0.9%	2.0%
Altel	3.9%	4.0%	4.7%

Note:

(1) Source: the Company's data, VimpelCom and Tele2 filings.

ARPU[1]	Year ended 31 December		
	2011	2010	2009
The Company	1,472	1,580	1,493
VimpelCom	1,211	1,258	1,183
Tele2[2]	814	1,104	556
Altel	660	717	1,050

Notes:

(1) Source: the Company's data, VimpelCom and Tele2 filings.

(2) Applied SEK 1 to KZT 21.9 exchange rate.

Churn rate[1]	Year ended 31 December 2011
The Company	35.4%
VimpelCom[2]	62.8%
MTS[2]	47.6%

Notes:

(1) Source: the Company's data, VimpelCom and MTS filings.

(2) Represents churn rate in Russia based on the 3-month activity rule.

BUSINESS

Overview

The Company is the leading provider of mobile telecommunications services in Kazakhstan by market share in terms of revenue and subscribers. The Company had approximately 12.7 million subscribers as at 30 September 2012. As at that date, the Company's market share was 47.7%, as estimated by the Company based on the 1-month activity rule. Its market share in terms of revenue was 57.0% for the year ended 31 December 2011, based on revenue reported by each operator.

The Company provides mobile voice telecommunications services, value-added services such as SMS, MMS and mobile content services, as well as data transmission services, including internet access. The Company has two brands: the Kcell brand, which is targeted primarily at corporate subscribers (including government subscribers) and high net worth individuals and the Activ brand, which is targeted primarily at mass market subscribers. It provides services to both pre-paid and post-paid subscribers and had 11.0 million and 1.7 million pre-paid and post-paid (including paid-in-advance) subscribers, respectively, as at 30 September 2012. The Company and its distributors also sell a wide selection of handsets designed to meet individual preferences.

The Company offers its services through its extensive, high quality network which covers substantially all of the populated territory of Kazakhstan. As at 30 September 2012, the Company had 7,649 base stations located at 5,265 sites, 3,864 of which had 2G base stations (including 496 2G extension base stations), 1,888 of which had both 2G and 3G base stations (co-located sites) and 9 of which had 3G base stations only.

For the year ended 31 December 2011, the Company generated revenue of KZT 178,786 million, EBITDA of KZT 105,794 million and profit for the year of KZT 66,858 million. For the nine months ended 30 September 2012, the Company generated revenue of KZT 133,104 million, EBITDA of KZT 74,503 million and profit for the period of KZT 46,072 million.

History

The Company was formed in 1998 by Kazakhtelecom and Turkcell, who had entered into a strategic partnership to establish a mobile telecommunications operator in Kazakhstan. Kazakhtelecom and Turkcell recognised the opportunity for the entry of a larger operator into Kazakhstan's mobile telecommunications market. Kazakhtelecom initially owned 49% of the participating interests in the charter capital of the Company, with the remaining 51% being owned by Turkcell. Pursuant to an agreement between Kazakhtelecom and Turkcell, Kazakhtelecom was responsible for maintaining the Company's GSM licence, while Turkcell was responsible for contributing capital and overseeing the business development of the Company.

Turkcell holds its interest in the Company through Fintur, the company it formed in 2000 to hold its interests in mobile telecommunications operators in Azerbaijan, Georgia, Kazakhstan and Moldova. Turkcell's shareholders, Sonera and the Çukurova group, also became shareholders in Fintur and in 2002, Sonera and Turkcell acquired the Çukurova group's holding in Fintur. Following this transaction and following the merger of Telia AB and Sonera, TeliaSonera owns 58.55% of Fintur, with Turkcell holding the remaining 41.45%.

The 49% stake in the Company owned by Kazakhtelecom was acquired by TeliaSonera (through Sonera) in February 2012. Following this transaction and the subsequent conversion of the Company into a joint stock company, TeliaSonera owned, directly and indirectly through Fintur, 86.9% of the Company's outstanding common shares. See "*Shareholders*".

Certain key milestones in the development of the Company include:

- In June 1998, the Company acquired a general GSM 900 licence for U.S.$67.5 million, giving it access to 5 MHz in the 935-960 MHz frequency band and 5 MHz in the 890-915 frequency band.
- In 1999, the Company launched the Kcell brand, followed shortly by the Activ brand.
- In 2000, the Company achieved an approximate market share of 70% with over 211,000 subscribers (approximately 140,000 subscribers to its Kcell brand and 71,000 to its Activ brand).
- In 2003, the Company was the first mobile telecommunications operator in Kazakhstan to offer GPRS services, including mobile internet, WAP and MMS services.

- In 2004, the Company's subscriber base reached 1.5 million subscribers and was the first operator to introduce EDGE technology in Kazakhstan.
- In 2005, the Company continued executing its regional development strategy, establishing seven new direct representative offices across various regions in Kazakhstan. By 2005, the Company had also entered into roaming arrangements with over 220 operators in 100 countries.
- In 2007, the Company's subscriber base reached 5 million subscribers and it acquired spectrum in the 3.5 GHz band.
- By 2008, the Company had 89 retail shops under the Kcell Express brand ("**Kcell Express**") across Kazakhstan, obtained an additional 5 MHz in the 1800 MHz frequency band and acquired spectrum in the 2.5 GHz band through the acquisition of KT-Telecom. The Company's revenue in 2008 exceeded U.S.$1 billion.
- In 2009, the Company completed a rebranding campaign in respect of its Kcell brand, installed an additional 3,500 base stations and achieved 100% network coverage of rural settlements in Kazakhstan with a population of over 5,000 people. The Company established a new call centre in Shymkent.
- In 2010, the Company launched a 3G network in Almaty and Astana and completed a limited commercial trial of the LTE network.
- In 2011, the Company reached 10.8 million subscribers, covering 94.5% of settlements with a population of more than 1,000 people and rolled out an evolved high-speed packet access ("**HSPA+**") network.
- In 2012, subscribers actively using internet (via mobile phones, USB modems, tablets and other internet enabled devices) reached 4.5 million.

Key Strengths

- ***Strong macroeconomic environment in Kazakhstan.*** The Company provides mobile telecommunications services in Kazakhstan, a country that benefits from a strong macroeconomic environment. Kazakhstan has experienced economic growth during the past several years. Kazakhstan's real GDP growth was 1.2%, 7.3% and 7.5% in 2009, 2010 and 2011, respectively, according to the EIU. Real GDP per capita was U.S.$10,254, U.S.$10,849 and U.S.$11,491 in 2009, 2010 and 2011, respectively, which reflected a CAGR of 5.9%, according to the EIU. Kazakhstan's unemployment rate has also continued to decline from 6.6% in 2009 to 5.8% in 2010 and further to 5.4% in 2011. In addition, Kazakhstan enjoys relative political stability and a low level of national debt, which reduces the risk that its government will need to implement spending cuts in the future that could impede growth. Kazakhstan's population is also growing steadily, having increased by 1.5% in 2011. As at 31 December 2011, Kazakhstan had a positive trade balance of U.S.$47.3 billion with foreign direct investments of U.S.$12.9 billion, according to the EIU.

  The Company believes that continued growth in real GDP and real GDP per capita supported by stable rates of inflation and unemployment will contribute to growth in disposable income of Kazakhstan's population, which is expected to contribute to growth in demand for mobile telecommunications services. Kazakhstan's telecommunications market reached total revenue of KZT 482 billion in 2011, mainly driven by revenue generated by the mobile telecommunications market of KZT 314 billion.

- ***Leading operator in Kazakhstan.*** The Company is the leading provider of mobile telecommunications services in Kazakhstan, with a subscriber market share of 47.7% as at 30 September 2012, as estimated by the Company based on the 1-month activity rule. Through its dual brand strategy, the Company is able to maintain leadership in both the high-value and mass market segments. As a result of its strong position in the corporate segment, which is characterised by higher ARPU than the mass market segment, the Company's market share in terms of revenue is higher than its market share in terms of subscribers. For the year ended 31 December 2011, its market share in terms of revenue was 57.0%, based on revenue reported by each operator. The Company's leading position is underpinned by its customer-centric approach, strong local brands and extensive distribution network and superior network.

- ***Customer-centric approach.*** In order to preserve its market-leading position, the Company has adopted a customer-centric approach to conducting its business. It designs its services and tariff plans based on its subscribers' needs and preferences. The Company's customer care unit focuses on preserving long-term relationships with subscribers and dealers by providing high quality customer service. The customer care unit provides personalised assistance to subscribers through call centres and walk-in centres, and self-service assistance via the internet and its dynamic interactive voice response ("**IVR**") system. The Company systematically monitors the quality of service provided to its subscribers. It has developed its marketing and customer care practices in collaboration with TeliaSonera, while also taking into consideration relevant local practices.

- ***Strong local brands and extensive distribution network.*** The Company sells its products and services under the Kcell and Activ brands, which are well recognised in Kazakhstan. Since 1999, the Company has made the enhancement of its brand image a priority and has invested substantial resources to position the Company and its brands as providers of reliable connectivity and high quality customer service. The Company's branding strategy envisages the development of the Kcell brand as a premium brand targeted primarily at corporate and high net worth individual subscribers and the Activ brand as a brand targeted at the mass market. This strategy has allowed the Company to exercise pricing power in the high-value segment while also maintaining leading market share in the mass market segment. The Company's branding strategy has contributed to the Kcell and Activ brands' market leadership. Based on a 2012 customer satisfaction survey conducted by Extended Performance Satisfaction Index ("**EPSI Rating**"), an independent organisation that undertakes performance assessments across Europe, Eurasia and certain other regions, the Kcell brand's customer satisfaction rating was 77.9 points and the Activ brand's rating was 77.8 points out of 100. The customer satisfaction rating of the Company's main competitor, VimpelCom, was 77.1 points and the rating of Tele2 was 74.4 points out of 100 and the aggregate rating of several smaller mobile operators's brands (such as Dalacom and Pathword) was 73.2 points.

  The Company distributes its products and services through an extensive distribution network which as at 30 September 2012 included 244 exclusive sales outlets (comprising 18 Kcell flagship stores, 138 Kcell Express stores, 45 shop-in-shops and 43 Activ stores), more than 230 non-exclusive dealers and more than 90 sales representatives distributing the Company's products and services to small retail outlets throughout Kazakhstan. As at 30 September 2012, the Company's non-exclusive distribution network comprised 9,220 points of sale. The Company's extensive distribution network provides existing and potential subscribers with convenient access to its products and services and allows the Company to build strong relationships with subscribers.

- ***Superior network.*** The Company is focused on maintaining the superior quality of its network in order to provide high quality service to its subscribers. Its network has broad coverage (95.2% of Kazakhstan's population, 45.9% of its territory and 5,016 settlements, or 69.1% of total covered settlements, as at 30 September 2012), with particularly high coverage in larger cities, including Almaty and Astana. In addition, the Company's aggressive roll-out of 3G services, especially in Almaty and Astana, has positioned it as the leading operator in the provision of 3G services. To maintain its advantage in terms of quality of service and network coverage, the Company has installed a greater number of base stations than each of its competitors. As at 30 September 2012, the Company had 7,649 base stations located at 5,265 sites, 3,864 of which had 2G base stations (including 496 2G extension base stations), 1,888 of which had both 2G and 3G base stations (co-located sites) and 9 of which had 3G base stations only. As a result of significant investment in its network, the Company believes that it has achieved a higher network density and higher transmission quality than its competitors, with a particularly strong advantage in 3G services.

- ***Well positioned to capture growth in data services.*** The Company is a leading provider of mobile data services in Kazakhstan. The Company believes that mobile data services have strong growth potential in Kazakhstan and that it is well positioned to take advantage of expected growth in the provision of these services. Kazakhstan's data services market is characterised by relatively low usage of mobile data services and relatively low data ARPU. In addition, Kazakhstan's fixed broadband penetration remains relatively low, and the construction of fixed broadband infrastructure is costly and time consuming. See "*Industry—Mobile Telecommunications Market*". Due to these factors, the Company believes that mobile data services have strong growth potential.

  The Company has rolled out its 3G network in all major regional centres in Kazakhstan, and continues to further develop its network by installing additional 3G base stations. The rollout of the

3G network has enabled the Company to provide its subscribers with higher data transmission speeds, which has allowed the Company to offer new data services (such as access to social networks and media consumption services). The Company also fosters the usage of smartphones, USB modems and other internet enabled devices by offering its subscribers attractively priced tariff plans for these devices.

- ***Superior cash flow.*** The Company has demonstrated strong potential for cash generation through revenue growth, high profitability and a strong cash conversion ratio. The Company's revenue growth was 17.0% and 17.2% in 2010 and 2011, respectively. Revenue grew by 1.1% in the nine months ended 30 September 2012 compared to the nine months ended 30 September 2011. The Company's EBITDA grew by 24.6% and 20.3% in 2010 and 2011, although EBITDA decreased in the nine months ended 30 September 2012 compared to the nine months ended 30 September 2011.

  In addition, its cash conversion ratio (defined as EBITDA less capital expenditure and divided by EBITDA) grew from 63.5% in 2009 to 67.8% in 2010 and further to 74.2% in 2011, although cash conversion subsequently decreased to 73.3% in the nine months ended 30 September 2012. The Company also expects its capital expenditure requirements to remain relatively stable during the next three years as it completes the roll-out of its 3G network. These factors, combined with its unleveraged balance sheet, are expected to continue to lead to strong cash flow generation.

- ***Experienced senior management team.*** The Company's senior management team has extensive experience in both the Kazakhstan and international mobile telecommunications markets. The Company's Chief Executive Officer, Mr Veysel Aral, has over 23 years of experience with companies such as Ericsson and Turkish National Railways. The Company's Chief Financial Officer, Mr Bauyrzhan Ayazbayev, has over 12 years of finance and accounting experience, holding positions at PricewaterhouseCoopers LLP and JSC PetroKazakhstan Oil Products. The Company's Chief Commercial Officer, Mr Nurlan Sargaskayev, has over 18 years of experience in the mobile telecommunications market.

  The Company's senior management team has maintained the Company's leading market position while meeting the challenges of expanding the Company's network and improving the quality of its service in an environment of growing competition. The senior management team has also presided over the deployment of 3G services and has continued to introduce new technologies and products and services. The Company believes that the expertise of its senior management team has also contributed to the strong financial performance delivered by the Company in recent years.

- ***Strategic relationship with TeliaSonera.*** The Company's controlling shareholder, TeliaSonera, was the fifth largest telecommunications operator in Europe based on its market capitalisation at the end of 2011. As a member of the TeliaSonera group, the Company benefits from TeliaSonera's strategic guidance. For instance, in 2011, the Company implemented TeliaSonera's global rebranding strategy, which was aimed at joining 18 brands under one common brand identity. The Company is also able to reduce its costs through its participation in other TeliaSonera initiatives, such as the international roaming initiative, through which TeliaSonera group companies offer intra-group discounts on roaming and common end-user pricing, and the joint technology initiative, which includes common procurement across the TeliaSonera group. The Company also develops its internal policies and guidelines in cooperation with TeliaSonera. In particular, its corporate governance and corporate responsibility policies are largely based on those of TeliaSonera. The Company's management maintains the degree of independence that it and TeliaSonera believe necessary to enable it to take advantage of its expertise in the Kazakhstan mobile telecommunications market.

Strategy

The Company's strategy, developed in cooperation with TeliaSonera, is to provide products and services to its different customer segments based on a deep understanding of their present and future needs and to create shareholder value through sustainable and improved profitability and cash flows. Specifically, the Company's strategy comprises the following elements:

- ***Maintain market leadership in terms of revenue and subscribers.*** The Company intends to maintain its market leadership 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. The Company will focus on a bespoke pricing strategy in order to maintain its leadership in the corporate segment and to encourage its subscribers to switch from pre-paid to post-paid contracts. To maintain

its high network quality and extensive coverage, the Company intends to deploy an optimal level of capital expenditure for investments in equipment and infrastructure development, including the implementation of new technologies. The Company's growth strategy is also focused on improving service quality, which it intends to achieve by improving customer satisfaction and increasing subscriber retention and growth of its subscriber base.

- ***Continue to apply a regional approach to its business.*** The Company intends to continue to apply a regional approach to its business. The Company's regional approach, introduced in 2009, involves a devolution of oversight to management teams in each of Kazakhstan's regions. As part of this approach, the Company measures key performance indicators on a regional basis and determines compensation for the regional management teams based on these key performance indicators. Following the introduction of the regional approach, key performance indicators have improved across the majority of the regions and the Company has gained market share. The Company intends to place particular emphasis on the regions in which growth is below expectations. To improve the performance of these regions, the Company intends to introduce personnel changes, including changes to the training of personnel, develop sales and marketing campaigns tailored to a particular region and otherwise provide assistance to the local management teams to enable them to achieve the Company's objectives. For reporting purposes, the Company considers its operations to comprise a single reporting segment. See Note 5 to the Audited Financial Statements.
- ***Continue strengthening the Kcell and Activ brands.*** The Company believes that brand recognition has become an increasingly important factor in a subscriber's choice of mobile provider. The Company intends to continue the brand enhancement efforts that it has been developing since 1999, for example through its participation in TeliaSonera's global rebranding strategy in 2011. In particular, the Company recently retained a leading international branding agency to assist it with a rebranding campaign for the Activ brand. The Company also aims to enhance the Activ brand through improvements in its quality of service, particularly since its opportunities to communicate with subscribers in rural areas are relatively limited, given the shortage of media coverage. The Company also plans to continue to enhance its brands through local sponsorships and advertising and promotional campaigns.
- ***Leadership in the mobile data services segment.*** The usage of mobile content and data services in Kazakhstan is currently relatively low in comparison with usage in other markets. The Company therefore believes that there is significant growth potential for these services. It intends to continue to invest in the deployment of its 3G network to expand coverage. The Company also plans to introduce new data services as well as to offer low-cost smartphones (primarily to the mass market segment) in order to foster increased usage of data services by its subscribers. It plans to increase penetration of 3G compatible devices through USB modem distributions and lock-in contracts sold by dealers and distributors on credit terms. The Company also intends to continue to form strategic relationships with leading local and international mobile content providers.
- ***Cash generative growth.*** The Company intends to continue focusing on acquisition and retention of high-value customer segments (such as corporate and post-paid subscribers) to improve its ARPU and profitability, and on the mass market segment to improve its MOU and revenue growth. In order to achieve further cash generative growth, the Company also intends to maintain its leadership in voice services and to continue leveraging its 3G network to provide subscribers with new data and value-added services. The Company also plans to continue leveraging economies of scale and improving cost efficiencies, for example by closer alignment with TeliaSonera's common procurement programme.

Relationship with TeliaSonera

The Company's controlling shareholder, TeliaSonera, held, directly and indirectly, 86.9% of the Company's outstanding common shares prior to the Offering. Following the completion of the Offering (assuming that the Put Option is not exercised), TeliaSonera's effective ownership will decrease to 61.9%.

Founded in the 1850s as the Royal Telegraphic Authority (the predecessor of Telia AB), TeliaSonera has been a pioneer in the telecommunications industry. It was one of the founders of the GSM mobile telecommunications standard and a pioneer in innovation and technology. For example, it has fully deployed 3G technology in all Eurasian markets in which it is present and was the first operator to launch 4G services in most of the countries it operates in that use this technology, such as Denmark and Sweden. At the end of 2011, TeliaSonera was the fifth largest telecommunications operator in Europe based on its market capitalisation. As at 30 September 2012, based on a SEK/U.S.$ exchange ratio of 0.15, TeliaSonera

had an approximate market capitalisation of U.S.$30 billion. In 2011, TeliaSonera increased its subscriber base (including the subscribers of its affiliated companies) to approximately 175 million. In addition, TeliaSonera has completed several acquisitions within CIS and emerging markets such as Russia, Uzbekistan and Turkey.

As part of the TeliaSonera group, the Company aligns its strategy with that of TeliaSonera, which is to provide products and services to its different customer segments based on a deep understanding of their present and future needs and to create shareholder value through sustainable and improved profitability and cash flows in a cost-effective and sustainable manner. The Company also seeks to align its internal policies and guidelines with those of TeliaSonera. For example, the Company's corporate governance and corporate responsibility policies have been largely based on those of TeliaSonera.

The Company also participates in knowledge and best practices sharing in the areas of technology, finance, marketing, customer care, corporate governance, procurement and human resources, among other areas. TeliaSonera, its affiliated companies and the Company share knowledge through participation in seminars, workshops and other joint training sessions, as well as through rotation of personnel.

Examples of recent TeliaSonera initiatives in which the Company has participated include:

- the global rebranding strategy to join 18 brands under one common brand identity, which TeliaSonera launched, and the Company implemented, in 2011;
- the international roaming initiative, through which TeliaSonera group companies offer intra-group discounts on roaming and common end-user pricing, as well as shared advertisement campaigns;
- the joint technology initiative, which involves common procurement across the TeliaSonera group, as well as efficiency and quality benchmarking; and
- the customer care and customer intelligence initiative, pursuant to which TeliaSonera group companies use common quality measures and efficiency benchmarking.

Products and Services

As at 30 September 2012, the Company provided mobile telecommunications services including voice services, data services and value-added services as well as handset sales to over 12.7 million subscribers.

The Company offers a variety of tariff plans for individual and corporate subscribers (defined as subscribers who are employees of a legal entity that has more than five mobile subscriptions with the Company). The tariff plans offered by the Company include standard tariff plans as well as a number of special promotional tariff plans. The Company adapts its tariff plans to cater to the changing needs of its subscribers. The Company offers three methods of payment: pre-paid, paid-in-advance and post-paid. Pre-paid services are paid for by subscribers prior to obtaining them, usually by purchasing pre-paid cards or making a cash payment at one of the Company's stores or through authorised dealers, or by making online payment through the Company's website or through an automated payment terminal. Pre-paid subscribers are serviced by a billing system that charges them in real time. Pre-paid subscribers represented 86.7% of the Company's subscriber base as at 30 September 2012. Paid-in-advance services are paid for by subscribers prior to obtaining them, but billing for these services is not in real time. As at 30 September 2012, paid-in-advance subscribers represented 12.4% of the Company's subscriber base. This payment method is expected to be merged into real time billing. Post-paid services are provided on credit terms, whereby a subscriber pays for the services after they are provided. Post-paid subscriptions are offered to both individual and corporate subscribers. As at 30 September 2012, post-paid subscribers represented 0.8% of the Company's subscriber base.

Voice services

The Company offers basic mobile telephony services, which accounted for 81.7% of revenue in the year ended 31 December 2011 and 81.1% for the nine months ended 30 September 2012. In addition to basic calling services, mobile telephony services include voice mail, call waiting, call forwarding, caller identification, conference calling, collect calling and roaming services.

Roaming services

As part of its mobile telephony service, the Company provides both an outbound roaming service to its subscribers when travelling outside of Kazakhstan and an inbound roaming service to visitors to

Kazakhstan who can "roam" on the Company's network. Roaming allows subscribers, while using their own mobile phone numbers (and handsets, in most cases) and being billed by their own provider, to place and receive calls and text messages while in the coverage area of a network in a different country. Where available, subscribers can also benefit from other mobile services such as advanced data and content services. As at 30 September 2012, the Company had commercial roaming relationships with 347 operators in more than 147 countries based on the standard agreements of the GSM Association (an umbrella organisation of which all mobile operators operating GSM technology are members). In addition, as at the same date, the Company had 3G roaming arrangements with 353 of these operators, enabling the Company's subscribers to use high-speed data and content services. The Company's subscribers benefit from reduced roaming charges within the TeliaSonera roaming network in the markets serviced by TeliaSonera.

Value-added services

The Company offers a wide range of value-added services, including SMS, MMS, and information and entertainment services (such as those providing information on weather forecasts, currency exchange rates, news and other matters). Value-added services are important to the Company's business as they enable it to differentiate itself from its competitors, strengthen its brands and increase subscriber usage and subscriber satisfaction. Some of the value-added services that the Company offers are available only to subscribers that have handset models supporting such services. The principal value-added services that the Company currently offers, for some of which it is the exclusive provider in Kazakhstan, are:

SMS packages: SMS packages allow subscribers to send SMSs to other subscribers within the Company's network at reduced rates. The Company offers four monthly SMS packages of 50, 100, 300 and 1,000 SMSs at KZT 200, KZT 300, KZT 600 and KZT 1,000 respectively. The Company also offers an unlimited night SMS package for a daily fee of KZT 70.

Voice SMS: This service enables subscribers to send SMSs via a call to a mobile or landline number in Kazakhstan. The recipient receives a call from the system which provides the recipient with sender information and instructions for retrieving the voice SMS. Voice SMS is free of charge to the recipient and costs the sender KZT 25 per SMS.

Social network SMS notifications: This service allows subscribers to access social networks including Facebook, Twitter, VKontakte, Mail.ru and Odnoklassniki by way of SMS notification without accessing the internet. Subscribers receive SMS notifications on their handsets informing them of e-mails and other messages received on their email or social network accounts and the subscribers are able to reply to the messages received.

Simfonia: This is a ring back tone that is heard on the telephone line by the calling party after dialling and prior to the call being answered. Simfonia allows subscribers to select songs, music tone packages and phrases to replace standard beep tones. Instead of ordinary ringing, the calling party hears a quick-moving song or a joke. Simfonia is also available for corporate usage with a corporate tone or music used as the ring tone.

Extra balance: This service allows subscribers to receive credit on their account in the amount of KZT 200 when their account is depleted and they are not able to top up their account balance. The extra balance is valid for 5 days and may be used to pay for any of the Company's services. The cost of this service is KZT 20 per transfer, which is subtracted from the value of a subsequent top up of the account balance.

Money transfer: This service allows subscribers to transfer call units to other subscribers. To transfer call units, the sender is required to have at least 50 units (each unit is worth 1 KZT). The cost of this service is 20 KZT per transfer. This service is available even when the sender or recipient is roaming.

KcellTube—entertainment video portal: This is an entertainment portal where subscribers can find videos on a wide range of topics and watch them on their handsets as well as upload their own videos. Traffic within this service is not charged, except for subscriptions to certain video categories. Subscribers can activate subscriptions to video content at a cost of KZT 100 or KZT 150, depending on the category.

Access to third party application providers: The Company provides its subscribers with access to certain services offered by third party application providers. These services include: a service that allows subscribers to receive notifications on various topics via regular SMS; a portal that offers up-to-date

information about services, tariffs and promotions in addition to a large number of popular games, music and other useful programs for handsets; entertainment voice services that allow access to horoscopes, entertainment tests, training, recipes and various amusement services; virtual services through mobile social networks; a "phrase of the day" service which allows subscribers to learn English through SMS by using the materials of the British Council educational centre; and various other entertainment services.

Other information and content services: The Company also provides other information and content services, some provided directly by the Company and some by third party content providers. For example, the Company provides voice-based information services through IVR platforms, including interactive information services and radio and television programmes. The Company also provides text-based information services and interactive information services including news headlines, sports results and traffic and weather reports. Some of these services are provided through the Company's MMS or video-based technologies and are offered to subscribers with supporting handsets.

Data services

The Company provides data services, which primarily comprise internet access services (including modem and tablet internet access services). The Company's data services accounted for 7.9% of total revenue in 2011. Until recently, the data services market in Kazakhstan has been relatively underdeveloped, and as a result represents an attractive opportunity for growth. The Company has the most extensive 3G network in Kazakhstan, comprising 1,897 3G base stations as at 30 September 2012.

The key data packages provided by the Company include:

Unlimited internet: This package provides subscribers with unlimited access to the internet, allowing them to communicate over social networks, read e-mails, watch online broadcasts, listen to music and download audio and video clips. Unlimited internet packages are unlimited within the limit of the subscribed package and include three types of monthly subscription service: "Smartphone", which includes 1 GB of internet traffic for a fixed monthly fee of KZT 990; "Tablet PC", which includes 4 GB of internet traffic for a fixed monthly fee of KZT 1,990; and "Modem", which includes 10 GB of internet traffic for a fixed monthly fee of KZT 3,990. For unlimited internet packages, after the limit of the subscribed package is reached the internet traffic speed will be reduced to 32 kb per second (with no additional payment).

Unlimited browsing with Opera Mini and Nokia Browser: The Company offers unlimited internet access from subscribers' handsets for KZT 20 per day. Subscribers can browse websites, check emails, attend forums and view up to 15 MB of files on the internet.

Unlimited night-time internet: This package enables subscribers to access the internet on their handsets without an additional charge for data usage. The Company provides subscribers with unlimited internet access from their handsets from 1 am to 9 am (GMT +6 hours) for a daily fee of KZT 70, subject to certain limitations. Subscribers can use their handsets not only for browsing but also as a modem and to download files on to their personal computers.

Mobile internet plus: The Company offers additional packages for users of from 10 MB to 100 MB of internet traffic at prices ranging from KZT 29 to KZT 59 per day.

Access to social networks: This service allows subscribers to access Facebook, VKontakte and other social networks from their handsets. A simpler version of this service provides text-based information only, with no access to multimedia such as images, video and audio, and is free of charge. See "—*Value-added services*" above. Subscribers are charged to access the full version of social network websites and for the use of multimedia services.

Video calls: This service enables the Company's 3G subscribers, using 3G handsets in 3G coverage areas, to communicate with each other through video conferences.

Tariff plans

The Company has tariff plans that target specific subscriber groups. The Company provides services under two brands: the Kcell brand, which is targeted primarily at corporate and high net worth individual subscribers, and the Activ brand, which is targeted primarily at mass market subscribers.

The Company has identified the following six segments in its individual subscriber base:

- *High volume on-net callers:* subscribers that typically place a high volume of calls on the Company's network. Tariff plans that the Company offers to these subscribers feature unlimited on-net voice offers (such as unlimited calls on the Company's network for a daily fixed fee), regional voice plans (such as discounted on-net and off-net tariffs for calls from the subscriber's home region), unlimited mobile internet offers (such as unlimited mobile internet monthly packages) and contract handset bundles (including 24-month contracts bundled with handsets).
- *High volume off-net callers:* subscribers that typically place a high volume of calls outside of the Company's network, including international calls and calls to the PSTN. Tariff plans that the Company offers to these subscribers feature flat-fee voice plans (such as flat-fee tariffs for calls to any region in Kazakhstan), regional voice plans and contract handset bundles.
- *High volume SMS/MMS users:* subscribers with high usage of SMS/MMS and mobile internet. These subscribers tend to be young and female. Tariff plans that the Company offers to these subscribers feature contract handset bundles and bundled value-added services offers (such as SMS, MMS and mobile internet mixed packages).
- *Most talkative friends and family callers:* subscribers that tend to have a high volume of calls and long-duration calls. These subscribers tend to be young. Tariff plans that the Company offers to these subscribers feature unlimited on-net voice offers, regional voice plans, unlimited mobile internet offers and contract handset bundles.
- *Technology oriented users:* subscribers with relatively low voice service usage but higher usage of value-added services and data services. These subscribers tend to be young. Tariff plans that the Company offers to these subscribers feature unlimited mobile internet offers, contract handset bundles and bundled value-added services offers.
- *Passive users:* subscribers whose voice service, value-added services and data services usage is relatively low. Tariff plans that the Company offers to these subscribers feature flat-fee voice plans and regional voice plans.

The Kcell brand's tariff packages include standard and promotional tariff plans. The standard tariff plans include Kcell Standard, Kcell Business, Kcell Classic, Optimal and Kcell Connect, which are aimed primarily at corporate subscribers. Promotional tariff plans include family plans, as well as a number of other promotional plans.

The Activ brand offers a wide range of flexible tariff plans for different segments of the mass market, including unlimited voice and data plans, regional tariff plans, plans for heavy SMS users, plans for active mobile internet users, plans for young subscribers and students and plans for active callers on the Company's network. Regional tariff plans offer favourable rates for calls and other services within a specified region, including reduced rates for on-net and landline calls within the region, special call rates to neighbouring regions and certain other countries (for example, regional tariff plans in regions with a high volume of calls to Russia include reduced rates for such calls). Tariff plans for young subscribers and students, provided with no subscription fee, offer reduced rates for calls between the users of these tariff plans, as well as reduced rates for SMS, MMS, WAP and GPRS services.

In addition, special promotional tariff plans are offered from time to time. The Company adjusts its promotional plans (for both the Kcell and Activ brands) based on changes in the preferences of its subscribers, the development of new services and implementation of new technologies (such as 3G or LTE). For example, as a result of the roll-out of its 3G network in 2010 and 2011, which provided a significantly higher data transmission speed than its 2G network, the Company offered promotional tariffs for the use of the internet and other data services. The Company also adjusts its tariff plans according to the offers of its competitors.

Handset sales

The Company sells a wide selection of handsets designed to meet individual preferences. Handsets are sold directly by the Company and by its distributors. Prices for handsets vary based on handset features and special promotions. The Company offers a special tariff for bundled sales of a handset with one of the Company's service plans. Handsets offered under these bundled programmes are available to both individual and corporate subscribers. Individual subscribers must have used the Company's services for at least six months and are also required to have passed the Company's credit check. Individual subscribers

enter into a long-term service contract of up to two years' duration and choose one of several service plans. The monthly service charges depend on the model of the handset and service plan selected. Bundled packages are also available to corporate subscribers that have passed the Company's credit check. Corporate subscribers are required to enter into one- or two-year service contracts. All of the handset models that are bundled with the Company's services have Russian language displays in addition to English.

Sales and Marketing

Regional approach

The Company was the first operator in Kazakhstan to develop a decentralised regional operating structure. In 2009, the Company commenced the implementation of an initiative to decentralise the day-to-day management of its operations to the individual regions of Kazakhstan in order to improve performance and increase market share in certain regions. As at 30 September 2012, the Company had 18 regional centres charged with overseeing day-to-day operations. In each of these regional centres, a management team oversees the day-to-day operations in that region and reports to the Company's senior management who in turn set goals and assist the regional management team in developing strategies to achieve such goals. As at 30 June 2012, the Company estimated that it had the leading market share (by revenue) in 11 regions and was second in the remaining 7 regions.

The table below describes the development of the regional distribution structure of the Company.

	As at 30 September 2012	2009/2010	2008
	Regional structure	Geographical structure	Centralised structure
Exclusive retail network			
Flagship stores	18	15/17	14
Kcell Express stores	138	158	92
Shop-in-shops	45	145	51
Activ stores	43	—	—
Non-exclusive retail network			
Direct dealers	232	137	0
Total points of sale for direct delivery[(1)]	6,500	0	0
Total point of sale (including points of sale for direct delivery)[(2)]	9,220	7,000	4,000

Notes:

(1) The Company delivers its products directly to the point of sale.

(2) The Company's total points of sale figure does not includes its exclusive retail network.

In 2009, the Company implemented a new motivation system for its regional management teams. The performance of key account executives in those teams is measured by certain key performance indicators, with compensation tied to the commercial success of the region. Following the implementation of the motivation system, key performance indicators in most previously underachieving regions have improved, and the Company's market share in these regions has increased. The Company plans to continue to implement this motivational system to include sales, technical and administrative support staff on all levels, including regional heads, managers, supervisors and staff. It also intends to continue to streamline this approach, with a particular emphasis on underachieving regions.

Distribution network

The Company's distribution network comprises the following channels:

Points of sale. The Company distributed its products and services through a broad network of 244 exclusive sales outlets and 9,220 non-exclusive points of sale (6,500 of which were direct delivery points of sale, where the Company delivers its products directly to the points of sale), as at 30 September 2012.

Exclusive sales outlets. The Company distributed its products and services through 244 exclusive sales outlets, including 18 Kcell flagship stores, 138 Kcell Express shops, 43 Activ stores and 45 shop-in-shops, as at 30 September 2012. Kcell flagship stores are stores owned by the Company at which the Company offers

a full range of services. In each region, the Kcell flagship store is typically located in the Company's regional office. Kcell Express shops and shop-in-shops are retail shops that offer the full range of the Company's services. Activ stores are exclusive sales points that provide subscribers primarily with the Activ brand's products and services and are located in frequently visited venues (such as shopping and business centres). Shop-in-shops, which are located in frequently visited venues (such as shopping and business centres), are smaller than the Kcell Express shops. Kcell Express shops, Activ stores and shop-in-shops are independently owned, but operated under the supervision of the Company, for instance with regard to the training of staff. The Kcell flagship stores are staffed by the Company's direct service personnel, who receive base salaries and performance-based bonuses. The Company's exclusive sales outlets account for approximately 10% of SIM card sales.

Non-exclusive dealers. The Company's products and services are also distributed indirectly through more than 232 dealers (as at 30 September 2012) who distribute the Company's and other operators' products and services. These dealers are compensated based on qualitative measures (such as product availability and assortment) and quantitative measures (such as sales volumes). The Company closely monitors the quality of service provided to its subscribers by the non-exclusive dealers. The Company's non-exclusive dealers generate approximately 90% of SIM card sales.

Sales representatives. The Company had more than 90 sales representatives as at 30 September 2012 distributing its products to small sales outlets such as kiosks or small grocery shops. Sales representatives are not employees of the Company. Sales representatives are compensated based on quantitative and qualitative measures.

Telesales and Telemarketing. The Company also offers the full range of its products and services through telesales to individual and corporate subscribers. Telesales representatives primarily focus on the acquisition of new corporate subscribers and on retaining existing subscribers through cross selling. Telemarketing representatives focus on market research through various surveys such as customer satisfaction surveys.

Account managers. The Company has account managers that deal exclusively with corporate subscribers. As at 30 September 2012, the Company had 166 account managers, 101 of which were employed by the Company and 65 of which were employed by third parties. These account managers are responsible for maintaining regular contact with corporate subscribers, focusing on sales, subscriber retention and tailored solutions for the specific needs of these subscribers.

Marketing

The Company has found that subscribers choose their mobile telecommunications service providers based on price, general brand perception, level of coverage and quality of voice transmission services, as well as data transmission speed. The Company's marketing activities take into consideration these factors. Its marketing strategy emphasises the Company's personal touch, the quality of its network and services, its innovation and the strong local roots of its brands.

The Company designs its service plans and calling tariffs based on its subscribers' characteristics and needs. The Company conducts extensive market surveys in order to identify subscribers' preferences and trends. Based on these findings, the Company designs special tariffs and promotional campaigns aimed at attracting new subscribers and retaining existing subscribers. The Company recognises that there are different segments within its subscriber base, and utilising demographics, usage and certain other characteristics to identify these segments is useful for the purpose of products and services development and the creation of marketing strategies specifically designed to maximise usage per segment. See "*—Products and Services—Tariff plans*". The Company uses an internal model to segment subscribers into micro categories in order to develop tailored services.

In the corporate segment, the Company recognises the following subscriber segments: governmental accounts, strategic and key corporate accounts, small and medium enterprises and small and home based offices. The Company's services for corporate subscribers include corporate network groups and tailored discounted tariff plans. The Company also provides corporate subscribers with private branch exchange ("**PBX**") services, which are based on a private telephone network used within a company that permits users to share outside lines to make calls outside of the PBX.

Brands

The Company has two brands, Kcell and Activ. Both brands were established in 1999, with the Kcell brand being launched first. The Company's branding strategy has contributed to the Kcell and Activ brands' market leadership in terms of customer satisfaction. Based on a 2012 customer satisfaction survey conducted by EPSI Rating, the Kcell brand's customer satisfaction rating was 77.9 points and the Activ brand's rating was 77.8 points out of 100, while the customer satisfaction rating of the Company's main competitor, VimpelCom, was 77.1 points and the rating of Tele2 was 74.4 points out of 100 and the aggregated rating of several smaller mobile operators (in which other operators, such as Dalacom and Pathword, were included) was 73.2 points.

The following table sets forth customer satisfaction as calculated by EPSI Rating[1] for the Company and its competitors:

	2012	2011	2010
Business to consumer			
Kcell	77.9	79.1	82.7
Activ	77.8	80.6	81.8
Beeline (VimpelCom)	77.1	75.6	80.5
Tele2	74.4	—	—
Other[2]	73.2	73.8	76.7
Business to business			
Kcell	76.6	80.4	76.9
Activ	—	—	—
Beeline (VimpelCom)	73.6	77.6	78.1
Other[2]	73.4	72.0	70.4

Notes:

(1) An independent organisation which provides performance assessment to subscribers across Europe. In 2011, EPSI Rating conducted a customer satisfaction survey of the Kazakhstan mobile communication market. Ratings are out of 100.

(2) In 2010 and 2011 EPSI Rating surveys, the rating of Tele2 was included into the aggregate rating of several smaller operators and presented as a part of 'Other' in this table.

The Company regularly advertises in all forms of media and participates in promotional campaigns. It also sponsors cultural and entertainment events, such as music festivals, theatrical performances and literary awards. The Company believes that its marketing and branding campaigns have been very successful and highly acclaimed among the Kazakhstan public. In 2011, the Company, together with GfK SE (a German market research company), conducted a market survey regarding subscribers' interaction with the Company. The survey tested subscribers' loyalty, awareness, perception and satisfaction with the Company's quality of network, customer support (provided through the Company's retail service outlets and call centres) distribution network and payment options. Responses received from subscribers demonstrate that both the Kcell and Activ brands were considered to be superior compared with other operators' brands. The Company believes that its brands communicate to subscribers the local roots of those brands, user friendly products and services as well as high network quality and customer care standards.

Kcell brand

The Kcell brand is targeted primarily at corporate subscribers and high net worth individual subscribers. In 2009, the Company relaunched the Kcell brand. In 2011, it further synchronised the Kcell brand with a common brand created by TeliaSonera for all of its affiliated companies as part of the campaign, entitled "18 Brands—One Brand Identity". The rebranding featured a new common logo and colour scheme, but also involved the reshaping of some of the brand's values. At the core of the reshaped brand values, synergised with TeliaSonera's values, were innovation, reliability, agility, sustainability and the personal touch. The Company believes that its rebranding campaign was highly successful, as evidenced by its growing market share and the positive brand perception by its subscribers, although the Company's market share decreased in 2011 due to increased competition, in particular from Tele2.

The Company believes that the Kcell brand communicates to subscribers its local roots, providing pioneering, reliable, user friendly products and services as well as quality-oriented service offerings. The Kcell brand's subscriber base typically ranges between 23 and 50 years of age, with above average income levels. As at 30 September 2012, the Kcell brand's share of the Company's subscriber base was approximately 13.2%.

Activ brand

The Activ brand is targeted primarily at mass market subscribers. The subscriber base typically ranges between 17 and 35 years of age, with average or below average income levels. The Activ brand is marketed as a creative brand which is aimed at providing tariff plan diversity and value for money to its subscribers. The Company intends to rebrand the Activ brand, and has recently retained a leading international branding consultant. The rebranding campaign is intended to be developed in close cooperation with TeliaSonera. The Activ brand's pre-paid subscribers accounted for 100% of its subscriber base, as at 30 September 2012. As at 30 September 2012, the Activ brand's share of the Company's subscriber base was approximately 86.7%.

Customer Care

The Company focuses on subscriber retention and through customer care activity it continuously reviews its performance by conducting surveys of its subscribers. Based on the findings of the surveys, the Company implements measures to improve its customer care. For example, in response to the findings of these surveys, all walk-in centres (which are described below) have been equipped with self-service terminals that enable subscribers to check and top up their account balances as well as manage their accounts. The Company also developed a service which allows its subscribers to automatically top up balances on their mobile accounts directly from their bank accounts. This method of payment allows multiple subscribers to top up from the same bank account. This service is free to activate and does not result in any additional fees to subscribers. The service essentially provides pre-paid subscribers with the convenience of a post-paid experience. The Company also has developed an interface that allows customer care representatives at its non-exclusive dealers' shops to receive comprehensive subscriber data from the Company's systems, which enables these dealers to provide the full range of services that the Company's walk-in centres provide.

Call centres

The Company's call centre services are provided by call centre staff who advise the customers on all customer queries without the need for referral to specialised teams. Call centre services are provided in three languages: Kazakh, Russian and English. The Company has 301 staff members in call centres including 112 employees and 189 outsourced members. The Company regularly monitors the performance of its call centres. The average waiting time for subscribers who contact a call centre is well under 75 seconds, with over 75% of callers waiting less than one minute. On average, the Company's call centres respond to 600-700 thousand calls a year. The Company currently operates two main call centres, one in Almaty and one in Shymkent, which as at 30 September 2012 had 135 and 166 members of staff, respectively.

Walk-in centres

Walk-in centres provide the full range of services that the Company provides to its subscribers.

Self service

The Company provides its subscribers with various self-service channels, such as an IVR system, web-based services and services via SMS. These channels provide information on calling plans, account balances, billing and roaming tariffs. They also provide subscribers with instructions regarding handset operation and enable subscribers to make electronic payments, activate and deactivate services and download content.

Competition

The mobile telecommunications market in Kazakhstan is highly competitive and the Company expects competition to increase in the future. The Company competes primarily with two other operators: VimpelCom (including its Beeline and Dos brands) and Tele2. The Company's market share based on number of subscribers was 47.7% as at 30 September 2012, based on the 1-month activity rule. The market shares of VimpelCom and Tele2 as at 30 September 2012 were approximately 37.0% and 12.0%, respectively.

Altel, operating under the Dalacom, Pathword, Citi and Jet brands, is a mobile network operator providing broadband and mobile communication services at a new CDMA2000 1X standard at a frequency of 800 MHz.

The Company believes that the principal bases on which it competes include perceived price, brand perception, coverage and quality of voice and data transmission. Content and other value-added services are also important in terms of attracting and retaining subscribers.

The following table sets forth certain data for the Company and its competitors:

	The Company[9]	**VimpelCom (Kar-Tel)**[9]	**Tele2 (NEO)**[9]
Year established	1999	1999	2007
Subscribers as at 31 December 2011 (*million*)	10.8[1]	8.4[2]	1.4[2]
Market share by number of subscribers as at 31 December 2011[3]	48.3%	40.7%	6.2%
Mobile revenue market share as at 31 December 2011[4]	57.0%	36.6%	2.5%
Technology	GSM 900/1800 UMTS (HSPA+)/ WCDMA/ LTE (trial)	GSM 900/1800 UMTS (HSPA+)/ WCDMA/ LTE (trial)	GSM 900/1800 UMTS (HSPA+)
Spectrum allocation	GSM 900: 6.6 MHz UL/DL, 33 frequency carriers GSM 1800: 5.0 MHz UL/DL, 25 frequency carriers	GSM 900: 7.0 MHz UL/DL, 35 frequency carriers GSM 1800: 5.0 MHz UL/DL, 25 frequency carriers	E-GSM: 10.0 MHz UL/DL 50 frequency carriers
Revenue in 2011 (*KZT billion*)	179	115[5]	8
Revenue growth in 2011 (*KZT billion, year on year*)	17.2%	9.1%	226.4%
EBITDA in 2011 (*KZT billion*)	106	58[6]	(9)
EBITDA margin in 2011	59.2%[5]	47.8%[6]	N/A
Capital expenditure in 2011 (*KZT billion*)	27	39[6]	20
Capital expenditure in 2011 as a percentage of revenue	15.3%	32.0%[7]	206.7%
Blended ARPU in 2011	1,472[1]	1,211[7]	814[7]
MOU in 2011 (blended) (*minutes/month*)	122[1]	146[8]	N/A
Distribution	Extensive nationwide footprint 18 Kcell flagship stores, 138 Kcell Express shops 43 Activ stores 45 shop-in-shops, 232 direct dealers	Extensive nationwide footprint 15 flagship stores, 150 own shops, 250 direct dealers, 30 distributors	Limited nationwide footprint 16 flagship stores, no exclusive retail network, 3 distributors
Key shareholders	TeliaSonera (86.9%)[2]	VimpelCom (75%)	Tele2 (51%)

Notes:

(1) Based on the 6-month activity rule.

(2) Data for VimpelCom (Beeline) and Tele2 is disclosed on the basis of the 3-month activity rule, whereas the Company estimates the number of subscribers for other operators based on the 1-month activity rule on the basis of the traffic data it can observe on its network plus a number of assumptions about traffic patters that it can not directly observe.

(3) Based on the 1-month activity rule.

(4) Includes CDMA operators (i.e. Altel).

(5) Includes only mobile revenue.

(6) Calculated over total revenue.

(7) Based on the 3-month activity rule on an average for the period from January to December 2011.

(8) MOU based on the 3-month activity rule on an average for the period from January to December 2011, source: VimpelCom filings.

(9) Source: Company data, Telegeography, VimpelCom and Tele2 filings.

Network and Technology

The Company's network is a digital mobile network based on GSM technology. It is a dual band network, operating on two frequencies, 900 MHz and 1800 MHz, and offering both voice and data transmission services. The Company's data services are based on GPRS, EDGE and UMTS/WCDMA technologies.

The Company's 2G GSM/ GPRS/ EDGE 900 MHz and 1800 MHz network allows voice calls and data and value-added services (including multimedia and other content services). The Company's GSM/ GPRS/ EDGE technology is an advanced 2G technology. Packet data rates vary from 50 kb per second to 200 kb per second, depending mainly on the handset and type of content used, as well as use patterns.

The Company's 3G UMTS/WCDMA technology offers full interactive multimedia capabilities with current potential data rates of up to 21 Mb per second on the downlink path and up to 5.7 Mb per second on the uplink path. This network, considered to be a HSPA+ technology, uses predominantly the same core network equipment as the Company's existing GSM/ GPRS/ EDGE network, which in most cases enables 3G equipment to be co-located with the cell sites of the Company's existing equipment.

The Company's primary network related objective going forward is to complete the build-out of its UMTS/ WCDMA network and achieve quality and coverage parameters similar to those for its other networks. At the same time, the Company intends to continue to perform extensive optimisation work to support mobile data transfer technologies.

The following table sets out the Company's towers, 2G base stations and 3G base stations as at 30 September 2012 and as at 31 December 2011, 2010 and 2009:

	As at 30 September	As at 31 December		
	2012	2011	2010	2009
Towers	388	291	222	195
2G base stations	5,752	4,774	4,129	3,796
3G base stations	1,897	1,373	127	0
Population coverage	95.2%	94.5%	82.3%	81.4%

Transmission

The Company has continued to expand its intra-city fibre optics networks. As at 30 September 2012, the Company owned and operated fibre optics networks in 19 major cities in Kazakhstan. These networks are comprised of approximately 900 kilometres of fibre optics cable. The Company's total intra-city fibre optics cable length was 260 kilometres, 450 kilometres, 754 kilometres and 900 kilometres as at 31 December 2009, 2010, 2011 and 30 September 2012, respectively. By the end of 2012, the Company intends to extend its networks to approximately 1,300 kilometres. In the nine months ended 30 September 2012, the Company spent KZT 650 million on this project. It expects to spend an additional KZT 254 million to complete the project.

The Company connects its city-wide networks using the nationwide fibre optics network of Kazakhtelecom and, to a lesser extent, fibre optics networks of other operators. In addition to Kazakhtelecom, several large providers (including VimpelCom) and a large number of smaller providers operate fibre optics cable networks in Kazakhstan. The Company also uses Kazakhtelecom's and other operators' data transmission networks as well as satellite transmission channels in geographic areas in which it believes building its own fibre optics network would not be cost effective.

The Company and Kazakhtelecom have entered into the Kazakhtelecom Agreement, which allows the Company to use the fibre optics network owned by Kazakhtelecom for inter-city data traffic. The Kazakhtelecom Agreement expires in 2020. Pursuant to the Kazakhtelecom Agreement, from 2016, either party may terminate the agreement upon six months' notice. The Company has also entered into a 5-year lease agreement with KTC. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Acquisitions and Investments—Investment in Rodnik Inc LLP by Sonera and Lovou B.V. and the Telecommunication Service Agreement*". The KTC lease provides the Company with access to KTC's network, which is particularly attractive in the western regions of Kazakhstan, where the number of alternative providers has been limited.

Network Quality

The Company's mobile network is strategically designed to enhance coverage in the majority of Kazakhstan's densely populated areas. Since maintaining a high quality network is a key component of its strategy, the Company seeks to satisfy quality standards that it believes are important to its subscribers, such as high quality of voice communications, high data rate packet transmission, low "blocked call" rates (being the rate of calls that fail because access to the network is not possible due to insufficient network resources), low "dropped call" rates (being the rate of calls that are involuntarily terminated) and

extensive indoor coverage. The Company has devoted substantial capital expenditure to its network and expects to continue to do so. From 1 January 2009 until 30 September 2012, the Company invested approximately KZT 101 billion in aggregate on network infrastructure.

The Company's GSM/ GPRS/ EDGE network is being continuously expanded to support capacity growth. The Company is currently selectively enhancing and expanding its GSM/ GPRS/ EDGE network, primarily in urban areas, by adding infrastructure to improve outdoor and indoor coverage. The Company expects that its GSM/ GPRS/ EDGE network will cover 100% of settlements in Kazakhstan with a population of more than 1,000 by the end of 2012. Its GSM/ GPRS/ EDGE network was supplied and is maintained by Ericsson and ZTE Corporation. The Company also engages local sub-contractors to provide certain equipment maintenance services.

The Company expects that its UMTS/WCDMA network will cover 100% of settlements with a population of more than 50,000, including Astana, Almaty and all major regional centres of Kazakhstan, by the end of 2012. Pursuant to the terms of its general licence, the Company's UMTS/WCDMA network must cover 100% of settlements in Kazakhstan with a population of more than 10,000 by the end of 2014. The Company's UMTS/WCDMA network is for the most part co-located with its GSM/ GPRS/ EDGE network. The suppliers for its UMTS/WCDMA network equipment are Ericsson and ZTE Corporation.

The Company's network operations centres are equipped with sophisticated systems that constantly monitor the status of all switches and cell sites, identify failures and dispatch technicians to resolve problems. Operations support systems are utilised to monitor system quality and identify devices that fail to meet performance thresholds. These platforms generate statistics on system performance such as dropped calls, blocked calls and network failures. The Company's network operations centres are located in Almaty and Astana.

The Company regularly optimises its network in order to meet the key performance indicators for its services, including dropped calls, voice quality, accessibility, availability and packet success rate. The Company uses advanced planning, monitoring and analysing tools in order to achieve its performance goals efficiently and with minimal faults.

The following table sets out certain key performance indicators the Company uses to monitor its network's performance:

	As at and for 30 September 2012	As at and for 31 December 2011	As at and for 31 December 2010	As at and for 31 December 2009
Number of base stations	7,649	6,147	4,256	3,796
Blocked calls (congestion) *(%)* . .	0.39	0.79	0.29	0.08
Dropped calls *(%)*	0.53	0.54	0.44	0.66

Suppliers

The Company procures equipment from Ericsson and ZTE Corporation for its GSM/ GPRS/ EDGE and WCDMA networks (such as 3G network, core hardware and software installation equipment) and Cisco Systems, Inc. ("**Cisco**") for its switching, access points and router equipment for its local area network, wide area network and packet core for GPRS, EDGE and 3G technologies. The Company takes advantage of common procurement with TeliaSonera when dealing with Ericsson and ZTE Corporation.

The Company uses software designed by Orga Systems GmbH ("**Orga**") for billing and charging pre-paid subscribers. It also uses CBOSS Corporation ("**CBOSS**") for billing and charging software for post-paid subscribers. The Company uses both Orga and CBOSS software via Oracle Corporation ("**Oracle**") equipment such as servers, storages and clusters. In addition, the Company has agreements with several local engineering companies for the construction of its cell sites. The Company also purchases certain network components from other suppliers.

Information technology

The Company maintains a variety of information systems that enables it to deliver high quality customer service while enhancing its internal processes.

The Company uses separate systems for pre-paid and post-paid billing. These systems, developed by Orga and CBOSS, are customised to the Company's specific requirements. The Company owns the intellectual property rights for the customised elements. The Company obtains maintenance services for the billing system and ongoing support services from Orga and CBOSS for their respective systems. The pre-paid

billing system is an online charging system that operates in real time and serves nearly 11.5 million subscribers. The post-paid billing system uses an offline charging system based on charging data record processing and serves approximately 1.7 million subscribers, which include registered, pre-activated and de-activated subscribers. In 2011, the Company initiated a project to converge the pre-paid and post-paid billing systems into one system to provide real time billing for both pre-paid and post-paid subscribers, which is expected to be completed by the end of 2012. The converged billing system is expected to be implemented by Orga, one of the Company's current vendors, which is also expected to provide further development and maintenance of that system.

The Company uses Avaya Inc. systems for the management of incoming telephone calls to its call centres. The Company's customer care system presents its customer care employees with a "dashboard" that displays a subscriber's profile based on usage patterns. This enables the Company to provide services based on information for that particular subscriber. The Company owns the intellectual property rights for this system. The Company currently purchases maintenance and ongoing support services for this system from OJSC Oberon (a local IT services provider). OJSC Oberon has contracted with the Company to provide maintenance services until 31 December 2012.

The Company uses a data warehouse based on an Oracle database system and data mining and reports generated by software developed by Turkcell Technology LLC ("**Turkcell Technology**"), a mobile applications provider. The data warehouse contains data on the Company's subscribers' usage patterns and allows for analytical segmentation of the data. The Company owns the intellectual property rights for this system. The Company currently purchases maintenance services and ongoing support services for this system from Turkcell Technology. Turkcell Technology has contracted to provide the Company maintenance services until 31 December 2012.

Since 2009, the Company has expanded its portfolio of value-added services by acquiring and extending various value-added services platforms including: a short message service centre, a multimedia messaging service centre, a wireless application protocol gateway and an unstructured supplementary service data centre from Telenity Inc; a ring back tone platform from Huawei Technologies Co Limited; and a packet core network from Ericsson and Cisco.

Given the importance of its IT systems to the operation of its business, the Company maintains a sophisticated IT security system to protect the integrity of its systems. Notwithstanding the existence of these safeguards, the Company has in recent months experienced a breach of its IT systems which resulted in certain confidential and commercially sensitive information being accessed by an unauthorised third party who was a former employee of the Company. The former employee is now the subject of a criminal investigation in Kazakhstan. Whilst the Company believes that its IT security systems have been effective in the past, the Company has initiated a comprehensive review of its IT security systems to ensure that it continues to have in place an appropriately high level of protection to prevent unauthorised persons from accessing its IT systems.

Intellectual Property

The Company is a member of the GSM Association, together with other worldwide operators that use GSM technology. As a member of the association, the Company is entitled to use certain related intellectual property rights, including the GSM logo and trademark.

The Company has registered approximately 13 trademarks, the most important of which are "Kcell" and "Activ".

Facilities

Headquarters

The Company owns four multi-storey office buildings, three of which are located in Almaty and one of which is located in Astana, including the office buildings in which its headquarters are located. The properties cover approximately 24,069 square metres, of which approximately 1,711 square metres consist of underground parking lots.

Sales outlets and service centres

The Company currently owns 18 Kcell flagship stores, which are used for marketing, sales and customer service. The Company also leases certain properties, including 138 Kcell Express stores, 45 shop-in-shops

and 43 Activ stores. Lease agreements for the Company's retail stores and service centres are generally for periods from one to five years, with extension options that vary by location.

Cell tower sites

The Company leases the sites on which its cell towers are located from various parties, including municipalities and private entities. Because the Company leases cell tower sites from a large number of lessors, it does not depend on any single party for the operation of its mobile telecommunications network. The duration of these lease agreements, in most cases, is one year, with an option to extend the lease for successive one-year periods. The lease agreements differ with respect to payment terms and termination rights. Certain agreements provide that the lessor is entitled to terminate the agreement at any time without cause, subject to prior notice. The Company has in the past encountered difficulties in extending the term of a small percentage of the lease agreements for cell sites. At times this has resulted in it having to pay a higher rent in order to retain the same locations or to find alternative sites.

Employees

The following table presents the Company's full-time equivalent employees as at 30 September 2012 and as at 31 December 2011, 2010 and 2009.

	As at 30 September	As at 31 December		
Department	**2012**	**2011**	**2010**	**2009**
IT & Technical	500	480	471	454
Sales	265	235	174	182
Marketing	49	44	39	44
Customer Relations	470	448	416	405
Finance	116	120	120	145
Administrative	89	89	90	95
Other[(1)]	177	100	96	102
Total	**1,606**	**1,516**	**1,406**	**1,427**

Note:

(1) Includes employees in the following departments: Business Development Department (a portion of employees from this department are included in Other), Legal Department, Human Resources Department, Program Management Office, Chief Executive Officer's Department, Security Department, Corporate Communications Department, State Relations Department.

The following table sets out the Company's staff breakdown by age:

Age	**As at 31 December 2011**
Under 30 years old	57.4%
31 to 50 years old	40.5%
51 to 58 years old	1.8%
Over 59 years old	0.3%

The Company has in place a comprehensive review system that periodically analyses its employees' performance in order to improve their performance and to enable the Company to properly compensate, retain and promote its best employees.

Labour law requirements

Kazakhstan labour laws govern the length of the work-day, minimum wages for employees, procedures for hiring and dismissing employees, determination of severance pay, annual leave, sick days and other conditions of employment. Kazakhstan law requires severance pay upon termination of employment in certain cases, such as redundancy. Kazakhstan law further requires the Company to maintain insurance of its employees against accidents during performance by employees of their duties.

Pension obligations

Kazakhstan pension law provides for a fully-funded, defined contribution pension system which requires each employed individual to make contributions to its individual account with a pension fund of the individual's choice. Under this system, the Company is required to withhold such contributions from

employees' earnings and transfer such contributions to the designated state organisation for onward transfer to each employee's pension fund.

Social security obligations and social taxes

The Company is required to make social contributions into the state's social security fund (the "**Social Security Fund**") at a rate of 5% of its gross monthly payments to employees and pay social tax of 11% of its gross monthly payments to employees into the state budget. As at 30 September 2012, base for calculating the social contributions was capped at KZT 174,390 per annum per employee and the amount of payments to employees in excess of this capped amount is not subject to payment of social contributions. The amounts of social contributions accumulated in the Social Security Fund are used to fund the state's social security obligations, such as mandatory payments to employees in cases of maternity or paternity, child adoption, loss of employment and payments in case of disability or death of an employee.

Employment agreements

The Company enters into employment agreements with its employees. The Company's employees are paid on a monthly basis. All of the Company's employees in managerial positions and most other members of staff have agreed to non-disclosure and confidentiality undertakings in respect of commercially sensitive information.

Compensation and benefits

The Company's compensation structure is aimed at optimising employee performance. Approximately 23% of the Company's employees are entitled to monthly performance based incentives, which are granted mainly to customer facing personnel, such as sales and service employees. Moreover, almost all employees are eligible for an annual bonus based on the Company's and an employee's individual performance, which are subject to the review and approval by the Company's top management. The Company also contributes funds on behalf of some of its employees to an education fund.

Remuneration schemes include fixed and variable components. As at 30 September 2012, approximately 76% of the Company's employees were entitled to a base pay and eligible for an annual bonus that depended on annual performance and position held. In addition, a majority of the commercial sales force has a base pay and a variable pay linked to monthly KPIs with eligibility for an annual bonus.

Labour unions

The Company's employees are not represented by any labour union. Since its inception, the Company has not experienced labour related work stoppages and believes that its relations with its employees are good.

Material Agreements

The Company and Kazakhtelecom have entered into the Kazakhtelecom Agreement for the use of the fibre optics network owned by Kazakhtelecom to carry inter-city data traffic of the Company. The agreement expires in 2020. From 1 January 2016, either party may terminate the agreement without penalty by giving six months' notice. If either party terminates the agreement prior to 31 December 2015, such party will be required to reimburse the other party for 100% of the cost of the services up to 31 December 2015.

Anti-fraud and anti-corruption policies

Given the importance that it places on its business and all of its employees, vendors and partners adhering to the highest ethical standards, the Company, in collaboration with TeliaSonera, has developed compliance policies, processes and procedures that prohibit any fraudulent, corrupt or improper practices. In particular, the Company, in collaboration with TeliaSonera, has developed a code of ethics, as well as a number of other initiatives, to give guidance in a number of areas, including in relation to anti-money laundering, procurement, whistle-blowing and anti-bribery and corruption.

Notwithstanding the existence of these compliance policies, processes and procedures, allegations have recently been made regarding improper payments with respect to certain specific historic operations of the Company. In response, TeliaSonera conducted an internal investigation of the allegations raised and, in addition, initiated an independent investigation which was conducted by an independent accounting firm. These investigations, and other investigations conducted by the parties who were referred to in such

allegations, did not identify any wrongdoing or any evidence that supported such allegations. Furthermore, the results of the investigations were shared with the auditors of each of the Company and TeliaSonera and each such auditor confirmed that no qualifications would be made to their audit reports in relation to their audit of the financial statements of each of the Company and TeliaSonera.

Whilst the Company believes that its internal policies and procedures have been effective in the past, as part of the investigations into the allegations regarding improper payments, the Company reviewed and updated its internal policies and procedures to ensure that it continues to have in place an appropriately high level of corporate governance, compliance and risk management controls and that such policies and procedures are properly documented and communicated and appropriate training is given.

Legal Proceedings

The Company from time to time is engaged in litigation in the ordinary course of business. All such disputes represent claims in amounts that the Company considers immaterial. In addition to these claims, the Company is involved in the following legal disputes it considers material.

International roaming services litigation. On 3 July 2010, the Competition Agency initiated an administrative action against the Company, in which it contended that the Company violated antimonopoly law by requiring its post-paid subscribers to maintain a certain minimum cash balance on their accounts in order to continue to be able to access to its international roaming services. The Competition Agency brought initial proceedings in the Almaty Administrative Court, seeking a penalty in the amount of KZT 15,793,500,000 (which represented 10% of the Company's revenue from 1 January 2009 to 31 March 2010). The Company contended that the Astana Economic Court had jurisdiction and filed a claim with the Astana Economic Court, which rendered a judgment in favour of the Company on 2 September 2010. The Competition Agency appealed the Astana Economic Court's judgment in the Astana City Court (an appellate court), which upheld the Astana Economic Court's judgment on 7 October 2010. The Competition Agency subsequently appealed the decision of the Astana City Court through a cassation procedure, and the cassation appeal was denied on 9 November 2010. As a result of this judgment, the Almaty Administrative Court issued a ruling on 30 May 2011 terminating the proceedings against the Company. The Competition Agency challenged the judgments of both the Astana Economic Court and the Astana City Court in the Supreme Court of the Republic of Kazakhstan (the "**Supreme Court**"), which reversed the relevant judgments and sent the case back to the Astana Economic Court for re-trial on 24 August 2011. On 20 December 2011, the Astana Economic Court terminated the proceedings against the Company. The Company appealed the ruling of the Astana Economic Court terminating the proceedings in the Astana City Court, but the Astana City Court upheld the ruling of the Astana Economic Court, whereupon the termination of the proceedings became effective. The Competition Agency subsequently filed a petition with the General Prosecutor's Office requesting it to file a protest with the Supreme Court requesting a reversal of the Almaty Administrative Court's initial ruling terminating the proceedings against the Company. The General Prosecutor's Office supported the Competition Agency's position and filed the protest with the Supreme Court, which cancelled the Almaty Administrative Court's 30 May 2011 ruling terminating the proceedings and sent the case back to the Almaty Administrative Court for re-trial. On 9 July 2012, the Almaty Administrative Court ruled to return the case to the Competition Agency with an instruction to determine the amount of revenue generated as a result of setting the minimum cash balance on subscribers' accounts for the purpose of calculating penalties to be imposed if the Company was found to have violated antimonopoly law (previously, the Competition Agency used the Company's total revenue generated from providing mobile telecommunication services for the purpose of calculating penalties). On 20 July 2012, the Competition Agency submitted to the Almaty Administrative Court a new protocol of administrative offence in response to the Almaty Administrative Court's ruling. Pursuant to the new protocol, the Competition Agency reduced the penalty it is seeking to KZT 281,169,810. On 24 August 2012, the Almaty Administrative Court ruled in favour of the Company and terminated the proceedings. The Competition Agency is, however, entitled to file a petition in the General Prosecutor's Office requesting that the General Prosecutor's Office seeks reinstatement of the case. If the General Prosecutor's Office supports the Competition Agency and files a protest in an appellate court (which it must do within one year of the judgment it is appealing), the administrative case may be reinstated. If the case is reinstated and the Company is found to have violated antimonopoly law, it may face penalties up to the full amount sought by the Competition Agency.

Dominant market position litigation. On 3 November 2010, the Competition Agency initiated a second administrative action against the Company, in which it contended that the Company abused its dominant market position by setting excessive international roaming tariffs for the use of its mobile network in

Kazakhstan by subscribers of the Russian mobile operators MegaFon, VimpelCom and MTS. The Competition Agency sought penalties in the amount of KZT 15,793,500,000 (which represented 10% of the Company's aggregate revenue from 1 January 2009 to 31 March 2010), plus confiscation of monopolistic income from roaming services for the year 2009 in the amount of KZT 2,554,940,000. The proceedings were commenced in the Almaty Administrative Court and then removed to the Astana Economic Court, which on 17 February 2011 ruled in favour of the Company. The Competition Agency appealed this judgment in the Supreme Court through a supervisory procedure judgment, and on 11 January 2012, the Supreme Court reversed the judgment of the Astana Economic Court and terminated the proceedings. The case was then reinstated and considered by the Almaty Administrative Court on its merits. On 1 March 2012, the Almaty Administrative Court ruled in favour of the Company and terminated the proceedings. The Competition Agency is, however, entitled to file a petition in the General Prosecutor's Office requesting that the General Prosecutor's Office seek reinstatement of the case. If the General Prosecutor's Office supports the Competition Agency and files a protest in an appellate court (which it must do within one year of the judgment it is appealing), the administrative case may be reinstated. If the case is reinstated and the Company is found to have violated antimonopoly law, it may face penalties up to the full amount sought by the Competition Agency.

Inclusion in the State Register. Another lawsuit in which the Company is involved with the Competition Agency relates to the inclusion of the Company into the State Register. On 18 October 2011, the Competition Agency issued the Dominant Market Position Order for the inclusion of the Company in the State Register in respect of certain services provided by the Company, and in particular, its interconnection services. The Company challenged its inclusion in the State Register in a lawsuit it initially filed in October 2011 in the Astana Economic Court. On 28 February 2012, the Astana Economic Court entered judgment in favour of the Company in respect of the services other than the interconnection services and in favour of the Competition Agency in respect of the interconnection services. The Company appealed the Astana Economic Court's judgment in respect of interconnection services in the Astana City Court. On 23 May 2012, the Astana City Court ruled to suspend the appellate proceedings and to appoint an economic and technological expert to conduct an examination of the Company's inclusion in the State Register. On 12 October 2012, the Astana City Court upheld the Astana Economic Court's judgment dated 28 February 2012 in respect of interconnection services. The Company has appealed this judgment through a cassation appeal with the cassation judicial panel in the Astana City Court. On 6 December 2012, the cassation judicial panel ruled to cancel the judgments of the Astana City Court and Astana Economic Court in respect of interconnection services and to return the case to the Astana City Court for a new trial. If the Company does not prevail on the appeal, it will remain on the State Register and its tariffs for interconnection services will become subject to regulation by the MTC, which could result in it being required to reduce its interconnection tariffs. No fines will be assessed on the Company in connection with this litigation and it is not possible to quantify the monetary impact of these proceedings because of the nature of the dispute. See "*Risk Factors—Risks Relating to Regulatory Matters—The Company is subject to tariff regulation, which may limit its flexibility in pricing and could result in a reduction in its revenue and net profit*".

Investigation of relationships with cash payments service companies. In May 2012, the Competition Agency initiated an inquiry into a potential violation by the Company of antimonopoly legislation in respect of its relationships with cash payments service companies, which primarily operate electronic payment terminals. The inquiry related to the Company's payment of commissions to cash payments service companies, which collect subscribers' payments and receive commissions for such collection. The aim of the inquiry was to examine whether the Company's refusal to enter into direct agreements with certain cash payments service companies represented an abuse of its dominant market position. The cash payments service companies with which the Company refused to enter into direct agreements have been forced to conclude sub-agent agreements with cash payments service companies with which the Company has entered into direct agreements. In June 2012, the inquiry resulted in the Competition Agency proposing to approve the launch of an investigation of the Company. On 5 October 2012, the Company was notified that the Competition Agency had determined to launch the investigation. In November 2012, the Competition Agency completed the investigation. On 13 November 2012, the Competition Agency issued an order for the Company to cease its violation of antimonopoly legislation. The order assessed no fines in respect of the alleged violations. In its order, the Competition Agency requested that the Company cease its violation of antimonopoly legislation by 4 December 2012 and notify the Competition Agency of its compliance with the order by 10 December 2012. The Company believes that it has not violated antimonopoly legislation and that the allegations against it are unfounded. The Company has already provided its response to the Competition Agency (prior to the 10 December 2012 deadline), asserting that the Company is in

compliance with antimonopoly legislation. If the Competition Agency does not challenge the Company's position, it will inform the Company that there will be no further action in respect of this matter. However, if the Competition Agency challenges the Company's position, it may issue additional instructions for the Company to cease its violation of antimonopoly legislation and assess a fine in the amount of approximately KZT 3,236,000. The Company could then challenge the order and the fine in court. If the Company were to prevail in such an action, the order would be dismissed and the fine would be discharged. If the Company does not prevail on merits in court and fails to comply with the order, it may be subject to a fine in the amount of approximately KZT 3,236,000.

Investigation of concerted action in setting and maintaining interconnection tariffs. In July 2012, the Competition Agency initiated an inquiry into a potential violation by the Company of antimonopoly legislation. Specifically, the Competition Agency alleged that the Company and VimpelCom, as dominant market participants, engaged in concerted action in setting and maintaining excessively high interconnection tariffs, which was aimed at weakening competition. The alleged concerted action resulted in a reduced level of competition in Kazakhstan's mobile telecommunications market and a restriction of the access of smaller operators (such as Tele2) to Kazakhstan's telecommunications market. In September 2012, the inquiry resulted in the Competition Agency proposing to approve the launch of an investigation of the Company. On 7 September 2012, the Company was notified that the Competition Agency has determined to launch the investigation. On 5 October 2012, the Company responded to the Competition Agency stating that the allegations are unfounded and requesting that the investigation is terminated, but the Competition Agency resolved not to terminate the investigation. Generally, the Competition Agency must complete its investigation within two months from the date it issued the order to carry out such investigation. However, the Competition Agency may extend its investigation for an additional two months. The Company has been informed that the investigation has been extended until 14 January 2013. Based on the findings of the investigation, the Competition Agency may: (a) if it determines that no violation has occurred or if there are other grounds for termination of the investigation, terminate the investigation; (b) if it determines that a violation has occurred, commence administrative proceedings to impose a fine and/or other sanctions; and/or (c) if it determines that a violation has occurred, require that the entity deemed to have violated antimonopoly law ceases its anticompetitive actions. If, in the course of its investigation, the Competition Agency determines that the Company violated antimonopoly legislation, it may assess penalties in the amount of 10% of total revenue generated for the period during which the violation occurred, and may seek the confiscation of income earned as a result of the monopolistic activity (subject to the limitation that the period for which the confiscation of income is sought may not exceed one calendar year). Currently, it is not possible to quantify the amount of penalties to be sought, because the Competition Agency has not yet determined certain key factors required to calculate the amount of penalties (such as, for example, the period during which the alleged violation occurred). The Company believes that the allegations are unfounded, and if the Competition Agency determines that the Company violated antimonopoly legislation, it intends to challenge the Competition Agency's determination in court. If the Company does not prevail in court (including on appeal), it will be obligated to pay the penalties in full. The penalties become payable within 10 days from the date of serving the final resolution of the case in court, but the payee may petition the court for an extension of up to three months from that date. If the payee fails to pay the penalties within the prescribed period, a collection action will commence and the payee's assets may be seized pending its payment of the penalties in full.

TELECOMMUNICATIONS REGULATION IN KAZAKHSTAN

A summary of the regulatory framework relating to the telecommunications sector in Kazakhstan is set out below. This summary is intended to provide a general overview of certain relevant aspects of the regulatory framework applicable to the Company's operations in Kazakhstan and is not intended to be a comprehensive description thereof. Some technical, other telecommunications related terms and terms related to the telecommunications regulation in Kazakhstan are set out in the Glossary.

Current regulatory framework

The primary legislation governing Kazakhstan's telecommunications sector is the Communications Law. In addition, secondary legislation, in the form of regulations, has been enacted by the relevant Kazakhstan state authorities to address certain regulatory issues such as licensing and authorisation, interconnection, tariffs and numbering. Other relevant legislation includes the Licensing Law and the National Security Law, both of which contain provisions relating to the provision of telecommunications services within Kazakhstan, as well as the Competition Law and the Natural Monopolies and Regulated Markets Law, both of which contain provisions relating to tariffs and pricing control.

Communications Law

The Communications Law sets out general principles that apply to the provision of telecommunications services within Kazakhstan, particularly in relation to the establishment and operation of telecommunications infrastructure. These principles relate to:

- the duties and scope of authority of state authorities in respect of the regulation of the telecommunications sector;
- the use and allocation of radio frequencies and numbering resource;
- licensing;
- tariffs;
- the operation of, and interaction between, telecommunications networks, including by way of interconnection;
- the use of telecommunications networks by state authorities and in emergency situations, and interaction with criminal investigation authorities;
- universal telecommunications services;
- quality standards; and
- consumer protection.

The Communications Law does not impose any specific obligations upon telecommunications operators beyond these general principles. Specific obligations are set out in secondary legislation enacted primarily by the Government of Kazakhstan and the MTC under the Communications Law.

Communications Services Rules

The Rules "On Communication Services" approved by the Government of Kazakhstan dated 30 December 2011, no. 1718, as amended (the "**Communications Services Rules**") set out rules with respect to the following communications services:

- telephone communications services;
- mobile communications services; and
- services relating to the access of internet networks.

The Communications Services Rules also regulate:

- terms and conditions of communications services rendered by operators;
- terms and conditions of agreements between operators and their subscribers;
- payment procedures between operators and their subscribers; and
- the relationship between operators and their subscribers.

Licensing Law

The Licensing Law regulates, amongst other things:

- rights for obtaining licences;
- the types of activities that require a licence;
- specific types of licences;
- non-transferability of licences to third parties;
- licensing fees; and
- procedures for the issuance, renewal and grounds for termination of licences.

The Licensing Law does not impose any specific obligations upon telecommunications operators beyond these general principles. Specific procedures and requirements, including qualification requirements for licensees, are set out in secondary legislation enacted by the Government in the form of regulations.

National Security Law

The National Security Law sets out certain requirements that apply to operators within the telecommunications sector in Kazakhstan. The purpose of these requirements is to promote Kazakhstan's national security in the information sector.

General requirements

The following is a summary of the principal information security requirements set out in the National Security Law that apply to the Company:

- the law entitles the relevant Kazakhstan state authorities to exert control over entities operating telecommunications networks in Kazakhstan if such entities have foreign participation in their share capital;
- the law prohibits the creation and operation of telecommunications networks located within Kazakhstan if any of their control centres are based outside of Kazakhstan;
- the law requires any matters relating to the construction, operation and development of telecommunications networks in Kazakhstan to be decided in accordance with the information security requirements set out in the relevant legislation (including in the National Security Law); and
- the law prohibits the commissioning of telecommunications networks that do not comply with regulatory requirements in relation to criminal investigation activities.

Specific requirements in relation to operators of intercity and/or international communications that own, manage or operate certain types of communication lines

The National Security Law establishes requirements for entities that are involved in intercity and/or international communications and own, manage or operate certain types of communication lines.

In particular, the National Security Law prohibits foreign citizens, individuals without citizenship and foreign legal entities from either:

- managing or operating backbone lines (*magistralniye liniy svyazi*); or
- directly or indirectly holding, owning, disposing of or managing, in aggregate, more than 49% of the voting shares and interests in an entity involved in intercity and/or international communications that owns ground communication lines.

Further, the National Security Law requires the prior consent of the MTC for any acquisition of more than 10% of the voting shares and interests in an entity that is involved in intercity and/or international communications and owns, manages or operates certain types of communication lines.

The Company is not currently affected by any of the above requirements since it does not hold a licence permitting it to provide intercity and/or international communications services and does not own any backbone lines.

Natural Monopolies and Regulated Markets Law

The main objectives of this law are:

- the state regulation and supervision of activity of natural monopolies as well as state regulation and control over pricing in regulated markets; and
- achieving a balance among the interests of consumers, natural monopolies and regulated market entities.

Under the Natural Monopolies and Regulated Markets Law, a "regulated market entity" means an individual entrepreneur or legal entity (excluding certain state owned entities and entities involved in the production of energy) that is included in the State Register as a result of it being deemed to have a dominant or monopolistic position in the relevant market in which it operates. The Company is included in the State Register in respect of certain telecommunications services and is therefore a "regulated market entity". The "state regulation and control" principle set forth in the Natural Monopolies and Regulated Markets Law applies to the Company only with respect to pricing of services within the markets in which it is deemed to have a dominant position.

The Company's prices for telecommunications services in respect of which it has been placed in the State Register are subject to regulation carried out by the MTC, which requires the Company to submit reports to it on a monthly basis (see "—*Pricing regulation*" below).

Further, the MTC carries out pricing regulation with respect to regulated markets according to a procedure established by the Government of Kazakhstan. The current procedure for pricing regulation of the regulated markets is based on the following principles:

- the regulated market entity is required to maintain procedures that allow it to account for costs in respect of each type of good, work and service provided by the regulated market entity;
- the price for the goods, works and services provided by the regulated market entity must be determined based on the costs related to production of such goods, works and services as evidenced by certain types of documentation (such as invoices);
- certain expenses may not be included in the cost of the goods, works and services, such as costs not related to production of the goods, works and services or costs which cannot be confirmed by proper documentation;
- when determining profits included in the price for the goods, works and services provided by the regulated market entity, funds ensuring the effective functioning and development of the regulated market entity must also be taken into account;
- the authorised body (in the case of the Company, the MTC) has the authority to monitor prices established by regulated market entities and to carry out an examination of such prices; and
- on the basis of its examination, the authorised body has the right to prohibit an increase in the price by the regulated market entity or to require it to lower the price to the level which can be justified in accordance with the Government of Kazakhstan's procedure for pricing regulation on the regulated markets.

The Government of Kazakhstan's procedure for pricing regulation on the regulated markets further provides that a regulated market entity has the right to increase (or lower) the price for its goods, works and services, provided such price does not exceed a "ceiling price", which is based on the cost of providing such goods, works and services. The ceiling price is subject to the approval of the authorised body (in case of the Company, the MTC), which decides whether or not the ceiling price is reasonable on the basis of expert examination.

Competition Law

The Competition Law regulates competition and includes:

- a prohibition on anti-competitive agreements and collusive behaviour;
- a prohibition on the abuse of a dominant or monopolistic position in the market;
- a prohibition on unfair competition; and
- provisions relating to merger control.

Anti-competitive agreements and collusive behaviour

The Competition Law prohibits any anti-competitive agreement that may result in the restriction of competition. The Competition Law also prohibits collusive behaviour, including any action in concert which aims to restrict competition. These prohibitions relate, *inter alia*, to:

- the establishment or maintenance of prices or other conditions for the sale or purchase of goods, works or services;
- unjustified restriction of production or sale of goods, works or services;
- unjustified avoidance of or refusal to enter into agreements with certain suppliers or customers; and
- application of discriminatory provisions in respect of similar agreements with other market participants.

Abuse of dominant or monopolistic position

The Competition Law prohibits the abuse of a dominant or monopolistic position in a market, including where a market participant (or group of market participants) holds a position in the relevant market that gives it the ability to control the relevant market.

The Competition Law provides that the abuse of a dominant or monopolistic position includes, *inter alia*:

- the fixing and/or maintenance of monopolistic high or low prices or monopsonistic low prices;
- the application of different prices or different conditions to equivalent agreements with market participants without sufficient justification;
- the establishment of limitations on the re-sale of goods, works or services based on criteria such as territory, types of purchasers, conditions of purchase, quantity or price;
- the imposition on a market participant of additional obligations which do not relate to the subject matter of the agreement, or making entry into an agreement conditional on such additional obligations;
- an unjustified refusal to enter into agreements with certain purchasers when there is an opportunity to produce or sell the relevant good, work or service, or an attempt to avoid entering into agreements with market participants by failing to provide a response within one month to an offer to sign an agreement;
- making the supply of goods, works or services conditional upon the acceptance of restrictions on the purchase of goods, works or services produced or sold by competitors; or
- an unjustified reduction in production and/or supply volumes, or the termination of the production and/or supply of goods, works or services when there is demand from purchasers and the market participant in question has sufficient resources to fulfil this demand.

Definition of dominant position

The Competition Law provides that a dominant position exists if a market participant's share in the relevant market is 35% or greater.

In addition, under the Competition Law a market participant will be deemed to have a dominant position if:

- it is one of the top three market participants by market share and its market share, in aggregate with the other top three market participants by market share, is 50% or more of the relevant market; or
- it is one of the top four market participants by market share and its market share, in aggregate with the other top four market participants by market share, is 70% or more of the relevant market,

provided that, in either case, no market participant shall be deemed to have a dominant position if its own market share does not exceed 15% of the relevant market.

Definition of monopolistic position

The Competition Law provides that a monopolistic position exists where a market participant has a 100% market share. In addition, all natural monopolistic entities and state monopolistic entities are recognised by law as having a monopolistic position.

State Register of dominant and monopolistic entities

The Competition Agency maintains the State Register.

In 2000, the Competition Agency included the Company in the State Register as a provider of mobile communication services.

On 18 October 2011, the Competition Agency included the Company in the State Register as a provider of: (i) services relating to the connection of the telecommunications networks of communication operators and (ii) interconnection services. The Company is currently challenging its inclusion in the State Register in respect of interconnection services. See "*Risk Factors—Risks Relating to the Company's Business—The Company faces significant competition, which may result in further reductions in tariffs, increased churn and a corresponding loss of market share*", "*Risk Factors—Risks Relating to Regulatory Matters—The Company is subject to tariff regulation, which may limit its flexibility in pricing and could result in a reduction in its revenue and net profit*" and "*Business—Legal Proceedings*".

As at the date of the Prospectus, the Company is included in the State Register due to its country-wide market share of over 35% in mobile communication services.

In addition, as at the date of the Prospectus the Company is included in the State Register due to its country-wide market share of over 35% in each of the following categories:

- services relating to the connection of the telecommunications networks of communication operators; and
- interconnection services.

As a dominant entity, the Company is subject to the prohibition on abuse of a dominant market position under the Competition Law.

Unfair competition

The Competition Law prohibits unfair competition, which includes any actions aimed at achieving illegal advantages. Unfair competition includes, *inter alia*:

- the illegal use of trademarks;
- trade libel;
- the use of false, unfair or misleading advertisements; and
- the sale of an obligatory assortment of goods, works or services as opposed to the specific goods, works or services required by customers.

Merger control

The Competition Law prohibits mergers that: (i) create or strengthen a dominant or monopolistic position; and/or (ii) restrict competition. However, the Competition Law grants the Competition Agency the authority to consent to the merger if the merged entities can prove that the positive effects from their actions will outweigh the negative effects on the relevant market.

Regulators

The principal entity regulating the telecommunications sector in Kazakhstan is the MTC. The MTC assumed its responsibilities as telecommunications regulator in January 2012. Between March 2010 and January 2012, these responsibilities were held by the MCI. Between November 2003 and March 2010, they were held by the AIC. Between 1994 and 2003, they were held by the MTC (during this period this ministry was also known for a brief period of time as the Ministry of Transport, Communications and Tourism) and, prior to 1994, by the predecessor of the MTC, the Ministry of Communications.

The Communications Law empowers the MTC to carry out the following principal functions:

- implementation of state policy in the telecommunications sector;
- regulation and control of activities in the telecommunications sector;
- enactment of secondary legislation in the form of regulations, including regulations concerning the provision of telecommunications services;
- management of national resources in the telecommunications sector, such as radio frequency spectrum and the numbering resource;
- issuance of licences for activities in the telecommunications sector;
- inspection in relation to compliance with licensing requirements;
- planning for and ensuring efficient use of radio frequency spectrum;
- issuance of permits for the use of radio frequencies for civil purposes;
- inspection and "radio control" in relation to the use of radio frequencies ("radio control" includes, amongst other things: control over radio emissions; inspection of radio frequency facilities and high frequency installations; identification and prevention of activity of sources of radio interference, violation of use of radio frequencies and violation of standards and norms relating to emissions by radio frequency facilities and high frequency installations);
- state technical supervision and control in the telecommunications sector;
- issuance of regulations on the interconnection of telecommunications networks with the telecommunications networks of common use (i.e. those networks that are available for use by all users);
- consideration of applications from individuals and legal entities relating to the regulation of telecommunications networks of common use;
- disconnection of radio frequency devices which are being operated without the prescribed documentation or are non-compliant with the technical requirements of the applicable legislation;
- regulation and control of natural monopolistic sectors and regulated markets in the telecommunications sector; and
- price regulation in respect of market participants having a dominant or monopolistic position in the telecommunications sector.

The Government of Kazakhstan has the authority, *inter alia*, to determine state policy and development priorities in relation to the telecommunications sector, to issue regulations (such as the Radio Frequency Rules and the rules for subsidising the universal services (as defined below)) and to approve the allocation of frequency bands.

The central executive body of military command and the MTC have the authority to control the use of radio frequencies, to register radio frequency facilities and high frequency installations and to issue regulations governing distribution, use and allocation of radio frequencies.

Licensing

Licences

The Licensing Law establishes licensing requirements in respect of, *inter alia*: communication services; the operation and construction (installation) of communication infrastructure; and the export and import of certain types of goods. The Licensing Law establishes the procedure for obtaining the relevant licence. To obtain a licence, an applicant must comply with certain qualification requirements. The relevant state authorities have the right to exercise control over licensees in order to ensure compliance with the relevant licensing requirements (i.e. licensing control), including by way of inspections and reporting obligations imposed upon licensees.

Telecommunications services subject to the licensing requirement

The Licensing Law requires a licence for the provision of services in the communication sector. These services include the following types of activity:

- intercity telephony;
- international telephony;
- satellite mobile telecommunications; and
- cellular communication.

The licence for the provision of cellular communication services must indicate the name of the standard at which such services shall be provided.

GSM Licence

The Company holds general licence No. MTK № ДС 0000270 for the provision of cellular connection of the GSM standard, which was issued on 8 June 1998 (the "**GSM Licence**"). The GSM Licence covers the territory of the Republic of Kazakhstan and has been issued for an unlimited duration. Under the GSM Licence, the Company has the right to create and operate digital networks of cellular connection of the GSM standard (the "**GSM 900 Connection**") and the right to provide mobile cellular radio connection services. In addition, under the GSM Licence, the Company has the right to provide the following services subject to the Company's cellular network capacity:

- general telephone communication, including emergency calls, the transmission of short messages, the transmission of information in the format of data and conference connection; such services can be provided by way of wireless systems based on the GSM technologies within the allocated frequency band;
- cellular connection services to subscribers of other cellular mobile systems under agreements between the Company and operators who hold a licence in Kazakhstan or in other countries;
- supplementary services, including telephone mail, message wait, call wait, extension of calls, selective acceptance of calls, blockage of calls, determination of calling subscriber, review of calls, express-dial and dial of call-back;
- roaming services, including international roaming services; and
- other services subject to the Company's network capacity and further development of GSM cellular connection.

The Company has the right to provide services in relation to local, intercity and international calls by means of interconnection with Kazakhtelecom's telecommunications network systems of common use.

In connection with the provision of services under the GSM Licence, the Company has the right to:

- install its facilities in necessary locations;
- use land in accordance with the procedures provided by the Kazakhstan legislation;
- build and operate cable lines (fibre optic, coaxial and metallic); and
- design, build and operate the GSM 900 Connection within the frequency bands provided under the GSM Licence.

The Company has the right to create and operate the GSM 900 Connection and DCS 1800 (GSM 1800) within the allocated frequency bands of 1710-1730.2 MHz and 1805-1825.2 MHz with bandwidth of 5 MHz (acceptance/transmission) within Kazakhstan.

The Company has the right to create and operate the networks of UMTS/WCDMA standard within the allocated frequency bands of 1920-1980 MHz and 2110-2170 MHz with a bandwidth of 20 MHz (acceptance/transmission) within Kazakhstan.

The Company's 3G licence was issued to it in 2010 as an annex to the GSM Licence and is an integral part of the GSM Licence.

Spectrum allocation

Spectrum availability in Kazakhstan is limited and allocated by the MTC through the issuance of permits that regulate the use of radio frequency spectrum.

The Company has been allocated 33 carrier frequencies in the 900 MHz frequency band, 25 carrier frequencies in the 1800 MHz frequency band and is obtaining 25 frequencies as part of the Company's participation in a mobile telecommunications project initiated by the Government for its GSM/GPRS/EDGE network. The latter 25 frequencies are subject to certain conditions. See "*Risk Factors—Risks Relating to Regulatory Matters—The Company depends on its licences and radio frequency permits for the operation of its business and if any of these licences or permits were suspended or revoked, its business, financial condition and results of operations could be materially adversely affected*". The Company also has four UMTS/WCDMA carrier frequencies in the 2100 MHz frequency band. In addition, the MTC granted to the Company the permits to use the radio frequency spectrum in the 2.5 GHz and 3.5 GHz frequency band for its WIMAX/LTE TDD spectrum. Currently, the Company is making limited use of its WIMAX/LTE TDD spectrum due to the limited allocation of frequencies and limited availability of equipment that can support this spectrum.

In addition to the above, under the GSM Licence, the Company obtained a total of 88 permits for the use of radio frequency ("**RFPs**"), including 60 RFPs for frequencies in the 900 MHz frequency band, 14 RFPs for frequencies in the 1800 MHz frequency band and 14 RFPs for frequencies for 3G. The Company's 3G licence was issued to it in 2010 as an annex to the GSM Licence and is an integral part of the GSM Licence.

The Company has also obtained 16 RFPs that allow it to use frequencies in the 2.5 GHz frequency band and 14 RFPs that allow it to use frequencies in the 3.5 GHz frequency band. These RFPs were obtained on the basis of a General Licence No. 11000042 for the provision of communication, which was issued to the Company on 31 January 2011 (the "**Communication Services Licence**"). The Communication Services Licence was terminated on 9 August 2012 by operation of law because the activity that was licensed under the Communications Law was excluded from the list of activities subject to the licensing requirement under the Licensing Law pursuant to the Law of the Republic of Kazakhstan "On certain changes and amendments to the laws to decrease the number of authorisation documents and optimisation of control and supervision functions of state bodies", no. 36-V dated 10 July 2012. The termination of the Communication Services Licence does not affect the validity of the RFPs obtained under such licence and these RFPs remain valid subject to the applicable requirements of Kazakhstan law.

All the frequency bands used by the Company under the GSM Licence and the Communication Services Licence are dual purpose use (government and civil). These RFPs are subject to annual extension.

Authorisations for use of radio frequencies

The Communications Law provides that radio frequency can only be used if the user has been granted the appropriate RFP. The procedure for the issuance of such RFPs is set out in the Radio Frequency Rules. Under the Radio Frequency Rules, the MTC has the authority to assign radio frequencies to operators in the telecommunications sector by way of the issuance of RFPs.

The Radio Frequency Rules establish an annual extension requirement in respect of each RFP. The annual extension of an RFP occurs upon the submission of evidence showing the payment of the annual fee for the use of the radio frequency.

The Radio Frequency Rules prohibit the joint use of frequency bands with a third party or any transfer of frequency bands to a third party for temporary or permanent use.

Licence for design and construction of communication networks

The Licensing Law provides for a licensing requirement in respect of activities related to the design and construction of facilities including, *inter alia*, communication lines and other types of telecommunication facilities. The licences for the design and construction of facilities are issued by the relevant state body in the construction sector.

Currently, the Company does not hold any licences for activities relating to the design and construction of telecommunication objects and, therefore, must hire licensed third party contractors.

Licence for the import and export of certain goods

The Licensing Law provides for a licensing requirement in respect of activities relating to the import and export of certain goods, including, for example, the equipment required for the purposes of conducting criminal investigations.

Currently, the Company does not hold any licences for activities relating to the import or export of any goods. If the Company needs to import any equipment which is subject to the licensing requirement, it will be expected to obtain a licence.

Termination of licences

The Licensing Law provides that a licence may be terminated in any of the following circumstances:

- upon the expiration of the term for which the licence was issued;
- upon the performance of all operations for which the licence was issued;
- upon the revocation of the licence;
- upon the liquidation of the licensee;
- upon the voluntary return of the licence by the licensee;
- upon the exclusion of the licensed activity and/or sub-activity from the list of activities subject to the licensing requirement;
- upon the exclusion of the licensee from the list of entities subject to the licensing requirement; or
- in other cases stipulated by Kazakhstan legislation.

Suspension and revocation of licences

A licence may be suspended and/or revoked in accordance with the code of the Republic of Kazakhstan on Administrative Violations dated 30 January 2001, no. 155-II, as amended (the "**Administrative Code**").

The Administrative Code provides that a licence may be suspended in the event of violation of the licensing legislation of Kazakhstan (including in the event of non-compliance with the qualifying requirements relating to a licensee). The following is a non-exhaustive list of circumstances in which a licence may be suspended:

- non-fulfilment by a licensee of its obligations under a licence;
- transfer by a licensee of the allocated frequencies to other users for temporary or permanent use; and
- violation by a licensee of the antimonopoly legislation.

A licence may be suspended for a term not exceeding six months. If within a suspension period violations have not been eliminated, such licence may be revoked.

According to the Communications Law, communications operators must collect and store subscribers' proprietary information for a period of two years. A repeated failure to comply with this obligation may lead to the revocation of a licence.

Authorisations

The Communications Law provides for various authorisation requirements in the telecommunications sector, such as the requirement to obtain permits for the use of radio frequencies and to register radio frequency facilities and high frequency installations.

Authorisation for use of technical communication facilities

The Communications Law requires certification of compliance in respect of, *inter alia*:

- technical communication facilities used in the Uniform Network (as defined below); and
- radio frequency facilities and high frequency installations which are the sources of electromagnetic radiation (the "**REM/HFE**").

The Government of Kazakhstan approves the list of communication facilities that are subject to obligatory certification of compliance on the basis of the list prepared by the MTC in coordination with the relevant state authorities.

In addition, the Radio Frequency Rules require that:

- each REM/HFE must be registered by the MTC and the owner of the REM/HFE must obtain a certificate of registration; and
- each REM/HFE may only be operated where the following documents have been received in respect of that REM/HFE: (i) the permit for operation; (ii) the conclusion on electromagnetic compatibility prepared by the relevant agency; (iii) the certificate of conformity; and (iv) the sanitary and epidemiological report approved by relevant sanitary and epidemiological bodies.

Dominant market entity regulation

The Competition Law requires all operators with a dominant market position to provide the Competition Agency with, *inter alia*, the following documents:

- quarterly reports containing information on "monopolistic commodities" (i.e. goods, works or services in respect of which the relevant entity holds a monopolistic position), amount of "monopolistic commodities" produced and sold by the Company, sale prices and profitability of "monopolistic commodities"; and
- semi-annual financial statements.

The Competition Agency has the authority to carry out investigations into possible violations of the antimonopoly legislation. Following the results of such investigation, the Competition Agency has the authority to:

- commence proceedings for administrative violations;
- issue an order directing that the violation of the antimonopoly legislation be ceased; and/or
- submit materials to the authorised bodies to initiate criminal proceedings.

The Competition Agency has the right to issue mandatory orders to any market participant in respect of:

- the elimination of violations of the Competition Law and the consequences of such violations;
- the restoration of the *status quo*;
- the termination or amendment of agreements which contradict the Competition Law; and/or
- entry into agreement with another market entity in the event of unjustified refusal or avoidance of entry into an agreement with a supplier or customer.

A market participant is required to pay compensation for damages it causes as a result of violating the antimonopoly legislation. Such compensation can be required to be made by order of the Competition Agency and/or claims from market participants and persons affected by the violation.

Pricing regulation

The MTC has the authority to approve tariffs, prices and charges in respect of: (i) universal telecommunications services (as described under "*—Universal services*"); and (ii) natural monopolies in the telecommunications sector.

The MTC has the authority to regulate tariffs, prices and charges of dominant and monopolistic entities in the telecommunications sector.

Except as discussed above, other operators in the telecommunications sector have the right to independently establish tariffs for communication services on the basis of reasonable costs.

Due to the Company's status as a dominant entity within the telecommunications sector, the Company is required to submit monthly reports to the MTC containing information on revenue, amount of services and sale prices for services rendered by the Company. On the basis of such monthly reports, the MTC is entitled to set maximum tariffs for the Company in relation to services in respect of which it has been included in the State Register. In addition, the Company is required to provide the Competition Agency

with quarterly reports containing information on monopolistic services, amount of services rendered by the Company, sale prices and profitability of the monopolistic services rendered by the Company.

Interconnection

The Communications Law provides for the right to interconnection with the telecommunications networks of common use. Further, the Communications Law imposes an obligation on all dominant operators to grant the right to interconnect with their telecommunications networks of common use on the basis of an agreement amongst themselves.

The Rules "On joining and interaction of network telecommunications, including traffic transmission and mutual settlement order" approved by the Government of Kazakhstan dated 30 December 2011, no. 1694 set out detailed regulations governing interconnection and transmission of traffic. In addition, the Communications Law contains the following principles in relation to interconnection:

- all interconnection shall be made on the basis of a contract between the operators;
- the standard conditions for interconnection by dominant operators must be approved by the MTC;
- an interconnection agreement in relation to networks of an operator with a dominant market position is considered to be a public contract and such a contract can be entered into by any operator by way of acceptance of the terms thereof; and
- an operator with a dominant market position may not refuse to enter into an interconnection agreement with another operator.

In addition, the Communications Law requires that all operators of telecommunications networks must ensure that each customer has the ability to choose freely an intercity or international telephony service.

The Company is a dominant operator in the cellular market and in the market relating to the connection of the telecommunication networks of the operators. Therefore, the Company has an obligation to grant interconnection rights to other operators.

Interconnection fees are payable in the form of lump-sum fees. Interconnection fees are agreed between operators in a contract and must be determined in accordance with the principles of transparency and be based on the actual, reasonable costs of the services provided. In the past, however, the MTC has recommended reductions in interconnection tariffs. For example, in 2010, 2011 and 2012, the Company voluntarily reduced its interconnection tariffs at the request of the MTC. In November 2012, it also entered into a memorandum of understanding with Kar-Tel and Tele2, which provides for the gradual reduction of interconnection rates. See "*Industry—Regulation*". The MTC has also recently commissioned a case study to examine the potential effects of regulating interconnection rates and has established a dialogue with operators. At present, the Company believes that the MTC holds the view that interconnection tariffs should be gradually decreased from 2013. However, it has not implemented these changes through any official decrees or regulations. If the MTC requires operators to decrease their interconnection tariffs in 2013 or in future years beyond what operators have agreed amongst themselves, this could have an adverse effect on the Company's business, financial condition and results of operations. See "*Risk Factors—Risks Relating to Regulatory Matters—The Company is subject to tariff regulation, which may limit its flexibility in pricing and could result in a reduction in its revenue and net profit*".

Numbering resource

The Communications Law defines the numbering resource as a set of numbers used in communication networks (i.e. a set of telephone and other numbers used in the communication networks within Kazakhstan).

The Communications Law authorises the Government of Kazakhstan to issue rules for the allocation of numbering resource and the allocation and withdrawal of numbers. The MTC maintains the register of allocated and reserved numbering resource. This register includes the numbering plan for the communication networks used within Kazakhstan, the numbering system used within Kazakhstan, information on the allocated numbering resource of the numbering system and details of communication operators who have been allocated the numbering resource as well as the conditions of such allocation. Specific issues relating to the use of the numbering resource and the allocation of numbers are regulated by the Rules "On allocation and use of resource of numbering of telecommunications networks of common use" approved by the Order of the AIC dated 29 December 2009, no. 559, as amended.

Communication operators receive the numbering resource for rendering their telecommunications services in order for such operators to be able to allocate numbers to network subscribers. The allocation of the numbering resource for communication networks is carried out by the MTC following an application from the communication operator.

The numbering resource is deemed to be a part of the national resource of Kazakhstan. As such, it is considered to be inalienable and may not be sold, leased or transferred to a legal successor (for instance, in the case of a reorganisation or liquidation of a communications operator). Due to the non-transferability of the numbering resource in the event of a reorganisation of a communications operator, on 14 October 2012 the MTC withdrew the numbering resource that was allocated to the Company prior to its conversion into a joint stock company and has subsequently immediately re-allocated such numbering resource to the Company. Further, an operator is prohibited from transferring the numbering resource to another operator.

Allocated numbering resource must be used by the communications operators in the allocated territory or used for communications services in accordance with the operator's numbering plan. The operator must submit its numbering plan to the MTC on an annual basis.

The MTC has the right to withdraw the numbering resource allocated to the operator on the basis of:

- an application from the operator;
- the termination of the operator's licence;
- the violation by the operator of the regulations governing the use of the numbering resource; or
- the non-use by the operator of more than 50% of the allocated numbering resource within two years from the date of its allocation.

Universal services

The Communications Law provides for the concept of universal telecommunications services. These services include telecommunications services determined by the Government of Kazakhstan, such as local and intercity telephony. The Communications Law requires a universal services operator to provide these services to any user in any populated area of Kazakhstan. The Communications Law requires that the quality of these services and the tariffs for these services must be such as to ensure the availability of these services to all users within Kazakhstan.

The MTC has the authority to determine the maximum number of universal services operators in respect of a specific locality based on the need to provide universal services to potential users. Universal services operators are determined by a tender process which is based on the principle of competition. If there are no bids to participate in a tender process or the tender process does not result in a winner, the MTC has the authority to appoint any dominant operator of telecommunications networks of common use as the universal services operator and the designated operator is required to perform functions of a universal services operator. Currently, Kazakhtelecom acts as the sole universal services operator in certain parts of Kazakhstan.

Tariffs for universal services are subject to state regulation and must be approved by the MTC. The Communications Law provides for the subsidising of losses incurred by universal services operators operating in rural areas. In order to be able to receive subsidies, such operators are required to complete accounting separation.

Uniform telecommunications network

The Communications Law provides for the concept of the uniform telecommunications network (the "**Uniform Network**") of Kazakhstan. The Uniform Network includes the following telecommunications networks located within Kazakhstan:

- telecommunications networks of common use—these include networks which are available for use by all users;
- official telecommunications networks—these include networks used solely by state and local authorities and state-owned enterprises and institutions;
- dedicated telecommunications networks—these include any networks used solely by a limited group of users;

- special-purpose telecommunications networks—these include networks used for the purposes of defence, security and law enforcement and intra-Government communication; and
- corporate and other networks of information transmission by electromagnetic signals.

The Government of Kazakhstan issues a single procedure for interaction between all networks which form part of the Uniform Network. Operators of all networks which form part of the Uniform Network must create network control systems which satisfy the requirements of a unified interaction procedure approved by the Government of Kazakhstan. In addition, the Communications Law provides for the unified state technical standards for all networks which form part of the Uniform Network.

Number portability

The possibility of introducing MNP has been discussed within the MTC. MNP will allow subscribers to retain their mobile number when changing operators. MNP has been introduced recently in other countries and is generally regarded as a measure to protect consumer rights and ensure competition.

Currently, there is no legislation permitting MNP in Kazakhstan. However there may be certain changes in the future. In June 2012, the MTC announced its intention to involve external advisors to develop a plan for the implementation of the MNP services in Kazakhstan.

Interaction of communication operators with state authorities

Communication operators (i.e. communication services providers) are required to coordinate their plans regarding the construction of communication facilities, telecommunications lines and other communication facilities with the Kazakhstan National Security Committee.

Communication operators are required to provide criminal investigation authorities with access to customer-related information as well as the organisational and technical capability required to perform investigative activities using communication networks. In this regard, the Communications Law provides that operators must equip communication networks with the necessary technical facilities, ensure that their equipment complies with statutory requirements and collect and store subscriber proprietary information for two years in a manner established by the Government of Kazakhstan.

In emergency situations, communication operators are required to provide state authorities with priority use of their networks and, if necessary, to suspend all activities of networks and communication facilities except for those relating to Government related communications. The Government of Kazakhstan establishes a procedure for the compensation of costs incurred by operators in connection with the use of their networks and communication facilities by state authorities during such emergency situations.

Data content filtering

Pursuant to the Law of the Republic of Kazakhstan "On Mass Media" dated 23 June 1999 and the Law of the Republic of Kazakhstan "On Informatisation" dated 11 January 2007, internet data content that the Government deems to be harmful to Kazakhstan's citizens or state interests may be suspended or blocked pursuant to a court order.

Communication lands

The Land Code of the Republic of Kazakhstan dated 20 June 2003, no. 442-II, as amended (the "**Land Code**") provides for the concept of communications land, which includes land plots belonging to communications operators on the basis of ownership and/or permanent or temporary use and land plots in respect of which communication operators have the right of restricted purposeful use. In addition, the Land Code's concept of communication land includes land used for the placement and construction of communication-related infrastructure and cable, radio-relay, aerial and underground cable networks and areas designated as protection zones in respect of the above objects.

The Land Code provides that communication operators may lay communication networks along bridges, tunnels, streets, motor and railway roads, structures, collectors, prohibited areas, forests and water in compliance with the requirements of the applicable legislation. Failure to comply with such requirements may result in liability of communication operators in accordance with the laws and regulations of Kazakhstan.

The Land Code requires that during the construction of communication networks and related objects, communication operators must use technologies that protect the environment and do not aggravate the ecological situation as a result of such construction activities.

The Company locates cell sites based on its strategy to expand and improve the quality of its network, particularly in densely populated areas, and to replace cell sites that need to be removed. The Company either owns or leases the land plots on which its cell towers are erected. The Company surveys the area in order to identify the optimal location for the construction of a cell site. In urban areas, this would normally be on rooftops of buildings. In rural areas, masts are usually constructed. On the basis of the Company's own transmission network and channels rented by the Company, the Company's transmission teams identify the best means of connecting the base station to the network, either by physical optical fibre or microwave link. Once a preferred site has been identified and the exact equipment configuration for that site has been identified, the Company begins the process of obtaining all the necessary consents and permits.

Data protection

The constitution of Kazakhstan sets out the fundamental principle of the right to privacy. In particular, it provides that everyone has a right to the inviolability of private life. In addition, the Communications Law imposes obligations on operators with respect to the privacy of personal information processed by such operators by requiring the operators to ensure the privacy of correspondence, telephone discussions, postal dispatches, telegraph and other communications transmitted via telecommunications networks. The exceptions to these privacy requirements must be established by law and the information provided by operators pursuant to such exceptions must be in accordance with the procedure established by law.

Consumer protection

Consumer protection legislation in the Kazakhstan telecommunications sector consists of the Civil Code of the Republic of Kazakhstan (General Part) dated 27 December 1994, as amended, and the Civil Code of the Republic of Kazakhstan (Special Part) dated 1 July 1999, no. 409-I, as amended, the Law of the Republic of Kazakhstan "On Consumer Rights Protection" dated 4 May 2010, no. 274-IV ZRK, as amended, and the Communications Law. This legislation establishes basic principles of consumer rights, and includes consumer protections with regard to product quality, product safety, full and true product information and a right to seek damages. The Communications Law requires the Company to provide the users of its communication services with services of proper quality, which comply with the applicable standards and technical regulations, in addition to the contract terms.

The Rules "On communication services" approved by the Government of Kazakhstan dated 30 December 2011, no. 1718 (the "**Cellular Services Rules**") require a cellular operator to deliver services to its subscribers on the basis of a contract and set out mandatory terms which must be included in all contracts, governing matters such as tariffs and the types of services provided to the customer. In addition, the Cellular Services Rules provide that a cellular operator cannot refuse to provide services to a subscriber if it has sufficient technical capacity for the provision of such services.

The Kazakhstan legislation provides for the subscriber's right to bring a complaint against an operator for improper services or illegal actions on the part of the operator. In this regard, prior to filing a court claim, the subscriber may present its claim in writing to the operator. If the operator does not fully acknowledge the merits of the claim or the operator does not rectify the deficiencies identified in the claim, the subscriber has the right to file a claim with a Kazakhstan court and seek resolution of the dispute in such court.

Penalties and sanctions

As at 30 September 2012, MIR was equal to KZT 1,618 (MIR is a monthly calculation index established for each calendar year in the republican budget for the relevant year and is used for the calculation of penalties, taxes and other statutory payments in Kazakhstan). As at 30 September 2012, the NBK's KZT to U.S. dollar exchange rate (used to calculate the U.S. dollar amounts here in "*—Penalties and sanctions*") was 149.86 KZT per U.S. dollar.

Sanctions for violation of legislation in the communications sector

Kazakhstan legislation provides for liability incurred by a telecommunications operator for violations of the Communications Law and by-laws in the form of an administrative fine, the amount of which ranges

from 40 MIR (U.S.$432) to 500 MIR (U.S.$5,398). In addition, the Administrative Code provides that such violations may result in the suspension or revocation of licences held by operators.

Sanctions for violation of the provisions of the Competition Law

Kazakhstan legislation also provides for liability incurred by a telecommunications operator for violating the provisions of the Competition Law (relating to the entry by an entity into anti-competitive agreements and abuse of its dominant or monopolistic position) in the form of an administrative fine on the entity or its directors or officers or both. The amount of the fine on a director or officer of the entity ranges from 150 MIR (U.S.$1,620) to 300 MIR (U.S.$3,239). The amount of the fine on the entity can be 10% of the entity's total revenue generated for the period during which such illegal activity had occurred, with the possible confiscation of the monopolistic income obtained as a result of such activity for a period of up to one year.

In addition, violations of the provisions of the Competition Law may lead to criminal liability if such violations cause material damage to individuals, organisations or the state or result in the receipt by the company of income in the amount of 100,000 MIR (U.S.$1,079,674) or more.

Sanctions for violation of the requirements relating to price determination

A failure to comply with the requirements relating to price determination (including a failure by a regulated market entity to submit to the authorised body (in the case of the Company, the MTC) reports on the sale prices for goods, works and services or submission by the regulated market entity to the authorised body of inaccurate or false information in respect of the sale prices for goods, works and services) may result in administrative penalties in the amount of 2,000 MIR (U.S.$21,594).

In addition, an increase by the regulated market entity of the sale prices for goods, works and services without submission to the authorised body of a notification on the planned increase of the sale prices within the periods established by the legislation or a failure by the regulated market entity to lower the actual or projected sale price to a level determined by the authorised body (in the case of the Company, the MTC) may result in administrative penalties in the amount of 10% of the revenue received by the regulated market entity as a result of the administrative violation. In this case, the revenue is deemed to be the difference between the actual revenue received by the regulated market entity and the revenue that the regulated market entity would have received based on the sale prices effective prior to the increase of the sale prices in violation of the law.

Sanctions for failure to comply with the licensing requirement

A failure to comply with the Licensing Law and sub-laws (including a failure to comply with the qualification requirements under the licence) may result in administrative penalties, the amount of which ranges from 100 MIR (U.S.$1,080) to 300 MIR (U.S.$3,239). In addition, the Administrative Code provides that such violations may result in the suspension or revocation of licences held by the operators.

Sanctions for failure to comply with the Radio Frequency Rules

A failure to comply with the Radio Frequency Rules (i.e. rules in relation to the radio frequency spectrum use and operation of base stations) may lead to administrative penalties, the amount of which ranges from 80 MIR (U.S.$864) to 100 MIR (U.S.$1,080). In addition, the Administrative Code provides that such violations may result in the confiscation of the base stations and the potential suspension or revocation of licences held by the operators.

Sanctions for infringement of the proprietary rights

Under the Law of the Republic of Kazakhstan "On Copyright and Associated Rights" dated 10 June 1996, no. 6-I, as amended, if a third party content provider were to infringe a copyright or trademark, the Company might also be sued for copyright or trademark infringement. See "*Risk Factors—Risks Relating to the Company's Business—The Company may be sued for infringement of proprietary rights, particularly in relation to its third party content services*". Any such claims or lawsuits, irrespective of their merit, could be time consuming and could result in costly litigation and the diversion of technical and management personnel. The Company may also be required to develop non-infringing technology, be ordered to pay compensation of damages up to approximately U.S.$6,000,000, or be instructed to enter into royalty or licensing agreements.

DIRECTORS, MANAGEMENT AND CORPORATE GOVERNANCE

General

Pursuant to its Charter, the Company must have a board of directors, which serves as the management body of the Company, and a chief executive officer, who serves as an executive manager of the Company. Members of the board of directors of the Company are elected at a general meeting of shareholders of the Company. The board of directors of the Company appoints the chief executive officer. The board of directors of the Company represents the interests of shareholders and is responsible for the general management of the Company and the approval of its strategic and development plans. Overall responsibility for the administration of the Company's activities, however, is vested in the chief executive officer.

Board of Directors

According to the Charter, the board of directors of the Company must be comprised of no more than six persons. The exact number of members of the board of directors of the Company shall be established by the decision of the general meeting of shareholders of the Company. The members of the board of directors of the Company elect the chairman from amongst themselves. Members of the board of directors of the Company serve a fixed term established by the general meeting of shareholders of the Company or until resignation or removal at the general meeting of shareholders of the Company. Members of the board of directors of the Company may be re-elected as directors after their first election. In addition to approving the Company's strategic and development plans, the board of directors of the Company are also responsible for making decisions in relation to the establishment of branches and representative offices of the Company, acquisition or disposal by the Company of 10% or more of the shares (or, where relevant, participatory interests in the charter capital) of other legal entities, participation in the establishment and activities of other enterprises, concluding major transactions and related party transactions and the adoption of annual budgets.

The current members of the board of directors of the Company (the "**Board of Directors**") are as follows:

Name	Year of birth	Position	Director since
Jan Erik Rudberg	1945	Chairman of the Board of Directors, independent director	17 October 2012
Veysel Aral	1968	Member of the Board of Directors	9 November 2012
Berndt Kenneth Karlberg	1954	Member of the Board of Directors	9 November 2012
Tolga Köktürk	1977	Member of the Board of Directors	27 August 2012
Bert Åke Stefan Nordberg	1956	Member of the Board of Directors, independent director	9 November 2012
Mats Göran Salomonsson	1950	Member of the Board of Directors	27 August 2012

The Board of Directors is appointed until the general meeting of shareholders of the Company elects a new board of directors.

Mr Jan Erik Rudberg is the chairman of the Board of Directors and an independent director. He is the chairman of the board of directors of Hogia AB and a member of the board of directors (as an independent director) and the chairman of the audit committee of OJSC MegaFon. From 1994 until 2003 he held a variety of managerial positions with Telia AB. He previously served as chief executive officer of Tele2 AB, executive vice president of Nordbanken AB and chief executive officer of Enator AB. Mr Rudberg holds a degree from the Gothenburg School of Business Administration, Sweden. He is currently based in France.

Mr Veysel Aral is a member of the Board of Directors. He has served as the vice president and the head of Central Asia region of business area "Eurasia" of TeliaSonera since 2011. Mr Aral has also served as the chief executive officer of the Company since 2007. From 1989 until 1992, Mr Aral worked for Turkish State Railways as telecommunications engineer. From 1992 until 2001, he served Ericsson Telekomünikasyon A.Ş. in a variety of managerial roles and was responsible for a variety of telecommunication projects in Turkey, Iran and Pakistan. From 2001 until 2006 he served Ericsson AB as a country manager (Azerbaijan, Georgia and Turkmenistan) and as vice president and account manager of Fintur accounts. In 2007, he also served Ericsson Telekomünikasyon A.Ş. as vice president and key account manager. Mr Aral holds a

degree in physics engineering from the Middle East Technical University of Turkey. Mr Aral is currently based in Kazakhstan.

Mr Berndt Kenneth Karlberg is a member of the Board of Directors. From 1998 to 2002 he served as managing director of "Telia Mobile" at Telia AB, in which role he continued at the merged TeliaSonera in 2003 and 2004. From 2004 to 2006 he served as head of business area "Denmark, Norway, Baltics and Spain" of TeliaSonera. From 2006 to 2010 he served as head of business area "Mobility Services" of TeliaSonera. Previously, Mr Karlberg was an officer in the Swedish army, first graduating from Military Academy Karlberg and attaining his commission in 1976. He most recently graduated from Military Academy Karlberg in 1987 with the rank of senior staff. Mr Karlberg is currently based in Sweden.

Mr Tolga Köktürk is a member of the Board of Directors. He has been the chief financial officer of business area "Eurasia" of TeliaSonera since 2011. From 2006 until 2011, he served as the chief financial officer of the Company. From 2004 until 2006 he served as the chief financial officer of Azercell Telecom JV, TeliaSonera's mobile operation in Azerbaijan. Mr Köktürk holds a degree in economics from Koc University, Istanbul, Turkey. Mr Köktürk is currently based in Turkey.

Mr Bert Åke Stefan Nordberg is a member of the Board of Directors and an independent director. He is currently the chairman of the board of directors of Sony Mobile Communications AB. From 2009 to 2012, Mr Nordberg was a member of the board of directors, president and chief executive officer of Sony Ericsson Mobile Communications AB. From 2004 to 2009, he served as executive vice president of LM Ericsson AB. Mr Nordberg studied electronic engineering at Malmö Tekniska Läroverk, Sweden, and engineering (with the Swedish marines) in Berga, Sweden. Mr Nordberg is currently based in Sweden.

Mr Mats Göran Salomonsson is a member of the Board of Directors. He has served as the vice president of markets and business development of business area "Eurasia" of TeliaSonera since 2011. Mr Salomonsson has served TeliaSonera since 1994 in various positions. From 1996 until 2001, he worked for Telia Nära AB as financial manager and managing director. From 2001 until 2002, he worked for Telia Mobile AB. From 2003 until 2007 he held the position of the chief financial officer at TeliaSonera (business area "Norway, Denmark and Baltics"). From 2007 until 2009 he held the position of the chief financial officer at TeliaSonera (business area "Mobility Services"). From 2010 until 2011, he held the position of the chief financial officer at TeliaSonera (business area "Eurasia"). Previously, Mr Salomonsson held various management positions at AGA AB in Sweden and ABB AB in Sweden, Italy and the U.S., as well as Lagan Press AB and SAAB Automobile AB in Sweden. Mr Salomonsson holds a master of business degree from the Stockholm School of Economics, Sweden. He is currently based in Sweden.

The Chief Executive Officer

Mr Veysel Aral has been the chief executive officer of the Company since 2007 (the "**Chief Executive Officer**"). He was re-appointed as the Chief Executive Officer of the Company on 17 October 2012 for the term of one year. It is the responsibility of the chief executive officer to manage the Company's affairs on a day-to-day basis and all other matters that are not reserved as being under the exclusive competence of the board of directors of the Company or the general meeting of shareholders of the Company.

Senior Managers

The following persons are senior managers of the Company who are relevant to establishing that the Company has the appropriate expertise and experience for the management of its business (the "**Senior Managers**").

Name	Year of birth	Functions
Mr Bauyrzhan Ayazbayev	1978	Chief financial officer
Ms Aida Dossayeva	1960	Corporate communications department director
Ms Aliya Kishkimbayeva	1975	Legal department director
Mr Kaspars Kukelis	1971	Marketing department director
Mr Ajay Mathur	1956	Human resources department director
Ms Dilyara Mckay	1971	Customer relations department director
Mr Vyacheslav Penskiy	1972	Information communication technologies department director
Mr Nurlan Sargaskayev	1971	Chief commercial officer

Mr Bauyrzhan Ayazbayev has served as the chief financial officer of the Company since April 2011. From 2001 until 2005 he worked for PricewaterhouseCoopers LLP in Kazakhstan as a senior auditor. In 2005 and 2006, he worked for JSC PetroKazakhstan Oil Products in Kazakhstan as an operational accounting manager and a financial reporting manager. Mr Ayazbayev joined the Company in 2006 and held various positions, including deputy chief accountant, chief accountant and deputy finance director. He graduated from the Kazakhstan State Law University in 1999, where he earned a degree in law. He holds a master of business administration degree from the KIMEP University.

Ms Aida Dossayeva has served as the corporate communications department director of the Company since 2008. From 1994 until 1997, she worked for the KIMEP University as the director of admissions and financial aid. From 1997 until 1998, she worked for the representative office of Oracle B.V. in Kazakhstan as an account manager. In 2003 and 2004, she worked for the Eurasia Foundation Public Fund funded by the United States Agency for International Development. From 2004 until 2008, she worked for Microsoft Kazakhstan LLP as an account manager and later as a director. Ms Dossayeva graduated from the Almaty Institute of National Economics in 1981, where she studied economics. She holds a postgraduate degree in economic sciences from the Kazakhstan State National University. She holds a degree in public relations and international journalism from the KIMEP University.

Ms Aliya Kishkimbayeva has served as the legal department director of the Company since 2010. She joined the Company in 2007 and served as a senior lawyer and later as the head of the contract and litigation department of the Company. Previously she worked as a lawyer for CJSC "AralParker" (Joint Venture) and PetroKazakhstan Inc. (Joint Ventures). She graduated from the Adilet Law School in 2000, where she earned a degree in law and from the Kazakhstan State University of World Languages in 1997, where she earned a degree in English studies.

Mr Kaspars Kukelis has served as the marketing department director of the Company since 2008. From 1996 until 2005, he was the chief executive officer of LLP Panda Advertising. In 2002 and 2003 he was the president of LLP Kazakhstan Advertising Agencies Association. Mr Kukelis has served as the chairman of the board of JSC "KAPS INTL" since 2004. In 2006 and 2007 Mr Kukelis was the chief executive officer of LLP Kazyna Invest. In 2007 and 2008 he served as the deputy director of LLP Easy World MG. He graduated from the Kazakhstan State Academy of Management in 1995, where he earned a degree in economics.

Mr Ajay Mathur has served as the human resources department director of the Company since 2008. From 1977 until 1997, he served in the Indian army. From 1997 until 2005, as a private entrepreneur, he provided various consultancy and training services. Mr Mathur joined the Company in April 2005 and was responsible for the implementation of standards of the International Organisation for Standardisation. Mr Mathur earned a degree in arts from Jawaharlal Nehru University (India) in 1976 and he graduated from the Madras University (India) in 1989, where he undertook military studies.

Ms Dilyara Mckay (Gimatdinova) has served as the customer relations department director of the Company since 2009. From 2002 until 2005, she worked for Sky Mobile LLC (Bitel, Kyrgyzstan) as a customer relations department director. In 2007, she worked for Sotel Ltd. as a service centre director. Ms Gimatdinova joined the Company in June 2008 and held various positions, including those of expert and later manager in the commercial program unit of the program management office of the Company, and later served as the acting director of the customer relations department of the Company. She graduated from the Semipalatinsk Teacher's Training Institute in 1994, where she obtained the qualification of teacher of physical culture.

Mr Vyacheslav Penskiy performs the role of the information communication technologies department director of the Company. He has served as the information technology network planning and development manager of the Company since 2012. He joined the Company in 2008 and worked as an information technology operation manager and as the head of the service and product development unit. Prior to joining the Company, Mr Penskiy worked for Azercell Telecom JV, Astelit LLC and Ericsson Turkey A.S. Mr Penskiy graduated from the Azerbaijan Technical University in 1995, where he earned a degree in computer technologies, systems and networks.

Mr Nurlan Sargaskayev has served as the chief commercial officer of the Company since 2012. From 1995 until 1998, Mr Sargaskayev managed the private networks department of Siemens AG's representative office in Kazakhstan. From 1998 until 2000, Mr Sargaskayev managed the technical department of the Company and later served as the sales and marketing director of the Company. From 2000 to 2002, he served as general manager of Orbita Plus Ltd., a company providing mobile satellite telecommunication

services, before re-joining the Company in 2002 as a manager of the sales and marketing department and as the project and development manager. From 2005 until 2012, Mr Sargaskayev served as the business development director of the Company. He graduated from the Almaty University of Power Engineering and Telecommunications in 1993, where he earned a degree in industrial electronics engineering.

The business address for each member of the Board of Directors, the Chief Executive Officer and each Senior Manager is the registered office of the Company, which is 100 Samal-2 Microdistrict, Almaty 050051, Republic of Kazakhstan.

Other Directorships

In addition to the information set out in *"—Board of Directors"* and *"—Senior Managers"* above, the members of the Board of Directors, the Chief Executive Officer and the Senior Managers have held or currently hold the following directorships, have been or currently are members of the following administrative, management or supervisory bodies or have been or currently are members of the following partnerships, within the past five years.

Name	Current positions	Previous positions
Mr Veysel Aral	Member of the supervisory board of Central Asian Telecommunications Development B.V.	Vice president of Ericsson Telekomünikasyon A.Ş.
	Chairman of the board of directors of TeliaSonera Uzbek Telecom Holding B.V.	
	Participant of GVC MÜH. İNŞ. GOLF TARIM SULAMA SAN. VE TİC. LTD. ŞTİ.	
Mr Berndt Kenneth Karlberg . .	Founder/Member of the board of directors/Management director of Karnet AB	Chairman of the board of directors of Latvijas Mobilais Telefons SIA
	Member of the board of directors of Relacom AB	Chairman of the board of directors of Uab Omnitel
	Chairman of the board of directors of MobiU AB	Chairman of the board of directors of Amber Mobile Teleholding AB
	Chairman of the board of directors of Billboo Added Dimension AB	Chairman of the board of directors of Netcom ASA
	Member of the board of directors of Relacom International Holding AB	Member of the board of directors of Xfera Moviles S.A.
		Member of the board of directors of Nethouse Sverige AB
		Chairman of the board of directors of Örebro Innovation Center AB

Name	Current positions	Previous positions
Mr Tolga Köktürk	Member of the board of directors of TeliaSonera Uzbek Telecom Holding B.V. Member of the supervisory board of Central Asian Telecommunications Development B.V. Member of the board of directors of Azertel Telekomünikasyon Yatirim Diş Ticaret A.Ş. Member of the board of directors of Azercell Telekom MMC Member of the board of directors of Geocell LLC	Member of the board of directors of TeliaSonera UTA Holding B.V. Member of the board of directors of TeliaSonera Asia Holding B.V.
Mr Kaspars Kukelis	Chairman of the board of directors of JSC "KAPS INTL" Member of Kaps LLP	
Mr Bert Åke Stefan Nordberg . .	Chairman of the board of directors of Sony Mobile Communications AB Chairman of the board of directors/Chairman of the nomination and compensation committee of Vestas Wind Systems A/S Member of the board of directors of Svenska Cellulosa AB (SCA) Member of the board of directors of NOTE AB	
Mr Jan Erik Rudberg	Member of the board of directors/Chairman of the audit committee of OJSC MegaFon Chairman of the board of directors of Hogia AB	Chairman of the board of directors of Azerfon Plc Founder/Member of the board of directors of Next Generation Broadcasting AB
Mr Mats Göran Salomonsson . .	Chairman of the board of directors/Member of the audit and remuneration committee of AS Eesti Telekom Member of the board of directors of TeliaSonera Försäkring AB Member of the board of directors of TeliaSonera UTA Holding B.V. Member of the board of directors of TeliaSonera Asia Holding B.V.	Member of the board of directors of IM Moldcell S.A.

Name	Current positions	Previous positions
	Member of the board of directors of Airbell Services Ltd	
	Member of the board of directors of Nepal Satellite Telecom Pvt Ltd	

Corporate Governance

In relation to corporate governance within Kazakhstan joint stock companies, best practice is set out in the model corporate governance code (the "**Kazakh Model Code**"). The Kazakh Model Code is based on existing international best practice in the area of corporate governance. In particular, the Kazakh Model Code contains certain general rules and recommendations with respect to corporate governance that may be applied, on a voluntary basis, by Kazakhstan joint stock companies and is based on the recommendations formulated by the Experts' Council for Securities Market Matters of the NBK in September 2002. It was approved by the council of issuers under the auspices of the Agency of the Republic of Kazakhstan for Regulation and Supervision of the Financial Market and Financial Organisations in February 2005 and by the Council of the Financial Institutions Association of Kazakhstan in March 2005 and certain amendments to the Kazakh Model Code were approved by the Council of Issuers under the auspices of the Agency of the Republic of Kazakhstan for Regulation and Supervision of the Financial Market and Financial Organisations in July 2007 based on the recommendations of the Corporate Governance Working Group of the Financial Institutions Association of Kazakhstan.

Under the rules relating to the admission of shares to the first category of the official list of KASE, the Company is required to maintain a corporate governance code at all times. The Corporate Governance Code was approved by the general meeting of shareholders of the Company on 17 October 2012.

The Corporate Governance Code complies with the JSC Law and is currently based on the Kazakh Model Code and TeliaSonera's Code of Ethics and Conduct.

The Corporate Governance Code comprises a set of rules which the Company follows to form, maintain and improve the Company's overall corporate governance system. The Company also follows the Corporate Governance Code to ensure that a high standard of business ethics is maintained.

The Company is not subject to the UK Corporate Governance Code as issued by the Financial Reporting Council.

Committees of the Board of Directors

Under the JSC Law, the Company is required to establish the following committees of the board of directors of the Company:

(a) strategic planning committee;

(b) personnel and remuneration committee;

(c) internal audit committee; and

(d) social matters committee.

Under the JSC Law, the committees listed in items (a)-(d) above must be chaired by independent directors. The JSC Law also allows the board of directors of the Company to create additional committees if it so desires. The JSC Law provides that committees of the board of directors of the Company must be comprised of members of the board of directors of the Company and other persons having the required professional knowledge. The Company established the committees listed in items (a)-(d) above.

Strategic Planning Committee

The current members of the strategic planning committee of the Company (the "**Strategic Planning Committee**") are as follows:

Name	Position
Mr Bert Åke Stefan Nordberg	Chairman of the committee, independent director
Mr Berndt Kenneth Karlberg	Member of the committee
Mr Mats Göran Salomonsson	Member of the committee

The Strategic Planning Committee is an advisory body of the board of directors of the Company. Meetings of the Strategic Planning Committee are expected to be held at least once a year. The Strategic Planning Committee is expected to be responsible for making recommendations to the board of directors of the Company concerning strategic development of the Company.

Personnel and Remuneration Committee

The current members of the personnel and remuneration committee of the Company (the "**Personnel and Remuneration Committee**") are as follows:

Name	Position
Mr Bert Åke Stefan Nordberg	Chairman of the committee, independent director
Mr Tolga Köktürk	Member of the committee
Mr Mats Göran Salomonsson	Member of the committee

The Personnel and Remuneration Committee is an advisory body of the board of directors of the Company. Meetings of the Personnel and Remuneration Committee are expected to be held at least once a year. The Personnel and Remuneration Committee is expected to be responsible for making recommendations to the board of directors of the Company concerning qualifying requirements, nominations, appointments and retirements of certain employees, management incentives and salaries and internal documentation relating to appraisals, training policy and motivation of employees.

Audit Committee

The current members of the internal audit committee of the Company (the "**Internal Audit Committee**") are as follows:

Name	Position
Mr Jan Erik Rudberg	Chairman of the committee, independent director
Mr Berndt Kenneth Karlberg	Member of the committee
Mr Tolga Köktürk	Member of the committee

The Internal Audit Committee is an advisory body of the board of directors of the Company. Meetings of the Internal Audit Committee are expected to be held at least once a year. The Internal Audit Committee is expected to be responsible for making recommendations to the board of directors of the Company concerning financial reporting, internal controls and risk management systems, internal audit and external audit.

Social Matters Committee

The current members of the social matters committee of the Company (the "**Social Matters Committee**") are as follows:

Name	Position
Mr Jan Erik Rudberg	Chairman of the committee, independent director
Mr Tolga Köktürk	Member of the committee
Mr Mats Göran Salomonsson	Member of the committee

The Social Matters Committee is an advisory body of the board of directors of the Company. Meetings of the Social Matters Committee are expected to be held at least once a year. The Social Matters Committee is expected to be responsible for making recommendations to the board of directors of the Company

concerning internal documentation on the Company's social accountability, participation of the Company in social projects and resolution of the Company's internal conflicts.

Independent Directors

The JSC Law requires at least 30% of a company's board of directors to be independent. Failure to comply with this requirement can result in the invalidation of certain corporate decisions made by the board of directors of the Company. The Corporate Governance Code defines "independent directors" as members of the board of directors of the Company, classified as "independent directors" in accordance with the current legislation of the Republic of Kazakhstan. A general meeting and a board of directors of the Company must consider the matters set out in the provision B.1.1. of the UK Corporate Governance Code published in June 2010 (as amended from time to time).

Compensation of the members of the Board of Directors, the Chief Executive Officer and the Senior Managers

During the year ended 31 December 2011, total compensation paid to the members of the Board of Directors, the Chief Executive Officer and the Senior Managers by the Company and its subsidiaries, including salaries, bonuses and other payments, was approximately KZT 403 million.

No amount was set aside by the Company to provide pension or retirement benefits in the financial year ended 31 December 2011.

The members of the Board of Directors are not entitled to benefits upon termination of their employment. The Chief Executive Officer is entitled to the statutory termination benefits set forth in the labour code of the Republic of Kazakhstan dated 15 May 2007, no. 251-III. Upon early termination of the appointment of the Chief Executive Officer on the initiative of the Company, the Chief Executive Officer will be entitled to receive a compensation payment equal to his gross salary for three months.

The Company does not maintain any stock option or similar plans. Certain managers of the Company participate in TeliaSonera's long-term incentive programmes.

Litigation Statement

As at the date of this Prospectus, none of the members of the Board of Directors, the Chief Executive Officer or the Senior Managers has in the previous five years:

- had any convictions in relation to fraudulent offences;
- been a member of the administrative, management or supervisory bodies or senior manager of any company or partnership at the time of or preceding any bankruptcy, receivership or liquidation; or
- been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body), nor ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of a company.

Conflicts of interest and material interest in the issue of GDRs

There are no potential conflicts of interest between the duties of any member of the Board of Directors, the Chief Executive Officer or any Senior Manager towards the Company and their private interests and/or other duties.

The Selling Shareholder will pay underwriting commissions as well as certain expenses of the Offering. The Underwriters will receive a base commission of 2.2% of the gross proceeds of the Offering (which, for the avoidance of doubt, includes the gross proceeds of any Put Option GDRs). In addition, the Selling Shareholder may, in its sole discretion, pay the Underwriters an additional commission of up to 1.0% of the gross proceeds of the Offering (which, for the avoidance of doubt, includes the gross proceeds of any Put Option GDRs). No other natural or legal person has a material interest in the issue of the GDRs.

SHAREHOLDERS

Shareholders

The table below sets forth certain information regarding the ownership of the Company's share capital prior to the Offering, as adjusted to give effect to the sale of the Company's shares by Sonera in the Offering. All information provided in this section assumes that the Put Option is not exercised.

Shareholder	Shares owned before the Offering		Shares owned after the Offering		Notifiable shareholdings[4]
	Number	%[1]	Number	%[1]	Yes/No
Fintur Holdings B.V.[2]	102,000,000	51	102,000,000	51	Yes
Sonera Holding B.V.[3]	98,000,000	49	48,000,000	24	Yes
Depositary	—	—	45,123,528	22.6	No
Holders of shares sold in the Domestic Offer (including shares deposited with JSC "Central Securities Depositary" (the "**Kazakhstan Central Depositary**"))	—	—	4,876,472	2.4	No
Total	**200,000,000**	**100**	**200,000,000**	**100**	

Notes:

(1) Percentage shareholding of common shares.

(2) Owned indirectly 58.55% by TeliaSonera and owned 41.45% by Turkcell.

(3) Indirectly wholly owned by TeliaSonera.

(4) Based on the JSC Law and the Charter.

Prior to the Offering, Fintur and Sonera collectively owned 100% of the Company's share capital. Following the Offering, Fintur and Sonera will collectively own 75% of the Company's share capital. Under the JSC Law and the Charter, the disclosure obligations applicable to the shareholders of the Company appear in the last column of the table set out above. Each of Fintur and Sonera will have an interest above the 10% threshold (representing a percentage of the total number of voting shares in the Company), which is notifiable to the Company together with information about the shareholders' affiliates. See also "*Description of Share Capital and Certain Requirements of Kazakhstan Law—Disclosure of interests in shares*".

Sonera

Sonera is a company incorporated as a private limited liability company under the laws of the Netherlands, registered with the trade register of the Chamber of Commerce for Rotterdam under file number 33271992, having its registered office at Rodezand 34K, 3011 AN Rotterdam, the Netherlands, and is 100% owned by TeliaSonera Finland Oyj. TeliaSonera Finland Oyj is 100% owned by TeliaSonera.

The shares of TeliaSonera are listed on the Nasdaq OMX Stockholm and the Nasdaq OMX Helsinki. As at 30 September 2012, the Swedish State held 37.3% and the Finnish State held 11.7% of TeliaSonera's outstanding share capital. As at 30 September 2012, no other shareholder of TeliaSonera held more than 5% its share capital.

Fintur

Fintur is a company incorporated as a private limited company under the laws of the Netherlands, registered with the trade register of the Chamber of Commerce for Rotterdam under file number 24111385, having its registered office at Rodezand 34K, 3011 AN Rotterdam, the Netherlands, and is 58.55% indirectly owned by TeliaSonera and 41.45% owned by Turkcell. TeliaSonera holds 58.55% of the shares in Fintur through Sonera and TeliaSonera Finland Oyj.

TeliaSonera

TeliaSonera owns 14.02% of the share capital of Turkcell (which holding includes publicly traded American depositary receipts and ordinary shares) and 47.09% of the share capital of Turkcell Holding A.Ş. ("**Turkcell Holding**"). Turkcell Holding owns 51% of Turkcell. TeliaSonera's shareholdings in Turkcell and Turkcell Holding are held through Sonera and TeliaSonera Finland Oyj.

Prior to the Offering, TeliaSonera held, directly and indirectly, 86.9% of the Company's share capital. Following the Offering, TeliaSonera will hold, directly and indirectly, 61.9% of the Company's share capital.

Kazakhtelecom Exit Sale

Pursuant to a sale and purchase agreement (the "**SPA**") between Sonera and Kazakhtelecom dated 21 December 2011 (as amended) Sonera acquired from Kazakhtelecom 49% of the participatory interests in the limited liability partnership that was the predecessor of the Company for a purchase price of U.S.$1,519 million (the "**Kazakhtelecom Exit Sale**").

The MoU

The SPA was entered into pursuant to a binding memorandum of understanding between TeliaSonera and Kazakhtelecom dated 20 September 2011 (as amended and restated) (the "**MoU**"). The MoU includes, amongst other things, a best endeavours obligation on TeliaSonera to undertake, subject to achieving an acceptable valuation and satisfying certain other conditions, an initial public offering of the Company and sell not less than 25% of the Company's total issued Shares.

Under the MoU, TeliaSonera has discretion as to whether or not to proceed with the Offering and the terms, pricing and timing of the Offering.

The principal terms of the MoU are summarised below:

IPO Shares—Deferred Consideration

Under the MoU, the Selling Shareholder is required to pay Kazakhtelecom as deferred consideration for the initial Kazakhtelecom Exit Sale, if and to the extent that the offer price per Share pursuant to the Domestic Offer or the Offer Price per GDR exceeds the initial price per participatory interest (calculated on a per Share basis and on the basis of the relevant rate of exchange quoted by the KASE at the close of the morning session of the KASE on the date of this Prospectus) paid by the Selling Shareholder to Kazakhtelecom on a per Share basis pursuant to the Kazakhtelecom Exit Sale (the "**Initial Purchase Price**"), an amount equal to such excess multiplied by the number of Shares sold pursuant to the Offering (whether in the form of Shares or GDRs, but excluding any Shares (in the form of Put Option GDRs) which are acquired by the Selling Shareholder pursuant to any exercise of the Put Option).

Non-IPO Shares—Deferred Consideration

In addition, under the MoU, the Selling Shareholder is required to pay Kazakhtelecom as further deferred consideration for the Kazakhtelecom Exit Sale, if and to the extent that the volume weighted average trading price of the Shares (calculated by reference to the trading volume and trading price of the Shares and the GDRs on the KASE and the London Stock Exchange, respectively, during the 60-day period commencing 30 days after the Closing Date (such 60-day period being the "**VWAP Period**")) exceeds the Initial Purchase Price, an amount equal to such excess multiplied by such number of Shares as represent 24% of the Company's total issued Shares (representing the Shares acquired by TeliaSonera from Kazakhtelecom pursuant to the Kazakhtelecom Exit Sale which the Selling Shareholder is not selling pursuant to the Offering).

Lock-up, Non-Delisting and Standstill

Pursuant to the MoU, TeliaSonera agreed that it, the Selling Shareholder and Fintur shall not without the prior written consent of Kazakhtelecom:

- in the period commencing on the Closing Date and ending 180 days later, transfer any Shares or GDRs, or interests therein, other than any transfers pursuant to any exercise of the Samruk Option (as defined below); and
- in the period commencing on the Closing Date and ending two calendar years later:
  - make or permit the Company to make any voluntary application to delist the Shares or GDRs;
  - take any action, or omit to take any action, that it knows, or ought reasonably to have known, would be reasonably likely to result in the delisting of the Shares or GDRs;

- permit any person acting in concert with it (including any affiliate) to take any action, or omit to take any action, which it knows, or ought reasonably to have known, would be reasonably likely to result in the delisting of the Shares or GDRs; or
- directly or indirectly procure that any third party takes any action or omits to take any action that it knows, or ought reasonably to have known, would be reasonably likely to result in the delisting of the Shares or GDRs.

TeliaSonera and Kazakhtelecom agreed under the MoU that they shall not without each other's consent during the 90-day period commencing on the Closing Date, directly or indirectly, make any acquisition, permit any person acting in concert with it (including any affiliate) to make any acquisition or procure that any third party makes any acquisition of any Shares or GDRs, or interest therein, save that the Selling Shareholder is permitted to acquire any Shares (in the form of Put Option GDRs) that are put back to it by the Underwriters pursuant to any exercise of the Put Option.

In the event of breach of the "*Lock-up, Non-Delisting and Standstill*" undertakings described in the preceding paragraphs, a breaching party shall, on demand of the other party, pay the sum of U.S.$10 million in immediately available funds by way of liquidated damages to the other party.

No New Share Issues

Under the MoU, TeliaSonera agreed that no new Shares will be issued in the Offering.

TeliaSonera and Fintur Lock-up and Standstill

Furthermore, pursuant to the MoU, TeliaSonera agreed:

- if TeliaSonera acquires any Shares or GDRs, it shall not transfer or otherwise dispose of such Shares or GDRs or any direct or indirect interests therein until the date that is 180 days after the Closing Date; and
- it shall procure that Fintur will not transfer or otherwise dispose of any Shares or GDRs or any direct or indirect interest therein (except for any transfers to TeliaSonera or its affiliates) until the date that is 180 days after the Closing Date.

Samruk Option

Under the MoU, if and to the extent that the Selling Shareholder acquires any Shares (in the form of Put Option GDRs) pursuant to any exercise of the Put Option, Samruk-Kazyna JSC ("**Samruk**"), the Kazakh sovereign wealth fund, has a call option, exercisable in the 30 days following the end of the VWAP Period, to acquire all, but not some, of such Shares from Sonera at the Initial Purchase Price (the "**Samruk Option**"). If it exercises such right, Samruk has agreed not to dispose of such Shares until the date that is 180 days after the Closing Date.

Position Post the Offering

Following the Offering, Fintur and Sonera will collectively own not less than 75% of the Company's share capital and will continue to control the Company, for example in relation to electing members of the board of directors of the Company, declaring dividends (if any), amending the Charter and having control over almost all of the decisions reserved to the competence of a general meeting of shareholders of the Company. In addition, the controlling shareholders may engage in business activities with entities that compete with the Company or which may involve increased risk for shareholders or GDR holders. Other than the protections afforded to minority shareholders outlined below, no additional measures have been put in place at the Company to prevent an abuse of the rights of minority shareholders resulting from the exercise of control over the Company. See "*Risk Factors—Risks Relating to the Company's Business—The Company's share ownership is highly concentrated". For further discussions of matters requiring the approval of the Company's shareholders, see also "Risk Factors—Risks Relating to the Company's Business—There is a risk that certain matters requiring the approval of the Company's shareholders may not receive the support of Fintur, the Company's majority shareholder, by virtue of the current deadlock within Turkcell İletişim Hizmetleri A.Ş., Fintur's minority shareholder*".

Certain protections are afforded to minority shareholders of a joint stock company under the JSC Law, albeit indirectly. In particular, the JSC Law:

- requires all interested party transactions to be approved by disinterested directors and all major transactions to be approved by the board of directors of the joint stock company;
- empowers shareholders to request certain information from the joint stock company;
- empowers shareholders holding, either independently or collectively, 10% or more of the voting shares of the joint stock company to request its board of directors to call general meetings of shareholders and request audits;
- provides for cumulative voting when members of the board of directors of the joint stock company are being elected;
- empowers shareholders to request the joint stock company to repurchase their shares in certain circumstances;
- empowers shareholders holding, either independently or collectively, 5% or more of the voting shares to file a claim with the court seeking compensation in favour of the joint stock company for losses caused by the joint stock company's officers and return to the joint stock company, by the officials and/or their affiliates, of the profit (income) received by them as a result of adopting a resolution approving the conclusion of major transactions and/or interested party transactions in instances provided by the JSC Law; and
- empowers minority shareholders to apply to the registrar of securities of the company in order to enable them to combine their votes at general meetings of shareholders for the purposes of voting.

None of the Company's controlling shareholders has any voting rights different from any other holders of the Company's shares. For a detailed description of rights attached to common shares of the Company, see "*Description of Share Capital and Certain Requirements of Kazakhstan Law—Summary of the Charter—Rights attaching to shares and variation of rights*".

The Company is not aware of any arrangements in place the operation of which may at a subsequent date result in a change in control of the Company.

So far as the Company is aware, no controlling shareholder, member of the Board of Directors or the Chief Executive Officer, intends to purchase the Securities in the Offering. So far as the Company is aware, no person intends to purchase more than 5% of the Securities in the Offering.

Allegations against TeliaSonera

In September 2012, the anti-corruption unit of the Swedish prosecuting authorities initiated an investigation, and the Swedish police collected information from TeliaSonera, regarding its investment in Uzbekistan and in connection with its acquisition of Ucell and related 3G licence, frequencies and number series in 2007. The investigation relates to allegations of corruption and money laundering in respect of payments by an affiliate of TeliaSonera to the company from whom TeliaSonera acquired its interests in such 3G licence, frequencies and number series in 2007. TeliaSonera has publicly stated that the allegations are unfounded and has initiated its own external legal review, to be presented before the end of the year. Neither this investigation nor these allegations in any way relate to the Company or its operations, licences or frequencies, or to TeliaSonera's conduct in Kazakhstan.

There have also been subsequent adverse media reports about TeliaSonera's investment in Nepal which TeliaSonera has publicly stated to be incorrect and unfounded.

RELATED PARTY TRANSACTIONS

In the course of its business the Company has engaged in and continues to be engaged in transactions with related parties.

Parties are generally considered to be related if one party has the ability to control the other party, if the parties are under common control, or if one party can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Prior to the disposal by Kazakhtelecom of its stake in the Company, related parties also included entities under the control or joint control of the Government of Kazakhstan, which controls Kazakhtelecom. Accordingly, the balance of transactions with Kazakhtelecom was included in the Unaudited Interim Financial Statements. Transactions with state-owned entities are not disclosed if entered into in the ordinary course of business with terms consistently applied to all public and private entities: (i) when they are not individually significant, (ii) where mobile services are rendered at the standard terms available to all subscribers or (iii) where there is no choice of supplier such as in the case of electricity transmission services or telecommunications.

Set out below is a summary of the Company's related party transactions, as defined in International Accounting Standard 24 "Related Party Disclosures", in accordance with IFRS, as at and for the years ended 31 December 2011, 2010 and 2009 and as at and for the nine months ended 30 September 2012 and 30 September 2011. For further details of these transactions, see Note 6 to the Audited Financial Statements and Note 6 of the Unaudited Interim Financial Statements appearing elsewhere in this Prospectus. "Entities of TeliaSonera group" referenced in the tables below include entities under common control and associates of TeliaSonera Finland Oyj. Kazakhtelecom ceased to be a related party in February 2012. Accordingly, for related party transactions disclosure purposes, balances as at 30 September 2012 were set at zero and transactions for the nine months ended 30 September 2012 include only transactions during the month of January.

Amounts due from related parties as at 31 December 2011, 2010 and 2009 were as follows:

		As at 31 December		
		2011	**2010**	**2009**
		(KZT thousand)		
Kazakhtelecom	Interconnect and transmission	2,156,411	1,301,709	—
Turkcell	Roaming	10,536	8,644	32,584
Entities of TeliaSonera group	Roaming	29,837	25,645	29,664
Total due from related parties		**2,196,784**	**1,335,998**	**62,248**

Amounts due from related parties as at 30 September 2012 and 31 December 2011 were as follows:

		As at 30 September 2012	**As at 31 December 2011**
		(KZT thousand)	
Kazakhtelecom	Interconnect and transmission	—	2,156,411
Turkcell	Roaming	11,507	10,536
Entities of TeliaSonera group	Roaming	12,127	29,837
Total due from related parties		**23,634**	**2,196,784**

The outstanding amounts due to the Company from related parties are neither overdue nor impaired. The reliability of these entities is determined by the Company on the basis of a long-term cooperation.

Amounts due to related parties as at 31 December 2011, 2010 and 2009 were as follows:

		As at 31 December		
		2011	2010	2009
		(KZT thousand)		
Fintur	Technical assistance	349,724	301,603	301,132
Kazakhtelecom	Interconnect and transmission	831	—	282,827
TeliaSonera Finland Oyj	Roaming	6,229	3,404	4,811
Turkcell	Roaming	6,138	10,465	29,188
Entities of TeliaSonera group	Roaming	18,024	24,751	33,476
Total due to related parties		**380,946**	**340,223**	**651,434**

Amounts due to related parties as at 30 September 2012 and 31 December 2011 were as follows:

		As at 30 September 2012	As at 31 December 2011
		(KZT thousand)	
Fintur	Technical assistance	247,402	349,724
Turkcell	Roaming	68,129	6,138
TeliaSonera Finland Oyj	Roaming	—	6,229
Kazakhtelecom	Interconnect and transmission	—	831
Entities of TeliaSonera group	Roaming	266	18,024
Total due to related parties		**315,797**	**380,946**

The income items with related parties for the years ended 31 December 2011, 2010 and 2009 were as follows:

		Year ended 31 December		
		2011	2010	2009
		(KZT thousand)		
Revenues				
Kazakhtelecom	Interconnect	4,448,717	3,439,684	3,967,630
Turkcell	Roaming	66,445	111,341	207,093
Entities of TeliaSonera group	Roaming	164,800	113,120	139,189
Total revenue—related parties		**4,679,962**	**3,664,145**	**4,313,912**

The income items with related parties for the nine months ended 30 September 2012 and 2011 were as follows:

		Nine months ended 30 September 2012	Nine months ended 30 September 2011
		(KZT thousand)	
Revenues			
Kazakhtelecom	Interconnect	232,297	3,204,791
Turkcell	Roaming	38,852	44,967
Entities of TeliaSonera group	Roaming	110,529	125,612
Total revenue—related parties		**381,678**	**3,375,370**

The expense items with related parties for the years ended 31 December 2011, 2010 and 2009 were as follows:

		Year ended 31 December		
		2011	2010	2009
		(KZT thousand)		
Operating expenses				
Kazakhtelecom	Interconnect and transmission	6,254,613	6,214,405	5,367,038
Turkcell	Roaming	168,097	168,746	265,163
Fintur	Technical assistance	66,045	73,733	305,351
TeliaSonera Finland Oyj	Roaming	39,087	31,869	26,955
Entities of TeliaSonera group	Roaming	213,670	223,052	153,624
Total expenses—related parties		**6,741,512**	**6,711,805**	**6,118,131**

The expense items with related parties for the nine months ended 30 September 2012 and 2011 were as follows:

		Nine months ended 30 September 2012	Nine months ended 30 September 2011
		(KZT thousand)	
Operating expenses			
Kazakhtelecom	Interconnect and transmission	538,025	4,425,806
Turkcell	Roaming	131,949	154,882
Fintur	Technical assistance	55,354	49,384
TeliaSonera Finland Oyj	Roaming	14,199	13,815
Entities of TeliaSonera group	Roaming	252,951	177,098
Total expenses—related parties		**992,478**	**4,820,985**

On 29 March 2006, the Company entered into an interconnect contract with Kazakhtelecom (the "**Interconnect Contract**"). Pursuant to the Interconnect Contract, Kazakhtelecom charges the Company for outgoing local and international PSTN calls and transit traffic from the Company's networks and the Company charges Kazakhtelecom for incoming calls from GSM networks, PSTN and international and local transit traffic through the network of Kazakhtelecom.

In addition, the Company entered into a number of digital communication channels lease agreements with Kazakhtelecom, (the "**Channels Lease Agreements**"). Pursuant to the Channels Lease Agreements, the Company leases from Kazakhtelecom digital communication channels in Kazakhstan. The Company is dependent on this commercial relationship. The Company may terminate each Channel Lease Agreement by giving 30 days' prior notice of termination provided that all payments under the relevant Channel Lease Agreement have been made. Kazakhtelecom is entitled to terminate some of the Channel Lease Agreements by giving one month's notice to the Company.

Furthermore, on 1 November 2010, the Company entered into an agreement with Kazakhtelecom for the provision of data transmission services and access to internet for communication operators. This agreement was initially entered into for the period of one year. It is renewed on an annual basis, unless terminated by either party giving 30 calendar days' notice prior to its expiry date.

From time to time, the Company enters into technical and management support agreements with Fintur. Pursuant to these agreements, Fintur provides the Company with certain technical and management assistance.

On 22 December 2010, the Company entered into the Kazakhtelecom Agreement. Pursuant to the Kazakhtelecom Agreement, Kazakhtelecom agreed to lease to the Company, until 2020, certain digital transparent communication channels and data transmission networks built on internet protocol/ multiprotocol label switching ("**MPLS**") technology, which has a port/gateway capacity of 1 Mb per second and higher, excluding the international channels and in-city channels. The Kazakhtelecom Agreement cannot be terminated prior to 31 December 2015. In the event of its termination prior to that date, a party wishing to terminate the Kazakhtelecom Agreement will be required to pay a penalty in the amount of 100% of the value of that agreement.

In addition, the Company entered into roaming agreements with Latvijas Mobilais Telefons SIA, UAB Omnitel, TeliaSonera Finland Oyj, TeliaSonera Mobile Networks AB, MegaFon, AS EMT, Azercell Telekom LLC, Geocell LLC, JVC Moldcell JSC, Telia Denmark (branch of Telia Nättjänster Norden AB), Astelit LLC, TCELL Indigo Tajikistan CJSC, Ucell, Xfera Moviles S.A., NetCom ASA, Turkcell and Ncell Pvt Ltd. As the revenue and costs incurred under these agreements are recurring, outstanding balances under these agreements may be settled by way of mutual set-off.

On 26 August 2012, Sonera and the Company entered into the Buy and Sell MoU, under which the Company has the right to require Sonera to sell to it, and Sonera has the right to require the Company to acquire from it, all participatory interests owned by Sonera in KazNet together with all rights and obligations of Sonera under the KazNet Right and all the participatory interests owned by Sonera in Rodnik together with all rights and obligations of Sonera under the Rodnik Right. In connection with Sonera's acquisition of participatory interests in Rodnik, the Company signed the Service Agreement with KTC on 14 August 2012. Pursuant to the terms of the Service Agreement, KTC has agreed to provide the Company with digital transparent communication channels and IP VPN services. Subject to certain limited exceptions, if KTC allows any other Kazakhstan telecommunications operator to use its digital transparent communication channels under similar conditions as used by the Company at lower tariffs, the tariffs payable by the Company will be reduced to the level that KTC offers them to such other telecommunications operator. For additional information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Acquisitions and Investments*".

On 17 October 2012, the Company signed a term loan facility agreement with, among other entities, JSC Citibank Kazakhstan and JSC SB RBS Kazakhstan for a loan in the amount of KZT 15 billion with a fixed interest rate of 3.85% per annum, a one-off transaction fee of 1% of the loan amount and a maturity date of 26 September 2013, with a possible extension of up to an additional twelve months, subject to further consent of the lenders. The KZT 15 billion facility is guaranteed by TeliaSonera. The Company is subject to the payment of an annual fee in the amount of up to KZT 112.5 million per annum to TeliaSonera for its provision of the guarantee in respect of the KZT 15 billion facility. As at the date of the Prospectus, the KZT 15 billion facility was fully drawn.

Dividends

The Company declared an annual dividend in respect of the years ended 31 December 2009 and 31 December 2010 of KZT 41,600 million and KZT 58,000 million, respectively.

In the nine months ended 30 September 2012, the Company declared dividends in respect of past accrued but undistributed profit generated in the years prior to and including the financial year ended 31 December 2011 of KZT 115,877 million.

The balances of dividends unpaid to related parties as at 31 December 2011, 2010 and 2009 were as follows:

	As at 31 December 2011	As at 31 December 2010	As at 31 December 2009
		(KZT thousand)	
Fintur	—	—	5,511,082
Kazakhtelecom	—	—	5,294,961
Total dividends payable to related parties	**—**	**—**	**10,806,043**

The balances of dividends unpaid to related parties as at 30 September 2012 and 31 December 2011 were as follows:

	As at 30 September 2012	As at 31 December 2011
	(KZT thousand)	
Fintur	37,023,643	—
Sonera	22,056,812	—
Total dividends payable to related parties	**59,080,455**	**—**

DESCRIPTION OF SHARE CAPITAL AND CERTAIN REQUIREMENTS OF KAZAKHSTAN LAW

Set out below is a summary of material information concerning the share capital of the Company, including a description of certain rights of the holders of common shares and related provisions of the Charter in effect on the date of this Prospectus and of relevant laws of Kazakhstan.

GDR holders will be able to exercise their rights with respect to the Shares underlying the GDRs only in accordance with the provisions of the Deposit Agreement and the relevant requirements of the laws of Kazakhstan. See "Terms and Conditions of the GDRs" for more information.

Share capital

The Company was incorporated in 1998 in Kazakhstan as a limited liability partnership. On 14 February 2012, the participants of "GSM Kazakhstan OAO "Kazakhtelecom" LLP resolved at a general meeting of participants to instruct the management of the partnership to initiate all necessary procedures in order to convert it into a joint stock company and name it Kcell Joint Stock Company. Following this, the Company was registered with the Department of Justice as a joint stock company on 27 August 2012.

The Company's registered office is at building 100, Samal-2 Microdistrict, Almaty 050051, Kazakhstan. The Company's headquarters are located in Almaty and its principal place of business is located at 2G, Timiryazev street, Almaty 050013, Kazakhstan. The telephone number of the Company's principal place of business is +7 727 258 2755.

The authorised share capital of the Company is KZT 33,800,000,000, divided into 200,000,000 common shares, each with a par value of KZT 169.00. As at the date of this Prospectus, the number of issued and outstanding common shares was 200,000,000. As at the date of this Prospectus, all issued and outstanding common shares were fully paid. The Company does not have any authorised or issued preference shares or any convertible securities, exchangeable securities or securities with warrants in issue.

All shares are in registered form in the shareholders register of the Company, which is maintained by the JSC "The Integrated Securities Registrar" (the "**Central Registrar**"). Ownership of the Company's shares is evidenced by an extract from the shareholders register of the Company.

The Central Registrar is the only entity authorised to maintain shareholder registers of private companies incorporated in Kazakhstan and is majority-owned by the NBK. The address of the Central Registrar is 050000, 141 Abylay Khan ave., Almaty, Kazakhstan.

Summary of the Charter

The Charter of the Company was adopted by the general meeting of participants of the Company on 1 July 2012 and became effective upon its registration with the Department of Justice on 27 August 2012.

The Charter provides that the Company's main activities are provision of communication services (including cellular communication, data transfer and access to internet) and other activities related to or connected with the foregoing, as well as any activities not prohibited by the legislation of Kazakhstan and required for the Company's operation. The Company's main objects and activities are set out in full in article 4 of the Charter.

Share rights

Subject to the provisions of the JSC Law and without prejudice to any rights attaching to any existing shares or class of shares, the Company may issue shares and other securities.

Subject to the Charter and the provisions of the JSC Law, the authorised but unissued shares of the Company are at the disposal of the board of directors of the Company.

Rights attaching to shares and variation of rights

The JSC Law provides for two types of shares: common and preference. Each type has attached to it the rights set out in the JSC Law. These rights may be extended by a company's charter (although the Company's Charter does not purport to extend such rights), but these rights cannot be restricted.

A holder of common shares has the right:

- to participate in the management of a joint stock company in the manner provided for under the JSC Law and/or the charter of the joint stock company;
- to receive dividends;
- to familiarise himself with the financial statements of the joint stock company and to receive information on its activities using the procedure established at the general meeting of shareholders or in the charter of the joint stock company;
- to receive extracts from the joint stock company's registrar (the Central Registrar) or, if appropriate, a nominal holder confirming the shareholder's ownership right to the securities;
- to propose to a general meeting of shareholders candidates for election to the board of directors;
- to contest in court the resolutions adopted by the bodies of the joint stock company;
- if such shareholder or a group of shareholders holds 5% or more of the voting shares of the joint stock company, to file a claim with the court seeking compensation in favour of the joint stock company for losses caused by the joint stock company's officials, as well as a return to the joint stock company, by the officials and/or their affiliates, of the profit (income) received by them as a result of adopting a resolution that proposes the conclusion of major transactions and/or interested party transactions;
- to file with the joint stock company written requests for information regarding its activities and to receive a response from the joint stock company within 30 calendar days of the date of the filing of such request;
- to receive part of the joint stock company's property in the event of the joint stock company's liquidation; and
- of pre-emption in relation to the purchase of shares or other securities convertible into shares of the joint stock company in the manner established under the JSC Law.

In addition to the above, a major shareholder, being any shareholder or group of shareholders representing not less than 10% of the voting shares (individually or collectively, as applicable) (a "**Major Shareholder**") has the right:

- to request the convening of an extraordinary general meeting of shareholders, or to file a claim with the court seeking the same where the board of directors refuse to convene a general meeting of shareholders;
- to propose additional questions to the board of directors for inclusion on the agenda of a general meeting of shareholders;
- to request to call a meeting of the board of directors of the joint stock company; and
- to request that an audit of the joint stock company be performed at the expense of the relevant Major Shareholder.

Under the JSC Law, a preference share gives its holder a preferential right, as compared to holders of common shares:

- to receive a guaranteed dividend per preference share in the amount established by the charter of the company, provided always that the dividend paid per preference share shall not be less than the dividend paid per common share in the same period; and
- to participate in the company's assets on a winding up of the company in priority to holders of common shares. See "*—Distributions to shareholders on liquidation*".

A preference share does not give its holder the right to vote at a general meeting of shareholders except:

- at a general meeting of shareholders where the decision to be made may lead to a limitation of the rights of the holders of the preference shares. Decisions on such issues may be taken only if approved by the holders of not less than two thirds of the issued preference shares. Decisions to be made on the following issues may lead to a limitation of the rights of the holders of the preference shares: (i) a decrease in or amendment to the procedure of calculation of the amount of dividend payable on preference shares; (ii) an amendment to the procedure for payment of dividends on preference shares; and (iii) the exchange of the preference shares for common shares of the company;

- at a general meeting of shareholders that considers whether to approve amendments to the valuation method used to determine the price for the repurchase of shares by the company on a non-organised securities market (i.e. not on a stock exchange);
- at a general meeting of shareholders that reviews a question of reorganisation of the company or its winding up;
- when dividends on preference shares are not paid in full within three months from the expiry date stipulated for their payment.

Each holder of preference shares that has the right to vote at a general meeting of shareholders and is present thereat in person or through his representative shall have one vote for each preference share held.

Voting rights

Subject to any rights or restrictions attached to any class of shares by or in accordance with the Charter or the JSC Law, each holder of voting shares present at the meeting of shareholders, whether in person or by proxy, shall have:

- one vote on all procedural issues decided by the meeting of shareholders; and
- one vote per each fully paid share of which he is the holder, on all substantive issues decided by the meeting of shareholders (except in the case of electing the directors, where the number of votes such holder has shall be equal to the number of fully paid shares of which he is the holder multiplied by the number of directors being elected at such a meeting) (see "*—Board of directors*").

A resolution of shareholders in writing shall not be effective without a quorum, which requires the attendance of persons holding 50% or more of the voting share capital of the Company or, for a repeated meeting called due to the absence of the 50% quorum, persons holding 40% or more of the voting share capital of the Company.

Dividends and other distributions

The JSC Law and the Charter set out the general procedure for determining the dividends that the Company distributes to its shareholders. In addition, the prospectus for the issue of shares registered with the FMSC on 25 September 2012 includes a description of the procedure for the distribution of the Company's net income, which provides that the net income of the Company shall be distributed in accordance with the procedure provided for by the legislation of the Republic of Kazakhstan, the Charter and the Corporate Governance Code. The Company's dividend policy is included in the Corporate Governance Code, which was approved by the general meeting of shareholders of the Company on 17 October 2012 (see "*Dividend Policy*").

Subject to the provisions of the JSC Law, the Company may by a resolution passed by a simple majority of shareholders present and voting at a general meeting of shareholders declare dividends on the shares. The Charter establishes that the dividends on the shares may be paid either annually, semi-annually or quarterly in accordance with the decision of the general meeting of shareholders. Under the JSC Law, the general meeting of shareholders may declare a semi-annual or quarterly dividend on the shares only after the audit of the financial statements of the Company for the relevant period has been carried out. Under the JSC Law, the Company may distribute dividends on the shares only if the Company has net income.

The JSC Law prohibits payment of dividends on shares if:

- the balance of the Company's own capital is negative or would become negative as a result of such payment; or
- the Company demonstrates, or the payment of dividends would cause the Company to demonstrate, characteristics of insolvency.

The list of shareholders entitled to receive dividends is drawn up on a date preceding the date of payment of dividends.

If a dividend payable in respect of a share is delayed by the Company, then additional interest is payable by the Company to the shareholder. The amount of such interest is based on the official refinancing rate set by the NBK as at the date of payment of the relevant outstanding amount. The JSC Law provides that a shareholder's right to dividends does not lapse.

If the Company receives written consent from a shareholder, the Company may pay dividends in respect of such shares in the form of issued shares or bonds issued by the Company (but not in the form of any other type of securities).

The JSC Law permits a holder of shares with an unpaid dividend to receive such unpaid dividend after such holder sells or otherwise transfers the shares to a third party if the agreement for the transfer of shares explicitly provides for this.

See also "*Dividend Policy*".

Distributions to shareholders on liquidation

In the event of liquidation, the property of a joint stock company which is left after the satisfaction of the creditors' claims is distributed between the shareholders in the following order of priority:

- first—payments for shares which must be repurchased pursuant to the JSC Law;
- second—payments of accrued and outstanding dividends on preference shares; and
- third—payments of accrued and outstanding dividends on common shares.

If the property of the liquidated joint stock company is insufficient to pay the accrued and outstanding dividends on preference shares, such property is distributed between the holders of preference shares in proportion to the number of shares held by them.

The remaining property of the joint stock company is distributed between the holders of shares in proportion to the number of shares held by them subject to the JSC Law's requirement that holders of preference shares have a priority right to receive dividends and a share in the joint stock company's property in the event of its liquidation.

Convertible securities

The JSC Law and the Charter permit the Company to issue preference shares and other securities convertible into shares. The procedure for the conversion of such securities must be approved by a general meeting of shareholders and included in a prospectus that is filed with the FMSC upon their issue. The common shares are not convertible into any other security or instrument.

Unpaid shares and repurchased shares

The JSC Law states that, until a share is paid in full, a share cannot be placed and a company must not instruct that the share be credited to the personal account of the would-be acquirer. Instead, the share is credited to the personal account of the company itself with the Central Registrar.

Shares which have been repurchased by a company are credited to another special account of the company with the Central Registrar.

No dividends accrue or are payable on unplaced shares or shares repurchased by the Company, and such shares are not counted for the purposes of determining a quorum and do not carry the right to vote.

Transfer of shares

To transfer a share, the shareholder (or its representative) must sign a written order and submit it to the Central Registrar or nominee for execution or, in the alternative, give suitable electronic instructions as permitted by law. The Central Registrar or nominee will execute a sell order by pairing it with a buy order signed by the buyer (or its representative), and *vice versa*.

All dealings with the shares must be registered by making entries in the relevant personal accounts in the registry system or the nominee's books. Legal title to a share passes at the moment when the transaction is so registered (unless each party to the transaction has a different nominee, in which case legal title passes at the moment when the transaction is registered in the personal accounts of each nominee with the Kazakhstan Central Depositary).

An extract from the personal account of a shareholder in the registry system or a nominee's books is evidence of that holder's legal right to a share.

The Central Registrar or a nominee can refuse to register a transaction if the documents submitted do not conform to legislative requirements. Additionally, the FMSC has the right (by notifying the relevant issuer,

the Central Registrar and the Kazakhstan Central Depositary) to suspend trading in securities by blocking all or certain personal accounts in the registry or nominee systems if legal requirements establishing the following have been violated: (i) the rights and interests of investors when acquiring securities; or (ii) the terms and procedures for trading securities.

A fee will ordinarily be payable to the Central Registrar or nominee for registering the transfer, under contractual terms.

Alteration of share capital

The Company may from time to time, by a three-quarters majority of the total number of voting shares in the Company (but by no other method), increase its authorised share capital.

Authority to place shares

The board of directors of the Company may place the shares within the permitted authorised number of shares. Any decision to place shares must state the number, the price and the manner of placement of the shares.

Purchase of own shares

Subject to the JSC Law and the Law of the Republic of Kazakhstan "On the Securities Market" dated 2 July 2003, no. 461-II (the "**Securities Market Law**"), and without prejudice to any relevant special rights attached to any class of shares, the Company may purchase any of its own shares of any class in any way and at any price (whether at par or otherwise). Such shares will be credited to the Company's account with the Central Registrar.

The Company cannot purchase any of its shares which are being placed in a primary offering.

Any purchase by the Company must be effected with the consent of the relevant shareholder using a valuation method that has been approved in advance by a foundation meeting or amended by a general meeting of shareholders (save for any purchase which is effected through a stock exchange by way of an open trade).

In certain circumstances provided for by the JSC Law, and subject to certain conditions set out in the JSC Law, the Company must repurchase shares belonging to a shareholder within 30 days of receiving a duly formalised request from such shareholder.

In both cases, shares being repurchased by the Company cannot exceed 25% of the total number of placed shares of the Company, and the purchase price for such shares cannot exceed 10% of the size of the Company's own capital.

Pre-emptive rights

Under the JSC Law, a shareholder of the Company has a pre-emptive right to acquire newly placed shares of the Company (including newly issued shares or shares previously repurchased by the Company). Holders of shares have pre-emptive rights for shares or for securities convertible into shares and holders of preference shares have pre-emptive rights for preference shares.

Within 10 calendar days of the date upon which the Company takes a decision to place a specified number of shares, it must make an offer to each existing shareholder (either by written notification or by way of publication in the mass media) for the shareholder to acquire the shares *pro rata* to its shareholding at the placement price established by the Company. Each shareholder then has 30 calendar days from the date of such notification or publication to submit an application to acquire shares (i.e. to exercise its pre-emptive right). Upon the expiry of such period, the right to submit an application will lapse. Where a shareholder submits an application to acquire shares, the shareholder then has 30 calendar days from the date of the application to pay for the shares being acquired, unless provided otherwise in the Charter. If no payment is made upon the expiry of such period, the application is deemed to be void.

The FMSC has in the past taken the position that persons not disclosed on the register of shareholders of the Company as holders of GDRs may not exercise the pre-emptive rights attaching to the underlying shares. Although the FMSC currently takes the position that holders of GDRs may exercise such rights (and although there is no explicit provision in the current legislation that would prevent GDR holders from exercising them), there is no guarantee that the FMSC will not reverse this position.

General meetings

The board of directors of the Company must convene and the Company must hold general meetings (including annual and extraordinary general meetings) in accordance with the requirements of the JSC Law. The board of directors of the Company may call general meetings at such times as it determines. In addition, an extraordinary general meeting may be convened on the written request of a Major Shareholder.

The board of directors of the Company cannot of its own initiative introduce any changes to the agenda or propose a procedure for the conduct of a general meeting pursuant to a request of the Major Shareholder. However, the board of directors of the Company may include additional items onto the agenda at its own discretion.

Shareholders are entitled to receive not less than 30 (or, in the event of a meeting in absence and in certain other cases, 45) days' notice of the holding of any general meeting.

The general meeting of shareholders shall have exclusive competence to determine certain matters, including the following:

- the introduction of amendments and supplements to, or the approval of new versions of, the Charter or the Corporate Governance Code;
- the voluntary reorganisation (including in relation to the Company's status as a joint stock company) or liquidation of the Company;
- any increase in the amount of authorised shares of the Company or any change in the type of any authorised shares of the Company which have not been placed;
- the amendment of the valuation method for determining the price for the repurchase of shares by the Company;
- the appointment of auditors to undertake the audit of the Company;
- the determination of the scope and the expiry dates of the powers of the board of directors of the Company, the selection of members of the board of directors of the Company and early termination of their powers, as well as the determination of the amount and payment terms of remuneration to members of the board of directors of the Company;
- approval of annual financial statements and the amount of dividends paid on shares, if any; and
- if such decision may not be taken by the board of directors of the Company, decisions for the Company to conclude any related party transaction.

Matters referred to in the first four of the bullet points above require the approval by a qualified majority (i.e. three-quarters) of the total number of voting shares.

On issues related to the internal organisation of the Company, a general meeting of shareholders has the right to cancel any decision made by any other management body of the Company.

Board of directors

The Charter of the Company provides that the board of directors of the Company must be comprised of no more than six persons. The exact number of members of the board of directors of the Company shall be established by the decision of the general meeting of shareholders of the Company. Under the JSC Law, not less than 30% of members of the board of directors of the Company must be independent directors. The "independent director" criteria are set out in the JSC Law.

Directors are elected by shareholders by way of cumulative voting (whereby the number of votes a shareholder has is equal to the number of fully paid shares of which he is the holder multiplied by the number of directors being elected at a meeting of shareholders) and a shareholder has a right to give all such votes fully for one candidate or to distribute votes among several candidates for membership of the board of directors of the Company. Candidates who receive a majority of votes are considered to be elected to the board of directors of the Company. If two or more candidates gain an equal number of votes then additional cumulative voting is carried out with regard to such candidates.

The quorum required for a duly convened meeting of the board of directors of the Company shall comprise not less than ½ of the total number of the members of the board of directors of the Company.

Each member of the board of directors of the Company has one vote. The decisions of the board of directors of the Company are made by a simple majority of those members present at the meeting of the board of directors of the Company.

The general meeting of shareholders of the Company has a right to terminate early the powers of any or all members of the board of directors of the Company and to remove any member of the board of directors of the Company from office.

The board of directors of the Company shall have exclusive competence to determine certain matters, including the following:

- the placement of shares, including the price, number and the manner of placement of such shares;
- in relation to the chief executive officer, the appointment, the term of appointment and the dismissal ahead of the expiry of the term of appointment of such chief executive officer;
- the remuneration and incentive plan for the chief executive officer and senior managers reporting directly to the chief executive officer;
- the increase of the Company's liabilities by an amount equal to or exceeding 10% of the Company's own capital;
- the conclusion by the Company of any major transaction (being, *inter alia*, a transaction or combination of interrelated transactions which result or may result in the purchase or disposal by the Company of assets representing 25% or more of the total balance sheet value of the Company's assets) and any related party transaction;
- the establishment of the general terms and conditions of the Company's operations and approval of certain internal regulations; and
- the establishment of the Company's development strategy.

Chief executive officer

The chief executive officer of the Company is appointed by the board of directors of the Company for a term established by the board of directors of the Company.

The chief executive officer runs the day-to-day operations of the Company. The chief executive officer is entitled to make decisions on any matters relating to the activity of the Company that are not, under the JSC Law, other legislative acts of Kazakhstan or the Charter, within the competence of other bodies or officers of the Company. The chief executive officer is entitled to, amongst other things, hire personnel and represent the Company before third parties and arrange for the performance of actions contemplated by decisions of the general meeting of shareholders and the board of directors of the Company. The chief executive officer is entitled to enter on behalf of the Company into any contract or other document which increases the liabilities of the Company by an amount not exceeding 10% of the amount of the Company's own capital. Any contract or other document which increases the liabilities of the Company by an amount equal to or exceeding 10% of the amount of the Company's own capital must be approved by the board of directors of the Company before the chief executive officer can enter into such contract or document on behalf of the Company.

Remuneration of directors

The remuneration of directors of the Company is determined at a general meeting of shareholders.

Permitted interests of directors

A director of the Company cannot participate in voting on any related party transaction proposed to be entered into by the Company if:

- such director is a party to the transaction or he participates in the transaction as a representative or intermediary; or
- such director is an affiliate of a legal entity that is a party to the transaction or such legal entity participates in the transaction as a representative or intermediary.

Disclosure of interests in shares

A list of shareholders that have the right to participate in a meeting of shareholders and vote at the meeting will be prepared by the Central Registrar on the basis of information recorded in the register of shareholders of the Company. However, any shareholder holding shares through a nominee and whose identity is not disclosed to the Kazakhstan Central Depository shall not be entitled to vote at a meeting of shareholders. Holders of GDRs will be able to exercise their voting rights in accordance with and subject to their limitations (see "*Terms and Conditions of the GDRs*").

In addition, any person acquiring 10% or more of the voting shares of the Company, or otherwise falling within the definition of an affiliate as provided for in article 64 of the JSC Law, is considered an affiliate of the Company and must disclose to the Company its identity and information about its affiliated persons. Information about the identity of such person and its affiliates is not confidential.

The KASE listing rules require the Company to list within the KASE quarterly reports any persons holding 5% or more of the common and/or preference shares of the Company. The KASE publishes this information on its website.

Mandatory offers

Under the JSC Law, a person who, acting either alone or jointly with its affiliated persons, is acquiring:

- 30% or more of the voting shares of the Company; or
- any other number of voting shares of the Company where such acquisition would result in such person alone or jointly with its affiliated persons holding 30% or more of the voting shares of the Company,

is required to make an offer to the remaining shareholders to buy out their shares at the market price which shall be determined by the acquirer on the basis of the guidelines provided for in the JSC Law. Any failure by the acquirer to make such an offer would result in the acquirer being obliged to reduce its shareholding to not more than 29%.

Under the Competition Law, any person, acting either alone or jointly with its affiliates, wishing to acquire more than 25% of the voting shares of the Company, must obtain prior consent from the Competition Agency.

Related party transactions

General procedure

Under the JSC Law, a related party transaction means a transaction in which (a) an affiliate of the company either (i) is a party to such transaction or (ii) participates in the transaction as a representative or an intermediary or (b) an affiliate of the company is an affiliate of the legal entity which either (i) is a party to such transaction or (ii) participates in the transaction as a representative or an intermediary. The JSC Law excludes certain types of transactions from the definition of a related party transaction (such as, for instance, an acquisition of the company's shares or other securities by its shareholder or a repurchase by the company of the placed shares of the company).

Under the JSC Law, related party transactions should be approved by the majority of disinterested members of the board of directors of the Company or, if all directors of the Company are interested, by the decision of a meeting of shareholders made by: (a) the majority of disinterested shareholders; or (b) a simple majority of the total number of voting shares of the Company if all shareholders are interested. The JSC Law permits the Company to establish in its Charter a different procedure for entry into certain types of related party transactions.

Special procedure

The Charter of the Company provides that related party transactions should be approved pursuant to the procedure established by the JSC Law, except for the following types of related party transactions, which should be approved by a simple majority of the members of the board of directors of the Company present at the relevant meeting and all members of the board of directors of the Company should be entitled to vote on such transactions regardless of whether any of those members of the board of directors are interested:

- any transaction, the annual value of which does not exceed the equivalent of U.S.$5 million;

- any transaction in connection with the provision and/or receipt of telecommunications services (including without limitation roaming agreements) conducted in the ordinary course of business;
- any transaction that is on arm's length terms or on terms that are more favourable to the Company than arm's length terms; or
- any transaction under or in connection with a related party transaction approved by the Company pursuant to the general procedure described above or in connection with any transaction entered into by the Company prior to its conversion into a joint stock company,

(each such transaction, a "**Special Related Party Transaction**").

The Charter of the Company provides that if there is an equal number of members of the board of directors of the Company voting for and against a Special Related Party Transaction, then the decision with respect to such Special Related Party Transaction shall be made at the general meeting of shareholders of the Company through a simple majority of the votes of all shareholders present at such general meeting of shareholders and each shareholder shall be entitled to vote on such matter regardless of whether it is interested in the transaction.

TERMS AND CONDITIONS OF THE GDRS

The following terms and conditions (except for paragraphs in italics) will be endorsed on each certificate representing GDRs.

The global depositary receipts represented by this certificate (the "**GDRs**") are each issued in respect of one ordinary share in Kcell Joint Stock Company (the "**Company**") (the "**Shares**") pursuant to and subject to an agreement dated 23 October 2012 between the Company and Deutsche Bank Trust Company Americas as depositary for the "**Regulation S Facility**" and the "**Rule 144A Facility**" (such agreement, as amended from time to time, being hereinafter referred to as the "**Deposit Agreement**").

Pursuant to the provisions of the Deposit Agreement, the Depositary has appointed SB "HSBC Bank Kazakhstan" JSC as Custodian (as defined below) to receive and hold on its behalf any relevant documentation relating to certain Shares (the "**Deposited Shares**") and all rights, interests and other securities, property and cash deposited with the Custodian or the Depositary which are attributable to the Deposited Shares (together with the Deposited Shares, the "**Deposited Property**"). The Depositary shall hold Deposited Property for the benefit of the Holders (as defined below) in proportion to the number of Shares in respect of which the GDRs held by them are issued.

In these terms and conditions (the "**Conditions**"), references to the "**Depositary**" are to Deutsche Bank Trust Company Americas and/or any other depositary which may from time to time be appointed under the Deposit Agreement, references to the "**Custodian**" are to SB "HSBC Bank Kazakhstan" JSC, or any other custodian from time to time appointed under the Deposit Agreement and references to the "**Custodian's Office**" mean, in relation to the Custodian, its office at 43 Dostyk Ave., Almaty, 050040, Kazakhstan (or such other office as from time to time may be designated by the Custodian with the approval of the Depositary).

References in these Conditions to the "**Holder**" of any GDR shall mean the person registered as Holder on the books of the Depositary maintained for such purpose (the "**Register**"). These Conditions include summaries of, and are subject to, the detailed provisions of the Deposit Agreement, which includes the forms of the certificate in respect of the GDRs. Copies of the Deposit Agreement are available for inspection at the specified office of the Depositary and each Agent (as defined in Condition 17) and at the Custodian's Office. Holders are deemed to have notice of and be bound by all of the provisions of the Deposit Agreement.

Holders of GDRs are not party to the Deposit Agreement which specifically disallows application of the Contracts (Rights of Third Parties) Act 1999 and thus, under English Law, have no contractual rights against, or obligations to, the Company or the Depositary. However, the Deed Poll executed by the Company in favour of the Holders provides that, if the Company fails to perform the obligations imposed on it by certain specified provisions of the Deposit Agreement, any Holder may enforce the relevant provisions of the Deposit Agreement as if it were a party to the Deposit Agreement and were the "Depositary" in respect of that number of Deposited Shares to which the GDRs of which he is the Holder relate.

Terms used in these Conditions and not defined herein but which are defined in the Deposit Agreement have the meanings given to such terms in the Deposit Agreement.

The Depositary shall make available pursuant to the relevant Master GDR, not later than the date specified in the relevant Master GDR following any event described therein imposing an obligation upon the Depositary to exchange such Master GDR, and upon payment by the Holder of any relevant fees, taxes, duties, charges, costs and expenses at the Specified Office of the Depositary to the order of the Holder of the relevant Master GDR, in exchange for an interest in such Master GDR, one or more Certificates in definitive registered form registered in the name of such person as instructed by such Holder, provided that together with any such request for delivery of Certificates for interests in such Master GDR, there shall be delivered to the Depositary, if required by the Depositary, a certificate from such person substantially in the form set out in Schedule 3 or Schedule 4 Part A of the Deposit Agreement or an electronic certification to the same effect as set forth in such Schedules.

If at any time when Deposited Shares are represented by a Master GDR, either (i) DTC (in the case of the Rule 144A Master GDR), or Clearstream, Luxembourg or Euroclear (in the case of the Regulation S Master GDR) or any successor advises the Company in writing at any time that it is unwilling or unable to continue as common depositary or depositary (or as nominee thereof), as the case may be, and a successor common depositary or successor depositary (or successor nominee thereof), as the case may be, is not appointed within 90 calendar days; or (ii) DTC (in the case of the Rule 144A Master GDR) or any successor ceases to be a

"clearing agency" registered under the Exchange Act; or (iii) either DTC (in the case of the Rule 144A Master GDR), or either Clearstream, Luxembourg or Euroclear (in the case of the Regulation S Master GDR) is closed for business for a continuous period of 14 calendar days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or to cease to make its book-entry system available for the GDRs or does, in fact, do so and no alternative clearing and settlement system satisfactory to the Depositary is available within 45 calendar days; or (iv) the Depositary has determined that, on the occasion of the next payment in respect of the GDRs, the Company, the Depositary or its Agent would be required to make any deduction or withholding from any payment in respect of the GDRs which would not be required were the GDRs in definitive form; the Company will instruct the Depositary to make Certificates in definitive registered form available. Any such exchange shall be at the expense (including printing costs) of the relevant Holders.

1. DEPOSIT OF SHARES AND OTHER SECURITIES

1.1 After the initial deposit of Shares by the Company in respect of each GDR, unless otherwise agreed by the Depositary and the Company and permitted by applicable law, only the following may be deposited under the Deposit Agreement in respect of such GDR:

(a) Shares issued as a dividend or free distribution on Deposited Shares pursuant to Condition 5;

(b) Shares subscribed for or acquired by Holders from the Company through the exercise of rights distributed by the Company to such persons in respect of Deposited Shares pursuant to Condition 7;

(c) securities issued by the Company to the Holders in respect of Deposited Shares as a result of any sub-division, consolidation or other reclassification of Deposited Shares or otherwise pursuant to Condition 10. References in these Conditions to "Deposited Shares" or "Shares" shall include any such securities, where the context permits; and

(d) (to the extent permitted by applicable law and regulation) any other Shares in issue.

1.2 The Depositary will issue GDRs in respect of Shares accepted for deposit under this Condition. Under the Deposit Agreement, the Company must inform the Depositary if any Shares issued by it which may be deposited under this Condition do not, by reason of the date of issue or otherwise, rank *pari passu* in all respects with the other Deposited Shares. Subject to the provisions of Conditions 5, 7 and 10, if the Depositary accepts such Shares for deposit it will arrange for the issue of temporary GDRs in respect of such Shares which will form a different class of GDRs from the other GDRs until such time as the Shares which they represent become fully fungible with the other Deposited Shares.

Subject to the terms and conditions of the Deposit Agreement and applicable law, upon physical delivery to the Custodian of Shares, delivery to the Depositary of either (i) a certificate substantially in the form of Schedule 3 Part A or Schedule 4 Part A of the Deposit Agreement and available from the Depositary or the Custodian or (ii) an electronic certification through the relevant clearing system, in lieu of such certification set forth in Schedule 3 Part A or Schedule 4 Part A of the Deposit Agreement, and payment of necessary taxes, governmental charges (including transfer taxes) and other charges as set forth in the Deposit Agreement, the Depositary will adjust its records for the number of GDRs issued in respect of the Shares so deposited and will notify the common depositary, as the case may be, as to the increase in the number of GDRs evidenced by a Master GDR. Each person receiving a GDR or interest therein will be deemed to make the representations, covenants and acknowledgements set forth under "Transfer Restrictions" of the Prospectus.

1.3 The Depositary will refuse to accept Shares for deposit whenever it is notified in writing that the Company has restricted the transfer of such Shares to comply with ownership restrictions under applicable Kazakhstan law or that such deposit would result in any violation of any applicable Kazakhstan laws or governmental or stock exchange regulations. The Depositary may also refuse to accept Shares for deposit in certain other circumstances as set out in the Deposit Agreement.

1.4 Notwithstanding anything else contained in the Deposit Agreement to the contrary, the Depositary shall not be required to accept for deposit or maintain on deposit with the Custodian (i) any fractional Shares or fractional Deposited Property, or (ii) any number of Shares or Deposited Property which, upon application of the ratio of Regulation S GDRs to Regulation S Deposited Property, would give rise to fractional Regulation S GDRs or, upon application of the ratio of Rule 144A GDRs to Rule 144A Deposited Property, would give rise to fractional Rule 144A GDRs.

1.5 Without limitation to the foregoing, the Depositary shall not knowingly accept for deposit under the Deposit Agreement (a) any Shares or other Deposited Property required to be registered pursuant to the

provisions of the Securities Act, unless a registration statement under the Securities Act is in effect as to such Shares or other Deposited Property, (b) any Shares or Deposited Property the deposit of which would violate any provisions of the Charter, or (c) any Shares or Deposited Property which, if accepted for deposit under the Deposit Agreement exceed such number as may be communicated to the Depositary by the Company from time to time in writing; provided that neither the Company nor the Depositary nor any of their affiliates shall have any liability to any Holder or Beneficial Owner in the event that the Depositary shall fail to comply with the requirements of these sub-Clauses (a), (b) and (c). For purposes of the foregoing sentence, the Depositary shall be entitled to rely upon representations and warranties made or deemed made pursuant to the Deposit Agreement and shall not be required to make any further investigation. The Depositary will comply with written instructions of the Company (received by the Depositary reasonably in advance) not to accept for deposit hereunder any Shares identified in such instructions at such times and under such circumstances as may be specified in such instructions in order to facilitate the Company's compliance with the securities laws of any jurisdiction. The Depositary shall have no liability for any actions taken in accordance with such instructions.

1.6 In its capacity as Depositary, the Depositary shall not sell, convey, assign or create any security interest over Shares or other Deposited Property held hereunder or GDRs or in such capacity lend Shares or Deposited Property held hereunder or GDRs other than in accordance with this Condition and Clause 3.16 of the Deposit Agreement, provided that, the Depositary reserves the right subject to applicable law and without prejudice to its obligations under the Deposit Agreement, to (i) execute and deliver GDRs or issue interests in a Master GDR prior to the receipt of Shares by the Custodian or the Depositary, as the case may be, and (ii) deliver Deposited Property prior to the receipt and cancellation of GDRs in accordance with the Conditions, including GDRs which were issued under (i) above but for which Shares may not have been received (in each case a "**Pre-Release**"). The Depositary may receive GDRs in lieu of Shares in satisfaction of a Pre-Release. Each Pre-Release shall be (a) preceded or accompanied by a written representation and agreement from the person to whom GDRs or Deposited Property are to be delivered (the "**Pre-Releasee**") that at the time of such transaction, such person, or its customer (i) beneficially owns the corresponding Shares or GDRs, as the case may be, to be delivered to the Depositary, (ii) assigns all beneficial right, title and interest in and to such Shares or GDRs, as the case may be, to the Depositary in its capacity as such for the benefit of the Holders and will hold such Shares or GDRs, as the case may be, on trust for the Depositary until those Shares or GDRs are delivered to the Depositary or Custodian, (iii) will reflect the Depositary as the owner of such Shares or GDRs, as the case may be, on its records, (iv) will deliver such Shares or GDRs, as the case may be, to the Depositary or Custodian upon the Depositary's request and (v) will not take any action with respect to such Shares or GDRs, as the case may be, that is inconsistent with the transfer of beneficial ownership (including without the consent of the Depositary, disposing of such Shares or GDRs, as the case may be), other than to deliver such Shares or GDRs, as the case may be, to the Depositary in its capacity as such, (b) at all times fully collateralised marked to market daily with cash, U.S. government securities, or other collateral held by the Depositary for the benefit of the Holders as the Depositary reasonably determines will provide substantially similar security and liquidity, (c) terminable by the Depositary on not more than five business days' notice, and (d) subject to such further indemnities and credit regulations as the Depositary deems appropriate. The Depositary may also set limits with respect to the number of Shares and GDRs involved in Pre-Releases to be effected hereunder with any one person on a case-by-case basis as it deems appropriate. The collateral referred to in sub-Clause (b) above shall be held by the Depositary for the benefit of the Holders as security for the performance of the obligations of the Pre-Releasees to deliver the relevant Shares or GDRs, as the case may be, set forth in sub-Clause (a) above (and shall not, for the avoidance of doubt, constitute Deposited Property hereunder).

Nothing in this Condition 1.6 shall obligate the Company to issue any new Shares in respect of any Pre-Release by the Depositary. The person to whom any Pre-Release of Rule 144A GDRs or Rule 144A Shares is to be made pursuant to this Condition 1.6 shall be required to deliver to the Depositary a duly executed and completed certificate substantially in the form set out in Schedule 4 Part A of the Deposit Agreement, or in the case of affiliates of the Company, Schedule 4 Part C of the Deposit Agreement (or an electronic certification through the applicable clearing system in lieu of such executed certification). The person to whom any Pre-Release of Regulation S GDRs or Regulation S Shares is to be made pursuant to this Condition 1.6 shall be required to deliver to the Depositary a duly executed and completed certificate substantially in the form set out in Schedule 3 Part A of the Deposit Agreement or, in the case of affiliates of the Company, Schedule 3 Part B of the Deposit Agreement (or an electronic certification through the applicable clearing system in lieu of such executed certification).

1.7 The Depositary may retain for its own account any compensation received by it in connection with the foregoing, including without limitation earnings on any collateral. Save as set out in the Deposit Agreement where, in particular, the Company specifically confirms its agreement that the Depositary will be entitled to make a Pre-Release pursuant to Condition 1.6, the Company will have no liability whatsoever to the Depositary or any Holder or to any person to whom the GDR or Deposited Property may be delivered by the Depositary or any other holder in due course of such GDRs or Deposited Property with respect to any representations, actions or omissions by the Depositary or any Holder pursuant to Condition 1.6.

1.8 Each person depositing Shares pursuant to the Deposit Agreement shall be deemed to represent and warrant that (i) such Shares (and the certificates therefor) are duly authorised, validly issued, fully paid, non-assessable, and legally obtained by such person, (ii) all pre-emptive (and similar) rights with respect to such Shares have been validly waived or exercised, (iii) the person making such deposit is duly authorised so to do and has fulfilled all requirements of applicable law or regulation with respect to the Shares or the deposit thereof against the issuance of GDRs, (iv) the Shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, (v) the Shares presented for deposit have not been stripped of any rights or entitlements, (vi) with respect to Shares deposited into the Regulation S Facility, the Shares presented for deposit are not "restricted securities" (within the meaning of Rule 144) except, in the case of a deposit of Shares by affiliates of the Company contemplated by the terms of Clause 3.2.2(ii)(b) of the Deposit Agreement, and the GDRs delivered upon issuance will not be "restricted securities" (within the meaning of Rule 144), (vii) such Shares are not subject to any unfulfilled requirements of applicable law or regulation and (viii) except with respect to any deposit by an affiliate permitted in the Deposit Agreement, such person is not and shall not become at any time while such person holds GDRs or any beneficial interest therein, an affiliate of the Company. Such representations and warranties shall survive the deposit and withdrawal of Shares and the issuance and cancellation of GDRs in respect thereof and the transfer of such GDRs. If any such representations or warranties are false in any way, the Company and the Depositary shall be authorised, at the cost and expense of the person depositing Shares, to take any and all actions necessary to correct the consequences thereof. Each person depositing Shares, taking delivery of or transferring GDRs or any beneficial interest therein, or surrendering GDRs or any beneficial interest therein and withdrawing Shares under the Deposit Agreement shall be deemed thereby to acknowledge that the GDR Certificates, the GDRs evidenced thereby and the Shares represented thereby have not been and will not be registered under the Securities Act, and may not be offered, sold, pledged or otherwise transferred except in accordance with the restrictions on transfer set forth in the Securities Act Legend, and such person shall be deemed thereby to represent and warrant that such deposit, transfer or surrender or withdrawal complies with the foregoing restrictions. Such representations and warranties shall survive any such deposit, transfer or surrender and withdrawal of the Shares or the GDR Certificates or any beneficial interest therein.

2. WITHDRAWAL OF DEPOSITED PROPERTY

2.1 Subject as set out below, any Holder may request withdrawal of, and the Depositary shall thereupon relinquish, the Deposited Property attributable to any GDR upon production of such evidence that such person is the Holder of, and entitled to, the relative GDR as the Depositary may reasonably require at the specified office of the Depositary or any Agent accompanied by:

(a) a duly executed order (in a form approved by the Depositary) requesting the Depositary to cause the Deposited Property being withdrawn to be delivered at the Custodian's Office, or (at the request, risk and expense of the Holder) at the specified office from time to time of the Depositary or any Agent (located in a place as permitted under applicable law from time to time) to, or to the order in writing of, the person or persons designated in such order and either (as duly executed and completed) (a) a certificate substantially in the form of Schedule 4 Part B or Schedule 3 Part C of the Deposit Agreement and available from the Depositary or the Custodian or (b) an electronic certification through the relevant clearing system, in lieu of such executed certification set forth in Schedule 4 Part B or Schedule 3 Part C of the Deposit Agreement, if Deposited Property is to be withdrawn or delivered in respect of surrendered Rule 144A GDRs or Regulation S GDRs;

(b) the payment of such fees, taxes, duties, charges and expenses as may be required under these Conditions or the Deposit Agreement; and

(c) the surrender (if appropriate) of GDR certificates in definitive registered form to which the Deposited Property being withdrawn is attributable.

2.2 Certificates for withdrawn Deposited Shares will contain legends relating to transfer restrictions, and withdrawals of Deposited Shares may be subject to such transfer restrictions or certifications, as the Company or the Depositary may from time to time determine to be necessary for compliance with applicable laws.

2.3 Upon production of such documentation and the making of such payment as aforesaid in accordance with Condition 2.1, the Depositary will direct the Custodian, within a reasonable time after receiving such direction from such Holder, to deliver at the Custodian's Office to, or to the order in writing of, the person or persons designated in the accompanying order:

(a) a certificate for, or other appropriate instrument of title to, the relevant Deposited Shares, registered in the name of the Depositary or its nominee and accompanied by such instruments of transfer in blank or to the person or persons specified in the order for withdrawal and such other documents, if any, as are required by law for the transfer thereof; and

(b) all other property forming part of the Deposited Property attributable to such GDR, accompanied, if required by law, by one or more duly executed endorsements or instruments of transfer in respect thereof as aforesaid,

PROVIDED THAT the Depositary (at the request, risk and expense of any Holder so surrendering a GDR):

(i) will direct the Custodian to deliver the certificates for, or other instruments of title to, the relevant Deposited Shares and any document relative thereto and any other documents referred to in Condition 2.3(a) (together with any other property forming part of the Deposited Property which may be held by the Custodian or its Agent and is attributable to such Deposited Shares); and/or

(ii) will deliver any other property forming part of the Deposited Property which may be held by the Depositary and is attributable to such GDR (accompanied by such instruments of transfer in blank or to the person or persons specified in such order and such other documents, if any, as are required by law for the transfer thereto),

in each case to the Specified Office from time to time of the Depositary or, if any, to the specified office from time to time of any Agent (located in Kazakhstan or such other place as is permitted under applicable law from time to time) as designated by the surrendering Holder in such accompanying order as aforesaid.

2.4 Delivery by the Depositary, any Agent and the Custodian of all certificates, instruments, dividends or other property forming part of the Deposited Property as specified in this Condition will be made subject to any laws or regulations applicable thereto.

2.5 The Depositary may suspend the withdrawal of all or any category of Deposited Property during any period when the Share Register or other relevant holders of other securities of the Company is closed, generally or in one or more localities, or in order to comply with any applicable Kazakhstan law or governmental or stock exchange regulations. The Depositary shall restrict the withdrawal of Deposited Shares whenever it is notified in writing that such withdrawal would result in a breach of ownership restrictions under applicable Kazakhstan law. To the extent that it is in its opinion practicable for it to do so, the Depositary will refuse to accept Shares for deposit, to execute and deliver GDRs or to register transfers of GDRs if it has been notified by the Company in writing that the Deposited Shares or GDRs or any depositary receipts representing Shares are listed on a U.S. Securities Exchange or quoted on a U.S. automated inter dealer quotation system unless accompanied by evidence satisfactory to the Depositary that any such Shares are eligible for resale pursuant to Rule 144A.

2.6 Neither the Depositary nor the Custodian shall deliver Shares, by physical delivery, book entry or otherwise (other than to the Company or its agent as contemplated by Condition 1), or otherwise permit Shares to be withdrawn from the Regulation S Facility or from the Rule 144A Facility, except upon the receipt and cancellation of Regulation S GDRs or Rule 144A GDRs, respectively or as set out in Condition 1.3.

2.7 The Depositary may refuse to deliver Deposited Property generally, or in one or more localities, if such refusal is deemed necessary or desirable by the Depositary, in good faith, at any time or from time to time because of any requirement of law or of any government or governmental authority, body or commission, or under any provision of the Conditions or for any other reason.

2.8 No surrender of GDR Certificates for the purpose of withdrawal of Deposited Property shall be accepted unless accompanied by evidence satisfactory to the Depositary that all necessary filings applicable to the Holder(s) or Beneficial Owner(s) of the GDRs surrendered (if any) have been made and approvals have been obtained (or in each case, have been properly waived) under the laws of Kazakhstan.

3. TRANSFER AND OWNERSHIP

Title to the GDRs passes by registration in the Register and, accordingly, transfer of title to a GDR is effective only upon such registration in the records of the Depositary. The Depositary will refuse to accept for transfer any GDRs if it reasonably believes that such transfer would result in a violation of applicable laws. The Holder of any GDR will (except as otherwise required by law) be treated by the Depositary, the Custodian, each Agent and the Company as its absolute owner for all purposes (whether or not any payment or other distribution in respect of such GDR is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, any certificate issued in respect of it) and no person will be liable for so treating the Holder.

The Deposit Agreement defines the "owner of GDRs" as, in respect of any GDRs represented by a Master GDR, such person whose name appears in the records of the clearing systems as the owner of a particular amount of GDRs and, in respect of any other GDR, the Holder thereof and "beneficial owner of GDRs" as a person holding beneficial title to such GDRs or interests therein.

So long as Rule 144A GDRs are "restricted securities" within the meaning of Rule 144 under the Securities Act, interests in such Rule 144A GDRs corresponding to the Master Rule 144A GDR may be transferred to a person whose interest in such Rule 144A GDRs is to be represented by the Master Regulation S GDR only upon receipt by the Depositary of written certifications (in the forms provided in the Deposit Agreement) from the transferor and the transferee to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act. There shall be no transfer of Regulation S GDRs by an owner thereof unless such owner (a) withdraws Regulation S Shares from the Regulation S Facility in accordance with Clause 3.13 of the Deposit Agreement and (b) instructs the Depositary to deliver the Shares so withdrawn to the account of the Custodian to be deposited into the Rule 144A Facility for issuance thereunder of Rule 144A GDRs to, or for the account of a qualified institutional buyer as defined in Rule 144A under the U.S. Securities Act. Issuance of Rule 144A GDRs, including in connection with the transfer of an interest in Regulation S GDRs to a person whose interest is to be represented by the Master Rule 144A GDR, shall be subject to the terms and conditions of the Deposit Agreement, including delivery of the duly executed and completed written certificate and agreement required under the Deposit Agreement by or on behalf of each person who will be the Beneficial Owner of such Rule 144A GDRs certifying that such person is a QIB and agreeing that it will comply with the restrictions on transfer set forth therein and to payment of the fees, charges and taxes provided therein.

4. CASH DISTRIBUTIONS

Whenever the Depositary shall receive from the Company any cash dividend or other cash distribution on or in respect of the Deposited Shares (including any amounts received in the liquidation of the Company) or otherwise in connection with the Deposited Property, the Depositary, its Agent or Custodian shall as soon as practicable convert the same into United States dollars in accordance with Condition 8. The Depositary shall, if practicable in the opinion of the Depositary, give notice to the Holders of its receipt of such payment in accordance with Condition 23, specifying the amount per Deposited Share payable in respect of such dividend or distribution and the date, determined by the Depositary, for such payment and shall as soon as practicable distribute any such amounts to the Holders in proportion to the number of Deposited Shares represented by the GDRs so held by them respectively, subject to and in accordance with the provisions of Conditions 9 and 11, provided that:

(a) in the event that any Deposited Shares shall not be entitled, by reason of the date of issue or transfer or otherwise, to such full proportionate amount, the amount so distributed to the relative Holders shall be adjusted accordingly; and

(b) the Depositary will distribute only such amounts of cash dividends and other distributions as may be distributed without attributing to any GDR a fraction of the lowest integral unit of currency in which the distribution is made by the Depositary and any balance remaining shall be retained by the Depositary beneficially as an additional fee under Condition 16.1.

5. DISTRIBUTIONS OF SHARES

Whenever the Depositary shall receive from the Company any distribution in respect of Deposited Shares which consists of a dividend in, or free distribution or bonus issue of, Shares, the Depositary shall cause to be distributed to the Holders entitled thereto, in proportion to the number of Deposited Shares represented by the GDRs held by them respectively, additional GDRs representing an aggregate number of Shares received pursuant to such dividend or distribution by an increase in the number of GDRs evidenced by the Master GDR or an issue of certificates in definitive registered form in respect of GDRs, according to the manner in which the Holders hold their GDRs; provided that, if and in so far as the Depositary deems any such distribution to all or any Holders not to be reasonably practicable (including, without limitation, owing to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary shall sell such Shares so received (either by public or private sale and otherwise at its discretion, subject to applicable laws and regulations) and distribute the net proceeds of such sale as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

6. DISTRIBUTIONS OTHER THAN IN CASH OR SHARES

Whenever the Depositary shall receive from the Company any dividend or distribution in securities (other than Shares) or in other property (other than cash) on or in respect of the Deposited Property, the Depositary shall distribute or cause to be distributed such securities or other property to the Holders entitled thereto, in proportion to the number of Deposited Shares represented by the GDRs held by them respectively, in any manner that the Depositary may deem equitable and practicable for effecting such distribution; provided that, if and in so far as the Depositary deems any such distribution to all or any Holders not to be reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary shall sell the securities or property so received, or any part thereof, (either by public or private sale and otherwise at its discretion, subject to applicable laws and regulations) and distribute the net proceeds of such sale as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

7. RIGHTS ISSUES

7.1 If and whenever the Company announces its intention to make any offer or invitation to the holders of Shares to subscribe for or to acquire Shares, securities or other assets by way of rights, the Depositary shall as soon as practicable give notice to the Holders in accordance with Condition 23 of such offer or invitation specifying, if applicable, the earliest date established for acceptance thereof, the last date established for acceptance thereof and the manner by which and time during which Holders may request the Depositary to exercise such rights as provided below or, if such be the case, give details of how the Depositary proposes to distribute the rights or the proceeds of sale. The Depositary will deal with such rights in the manner described below:

(a) if, at its discretion, the Depositary shall be satisfied that it is lawful and reasonably practicable and, to the extent that it is so satisfied, the Depositary shall make arrangements whereby the Holders may, upon payment of the subscription price in United States dollars or other currency (where appropriate) together with such fees, taxes, duties, charges, costs and expenses as may be required under the Deposit Agreement and completion of such undertakings, declarations, certifications and other documents as the Depositary may reasonably require, request the Depositary to exercise such rights on their behalf with respect to the Deposited Shares and in the case of Shares so subscribed or acquired to distribute them to the Holders entitled thereto by an increase in the numbers of GDRs evidenced by the Master GDR or an issue of certificates in definitive form in respect of GDRs, according to the manner in which the Holders hold their GDRs;

(b) if, at its discretion, the Depositary shall be satisfied that it is lawful and reasonably practicable and to the extent that it is so satisfied, the Depositary shall distribute such securities or other assets by way of rights or the rights themselves to the Holders entitled thereto in proportion to the number of Deposited Shares represented by the GDRs held by them respectively in such manner as the Depositary may at its discretion determine; or

(c) if, and in so far as the Depositary is not satisfied that, any such arrangement and distribution to all or any Holders is lawful and reasonably practicable (including, without limitation, owing to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the

Depositary withhold an amount on account of taxes or other governmental charges) or is so satisfied that it is unlawful, the Depositary, subject to Kazakhstan laws and regulations, will, provided that Holders have not taken up rights through the Depositary as provided in (i) above, sell such rights (either by public or private sale and otherwise at its discretion subject to applicable laws and regulations) and distribute the net proceeds of such sale as a cash distribution pursuant to Condition 4 to the Holders entitled thereto except to the extent prohibited by applicable law.

7.2 If at the time of the offering of any rights, at its discretion, the Depositary shall be satisfied that it is not lawful or practicable (for reasons outside its control) to dispose of the rights in any manner provided in Condition 7.1 the Depositary shall permit the rights to lapse. In the absence of its own wilful default, gross negligence or bad faith the Depositary will not be responsible for any failure to determine that it may be lawful or practicable to make rights available to Holders in general or to any Holder in particular.

7.3 The Company has agreed in the Deposit Agreement that it will, unless prohibited by applicable law, give its consent to, and, if requested, use all reasonable endeavours (subject to the next paragraph) to facilitate any such distribution, sale or subscription by the Depositary or the Holders, as the case may be, pursuant to Condition 4, 5, 6, 7 or 10.

7.4 If the Company notifies the Depositary that registration is required in any jurisdiction under any applicable law of the rights, securities or other property to be distributed under Condition 4, 5, 6, 7 or 10 or the securities to which such rights relate, in order for the Depositary to offer such rights or distribute such securities or other property to the Holders or owners of GDRs and to sell the securities represented by such rights, the Depositary will not offer such rights or distribute such securities or other property to Holders of GDRs unless and until the Company procures, at the Company's expense, the receipt by the Depositary of an opinion from counsel satisfactory to the Depositary that the necessary registration has been effected or that the offer and sale of such rights, securities or property to Holders of GDRs are exempt from registration. Neither the Company nor the Depositary shall be liable to register such rights, securities or other property or the securities to which such rights relate and they shall not be liable for any losses, damages or expenses resulting from any failure to do so.

8. CONVERSION OF FOREIGN CURRENCY

Whenever the Depositary shall receive any currency other than United States dollars by way of dividend or other distribution or as the net proceeds from the sale of securities, other property or rights, and if at the time of the receipt thereof the currency so received can in the judgment of the Depositary be converted on a reasonable basis into United States dollars and distributed to the Holders entitled thereto, the Depositary shall as soon as practicable itself convert or cause to be converted by another bank, by sale or in any other manner that it may reasonably determine, the currency so received into United States dollars. If such conversion or distribution can be effected only with the approval or licence of any government or agency thereof, the Depositary, with the assistance of the Company, shall make reasonable efforts to apply, or procure that an application be made, for such approval or licence, if any, as it may consider necessary. If at any time the Depositary shall determine that in its judgment any currency other than United States dollars is not convertible on a reasonable basis into United States dollars and distributable to the Holders entitled thereto, or if any approval or licence of any government or agency thereof which is required for such conversion is denied or, in the opinion of the Depositary, is not obtainable, or if any such approval or licence is not obtained within a reasonable period as determined by the Depositary, the Depositary may distribute such other currency received by it (or an appropriate document evidencing the right to receive such other currency) to the Holders entitled thereto to the extent permitted under applicable law, or the Depositary may in its discretion hold such other currency (without liability to any person for interest thereon) for the benefit of the Holders entitled thereto. If any conversion of any such currency can be effected in whole or in part for distribution to some (but not all) Holders entitled thereto, the Depositary may in its discretion make such conversion and distribution in United States dollars to the extent possible to the Holders entitled thereto and may distribute the balance of such other currency received by the Depositary to, or hold such balance on non-interest bearing accounts for the account of, the Holders entitled thereto and notify the Holders accordingly.

9. DISTRIBUTION OF ANY PAYMENTS

9.1 Any distribution of cash under Condition 4, 5, 6, 7 or 10 will be made by the Depositary to those Holders who are Holders of record on the record date established by the Depositary (which shall be the same date as the record date or, if different from the record date, shall be set after consultation with the

Company and shall be as near as practicable to the record date) for that purpose and, if practicable in the opinion of the Depositary, notice shall be given promptly to Holders in accordance with Condition 23, in each case subject to any laws or regulations applicable thereto and (subject to the provisions of Condition 8) distributions will be made in United States dollars by cheque drawn upon a bank in New York City or, in the case of the Master GDR, according to usual practice between the Depositary and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"), Euroclear Bank S.A./N.V. ("**Euroclear**") or DTC, as the case may be. The Depositary or the Agent, as the case may be, may deduct and retain from all moneys due in respect of such GDR in accordance with the Deposit Agreement all fees, taxes, duties, charges, costs and expenses which may become or have become payable under the Deposit Agreement or under applicable law in respect of such GDR or the relevant Deposited Property.

9.2 Delivery of any securities or other property or rights other than cash shall be made as soon as practicable to the entitled Holder, subject to any laws or regulations applicable thereto. If any distribution made by the Company with respect to the Deposited Property and received by the Depositary shall remain unclaimed at the end of 12 years from the first date upon which such distribution is made available to Holders in accordance with the Deposit Agreement, all rights of the Holders to such distribution or the proceeds of the sale thereof shall be extinguished and the Depositary shall (except for any distribution upon the liquidation of the Company, which remains unclaimed for such period as aforesaid, when the Depositary shall retain the same) deposit the same, in accordance with the procedure established by the applicable laws, with a public notary, bank or court in Kazakhstan (as may be appropriate under applicable laws) in satisfaction of its obligation to make the relevant distribution.

10. CAPITAL REORGANISATION

Upon any sub-division, consolidation or other reclassification of Deposited Shares or any other part of the Deposited Property or upon any reduction of capital or upon any reorganisation, merger or consolidation of the Company or to which it is a party (except where the Company is the continuing corporation), the Depositary shall as soon as practicable give notice of such event to the Holders in accordance with Condition 23 and, at its discretion, may treat such event as a distribution and comply with the relevant provisions of Conditions 4, 5, 6 and 9 with respect thereto or may execute and deliver additional GDRs in respect of Shares or may require the exchange of existing GDRs for new GDRs which reflect the effect of such change.

11. TAXATION AND APPLICABLE LAWS

11.1 Payments to Holders of dividends or other distributions made to Holders on or in respect of the Deposited Shares will be subject to deduction of Kazakhstan and other withholding taxes, if any, at the applicable rates.

11.2 If any governmental or administrative authorisation, consent, registration or permit or any report to any governmental or administrative authority is required under any applicable law in Kazakhstan in order for the Depositary to receive from the Company Shares or other rights, securities, property and cash to be deposited under the Conditions or in order for Shares, other rights, securities or other property or cash to be distributed or otherwise dealt with under Condition 4, 5, 6 or 10 or to be subscribed under Condition 7 or to offer any right to sell any securities represented by such rights relevant to any Deposited Shares, the Depositary shall request that the Company, to the extent permitted under applicable law, applies for such authorisation, consent, registration or permit or file such report on behalf of the Depositary within the time required under such law. In this connection, the Company has undertaken in the Deposit Agreement, to the extent reasonably practicable and that it does not involve unreasonable expense on behalf of the Company, to take such action as may be required in obtaining or filing the same. The Depositary shall not distribute GDRs, Shares, other securities or other property or cash to be deposited under the Conditions or make any offer of any such rights or sell any securities represented by any such rights with respect to which (as notified by the Company to the Depositary) it has been informed in writing that such authorisation, consent, registration or permit or such report has not been obtained or filed, as the case may be, and shall have no duties to obtain any such authorisation, consent, registration or permit or to file any such report except in circumstances where the same may only be obtained or filed by the Depositary, at the expense of the Company, without, in the opinion of the Depositary, unreasonable burden or expense.

12. VOTING RIGHTS

12.1 Holders will have voting rights with respect to the Deposited Shares, subject to and in accordance with any applicable Kazakhstan law. The Company has agreed to notify the Depositary of any resolution to be proposed at a general meeting of shareholders of the Company. As soon as practicable after receipt of notice of any general meeting of shareholders of the Company, the Depositary shall, subject to Condition 12.3 below, mail to the Holders a notice in such form as the Depositary may in its sole discretion consider appropriate, which shall contain (a) such information as is contained in such notice of meeting; (b) a statement that such Holder at the close of business on a specified record date will be entitled, subject to any applicable provision of Kazakhstan law and the Charter, to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the amount of Shares or other Deposited Property represented by their respective GDRs; and (c) details as to the manner in which such instructions may be given (or deemed to be given).

12.2 In respect of any proposed resolution:

(a) if the vote in respect of such resolution is on a show of hands, the Depositary shall vote in the direction that a majority (if any) of those Holders that have submitted valid voting requests in writing to the Depositary (for the avoidance of doubt, disregarding for this purpose any Holders that have not submitted any voting instructions), have requested the Depositary to vote; or

(b) if the vote in respect of such resolution is on the basis of a poll, endeavour, in so far as practicable, to vote or cause to be voted, in respect of each written request of a Holder on such record date, the amount of Shares represented by the GDR or GDRs of the respective Holder in accordance with the instructions set forth in such request.

12.3 The Company will, at any meeting of holders of Shares where voting rights have been provided to GDR Holders in accordance with this Condition 12, provide a certificate signed by the chief executive officer of the Company or other person duly authorised by the chief executive officer of the Company in advance of the meeting, confirming that any actions to be taken by the Depositary hereunder will be undertaken in accordance with all applicable laws and regulations of Kazakhstan and in accordance with the Charter. The Depositary shall be entitled to rely on such certificate without further enquiry and, irrespective of any particular actual or constructive knowledge, shall incur no liability to any person for so relying on such certificate. The Depositary shall not itself exercise any voting discretion over any Shares or Deposited Property.

12.4 In order for each voting instruction to be valid, the voting instructions form must be completed and duly signed by the respective Holder and returned to the Depositary by such date as specified by the Depositary. In such voting instruction, each Holder will be required to disclose to the Company, the Central Depositary, the FMSC or other relevant Kazakhstan state authority in the manner required under Kazakhstan law the identity of the ultimate Beneficial Owner of the relevant GDRs wishing to exercise voting rights at the relevant meeting. Subject as set out below in this Condition, if, for whatever reason, the Depositary has not by the date specified by the Depositary received instructions from any Holder to vote in respect of any resolution or the instructions fail to specify how the Depositary should vote, or if the Depositary determines that it is not permitted by applicable law to vote the Deposited Shares represented by the GDR or GDRs of the respective Holder at the relevant shareholders' meeting in the manner provided for in this Condition, the Depositary shall not exercise voting rights in relation to such Deposited Shares and such voting rights shall lapse.

12.5 By continuing to hold GDRs, all Holders shall be deemed to have agreed to the provisions of this Condition as it may be amended from time to time in order to comply with applicable Kazakhstan law.

12.6 Notwithstanding the above, the Depositary shall not (save in the case of its own wilful default, gross negligence or bad faith) be liable for or by reason of any exercise of, or failure to exercise, any voting rights attached to the Deposited Shares or any failure to carry out any instructions to vote any of the Shares and/or Deposited Property and none of the Depositary, the Custodian, the Company, any Agent, nor any of their agents, officers or directors or employees shall (save in the case of any of their own wilful default, gross negligence or bad faith) incur any liability to each other or to any Holder or owner of a GDR or a person with an interest in a GDR by reason of any exercise of, or failure to exercise any voting rights attached to the Shares and/or Deposited Property or any of them.

12.7 Notwithstanding any other provision of these Conditions, the Deposit Agreement, the Charter and applicable law, each Holder and owner of GDRs agrees to provide such information as the Company, the

Central Depositary, the FMSC or the Depositary may request pursuant to (a) applicable law or regulation (including upon any request of any regulator made to the Depositary), the Charter, the requirements of any markets or exchanges upon which the Shares, GDRs are listed or traded, or to any requirements of any electronic book-entry system by which the GDRs may be transferred, or (b) Clause 9.3 of the Deposit Agreement, to the same extent as if such Holder and owner of GDRs held Shares directly, in each case irrespective of whether or not they are Holders or owners of GDRs at the time such request is made. The Depositary shall forward upon the request of the Company any such request from the Company to the Holders and to forward to the Company, as soon as reasonably practicable, any such responses to such requests received by the Depositary.

Shares which have been withdrawn from the depositary facility and transferred on the Company's register of members to a person other than the Depositary or its nominee may be voted by the holders thereof. However, Holders or owners of GDRs may not receive sufficient advance notice of shareholder meetings to enable them to withdraw the Shares and vote at such meetings.

Only Holders who have disclosed required information to JSC "Central Securities Depositary" of Kazakhstan will have voting rights in respect of their GDRs.

13. DOCUMENTS TO BE FURNISHED, RECOVERY OF TAXES, DUTIES AND OTHER CHARGES

The Depositary shall not be liable for any taxes, duties, charges, costs or expenses which may become payable in respect of the Deposited Shares or other Deposited Property or the GDRs, whether under any present or future fiscal or other laws or regulations, and such part thereof as is proportionate or referable to a GDR shall be payable by the Holder thereof to the Depositary at any time on request or may be deducted from any amount due or becoming due on such GDR in respect of any dividend or other distribution. In default thereof, the Depositary may, for the account of the Holder, discharge the same out of the proceeds of sale and subject to all applicable laws and regulations, of an appropriate number of Deposited Shares (being an integral multiple of the number of Shares in respect of which a single GDR is issued) or other Deposited Property and subsequently pay any surplus to the Holder. Any such request shall be made by giving notice pursuant to Condition 23.

14. LIABILITY

14.1 None of the Depositary, the Custodian, the Company, any Agent or any of their agents, officers or directors or employees shall incur any liability to any other of them or to any Holder or Beneficial Owner of a GDR or any other person if, by reason of any provision of any present or future law or regulation of Kazakhstan or any other country or of any relevant governmental authority, or by reason of the interpretation or application of any such present or future law or regulation or any change therein, or by reason of any other circumstances beyond their control or, in the case of the Depositary, the Custodian, any Agent or any of their agents, officers, directors or employees by reason of any provision, present or future, of the Charter, any of them shall be prevented, delayed or forbidden from doing or performing any act or thing which the terms of these Conditions or the Deposit Agreement provide shall or may be done or performed; nor (save in the case of wilful default, gross negligence or bad faith) shall any of them incur any liability to any Holder or owner of a GDR or a person with an interest in a GDR by reason of any non-performance or delay in performance of any act or thing which the terms of these Conditions or the Deposit Agreement provide shall or may be done or performed, or by reason of any exercise of or failure to exercise any voting rights attached to the Deposited Shares or any of them or any other discretion or power provided for in these Conditions or the Deposit Agreement. Any such party may rely on, and shall be protected in acting upon, any written notice, request, direction or other document believed by it to be genuine and to have been duly signed or presented (including a translation which is made by a translator believed by it to be competent or which appears to be authentic).

14.2 None of the Depositary, the Custodian or any Agent shall be liable (except by reason of its own wilful default, gross negligence or bad faith or that of its officers, directors or employees) to the Company or any Holder or owner of a GDR or any other person, by reason of having accepted as valid, or not having rejected, any document relating to Shares or GDRs or any signature on any transfer or instruction purporting to be such and subsequently found to be forged or not authentic for its failure to perform any obligations under these Conditions or the Deposit Agreement.

14.3 The Depositary and each of its Agents (and any holding, subsidiary or associated company of the Depositary) may engage or be interested in any financial or other business transactions with the Company or any of its subsidiaries or affiliates or in relation to the Deposited Property (including, without prejudice

to the generality of the foregoing, the conversion of any part of the Deposited Property from one currency to another), may at any time hold or be interested in GDRs for its own account, and shall be entitled to charge and be paid all usual fees, commissions and other charges for business transacted and acts done by it as a bank or in any other capacity, and not in the capacity of Depositary, in relation to matters arising under the Deposit Agreement (including, without prejudice to the generality of the foregoing, charges on the conversion of any part of the Deposited Property from one currency to another and on any sales of property) without accounting to Holders or owners of GDRs or a person with an interest in a GDR or any other person for any profit arising therefrom.

14.4 The Depositary shall endeavour to effect any such sale as is referred to or contemplated in Conditions 5, 6, 7, 10, 13 or 21 or any such conversion as is referred to in Condition 8 in accordance with the Depositary's normal practices and procedures, but shall have no liability (in the absence of its own wilful default, gross negligence or bad faith or that of its agents, officers, directors or employees) with respect to the terms of such sale or conversion or if such sale or conversion shall not be possible. In the absence of its own wilful default, gross negligence or bad faith the Depositary will not be responsible for any failure to determine that it may be lawful or practicable to make rights available to Holders in general or to any Holder in particular pursuant to Condition 7.

14.5 The Depositary shall not be required or obliged to monitor, supervise or enforce the observance and performance by the Company of, its obligations under or in connection with, these Conditions or the Deposit Agreement.

14.6 Neither the Company nor the Depositary shall, subject to all applicable laws, have any responsibility whatsoever to the other party hereto, any Holder or any owner of GDRs or a person with an interest in a GDR as regards any deficiency which might arise because the Depositary is subject to any tax in respect of the Deposited Property or any part thereof or any income therefrom or any proceeds thereof.

14.7 In connection with any proposed modification, waiver, authorisation or determination permitted by the terms of these Conditions or the Deposit Agreement, the Depositary shall not, except as otherwise expressly provided in Condition 22, be obliged to have regard to the consequence thereof for the Holders or owners of GDRs or a person with an interest in a GDR or any other person.

14.8 Notwithstanding anything else contained in these Conditions or the Deposit Agreement, the Depositary may refrain from doing anything which could or might, in its reasonable opinion, be contrary to any law of any jurisdiction or any directive or regulation of any agency or state or which would or might otherwise render it liable to any person and the Depositary may do anything which is, in its reasonable opinion, necessary to comply with any such law, directive or regulation.

14.9 Applicable laws, regulations and stock exchange rules, including those of the Kazakhstan Stock Exchange, the London Stock Exchange, the Financial Services Authority and the UK Listing Authority, and other state authorities in Kazakhstan or the United Kingdom, as amended from time to time, and the Charter of the Company, may require Holders and Beneficial Owners of Shares and/or GDRs to satisfy reporting requirements, comply with ownership restrictions or obtain regulatory approvals in certain circumstances. As between the parties and without prejudice to the existing applicable laws and regulations, the Depositary shall be under no obligation to check, monitor or enforce compliance with any such reporting requirements, ownership restrictions, regulatory approvals or the Charter in respect of GDRs or Shares. Holders and Beneficial Owners of GDRs are solely responsible for complying with such reporting requirements, ownership restrictions and the Charter and obtaining such approvals. None of the Depositary, the Custodian, the Company or any of their respective agents or affiliates shall have any liability in respect of such reporting requirements, ownership restrictions, approvals or the Charter and shall not be required to take any actions whatsoever on behalf of Holders or Beneficial Owners of GDRs to satisfy or comply with such reporting requirements, ownership restrictions or the Charter or obtain such regulatory approvals under applicable laws and regulations.

14.10 Notwithstanding the generality of Condition 3, the Depositary shall refuse to register any transfer of GDRs or any deposit of Shares against issue of GDRs if notified by the Company, or if the Depositary becomes aware of the fact, that such transfer or issue would be in violation of the limitations set forth above or any other applicable laws.

14.11 Notwithstanding any other provision of this Agreement, the Charter of the Company and applicable law, each Holder and Beneficial Owner agrees to (a) provide such information as the Company or the Depositary may request pursuant to law (including, without limitation, relevant Kazakhstan law, any applicable law of the United States, the Charter of the Company, any resolutions of the Company's board

of directors adopted pursuant to such Charter, the requirements of any markets or exchanges upon which the Shares or GDRs are listed or traded, or to any requirements of any electronic book-entry system by which the Shares or GDRs may be transferred) and (b) be bound by and subject to applicable provisions of Kazakhstan laws, the Charter of the Company and the requirements of any markets or exchanges upon which the Shares or GDRs are listed or traded, or pursuant to any requirements of any electronic book-entry system by which the Shares or GDRs may be transferred, to the same extent as if such Holder and Beneficial Owner held Shares directly, in each case irrespective of whether or not they are Holders or Beneficial Owners at the time such request is made. Each Holder and Beneficial Owner of GDRs further agrees to furnish the Company with any such notification made in accordance with this Condition 14.11 and to comply with requests from the Company pursuant to Kazakhstan laws, the rules and requirements of any stock exchange on which the Shares are, or will be registered, traded or listed, and the Company's Charter, whether or not they are Holders and/or Beneficial Owner at the time of such request. The Depositary shall forward upon the request of the Company, at the Company's expense, any such request from the Company to the Holders and to forward to the Company, as soon as reasonably practicable, such responses to such requests received by the Depositary.

14.12 The Depositary may, in relation to these Conditions or the Deposit Agreement, act or take no action on the advice or opinion of, or any certificate or information obtained from, any lawyer, valuer, accountant, banker, broker, securities company or other expert whether obtained by the Company, the Depositary or otherwise and shall not be responsible or liable for any loss or liability occasioned by so acting or refraining from acting or relying on information from persons presenting Shares for deposit or GDRs for surrender or requesting transfer thereof. Any such advice, opinion, certificate or information may be sent or obtained by letter or facsimile transmission, and the Depositary shall not be liable for acting on any advice, opinion, certificate or information purported to be conveyed by any such letter or facsimile transmission although (without the Depositary's actual knowledge) the same shall contain some error or shall not be authenticated.

14.13 The Depositary may call for and shall be at liberty to accept as sufficient evidence of any fact or matter or the expediency of any transaction or thing, a certificate, letter or other written communication signed or otherwise communicated on behalf of the Company by the chief executive officer of the Company or by a person reasonably believed to have been duly authorised by the chief executive officer of the Company or such other certificate from persons specified in Condition 14.12 above which the Depositary considers appropriate and the Depositary shall not be bound in any such case to call for further evidence or be responsible for any loss or liability that may be occasioned by the Depositary acting on such certificate.

14.14 Notwithstanding anything to the contrary contained in these Conditions or the Deposit Agreement, the Depositary shall not be liable in respect of any loss or damage which arises out of or in connection with the performance or non-performance of or the exercise or attempted exercise of, or the failure to exercise any of, its powers or discretions under the Deposit Agreement, except to the extent that such loss or damage arises from its own wilful default, gross negligence or bad faith or that of its officers, directors or employees.

14.15 No provision of these Conditions or the Deposit Agreement shall require the Depositary to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity and security against such risk of liability is not assured.

14.16 The Depositary may, in the performance of its obligations hereunder, instead of acting personally, employ and pay an agent, whether a lawyer or other person, including obtaining an opinion of legal advisers in form and substance reasonably satisfactory to it, to transact or concur in transacting any business and do or concur in doing all acts required to be done by such party, including the receipt and payment of money. Save for (i) the failure on the part of the Depositary to exercise reasonable care in the selection or retention of any such agent or (ii) any misconduct or omission by an agent which is an affiliate of the Depositary, the Depositary will not be liable to anyone for any misconduct or omission by any such agent so employed by it or be bound to supervise the proceedings or acts of any such agent.

14.17 The Depositary may having given prior notification to the Company, delegate by power of attorney or otherwise to any person or persons or fluctuating body of persons, whether being a joint Depositary of the Deposit Agreement or not and not being a person to whom the Company may reasonably object, all or any of the powers, authorities and discretions vested in the Depositary by the Deposit Agreement and such delegation may be made upon such terms and subject to such conditions, including power to sub-delegate

and subject to such regulations as the Depositary may in the interest of the Holders think fit and further provided that the Depositary shall exercise reasonable care in the selection of any delegate, provided that no objection from the Company to any such delegation as aforesaid may be made to a person whose financial statements are consolidated with those of the Depositary's ultimate holding company. Any delegation by the Depositary shall be on the basis that the Depositary is acting on behalf of the Holders and the Company in making such delegation. The Company shall not in any circumstances and the Depositary shall not (provided that it shall have exercised reasonable care in the selection of such delegate) be bound to supervise the proceedings or be in any way responsible for any loss, liability, cost, claim, action, demand or expense incurred by reason of any misconduct or default on the part of any such delegate or sub-delegate. However, the Depositary shall, if practicable, and if so requested by the Company, pursue (at the Company's expense and subject to receipt by the Depositary of such indemnity and security for costs as the Depositary may reasonably require) any legal action it may have against such delegate or sub-delegate, arising out of any such loss caused by reason of any such misconduct or default. The Depositary shall, within a reasonable time of any such delegation or any renewal, extension or termination thereof, give notice thereof to the Company. Any delegation under this Condition which includes the power to sub-delegate, shall provide that the delegate or sub-delegate, as the case may be, shall be required to provide the services delegated or sub-delegated in substantially the same manner as such services are required to be provided under the Deposit Agreement and the delegate or the sub-delegate, as the case may be, shall, within a specified time of any sub-delegation or amendment, extension or termination thereof, give notice to the Company and the Depositary.

14.18 The Depositary shall be at liberty to hold or to deposit the Deposit Agreement and any deed or document relating thereto in any part of the world with any banking company or companies (including itself) whose business includes undertaking the safe custody of deeds or documents or with any lawyer or firm of lawyers of good repute and the Depositary shall not (in the case of deposit with itself, in the absence of its own gross negligence, bad faith or wilful default or that of directors, officers or employees) be responsible for any losses, liabilities or expenses incurred in connection with any such deposit.

14.19 The Depositary shall not be liable to any person if incorrect, false or misleading information derives from an inspection of the Share Register. For the avoidance of doubt, the Depositary has no obligation to inspect the Share Register.

14.20 The Depositary shall under no circumstances have any liability arising from the Deposit Agreement or from any obligations which relate to the Deposit Agreement (including, but not limited to, obligations in tort), whether as a matter of contract, tort, negligence or otherwise, for any indirect, special, punitive or consequential loss or damage, loss of profit, reputation or goodwill, or trading loss incurred by any person or entity, whether or not foreseeable and regardless of the type of action in which such a claim may be brought.

14.21 For the purposes of Condition 14.20:

(a) "consequential loss or damage" means loss or damage of a kind or extent which was not reasonably foreseeable at the time the Deposit Agreement was entered into as a serious possibility in the event of the breach of obligation in question.

(b) "special loss or damage" means loss or damage of a kind or extent which arises from circumstances special to the person suffering the loss and not from the ordinary course of things, whether or not those circumstances were known to the Depositary either at the time the Deposit Agreement was entered into or later.

14.22 In acting hereunder the Depositary shall have only those duties, obligations and responsibilities expressly specified in these Conditions or the Deposit Agreement and, other than holding the Deposited Property for the benefit of Holders as bare trustee, does not assume any relationship of trust for or with the Holders or the owners of GDRs except that any funds received by the Depositary for the payment of any amount due, in accordance with these Conditions, on the GDRs shall, subject to Condition 9.2 be held by it in trust for the relevant Holder until duly paid thereto.

15. ISSUE AND DELIVERY OF REPLACEMENT GDRS AND EXCHANGE OF GDRS

Subject to the payment of the relevant fees, taxes, duties, charges, costs and expenses and such terms as to evidence and indemnity as the Depositary may require, replacement GDRs will be issued by the Depositary and will be delivered in exchange for or in replacement of outstanding lost, stolen, mutilated, defaced or destroyed GDRs upon surrender thereof (except in the case of destruction, loss or theft) at the

specified office of the Depositary or (at the request, risk and expense of the holder) at the specified office of any Agent.

16. DEPOSITARY'S FEES, COSTS AND EXPENSES

16.1 The Depositary shall be entitled to charge the following fees to the Holders, the Beneficial Owners and the persons depositing Shares or surrendering GDRs for cancellation:

(a) for the issue of GDRs (other than upon the issue of GDRs pursuant to the Initial Offering or any subsequent offering of Shares, offered in the form of GDRs by the Company) or the cancellation of GDRs upon the withdrawal of Deposited Shares: up to U.S.$0.05 per GDR issued or cancelled (except for issuances and cancellations covered by paragraph (h) below);

(b) for the issue of GDR Certificates in definitive registered form in replacement for mutilated, defaced, lost, stolen or destroyed GDR Certificates: a sum per GDR Certificate which is determined by the Depositary to be a reasonable charge to reflect the work, costs and expenses involved;

(c) for issuing GDR Certificates in definitive registered form (other than pursuant to paragraph (b) above): a sum per GDR Certificate which is determined by the Depositary to be a reasonable charge to reflect the work, costs (including, but not limited to, printing costs) and expenses involved;

(d) for receiving and paying any cash dividend or other cash distribution on or in respect of the Deposited Shares: a fee of up to U.S.$0.02 per GDR for each such dividend or distribution;

(e) in respect of any issue of rights or distribution of Shares (whether or not evidenced by GDRs) or other securities or other property (other than cash) upon exercise of any rights, any free distribution, stock dividend or other distribution (except where converted to cash): up to U.S.$0.05 per GDR for each such issue of rights, dividend or distribution;

(f) for the operation and maintenance costs associated with the administration of the GDRs: an annual fee of U.S.$0.02 per GDR (such fee to be assessed against Holders of record as at the date or dates set by the Depositary as it sees fit and collected at the sole discretion of the Depositary by billing such Holders for such fee or by deducting such fee from one or more cash dividends or other cash distributions); provided, however, that if the Depositary imposes a fee under this paragraph (f), then the total fees assessed under this paragraph (f) combined with the total fees assessed under clause (d) shall not exceed in the aggregate U.S.$0.02 per GDR in any calendar year;

(g) for the issue of GDRs pursuant to a change for any reason in the number of Shares represented by each GDR, regardless of whether or not there has been a deposit of Shares to the Custodian or the Depositary for such issuance: a fee of up to U.S.$0.05 per GDR (or portion thereof); and

(h) for transferring interests from and between the Regulation S and/or Rule 144A GDRs and the Rule 144A and/or Regulation S GDRs: a fee of up to U.S.$0.05 per GDR.

In addition, Holders, Beneficial Owners, persons depositing Shares for deposit and persons surrendering GDRs for cancellation and for the purpose of withdrawing Deposited Shares shall be responsible for the following charges:

(i) taxes (including applicable interest and penalties) and other governmental charges;

(ii) such registration fees as may from time to time be in effect for the registration of Shares or other Deposited Shares on the Share Register and applicable to transfers of Shares or other Deposited Property to or from the name of the Custodian, the Depositary or any nominees upon the making of deposits and withdrawals, respectively;

(iii) such facsimile transmission and delivery expenses as are expressly provided in the Deposit Agreement to be at the expense of the person depositing or withdrawing Shares or Holders and Beneficial Owners of GDRs;

(iv) the expenses and charges incurred by the Depositary in the conversion of foreign currency; and

(v) such fees and expenses as are incurred by the Depositary in connection with compliance with exchange control regulations applicable to Shares, Deposited Property, GDRs and GDR Certificates.

Any other charges and expenses of the Depositary under the Deposit Agreement will be paid by the Company upon agreement between the Depositary and the Company. All fees and charges so payable may,

at any time and from time to time, be changed by agreement between the Depositary and Company but, in the case of fees and charges payable by Holders or Beneficial Owners, only in the manner contemplated by Condition 22. The Depositary will provide, without charge, a copy of its latest fee schedule to anyone upon request. The charges and expenses of the Custodian are for the sole account of the Depositary.

16.2 The Depositary is entitled to receive from the Company such fees, taxes, duties, charges, costs, expenses and other payments as agreed between them in any agreement concerning such fees, taxes, duties, charges, costs, expenses and other payments.

17. AGENTS

17.1 The Depositary shall be entitled to appoint one or more Agents (the "**Agents**") for the purpose, inter alia, of making distributions to the Holders. No such appointment of an Agent shall relieve the Depositary of any of its obligations or duties under the Deposit Agreement.

17.2 Notice of appointment or removal of any Agent or of any change in the specified office of the Depositary or any Agent will be duly given by the Depositary to the Holders.

18. LISTING

The Company has undertaken in the Deposit Agreement to use all reasonable endeavours to obtain and thereafter maintain, so long as any GDR is outstanding, a listing of the GDRs on the Official List and admission to trading on the regulated market of listed securities of the London Stock Exchange. For that purpose the Company will pay all fees and sign and deliver all undertakings required by the London Stock Exchange and the Financial Services Authority in connection therewith. In the event that such GDR listing is not obtained and maintained and where the Company can no longer maintain a listing for the GDRs on the Official List and admission to trading on the regulated market for listed securities of the London Stock Exchange or it becomes unreasonably burdensome or impracticable for it to do so, and such listing is suspended, the Company has undertaken in the Deposit Agreement to use all reasonable endeavours to obtain and maintain a listing of the GDRs on any other internationally recognised stock exchange in Europe as it may decide.

19. THE CUSTODIAN

The Depositary has, pursuant to the Deposit Agreement, agreed with the Custodian that the Custodian will receive and hold (or appoint agents approved by the Depositary to receive and hold) all Deposited Property for the account and to the order of the Depositary in accordance with the applicable terms of the Deposit Agreement, which include a requirement to segregate the Deposited Property from the other property of, or held by, the Custodian, provided that the Custodian shall not be obliged physically to segregate cash comprised in the Deposited Property from cash otherwise held by the Custodian (unless so required by Kazakhstan laws and regulations). The Custodian shall be responsible solely to the Depositary; provided that, if at any time the Depositary and the Custodian are the same legal entity, references to them separately in these Conditions and the Deposit Agreement are for convenience only and that legal entity shall be responsible for discharging both functions directly to the Holders and the Company. Upon receiving notice of the resignation of the Custodian, the Depositary shall promptly appoint a successor custodian, which shall, upon acceptance of such appointment, become the Custodian under the Deposit Agreement. Whenever the Depositary in its discretion determines that it is in the best interest of the Holders to do so, it may terminate the appointment of the Custodian and, in the event of the termination of the appointment of the Custodian, the Depositary shall promptly appoint a successor Custodian, which shall, upon acceptance of such appointment, become the Custodian under the Deposit Agreement on the effective date of such termination. The Depositary shall notify Holders of such change as soon as is practically possible following such change taking effect in accordance with Condition 23. Notwithstanding the foregoing, the Depositary may temporarily deposit the Deposited Property in a manner or a place other than as herein specified; provided that, in the case of such temporary deposit in another place, where practicable, the Company shall have consented to such deposit and such consent of the Company shall have been delivered to the Custodian. In case of transportation of the Deposited Property under this Condition, the Depositary shall obtain appropriate insurance at the expense of the Company if, and to the extent that, the obtaining of such insurance is reasonably practicable and the premiums payable are, in the opinion of the Depositary and the Company, of a reasonable amount.

20. RESIGNATION AND TERMINATION OF APPOINTMENT OF THE DEPOSITARY

20.1 Unless otherwise agreed to in writing between the Company and Depositary from time to time, the Company may terminate the appointment of the Depositary under the Deposit Agreement by giving at least 90 calendar days' notice in writing to the Depositary and the Custodian, and the Depositary may resign as Depositary by giving at least 90 calendar days' prior notice in writing to the Company and the Custodian. Within 30 calendar days after the giving of either such notice, notice thereof shall be duly given by the Depositary to the Holders in accordance with Condition 23 and to the Financial Services Authority and the London Stock Exchange. Such resignation by the Depositary shall be subject to the terms and conditions of any other agreement executed between the Depositary and the Company.

The termination of the appointment or the resignation of the Depositary shall take effect on the date specified in the relevant notice provided that no such termination of appointment or resignation shall take effect until the appointment by the Company of a successor depositary, the grant of such approvals as may be necessary to comply with applicable laws and with the Charter for the transfer of the Deposited Property to such successor depositary, the acceptance of such appointment to act in accordance with the terms of the Deposit Agreement by the successor depositary and the payment to the Depositary of all fees, taxes, duties, charges, costs, expenses and other payments as agreed by the Depositary and the Company in any agreement concerning such fees, taxes, duties, charges, costs, expenses and other payments. The Company has undertaken in the Deposit Agreement to use all reasonable endeavours to procure the appointment of a successor depositary with effect from the date of termination or resignation specified in such notice as soon as reasonably practicable following notice of such termination or resignation. Upon any such appointment and acceptance, notice thereof shall be duly given by the successor depositary to the Holders in accordance with Condition 23 and to the Financial Services Authority and the London Stock Exchange.

20.2 Upon the termination of appointment or resignation of the Depositary, the Depositary shall, against payment of all fees, expenses and charges owing to it by the Company under the Deposit Agreement and any other agreement executed between the Company and the Depositary, deliver to its successor depositary sufficient information and records to enable such successor efficiently to perform its obligations under the Deposit Agreement and shall deliver and pay to such successor depositary all Deposited Property held by it under the Deposit Agreement. Upon the date when such termination of appointment or resignation takes effect, the Deposit Agreement provides that the Custodian shall be deemed to be the Custodian thereunder for such successor depositary and shall hold the Deposited Property for such successor depositary and the resigning Depositary shall thereafter have no obligation thereunder (other than liabilities accrued prior to the date of termination of appointment or resignation or any liabilities stipulated in relevant laws or regulations).

21. TERMINATION OF DEPOSIT AGREEMENT

21.1 Subject as set out below, either the Company or the Depositary but, in the case of the Depositary, only if the Company has failed to appoint a replacement Depositary within 90 calendar days of the date on which the Depositary has given notice pursuant to Condition 20 that it wishes to resign, may terminate the Deposit Agreement by giving 90 calendar days' prior written notice to the other. Within 30 calendar days after the giving of such notice, notice of such termination shall be duly given by the Depositary to Holders of all GDRs then outstanding in accordance with Condition 23. Such termination by the Company (and any successor entity to the Company) shall be subject to the following paragraph.

If the Company terminates the Deposit Agreement, it will be obligated, prior to such termination, to reimburse to the Depositary all amounts owed to the Depositary as set out in the Deposit Agreement and in any agreement between the Depositary and the Company.

21.2 During the period beginning on the date of the giving of such notice by the Depositary to the Holders and ending on the date on which such termination takes effect, each Holder shall be entitled to obtain delivery of the Deposited Property relating to each GDR held by it, subject to the provisions of Condition 2.4 and upon compliance with Condition 2, and further upon payment by the Holder of any sums payable by the Depositary to the Custodian in connection therewith for such delivery and surrender but otherwise in accordance with the Deposit Agreement.

21.3 If any GDRs remain outstanding after the date of termination, the Depositary shall as soon as reasonably practicable sell the Deposited Property then held by it under the Deposit Agreement and shall not register transfers, shall not pass on dividends or distributions or take any other action except that it will

deliver the net proceeds of any such sale, together with any other cash then held by it under the Deposit Agreement, pro rata to Holders of GDRs which have not previously been so surrendered by reference to that proportion of the Deposited Property which is represented by the GDRs of which they are Holders. After making such sale, the Depositary shall be discharged from all obligations under the Deposit Agreement and these Conditions, except its obligations to account to Holders for such net proceeds of sale and other cash comprising the Deposited Property without interest.

21.4 The Company has agreed not to appoint any other depositary in respect of GDRs issued or to be issued under the depositary facility established pursuant to the Deposit Agreement so long as Deutsche Bank Trust Company Americas is acting as Depositary under the Deposit Agreement.

22. AMENDMENT OF DEPOSIT AGREEMENT AND CONDITIONS

All and any of the provisions of the Deposit Agreement and these Conditions (other than this Condition 22 and Clause 16 of the Deposit Agreement) may at any time and from time to time be amended by written agreement between the Company and the Depositary in any respect which they may deem necessary or desirable. Notice of any amendment of these Conditions (except to correct a manifest error) shall be duly given to the Holders by the Depositary and any amendment (except as aforesaid) which shall increase or impose fees or charges payable by Holders or which shall otherwise, in the opinion of the Depositary, be materially prejudicial to the interests of the Holders (as a class) shall not become effective so as to impose any obligation on the Holders of the outstanding GDRs until the expiry of three months after such notice shall have been given. During such period of three months, each Holder shall be entitled to obtain, subject to and upon compliance with Condition 2, delivery of the Deposited Property relative to each GDR held by it upon surrender thereof, payment of the charge specified in Condition 16.1 for such delivery and surrender but otherwise in accordance with the Deposit Agreement. Each Holder at the time when any such amendment so becomes effective shall be deemed, by continuing to hold a GDR, to approve such amendment and to be bound by the terms thereof in so far as they affect the rights of the Holders. In no event shall any amendment impair the right of any Holder to receive, subject to and upon compliance with Condition 2, the Deposited Property attributable to the relevant GDR.

For the purposes of this Condition 22 and Clause 16 of the Deposit Agreement, an amendment shall not be regarded as being materially prejudicial to the interests of Holders if its principal effect is to permit the creation of GDRs in respect of additional Shares to be held by the Depositary which are or will become fully consolidated as a single series with the other Deposited Shares provided that temporary GDRs will represent such Shares until they are so consolidated.

23. NOTICES

All notices to Holders shall be validly given if mailed to them at their respective addresses in the register of Holders maintained by the Depositary or furnished to them by electronic transmission as agreed between the Company and the Depositary. Any such notice shall be deemed to have been given on the later of publication in accordance with the below paragraphs and the seventh day after being so mailed or in the case of electronic transmission, when delivered.

All notices required to be given by the Company to the holders of any Shares or other Deposited Property pursuant to any applicable laws, regulations or other agreements shall be given by the Company to the Depositary and upon receipt of any such notices, the Depositary shall forward such notices to the Holders. The Depositary shall not be liable for any notices required to be given by the Company which the Depositary has not received from the Company, nor shall the Depositary be liable to monitor the obligations of the Company to provide such notices to the holders of any Shares or other Deposited Property.

For as long as the GDRs are listed on the Official List and admitted to trading on the regulated market for listed securities of the London Stock Exchange and to the extent that the rules of the UK Listing Authority or the London Stock Exchange so require, all notices to be given to Holders generally will also be published in a leading daily newspaper having general circulation in the United Kingdom (which is expected to be The Financial Times).

24. REPORTS AND INFORMATION ON THE COMPANY

24.1 The Company has undertaken in the Deposit Agreement (so long as any GDR is outstanding) to send the Depositary a copy in the English language by electronic transmission of any financial statements

or accounts that it makes generally available to its shareholders, including but not limited to any financial statements or accounts that may be required by law or regulation or in order to maintain a listing for the GDRs on the Official List and admission to trading on the market for listed securities of the London Stock Exchange, or any other stock exchange, in accordance with Condition 18, as soon as reasonably practicable following the publication or availability of such communications.

24.2 The Depositary shall, upon receipt thereof, give due notice to the Holders that such copies are available upon request at its specified office and the specified office of any Agent.

24.3 For so long as any Rule 144A GDRs or Shares represented thereby are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, during any period in which it is neither a reporting company under, and in compliance with the requirements of, Section 13 or 15(d) of the Exchange Act nor exempt from the reporting requirements of the Exchange Act by complying with the information furnishing requirements of Rule 12g3-2(b) thereunder, the Company has agreed in the Deposit Agreement to provide, at its expense, to any Holder, owner of Rule 144A GDRs or of the Rule 144A Master GDRs or the Beneficial Owner of an interest in such GDRs, and to any prospective purchaser of Rule 144A GDRs or shares represented thereby designated by such person, upon request of such owner, Beneficial Owner, Holder or prospective purchaser, the information required by Rule 144A(d)(4)(i) and otherwise to comply with Rule 144A(d)(4).

24.4 If at any time the Company is neither a reporting company under, and in compliance with the requirements of Section 13 or 15(d) of the Exchange Act nor exempt from the reporting requirements of the Exchange Act by complying with the information furnishing requirements of Rule 12g3-2(b) thereunder, the Company shall immediately so notify the Depositary and the Depositary may so notify Holders in writing at the Company's expense. The Company has authorised the Depositary to deliver such information as furnished by the Company to the Depositary during any period in which the Company informs the Depositary it is subject to the information delivery requirements of Rule 144A(d)(4) to any such Holder, owner of Rule 144A GDRs, Beneficial Owner of an interest in Rule 144A GDRs or shares represented thereby or prospective purchaser at the request of such person in accordance with a Deed Poll executed by the Company in favour of such persons. The Company has agreed to reimburse the Depositary for its expenses in connection with such deliveries and to provide the Depositary with such information in such quantities as the Depositary may from time to time request. Subject to receipt, the Depositary will deliver such information, during any period in which the Company informs the Depositary it is subject to the information delivery requirements of Rule 144A(d)(4), to any such holder, Beneficial Owner or prospective purchaser but in no event shall the Depositary have any liability for the contents of any such information.

25. COPIES OF COMPANY NOTICES

On or before the day when the Company first gives notice, by mail, publication or otherwise, to holders of any Shares or other Deposited Property, whether in relation to the taking of any action in respect thereof or in respect of any dividend or other distribution thereon or of any meeting or adjourned meeting of such holders or otherwise, the Company has undertaken in the Deposit Agreement to transmit to the Custodian and the Depositary such number of copies of such notice and any other material (which in the opinion of the Company contains information having a material bearing on the interests of the Holders or Beneficial Owners of the GDRs) furnished to such Holders or Beneficial Owners of the Shares or other Deposited Property by the Company in connection therewith or such number of English translations of the originals if the originals were prepared in a language other than English as the Depositary may reasonably request. The Depositary shall, as soon as practicable after receiving notice of such transmission or (where appropriate) upon completion of translation thereof, give due notice to the Holders which notice may be given together with a notice pursuant to Condition 9.1, and shall make the same available to Holders in such manner as it may determine.

26. MONEYS HELD BY THE DEPOSITARY

The Depositary shall be entitled to deal with moneys paid to it by the Company for the purposes of the Deposit Agreement in the same manner as other moneys paid to it as a banker by its customers and shall not be liable to account to the Company or any Holder or any other person for any interest thereon, except as otherwise agreed.

27. DISCLOSURE OF BENEFICIAL OWNERSHIP AND OTHER INFORMATION

The Depositary may from time to time request Holders or former Holders or any clearing system in which the GDRs are from time to time cleared to provide information as to the capacity in which they hold or held GDRs and regarding the identity of any other persons then or previously interested in such GDRs and the nature of such interest and various other matters. Each such Holder agrees to provide any such information reasonably requested by the Depositary pursuant to the Deposit Agreement whether or not still a Holder at the time of such request.

28. SEVERABILITY

If any one or more of the provisions contained in the Deposit Agreement or in these Conditions shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained therein or herein shall in no way be affected, prejudiced or otherwise disturbed thereby.

29. GOVERNING LAW

29.1 The Deposit Agreement, the GDRs, the Deed Poll and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law. The rights and obligations attaching to the Deposited Property will be governed by Kazakhstan law.

30 ARBITRATION

30.1 Any dispute arising out of or in connection with the Deposit Agreement, the Deed Poll or the GDRs (including a dispute regarding the existence, validity, interpretation, performance, breach or termination or any non-contractual obligation arising out of or in connection with the Deposit Agreement, the GDRs or the Deed Poll) (a "**Dispute**") shall be resolved:

30.1.1 by arbitration in London, England conducted in the English language by three arbitrators pursuant to the LCIA rules save that, unless the parties to the Dispute agree otherwise, the third arbitrator, who shall act as chairman of the tribunal, shall be nominated by the two arbitrators nominated by or on behalf of the parties. If not so nominated within 30 days of the date of nomination of the later of the two party-nominated arbitrators to be nominated, the third arbitrator shall be chosen by the LCIA; or

30.1.2 at the option of the Depositary (or the Holders where permitted to take action pursuant to the Deed Poll), to be exercised within 30 days of a request for arbitration in respect of any Dispute, by court proceedings. In relation to proceedings brought pursuant to the exercise of the option under this Condition 30.1.2:

(i) the courts of England shall have exclusive jurisdiction to settle any Dispute;

(ii) the courts of England are the most appropriate and convenient courts to settle any Dispute and accordingly no party will argue to the contrary; and

(iii) as sub-paragraphs (i) and (ii) above are for the benefit of the Depositary (or the Holders where permitted to take action pursuant to the Deed Poll) only, the Depositary (or the Holders where permitted to take action pursuant to the Deed Poll) shall not be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Depositary may take concurrent proceedings in any number of jurisdictions.

30.2 In the event the Depositary is made party to, or is otherwise required to participate in, any litigation, arbitration or proceeding (whether judicial or administrative) which arises from or is related to or is based upon any act or failure to act by the Company, or which contains allegations to such effect, upon notice from the Depositary, the Company has agreed to fully cooperate with the Depositary in connection with such litigation, arbitration or proceeding.

30.3 The Company irrevocably appoints TeliaSonera International Carrier UK Ltd. of 95 Cromwell Road, London SW7 4DL, England (Company No. 02796345) as its authorised agent for service of process in England. If for any reason the Company does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Depositary of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

30.4 The Depositary irrevocably appoints the Managing Director for the time being of Deutsche Trustee Company Limited, currently situated at Winchester House, 1 Great Winchester Street, London EC2N 2DB as its authorised agent for service of process in England. If for any reason the Depositary does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Company and the Holders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

31. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce these Conditions under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that these Conditions expressly provide for such Act to apply.

32. LANGUAGE

Although the Deposit Agreement or these Conditions may be translated into the Kazakh and Russian languages, the Kazakh and Russian versions of the Deposit Agreement and these Conditions are for informational purposes only. In the event of any discrepancies between the English version and any of the Kazakh or Russian versions of the Deposit Agreement or these Conditions, or any dispute regarding the interpretation of any provision in the English version or any of the Kazakh or Russian versions of the Deposit Agreement or these Conditions, the English version of the Deposit Agreement and these Conditions shall prevail and questions of interpretation shall be addressed solely in the English language.

DEPOSITARY

Deutsche Bank Trust Company Americas

60 Wall Street
New York
New York 10005
USA

CUSTODIAN

SB "HSBC Bank Kazakhstan" JSC

43 Dostyk Ave.
Almaty 050010
Kazakhstan

and/or such other Depositary and/or such other Custodian or Custodians and/or such other or further Agent or Agents and/or Specified Offices and/or specified offices as may from time to time be duly appointed or nominated and notified to the Holders.

SUMMARY OF PROVISIONS RELATING TO THE GDRS WHILE IN MASTER FORM

The GDRs will initially be represented by (i) a single Regulation S Master GDR in registered form and (ii) a single Rule 144A Master GDR in registered form. Book-entry interests in GDRs held through Euroclear and Clearstream, Luxembourg will be represented by the Regulation S Master GDR registered in the name of BT Globenet Nominees Limited, as nominee of Deutsche Bank AG, London Branch, as common depositary for Euroclear and Clearstream, Luxembourg. Book-entry interests in GDRs held through DTC will be represented by the Rule 144A Master GDR registered in the name of Cede & Co., as nominee for DTC, which will be held by the Depositary as custodian for DTC.

The Master GDRs contain provisions which apply to the GDRs while they are in master form, some of which modify the effect of the Conditions set out in this Prospectus. The following is a summary of certain of those provisions. Unless otherwise defined herein, terms defined in the Conditions shall have the same meaning herein.

The Master GDRs will only be exchanged for certificates in definitive registered form evidencing GDRs in the circumstances described in (i), (ii), (iii) or (iv) below in whole, except in the case of (ii) or (iv) for the Rule 144A Master GDR, but not in part. Subject to certain terms and conditions, the Depositary will irrevocably undertake to deliver certificates evidencing GDRs in definitive registered form in exchange for the relevant Master GDR to persons entitled to an interest in this relevant Master GDR within 60 calendar days in the event that:

(i) Euroclear, Clearstream, Luxembourg, DTC or any successor to DTC is unwilling or unable to continue as common depositary (or as nominee thereof) and a successor common depositary (or successor depositary) (or successor nominee thereof) is not appointed within 90 calendar days; or

(ii) either Euroclear, Clearstream, Luxembourg or DTC is closed for business for a continuous period of 14 calendar days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does, in fact, do so, and no alternative clearing system satisfactory to the Depositary is available within 45 calendar days; or

(iii) DTC or any successor ceases to be a "clearing agency" registered under the United States Securities Exchange Act of 1934, as amended; or

(iv) the Depositary has determined that, on the occasion of the next payment in respect of the GDRs, the Company, the Depositary or its Agent would be required to make any deduction or withholding from any payment in respect of the GDRs which would not be required were the GDRs in definitive form.

Any such exchange shall be at the expense (including printing costs) of the relevant Holder.

A GDR evidenced by an individual definitive certificate will not be eligible for clearing and settlement through Euroclear or Clearstream, Luxembourg. Upon any exchange of a part of the Master GDR for a certificate evidencing a GDR or GDRs in definitive form or any exchange of interests between the Rule 144A Master GDR and the Regulation S Master GDR pursuant to Clause 5 of the Deposit Agreement, or any distribution of GDRs pursuant to Conditions 5 (Distributions of Shares), 7 (Rights Issues) or 10 (Capital Reorganisation), or any reduction in the number of GDRs evidenced thereby following any withdrawal of Deposited Property pursuant to Condition 2 (Withdrawal of Deposited Property), or any increase in the number of GDRs following the deposit of Shares pursuant to Condition 1 (Deposit of Shares and Other Securities), the relevant details shall be entered on the Register of the Depositary whereupon the number of GDRs represented by the corresponding Master GDR shall be reduced or increased (as the case may be) for all purposes by the amount so exchanged and entered on the Register, provided always that if the number of GDRs evidenced by a Master GDR is reduced to zero such Master GDR shall continue in existence until the obligations of the Company under the Deposit Agreement and the obligations of the Depositary pursuant to the Deposit Agreement and the Conditions have terminated.

Payments, Distributions and Voting Rights

Payments of cash dividends and other amounts (including cash distributions) in respect of the GDRs evidenced by the relevant Master GDR will be made by the Depositary through DTC, Euroclear and Clearstream, Luxembourg, as the case may be, on behalf of persons entitled thereto, upon receipt of funds therefor from the Company. A free distribution or rights issue of Shares to the Depositary on behalf of the

Holders may result in the Master GDR being marked up to reflect the enlarged number of GDRs represented by the relevant Master GDR.

Holders of GDRs will have voting rights as set out in the Conditions.

Surrender of GDRs

Any requirement in the Conditions relating to the surrender of a GDR to the Depositary shall be satisfied by the production by DTC or the Common Depositary, as the case may be, on behalf of a person entitled to an interest therein, of such evidence of entitlement of such person as the Depositary may reasonably require, which is expected to be a certificate or other documents issued by DTC, Euroclear, Clearstream, Luxembourg, or, if relevant, an alternative clearing system, as the case may be. The delivery or production of any such evidence shall be sufficient evidence, in favour of the Depositary, any Agent and the Custodian, of the title of such person to receive (or to issue instructions for the receipt of) all money or other property payable or distributable in respect of the Deposited Property represented by such GDRs.

Notices

For so long as the Regulation S Master GDR is registered in the name of a common depositary on behalf of Euroclear and Clearstream, Luxembourg and the Rule 144A Master GDR is registered in the name of DTC or its nominee, notices may be given by the Depositary by delivery of the relevant notice to DTC, Euroclear and Clearstream, Luxembourg, as the case may be, for communication to Holders in substitution for publications required by Condition 23 (Notices), except that so long as the GDRs are listed on the Official List and admitted to trading on the regulated market of the London Stock Exchange and the FSA or the London Stock Exchange so requires, notices shall also be published in a leading newspaper having general circulation in the United Kingdom.

The Master GDRs and any non-contractual obligations arising out of or in connection therewith shall be governed by and construed in accordance with English law.

SETTLEMENT AND TRANSFER

Clearing and Settlement of GDRs

Custodial and depositary links have been established between Euroclear, Clearstream, Luxembourg and DTC to facilitate the initial issue of the GDRs and cross-market transfers of the GDRs associated with secondary market trading.

The Clearing Systems

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for participating organisations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Distributions of dividends and other payments with respect to book-entry interests in the GDRs held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Depositary, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

DTC

DTC has advised the Company as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" within the meaning of the New York Banking Law, a member of the United States Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities for DTC participants and facilitates the clearance and settlement of securities transactions between DTC participants through electronic computerised book-entry changes in DTC participants' accounts. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly.

Holders of book-entry interests in the GDRs holding through DTC will receive, to the extent received by the Depositary, all distributions of dividends or other payments with respect to book-entry interests in the GDRs from the Depositary through DTC and DTC participants. Distributions in the United States will be subject to relevant U.S. tax laws and regulations. See "*Taxation*".

As DTC can act on behalf of DTC direct participants only, who in turn act on behalf of DTC indirect participants, the ability of beneficial owners who are indirect participants to pledge book-entry interests in the GDRs to persons or entities that do not participate in DTC, or otherwise take actions with respect to book-entry interests in the GDRs, may be limited.

Registration and Form

Book-entry interests in the GDRs held through Euroclear and Clearstream, Luxembourg will be represented by the Regulation S Master GDR registered in the name of BT Globenet Nominees Limited, as nominee for Deutsche Bank AG, London Branch, as common depositary for Euroclear and Clearstream, Luxembourg. Book-entry interests in the GDRs held through DTC will be represented by the Rule 144A Master GDR registered in the name of Cede & Co., as nominee for DTC, which will be held by the Depositary as custodian for DTC. As necessary, the Depositary will adjust the amounts of GDRs for the accounts of the nominees, respectively, on the relevant register to reflect the amounts of GDRs held

through Euroclear, Clearstream, Luxembourg and DTC, respectively. Beneficial ownership in the GDRs will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream, Luxembourg and DTC.

The aggregate holdings of book-entry interests in the GDRs in Euroclear, Clearstream, Luxembourg and DTC will be reflected in the book-entry accounts of each such institution. Euroclear, Clearstream, Luxembourg and DTC, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the GDRs, will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interests in the GDRs. The Depositary will be responsible for maintaining a record of the aggregate holdings of GDRs registered in the name of the nominee for Euroclear and Clearstream, Luxembourg and the nominee for DTC. The Depositary will be responsible for ensuring that payments received by it from the Company for holders holding through Euroclear or Clearstream, Luxembourg are credited to Euroclear or Clearstream, Luxembourg as the case may be, and the Depositary will also be responsible for ensuring that payments received by it from the Company for holders holding through DTC are received by DTC.

The Company will not impose any fees in respect of the GDRs; however, holders of book-entry interests in the GDRs may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear, Clearstream, Luxembourg or DTC and certain fees and expenses payable to the Depositary in accordance with the terms of the Deposit Agreement.

Global Clearance and Settlement Procedures

Initial Settlement

The GDRs will be in global form evidenced by the two Master GDRs. Purchasers electing to hold book-entry interests in the GDRs through Euroclear or Clearstream, Luxembourg accounts will follow the settlement procedures applicable to depositary receipts. DTC participants acting on behalf of purchasers electing to hold book-entry interests in the GDRs through DTC will follow the delivery practices applicable to depositary receipts.

Transfer Restrictions

For a description of the transfer restrictions relating to the GDRs, see "*Terms and Conditions of the GDRs*" and "*Transfer Restrictions*".

Trading between Euroclear and Clearstream, Luxembourg Participants

Secondary market sales of book-entry interests in the GDRs held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the GDRs through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear or Clearstream, Luxembourg and will be settled using the normal procedures applicable to depositary receipts.

Trading between DTC Participants

Secondary market sales of book-entry interests in the GDRs held through DTC will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to depositary receipts, if payment is effected in U.S. dollars, or free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading between DTC Seller and Euroclear/Clearstream, Luxembourg Purchaser

When book-entry interests in the GDRs are to be transferred from the account of a DTC participant to the account of a Euroclear or Clearstream, Luxembourg participant, the DTC participant must send to DTC a delivery free of payment instruction at least two business days prior to the settlement date. DTC will in turn transmit such instruction to Euroclear or Clearstream, Luxembourg, as the case may be, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant. On the settlement date, DTC will debit the account of its DTC participant and will instruct the Depositary to instruct Euroclear or Clearstream, Luxembourg, as the case may be, to credit the relevant account of the Euroclear or Clearstream, Luxembourg participant, as the case may be. In addition, on the settlement date, DTC will

instruct the Depositary to (i) decrease the amount of book-entry interests in the GDRs registered in the name of a nominee for DTC and represented by the Rule 144A Master GDR and (ii) increase the amount of book-entry interests in the GDRs registered in the name of the common nominee for Euroclear and Clearstream, Luxembourg and represented by the Regulation S Master GDR.

Trading between Clearstream, Luxembourg/Euroclear Seller and DTC Purchaser

When book-entry interests in the GDRs are to be transferred from the account of a Euroclear or Clearstream, Luxembourg participant to the account of a DTC participant, the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg a delivery free of payment instruction at least one business day prior to the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant, as the case may be. On the settlement date, Euroclear or Clearstream, Luxembourg, as the case may be, will debit the account of its participant and will instruct the Depositary to instruct DTC to credit the relevant account of Euroclear or Clearstream, Luxembourg, as the case may be, and will deliver such book-entry interests in the GDRs free of payment to the relevant account of the DTC participant. In addition, Euroclear or Clearstream, Luxembourg, as the case may be, shall on the settlement date instruct the Depositary to (i) decrease the amount of the book-entry interests in the GDRs registered in the name of the common nominee and evidenced by the Regulation S Master GDR and (ii) increase the amount of the book-entry interests in the GDRs registered in the name of a nominee for DTC and represented by the Rule 144A Master GDR.

General

Although the foregoing sets out the procedures by which Euroclear, Clearstream, Luxembourg and DTC facilitate the transfers of interests in the GDRs among participants of Euroclear, Clearstream, Luxembourg and DTC, none of Euroclear, Clearstream, Luxembourg or DTC is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Underwriters, the Depositary, the Custodian or their respective agents will have any responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective participants of their respective obligations under the rules and procedures governing their operations.

INFORMATION RELATING TO THE DEPOSITARY

Depositary

The Depositary is Deutsche Bank Trust Company Americas, a state registered New York banking corporation and a member of the United States Federal Reserve System, subject to regulation and supervision principally by the United States Federal Reserve Board and the New York State Banking Department. The Depositary was incorporated on 5 March 1903 as a bank with limited liability in the State of New York and operates under the laws of New York and is an indirect wholly owned subsidiary of Deutsche Bank AG. The Depositary is subject to regulation and supervision by the New York State Banking Department, the Federal Reserve Board and the Federal Deposit Insurance Corporation. The registered office of the Depositary is located at 60 Wall Street, New York, New York 10005. A copy of the Depositary's by-laws, as amended, together with copies of its most recent financial statements and annual report will be available for inspection at the principal administrative establishment of the Depositary located at 60 Wall Street, DR Department, 27th Floor, New York 10005 and at the office of the Depositary located at 1 Great Winchester Street, London EC2N 2DB. Such information will be updated periodically so long as the GDRs are admitted to listing on the Official List maintained by the UKLA.

Holding of deposited securities and other deposited property by the Depositary

Subject to the Conditions, the Depositary will hold the Deposited Property for the sole benefit of the Holders as bare trustee and the Holders shall accordingly be tenants in common of such Deposited Property to the extent that the Deposited Property corresponds to the GDRs of which they are the Holders.

The Conditions provide that the Depositary shall be entitled to deal with moneys paid to it by the Company for the purposes of the Deposit Agreement in the same manner as other moneys paid to it as a banker by its customers and it shall not be liable to account to the Company or any Holder or any other person for any interest thereon, except as otherwise agreed. The Depositary currently intends to hold any such cash in an account at the Custodian in the name of the Depositary or in an account at Deutsche Bank in the name of the Depositary.

Subject only to deduction of fees, taxes, duties, charges, costs and expenses and non-distribution of fractional amounts, the Conditions require the Depositary to distribute all cash it receives in respect of Deposited Property or that are the proceeds of the sale of any Deposited Property to the Holders.

The Conditions require the Depositary to convert deposited cash that is in a currency other than U.S. dollars into U.S. dollars if it can do so on a reasonable basis. If for any reason the Depositary cannot distribute deposited cash to Holders it will, under the terms of the Deposit Agreement, hold that cash for the benefit of Holders entitled thereto.

Set out below is a description of the movements of funds that occur when dividends are paid by the Company:

(1) On the date upon which the Company makes a payment of a cash dividend, the Depositary receives such cash into an account in its name at the relevant local custodian bank (the "**Cash Account**"). The Cash Account is for the sole use of the Depositary's Depositary Receipts ("**DR**") business and is governed by a separate and specific custody agreement.

(2) The funds are then transferred to the Depositary's U.S. dollar bank account and segregated according to the specific GDR programme (the "**Dividend Account**"). The Dividend Account is for the sole use of the Depositary's DR business and all funds are held on behalf of the GDR holders.

(3) If required, a foreign exchange trade is executed to convert the local currency into the denomination of the GDR (being U.S. dollars). The local currency would be paid, at the Depositary's order, from the Cash Account to the foreign exchange counterparty and the movement of funds would be reflected in the Depositary's books by a debit to the Cash Account and a credit to the Dividend Account.

(4) On the GDR dividend payment date, the funds are distributed from the Dividend Account to GDR holders through the various clearing systems (DTC, Euroclear and Clearstream, Luxembourg) and/or via cheques or other appropriate means if there are registered holders.

The Depositary operates a cash dividend technology designed to track and manage the flow of funds at all times. The cash representing each dividend paid by a company is discrete within the Depositary's system, thereby enabling it to identify funds owed to holders of each individual GDR programme. The system records all relevant dates, local currency, declared rate, gross rate, withholding tax rate, tax, fees where appropriate, the net rate and the calculation used to arrive at it.

TAXATION

Republic of Kazakhstan

The following summary of certain Kazakhstan taxation matters is based on the laws and practice in force as at the date of this Prospectus and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of Shares or GDRs, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules. Save as otherwise indicated, this summary only addresses the position of investors who do not have any connection with Kazakhstan other than through a holding of Shares or GDRs. Investors should consult their professional advisers on the tax consequences of their acquiring, holding and disposing of Shares or GDRs, including their eligibility for the benefits of double tax treaties, under the laws of their country of citizenship, residence, domicile or incorporation, and seek specialist Kazakhstan tax advice as necessary.

This summary discusses the Kazakhstan tax consequences of the acquisition, ownership and disposal of Shares and GDRs. In general, Kazakhstan tax legislation with respect to the taxation of securities and financial instruments is not well developed, and in many cases the exact scope of Kazakhstan tax, compliance rules and enforcement mechanism is unclear or open to different interpretations.

The only tax that may under certain circumstances apply in Kazakhstan to the above transactions is income tax. No other taxes or duties should be levied in Kazakhstan with respect to the above transactions. For all relevant purposes of this summary, except as noted below (e.g. in relation to treaty relief in respect of dividends), legal entities and individuals are subject to similar income tax treatment.

Tax residence

Non-resident persons will not become resident in Kazakhstan for Kazakhstan tax purposes by reason only of the acquisition, ownership or disposal of Shares or GDRs. Therefore, under Kazakhstan tax law, legal owners of Shares (the "**Shareholders**") and holders of GDRs (the "**GDR Holders**") should only be taxed on their income earned from sources in Kazakhstan, rather than their worldwide income.

This summary assumes that all Shareholders, GDR Holders and the issuer of the GDRs are not resident in Kazakhstan for tax purposes.

Exempt disposals of Shares

The Tax Code came into effect in Kazakhstan on 1 January 2009. Under the Tax Code, generally all disposals and acquisitions of shares are subject to capital gain tax in Kazakhstan. However, the Tax Code provides relief from capital gain tax in respect of the Shares if (a) the seller is not a resident of a Country with a Favourable Tax Regime (as defined below); and (b) has held the Shares for more than three years as at the date of disposal. This is because the Company is not a Kazakhstan subsoil user; and more than 50% of the value of the assets of the Company is made up of property of entities which are not Kazakhstan subsoil users. Any income derived from open sales of the Shares on the KASE or a foreign stock exchange is tax exempt, *provided that* such Shares are admitted to the official lists of such stock exchange at the time of sale. The Shares were admitted to the first category of the official list of the KASE on 29 November 2012. After the Shares are admitted to the first category of the official list of the KASE, any income derived from open sales of the Shares on the KASE will be tax exempt. The tax treatment of all disposals that do not qualify for such exemption is discussed below.

The Tax Code defines a "**Country with a Favourable Tax Regime**" as either a foreign country or its administrative division if such foreign country or its administrative division has either:

- an income tax rate which is less than 10%; or
- laws on confidentiality of financial information or laws which allow to keep confidential information about the actual owner of property or income or the actual owners, participants, founders or shareholders of a legal entity (except for a foreign country or its administrative division which has entered into an international treaty with the Republic of Kazakhstan, which provides for exchange of information between competent authorities except where the foreign country or its administrative division either (a) refuses to provide information exchange of which is provided for by the relevant international treaty or (b) does not provide such information within a period exceeding two years after the competent authority has sent the relevant request).

The exact list of Countries with a Favourable Tax Regime is approved by the Government. The following jurisdictions are currently included in Government's list of Countries with a Favourable Tax Regime: Principality of Andorra, Antigua and Barbuda, Commonwealth of The Bahamas, Barbados, Kingdom of Bahrain, Belize, Negara Brunei Darussalam, Republic of Vanuatu, Republic of Guyana, Republic of Guatemala, Grenada, Republic of Djibouti, Dominican Republic, Commonwealth of Dominica, Ireland (in respect of the territories of the cities of Dublin and Shannon only), Kingdom of Spain (in respect of the territories of The Canary Islands only), Republic of Cyprus, People's Republic of China (in respect of the territories of the special administrative regions of Macau and Hong Kong only), Republic of Colombia, Union of the Comoros, Republic of Costa Rica, Malaysia (in respect of the territory of Labuan enclave only), Republic of Liberia, Republic of Lebanon, Principality of Liechtenstein, Grand Duchy of Luxembourg, Republic of Mauritius, Islamic Republic of Mauritania, Republic of Portugal (in respect of the territory of the islands of Madeira only), Republic of Maldives, Republic of the Marshall Islands, Principality of Monaco, Republic of Malta, Mariana Islands, Kingdom of Morocco (in respect of the territory of the city of Tangier only), Republic of the Union of Myanmar, Republic of Nauru, Kingdom of the Netherlands (in respect of the territories of the islands of Aruba and dependent territories of the Antilles islands only), Federal Republic of Nigeria, New Zealand (in respect of the territories of the Cook Islands and Niue only), United Arab Emirates (in respect of the territory of the city of Dubai only), Republic of Palau, Republic of Panamá, Independent State of Samoa, Republic of San Marino, Republic of Seychelles, Saint Vincent and the Grenadines, Saint Kitts and Nevis, Saint Lucia, United Kingdom of Great Britain and Northern Ireland (in respect of the following territories only: Anguilla; Bermuda; the British Virgin Islands; Gibraltar; the Cayman Islands; Montserrat; the Turks and Caicos Islands, Isle of Man, the Channel Islands (Guernsey, Jersey, Sark and Alderney), South Georgia and the South Sandwich Islands, Chagos Island), United States of America (in respect of the following territories only: The Virgin Islands of the United States, Guam, Commonwealth of Puerto Rico, State of Wyoming, State of Delaware), Republic of Suriname, United Republic of Tanzania, Kingdom of Tonga, Republic of Trinidad and Tobago, Republic of Fiji, Republic of the Philippines, Republic of France (in respect of the following territories only: Kerguelen Islands, French Polynesia, French Guiana), Montenegro, Democratic Socialist Republic of Sri Lanka, Jamaica.

Taxable disposals of Shares

This discussion applies only to disposals that are not exempt as described above.

Treatment of acquirer

Non-resident buyers or other transferees (including recipients of gift or inheritance) of Shares are not subject to Kazakhstan income tax on acquisition.

However, the tax obligations on assessment, declaration, withholding and remittance to the budget of tax on capital gains shall be fulfilled by an acquirer as a tax agent, regardless of whether the acquirer is a resident or non-resident. In order to fulfil their obligations as a tax agent, non-residents should register with the tax authorities of Kazakhstan. As stated in subsection "*—Exempt disposals of Shares*" above, any income derived from open sales of the Shares on the KASE or a foreign stock exchange is tax exempt, provided that such Shares are admitted to the official lists of such stock exchange at the time of sale, and the acquirer would not have any obligation to withhold tax or register with the Kazakhstan tax authorities.

Treatment of transferor

As a general rule the net gain realised from the disposal of the Shares is subject to withholding tax in Kazakhstan at the rate of 15%. If the transferor is registered in a Country with a Favourable Tax Regime, the net gain realised from the disposal of the Shares is subject to withholding tax at the rate of 20%.

Disposals include sales, exchanges and gifts.

Taxation of dividends on Shares

Under the Tax Code, dividends paid on the Shares will be exempt from tax provided the Shares are in the official list of a stock exchange in Kazakhstan (i.e. KASE) at the time the dividend is accrued.

Dividends paid on the Shares that are not admitted to the official list of the KASE at the time such dividend is accrued will be exempt from any tax payment, reporting or compliance requirements in

Kazakhstan if (a) the Shareholder is not a resident of a Country with a Favourable Tax Regime; and (b) the Shareholder has been holding the Shares for more than three years.

If dividends paid on the Shares are not exempt, such dividends are subject to withholding tax at the rate of 15%. If dividends are paid on the Shares held by a resident of a Country with a Favourable Tax Regime such dividends are subject to withholding tax at the rate of 20%. The withholding tax is applied to the gross amount of dividends without allowance for any deductions and satisfies all Kazakhstan income tax obligations with respect to dividends. Shareholders should not be subject to any other tax reporting, payment, registration or compliance requirements with respect to dividends paid on the Shares.

Shareholders who are resident in countries with which Kazakhstan has double taxation treaties may be entitled to a reduced rate of withholding tax.

Subject to the above, depending on the country of residence and satisfaction of certain other conditions, the dividend withholding tax rates under Kazakhstan's double tax treaties in effect as at the date of this Prospectus may be between 5% and 15%. Under double tax treaties effective on the date of this Prospectus, reductions below 10% may only be available to beneficial owners that are legal entities.

In order to avail themselves of this relief, eligible Shareholders have to provide the Company with a document issued by the tax authority of their country of residence confirming their tax residence in a treaty jurisdiction. To be valid in Kazakhstan, this document should also be apostilled or legalised by a Shareholder's home country's competent authority.

If the above document is not made available to the Company prior to 31 December of the year when dividends are paid, then the Company should apply withholding tax at a standard 15% rate or 20% rate, as applicable, and account for the withheld amounts to the relevant authority. Shareholders who are eligible for a lower withholding tax rate should later be able to claim a refund of overpaid tax from the Government of Kazakhstan. In doing so, they should provide the respective tax authority with tax residence confirmation. In practice, however, this process may prove to be administratively burdensome.

Taxation of GDR Holders

Disposals

The Tax Code contains certain provisions expressly addressing taxation of capital gain derived from the disposal of depositary receipts.

The net gain realised from the disposal of securities issued by a Kazakhstan resident and/or shares issued by a non-resident of Kazakhstan, where 50 and more per cent. of the value of the shares is made up of assets situated in Kazakhstan, is subject to Kazakhstan withholding tax. From a formal view, the GDRs do not fall under either of the categories mentioned above. If, however, the Kazakhstan tax authorities recognise disposal of GDRs as income earned from Kazakhstan sources, then to the net gain realised from the disposal shall be applied withholding tax at the rate of 15%, or 20% if the gain is derived by a resident of a Country with a Favourable Tax Regime.

At the same time under the Tax Code the capital gain derived from the disposal of GDRs can be exempted from withholding tax. Income from open sales of GDRs on the KASE or a foreign stock exchange is explicitly exempt from tax requirements in Kazakhstan, provided that such GDRs are on the official lists of such stock exchange at the time of sale.

Dividends

Under the Tax Code, dividends paid on the Shares which are the underlying asset of the GDRs are exempt from any tax payment, reporting or compliance requirements in Kazakhstan if such Shares are admitted to the official list of the KASE on the date of accrual of such dividends.

Dividends paid on Shares which are the underlying asset of the GDRs and which are not in the official list of KASE at the time such dividend is accrued, will be exempt from any tax payment, reporting or compliance requirements in Kazakhstan if (a) the GDR Holder is not a resident of a Country with a Favourable Tax Regime; and (b) the GDR Holder has been holding the GDRs for more than three years.

If dividends paid on the Shares which are the underlying asset of the GDRs are not exempt, such dividends are subject to Kazakhstan withholding tax at the rate of 15% or 20% if payment is made to a GDR Holder registered in a Country with a Favourable Tax Regime. The withholding tax is applied to the gross amount

of dividends without allowance for any deductions and satisfies all Kazakhstan income tax obligations with respect to the dividends.

GDR Holders who are resident in countries with which Kazakhstan has double taxation treaties may be entitled to a reduced rate of withholding tax.

Subject to the above, depending on the country of residence and satisfaction of certain other conditions, the dividend withholding tax rates under Kazakhstan's double tax treaties in effect as at the date of this Prospectus may be between 5% and 15%. Under double tax treaties effective on the date of this Prospectus, reductions below 10% may only be available to beneficial owners that are legal entities.

In order to avail themselves of this relief, eligible GDR Holders must provide the Company with an apostilled or legalised document issued by the tax authority of their country of residence confirming their tax residence in a treaty jurisdiction. In addition, the Company should have the list of GDR Holders provided by the JSC "Central Depository of Securities" containing information about GDRs and GDR Holders. On the basis of the above documents, the Company may be entitled to withhold tax at an applicable reduced rate established by a relevant treaty, subject to the Deposit Agreement.

If the above documents are not made available to the Company prior to the date of payment of dividends, then the Company should apply withholding tax at a standard 15% rate and account for the withheld amounts to the relevant authority. GDR Holders who are eligible for a lower withholding tax rate should later be able to claim a refund of overpaid tax from the Government of Kazakhstan. In doing so, they should provide the respective tax authority with a tax residence confirmation and an extract from the account with JSC "Central Depository of Securities" containing information about GDRs and GDR Holders. In practice, however, this process may prove to be administratively burdensome.

United Kingdom Tax Considerations

The comments below are of a general nature and are based on current UK law and published HM Revenue & Customs practice as at the date of this Prospectus, both of which are subject to change, possibly with retroactive effect. This summary only covers the principal UK tax consequences for the absolute beneficial owners of Shares or GDRs and any dividends paid in respect of them, in circumstances where the dividends paid are regarded for UK tax purposes as those persons' own income, and not the income of some other person, and who are resident (and, in the case of individuals only, ordinarily resident and domiciled) in the UK for tax purposes and who are not resident in any other jurisdiction and do not have a permanent establishment or fixed base in any other jurisdiction with which the holding of the Shares or GDRs is connected ("**UK holders**"). In addition, this summary: (a) only addresses the tax consequences for UK holders who hold the Shares or GDRs as capital assets and does not address the tax consequences which may be relevant to certain other categories of UK holders, for example, dealers; (b) does not address the tax consequences for UK holders that are banks, financial institutions, insurance companies, collective investment schemes or persons connected (other than by reason of holding the Shares or GDRs) with the Company; (c) assumes that the UK holder does not control or hold, either alone or together with one or more associated or connected persons, directly or indirectly, 10% or more of the underlying Shares or voting power, rights to profit or capital of the Company; (d) assumes that there will be no register in the UK in respect of any interest in the Shares or GDRs; (e) assumes that the Shares and the GDRs will not be held by, or issued, as applicable, by a depositary incorporated in the UK; (f) assumes that neither the Shares nor the GDRs will be paired with shares issued by a company incorporated in the UK; (g) assumes that the UK holder of GDRs is, for UK tax purposes, beneficially entitled to the underlying Shares and to dividends on those underlying Shares; (h) assumes that any dividends paid in respect of the Shares and the GDRs are made out of retained earnings; (i) assumes that the UK holder has not (and is not deemed to have) acquired the Shares or GDRs by virtue of an office or employment; (j) assumes that the Company is not resident for tax purposes in the UK; and (k) assumes that an electronic book-entry settlement system is available in respect of the GDRs.

THE FOLLOWING IS INTENDED ONLY AS A GENERAL GUIDE AND IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSIDERED TO BE, LEGAL OR TAX ADVICE TO ANY PARTICULAR UK HOLDER. POTENTIAL INVESTORS SHOULD SATISFY THEMSELVES AS TO THE OVERALL TAX CONSEQUENCES, INCLUDING, SPECIFICALLY, THE CONSEQUENCES UNDER UK LAW AND HM REVENUE & CUSTOMS PRACTICE, OF ACQUISITION, OWNERSHIP AND DISPOSITION OF SHARES OR GDRS IN THEIR OWN PARTICULAR CIRCUMSTANCES, BY CONSULTING THEIR OWN PROFESSIONAL TAX ADVISORS.

Taxation of dividends

Income tax and corporation tax

Withholding tax

Dividend payments in respect of the Shares or GDRs should not be subject to UK withholding tax.

Prospective individual and corporate UK holders should note that dividend payments in respect of the Shares or GDRs may be subject to Kazakhstan withholding tax, currently at the rate of 15%. A UK holder should generally be entitled to a credit for Kazakhstan tax properly withheld from such payments against such UK holder's liability to income tax or corporation tax on such amounts, subject to UK tax rules for calculation of such a credit. Prospective holders are referred to the statements regarding Kazakhstan tax in the sections entitled "*—Republic of Kazakhstan—Taxation of dividends on Shares*" and "*—Republic of Kazakhstan—Taxation of GDR Holders—Dividends*", for a description of the Kazakhstan dividend withholding tax position.

Individual UK holders of Shares or GDRs

Dividends received by individual UK holders will be subject to UK income tax. This is charged on the gross amount of any dividend paid before the deduction of any Kazakhstan withholding taxes ("**gross dividend**") as increased for any UK tax credit available as described below. An individual UK holder who is resident for tax purposes in the UK and who receives a dividend from the Company will generally be entitled to a tax credit equal to one-ninth of the amount of the gross dividend, which is equivalent to 10% of the aggregate of the dividend and the tax credit.

An individual UK holder who is subject to income tax at a rate or rates not exceeding the basic rate will be liable to tax on the aggregate of the gross dividend and the UK tax credit at the rate of 10%, so that the tax credit will satisfy the income tax liability of such a holder in full.

An individual UK holder who is subject to income tax at the higher rate will be liable to income tax on the aggregate of the gross dividend and the UK tax credit at the rate of 32.5% to the extent that such sum, when treated as the top slice of that holder's income, falls above the threshold for higher rate income tax (which is £34,370 in the 2012/2013 tax year). So, for example, a gross dividend of £90 will carry a tax credit of £10 and the UK income tax payable on the dividend by an individual UK holder of Shares or GDRs who is subject to income tax at the higher rate would be 32.5% of £100, namely £32.50, less the tax credit of £10, leaving a net tax charge of £22.50, before any credit in respect of Kazakhstan withholding taxes (see "*—Withholding tax*" above).

An individual UK holder who is subject to income tax at the additional rate will be liable to income tax on the aggregate of the gross dividend and the UK tax credit at the rate of 42.5% (or 37.5% with effect from 6 April 2013) to the extent that such sum, when treated as the top slice of that holder's income, falls above the threshold for additional rate income tax (which is £150,000 in the 2012/2013 tax year). So, for example, a gross dividend of £90 will carry a tax credit of £10 and the UK income tax payable on the dividend by an individual UK holder of Share or GDRs who is subject to income tax at the additional rate would be 42.5% of £100, namely £42.50 (or 37.5% of £100, namely £37.50, with effect from 6 April 2013), less the tax credit of £10, leaving a net tax charge of £32.50 (or £27.50 with effect from 6 April 2013), before any credit in respect of Kazakhstan withholding taxes (see "*—Withholding tax*" above).

Where the tax credit exceeds the holder's tax liability the holder cannot generally claim repayment of the UK tax credit from HM Revenue & Customs.

Corporate UK holders of Shares or GDRs

Where a corporate UK holder is within the charge to corporation tax, it will be subject to corporation tax on the actual amount of any dividend paid on the Shares or GDRs, subject to any applicable credits for Kazakhstan withholding tax unless (subject to special rules for such UK holders that are small companies) the dividend falls within an exempt class and certain other conditions are met. Although it is likely that most dividends paid on the Shares or GDRs to UK holders within the charge to UK corporation tax would fall within one or more of the classes of dividend qualifying for exemption from corporation tax, the exemptions are not comprehensive and are also subject to anti-avoidance rules.

Where a dividend paid by the Company is treated as exempt, corporate UK holders within the charge to UK corporation tax will not be entitled to claim relief by way of credit in the UK in respect of any tax paid

by the corporate UK holder under the laws of Kazakhstan, either directly or by deduction, in respect of that dividend.

Provision of information

Persons in the United Kingdom paying "foreign dividends" to, or receiving "foreign dividends" on behalf of, an individual may be required to provide certain information to HM Revenue & Customs regarding the identity of the payee or the person entitled to the "foreign dividend" and, in certain circumstances, such information may be exchanged with tax authorities in other countries. Certain payments on or under the Shares or GDRs may constitute "foreign dividends" for this purpose.

Taxation of disposals

The disposal or deemed disposal of Shares or GDRs by a UK holder may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains, depending on the UK holder's circumstances and subject to any available exemption or relief. In the case of a corporate UK holder, indexation allowance may be available to reduce or eliminate a chargeable gain, but not to generate or increase an allowable loss. In the case of an individual UK holder indexation allowance is not available and chargeable gains are generally liable to capital gains tax at the applicable rate (currently 18% or 28% or a combination of both rates). An individual UK holder is currently entitled to an annual exemption from UK tax on chargeable gains up to £10,600 (in the 2012/2013 tax year).

In addition, UK holders who are individuals and who dispose of their Shares or GDRs while they are temporarily non-resident (i.e. not resident and not ordinarily resident) may be treated as disposing of them in the tax year in which they again become resident or ordinarily resident in the UK if (broadly speaking) the period of non-residence is less than five tax years. Any gains or losses in respect of currency fluctuations over the period of holding the Shares or GDRs would also be brought into account on the disposal.

Any gains or losses in respect of currency fluctuations relating to the Shares or the GDRs would be brought into account on the disposal.

Stamp duty and stamp duty reserve tax

No UK stamp duty or stamp duty reserve tax should be payable on (i) the issue of the GDRs, (ii) the delivery of the GDRs into DTC, Euroclear or Clearstream, Luxembourg, or (iii) any dealings in the GDRs once they are delivered into such clearance systems, where such dealings are effected in electronic book-entry form in accordance with the procedures of DTC, Euroclear or Clearstream, Luxembourg (as applicable) and not by written instrument of transfer.

No stamp duty reserve tax should be payable in respect of any agreement to transfer the Shares or GDRs.

Assuming that any document effecting a transfer of, or containing an agreement to transfer an equitable interest in, the Shares or GDRs is neither (i) executed in the UK, nor (ii) relates to any property situate, or to any matter or thing done or to be done, in the UK (which may include involvement of UK bank accounts in payment mechanics), then no UK stamp duty should be payable on such document.

Even if a document effecting a transfer of, or containing an agreement to transfer an equitable interest in, the Shares or GDRs is (i) executed in the UK and/or (ii) relates to any property situate, or to any matter or thing done or to be done, in the UK, in practice it should not be necessary to pay any UK stamp duty on such document unless the document is required for any purposes in the UK. If it is necessary to pay UK stamp duty, it may also be necessary to pay interest and penalties.

Inheritance tax

UK inheritance tax may be chargeable on the death of, or in certain circumstances on a gift by, the owner of Shares or GDRs, where the owner is an individual who is domiciled or is deemed to be domiciled in the UK. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rates apply to gifts where the donor reserves or retains some benefit.

UK holders should consult an appropriate professional adviser if they make a gift or transfer of value of any kind or intend to hold the Shares or GDRs through trust arrangements.

United States federal income tax considerations

The following discussion is a general summary based on present law of certain US federal income tax consequences of the acquisition, ownership and disposition of Shares or GDRs. The discussion is not a complete description of all tax considerations that may be relevant. It applies only to US Holders (as defined below) that acquire Shares or GDRs in this Prospectus, hold Shares or GDRs as capital assets for US federal income tax purposes and use the US dollar as their functional currency. It does not address the tax treatment of investors subject to special rules, such as banks or other financial institutions, tax-exempt entities, insurance companies, dealers, traders in securities that elect to mark-to-market, investors liable for alternative minimum tax, US expatriates, investors that directly, indirectly or constructively own 10% or more of the Company's voting stock, investors that are resident or ordinarily resident or have a permanent establishment outside the US or investors that hold Shares or GDRs as part of a straddle, hedging, conversion or other integrated transaction. It also does not address US state and local tax considerations. The Company believes, and this discussion assumes, that the Company is not and is not likely to become a passive foreign investment company for US federal income tax purposes.

THE STATEMENTS ABOUT U.S. FEDERAL TAX CONSIDERATIONS ARE MADE TO SUPPORT THE MARKETING OF SHARES AND GDRS. NO TAXPAYER CAN RELY ON THEM TO AVOID TAX PENALTIES. EACH PROSPECTIVE PURCHASER SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN THE SHARES AND GDRS UNDER THE LAWS OF KAZAKHSTAN, THE UNITED KINGDOM, THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS, AND ANY OTHER JURISDICTIONS WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.

As used here, "**US Holder**" means a beneficial owner of Shares or GDRs that, for US federal income tax purposes, is (i) a citizen or individual resident of the United States, (ii) a corporation or other business entity treated as a corporation created or organised under the laws of the United States or its political subdivisions, (iii) an estate the income of which is subject to US federal income tax without regard to its source or (iv) a trust subject to the control of one or more US persons and the primary supervision of a US court.

The US federal income tax treatment of a partner in a partnership that holds Shares or GDRs will depend on the status of the partner and the activities of the partnership. Partners in a partnership that holds Shares or GDRs should consult their own tax advisors regarding the specific US federal income tax consequences to them of the partnership's acquisition, ownership and disposition of Shares or GDRs.

Holders of GDRs generally will be treated for US federal income tax purposes as holding Shares represented by the GDRs. No gain or loss will be recognised on an exchange of Shares for GDRs or an exchange of GDRs for Shares if the Depositary has not taken any action inconsistent with the material terms of the Deposit Agreement or the US Holder's ownership of the underlying Shares.

Dividends

Subject to the application of the passive foreign investment company rules discussed below, dividends on Shares and GDRs generally will be included in a US Holder's gross income as ordinary income from foreign sources. Dividends will not be eligible for the dividends received deduction allowable to US corporations.

Dividends paid in a currency other than US dollars will be includable in income in a US dollar amount based on the exchange rate in effect on the date of receipt by the Depositary whether or not the payment is converted into US dollars at that time. A US Holder will have a basis in the currency received equal to the US dollar value on the date of receipt by the Depositary. Any gain or loss on a subsequent conversion or other disposition of the currency for a different US dollar amount generally will be US source ordinary income or loss.

Disposition

Subject to the application of the passive foreign investment company rules discussed below, a US Holder generally will recognise capital gain or loss upon the sale, exchange (other than an exchange of GDRs for Shares) or other disposition of the Shares or GDRs in an amount equal to any difference between the US dollar value of the amount realised and the US Holder's adjusted tax basis in the Shares or GDRs. A US Holder's adjusted tax basis in the Shares or GDRs generally will be its US dollar cost. Capital gain or

loss generally will be treated as arising from sources within the United States for foreign tax credit limitation purposes. The capital gain or loss will be long-term capital gain or loss if a US Holder has held the Shares or GDRs for more than one year. Deductions for capital losses are subject to limitations.

A US Holder that receives a currency other than US dollars on the sale or disposition of Shares or GDRs generally will realise an amount equal to the US dollar value of the currency received at the spot rate on the date of disposition (or, if the Shares or GDRs are traded on an established securities market and a US Holder is a cash-basis or electing accrual basis taxpayer, at the spot rate on the settlement date). If the Shares or GDRs are not traded on an established securities market or a US Holder is an accrual basis taxpayer that does not elect to determine the amount realised using the spot rate on the settlement date, a US Holder's gain or loss will be foreign currency gain or loss to the extent of any difference between the US dollar amount realised on the date of disposition and the US dollar value of the currency received at the spot rate on the settlement date. Foreign currency gain or loss generally will be US source ordinary income or loss. A US Holder will have a tax basis in the currency received equal to the US dollar value of the currency received on the settlement date. Any gain or loss on a subsequent conversion or other disposition of the currency for a different US dollar amount generally will be US source ordinary income or loss.

Passive foreign investment company

The Company believes it is not, and is not likely to become, a passive foreign investment company (a "**PFIC**") for US federal income tax purposes. A non-US corporation is a PFIC in any taxable year in which, after taking into account the income and assets of certain subsidiaries, either (i) at least 75% of its gross income is passive income (such as dividends, interest, rents, royalties and the excess of gains over losses from the disposition of assets that produce passive income) or (ii) at least 50% of the average quarterly value of its assets consists of assets producing or held to produce passive income. Since the determination whether the Company has become a PFIC must be made on an annual basis, its status could change depending upon (among other things) the quarterly market value of the Company's Shares and GDRs, changes in the Company's activities and assets and changes in the assets and gross receipts of subsidiaries in which the Company owns at least a 25% interest. If the Company were a PFIC in any year during which a US Holder owns Shares or GDRs, the US Holder would be subject in that and subsequent years to additional taxes on distributions exceeding 125% of the average amount received during the three preceding taxable years (or, if shorter, the US Holder's holding period) and on any gain from the disposition of Shares or GDRs (regardless of whether the Company continued to be a PFIC). The US Holder also would be subject to additional tax form filing requirements.

Reporting and backup withholding

Dividends on and proceeds from the sale or other disposition of Shares or GDRs that are made within the United States or through certain US-related financial intermediaries may be reported to the Internal Revenue Service (the "**IRS**") unless the US Holder is a corporation or otherwise establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if the US Holder fails to provide an accurate US taxpayer identification number or otherwise to establish a basis for exemption. A US Holder can claim a credit against its US federal income tax liability for amounts withheld under the backup withholding rules, and a US Holder can claim a refund for amounts in excess of its tax liability if it provides the required information to the IRS. Each prospective purchaser should consult its own tax advisor about qualifying for exemption from backup withholding.

A US Holder may be required specifically to report to the IRS a taxable disposition of Shares or GDRs in which it recognises a foreign currency loss that exceeds, in the case of an individual or trust, $50,000 in a single taxable year or, in other cases, various higher thresholds. US Holders that recognize foreign currency losses on Shares or GDRs should consult their tax advisors.

Certain U.S. Holders are required to report to the IRS information with respect to their investment in Shares or GDRs not held through an account with a domestic financial institution. Investors who fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisors regarding the possible implications of this legislation for their investment in Shares or GDRs.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO YOU. EACH PROSPECTIVE PURCHASER SHOULD CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN SHARES AND GDRS UNDER THE INVESTOR'S OWN CIRCUMSTANCES.

PLAN OF DISTRIBUTION

Summary of the Global Offer

The Selling Shareholder is offering 40,123,528 GDRs at an Offer Price of U.S.$10.50 per GDR. In connection with the Global Offer, the Selling Shareholder will also sell 5,000,000 additional Put Option GDRs to the Underwriters at the Offer Price for the purpose of conducting stabilisation activities in the GDRs.

In the United States, the GDRs are being offered and sold only to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Outside the United States, the GDRs are being offered and sold in reliance on Regulation S. Certain restrictions that apply to the distribution of this Prospectus and the Securities are set out under "—*Selling Restrictions*" and "*Transfer Restrictions*". The Underwriters shall consult with (and in certain cases, obtain the consent of) the Company and the Selling Shareholder regarding any changes to the allocation of the Securities under the Offering, which has been mutually agreed amongst the Underwriters, the Company and the Selling Shareholder.

Separately from the Global Offer, the Selling Shareholder is offering 4,876,472 common shares in the Domestic Offer, which is being made through the KASE. The Domestic Offer is being led by JSC "Visor Capital". 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.

The Selling Shareholder will receive the net proceeds of the Offering, which will be approximately U.S.$505 million, assuming no exercise of the Put Option, or approximately U.S.$454 million, assuming that the Put Option is exercised in full (in each case assuming full payment of the discretionary fee to the Underwriters). The Selling Shareholders will pay underwriting commissions as well as certain expenses of the Offering. The Underwriters will receive a base commission of 2.2% of the gross proceeds of the Offering (which, for the avoidance of doubt, includes the gross proceeds of any Put Option GDRs). In addition, the Selling Shareholder may, in its sole discretion, pay the Underwriters an additional commission of up to 1.0% of the gross proceeds of the Offering (which, for the avoidance of doubt, includes the gross proceeds of any Put Option GDRs). The total commissions, fees and expenses payable by the Selling Shareholder in connection with the Offering will be approximately U.S.$20 million, assuming no exercise of the Put Option, or approximately U.S.$18 million, assuming that the Put Option is exercised in full (in each case assuming full payment of the discretionary fee to the Underwriters). The total fees and expenses payable by the Company in connection with the Offering will be approximately U.S.$4 million.

The Global Offer is conditional on Admission becoming effective and on the Underwriting Agreement (the terms of which are summarised below) becoming unconditional and not having been terminated in accordance with its terms.

When admitted to trading, the Regulation S GDRs will be registered with ISIN US48668G2057 and the Rule 144A GDRs will be registered with ISIN US48668G1067.

On 19 October 2012, application was made to the KASE for all common shares of the Company, issued and to be issued, to be admitted to the first category of the official list of the KASE. The common shares of the Company were admitted to the first category of the official list of the KASE on 29 November 2012. It is expected that the admission of the common shares of the Company to trading on the KASE will occur on 13 December 2012. The Shares are registered under the national identification number KZ1C59150017, ISIN KZ1C00000876 and the classification of financial instruments code ESVUFR.

Stabilisation

In connection with the Global Offer, each Underwriter has severally agreed with the Selling Shareholder to procure purchasers for, or failing which, to purchase 5,000,000 Put Option GDRs on the Closing Date at the Offer Price. The Selling Shareholder has agreed that the Stabilisation Manager shall retain the funds from the sale of the Put Option GDRs during the period ending 30 calendar days after the commencement of conditional trading of the GDRs on the London Stock Exchange, to be used by the Stabilisation Manager for the purposes of covering the cost of any stabilisation transactions and any long positions resulting from such stabilisation transactions. The Selling Shareholder has granted to the Underwriters the Put Option to sell to the Selling Shareholder at the Offer Price up to 5,000,000 GDRs acquired in

stabilisation activities. The Put Option is exercisable on or before the date falling 30 calendar days after the date of the Underwriting Agreement. The Put Option may be exercised by written notice given to the Selling Shareholder by the Underwriters.

In connection with the Global Offer, the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager may effect transactions with a view to supporting the market price of the GDRs at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager (or any persons acting on behalf of the Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final price of the GDRs is made and, if begun, may be ended at any time, but it must end no later than 30 calendar days after the date of commencement of conditional trading of the GDRs on the London Stock Exchange.

Underwriting Agreement

The Company, the Selling Shareholder, TeliaSonera and the Underwriters named below have entered into the Underwriting Agreement with respect to the GDRs.

The following table sets forth the number of GDRs that the Underwriters have agreed severally, and not jointly, to procure purchasers for, failing which to purchase themselves:

	Number of GDRs	Number of Put Option GDRs	Total Number of GDRs
Credit Suisse Securities (Europe) Limited	16,049,411	2,000,000	18,049,411
UBS Limited	16,049,411	2,000,000	18,049,411
JSC “Visor Capital”	—	—	—
Renaissance Securities (Cyprus) Limited	8,024,706	1,000,000	9,024,706
JSC “Halyk Finance”	—	—	—
Total	**40,123,528**	**5,000,000**	**45,123,528**

The GDRs will be represented by a Rule 144A Master GDR and a Regulation S Master GDR and will be subject to certain restrictions as further discussed in “*Terms and Conditions of the GDRs*”, “*Summary of Provisions Relating to the GDRs while in Master Form*” and “*Transfer Restrictions*”.

The Company has given the Underwriters customary representations and warranties under the Underwriting Agreement, including in relation to the Company’s business and the contents of this Prospectus. The Selling Shareholder has also given the Underwriters customary representations and warranties under the Underwriting Agreement in relation to, among other matters, the Selling Shareholder’s title to the Shares being sold by it in the Offering.

The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent. In addition, the Joint Bookrunners, on behalf of the Underwriters, may terminate the Underwriting Agreement in certain circumstances prior to the Closing Date. The Company and the Selling Shareholder have agreed in the Underwriting Agreement, subject to the terms thereof, to indemnify the Underwriters against certain liabilities in connection with the sale of the GDRs. In addition, the Selling Shareholder has agreed to reimburse the Underwriters for certain of their expenses.

Domestic Underwriting Agreement

The Company, the Selling Shareholder, JSC “Visor Capital” and JSC “Halyk Finance” have entered into an underwriting agreement dated 12 December 2012 (the “**Domestic Underwriting Agreement**”) in respect of the Domestic Offer.

The Company has given JSC “Visor Capital” and JSC “Halyk Finance” (the “**Domestic Syndicate**”) customary representations and warranties under the Domestic Underwriting Agreement, including in relation to the Company’s authority to conduct the Domestic Offer and the contents of the share issue prospectus relating to the Company’s shares, the investment memorandum for the purpose of admission of the Company’s shares to the official list of the KASE, which shall take the form of a Russian translation of this Prospectus, subject to any additional requests of the KASE, and all other documents issued by or on behalf of the Company in connection with the Offering. The Selling Shareholder has also given the Domestic Syndicate customary representations and warranties under the Domestic Underwriting

Agreement in relation to, among other matters, the Selling Shareholder's authority to conduct the Domestic Offer.

Dealing Arrangements

It is expected that dealings in the GDRs will commence on a conditional basis on the London Stock Exchange on 12 December 2012. Admission is expected to take place and unconditional dealings in the GDRs are expected to commence on the London Stock Exchange on 17 December 2012. All dealings between the commencement of conditional dealings and the commencement of unconditional dealings will be on a "when issued" basis. If the Global Offer does not become unconditional in all respects, all such dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned.

Lock-Up Arrangements

The Company has agreed with the Underwriters that, during the period from the date of the Underwriting Agreement until 180 days after the Closing Date, subject to certain exceptions, neither it, nor any of its consolidated subsidiaries will, without the prior written consent of the Underwriters (such consent not to be unreasonably withheld or delayed and at no cost to the Company or any consolidated subsidiary of the Company), issue, offer, lend, mortgage, assign, charge, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of), directly or indirectly, any shares of the Company, any securities convertible or exchangeable into or exercisable for shares of the Company, any warrants or other rights to purchase shares of the Company, or any security or financial product whose value is determined directly or indirectly by reference to the price of securities of the Company, including equity swaps, forward sales and options, except issuances of shares pursuant to the conversion or exchange of convertible or exchangeable securities or the exercise of warrants or options under share option schemes in existence as at the date of Admission, in each case outstanding on the date of Admission.

The Selling Shareholder has agreed with the Underwriters that, during the period from the date of the Underwriting Agreement until 180 days after the Closing Date, subject to certain exceptions (which include, among others, any transfer of securities by the Selling Shareholder pursuant to any exercise of the Samruk Option), neither it, nor any of its subsidiaries (other than the Company or any consolidated subsidiary of the Company) or affiliates (which shall not, for these purposes, include the Company, any consolidated subsidiary of the Company or any entity over which TeliaSonera does not have voting, management or economic control) will, without the prior written consent of the Underwriters (such consent not to be unreasonably withheld or delayed), offer, lend, mortgage, assign, charge, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such offer, sale or disposal of), directly or indirectly, any shares of the Company, any securities convertible or exchangeable into or exercisable for shares of the Company, any warrants or other rights to purchase shares of the Company, or any security or financial product whose value is determined directly or indirectly by reference to the price of securities of the Company, including equity swaps, forward sales and options.

Conditionality of the Global Offer

Subject to the respective obligations of the parties to the Underwriting Agreement, the offer to purchase GDRs may be revoked or suspended at any time prior to Admission and if such revocation or suspension occurs, the Global Offer (and the arrangements associated with it) will lapse and any moneys received in respect of the Global Offer will be returned to applicants without interest.

Selling Restrictions

The distribution of this document and the offer of the Securities in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been or will be taken in any jurisdiction by the Underwriters that would permit a public offering of the GDRs (including the Put Option GDRs), or possession or distribution of the Prospectus or any amendment or supplement thereto or any other offering or publicity material relating to the Offering and/or GDRs (including the Put Option GDRs), in any country or jurisdiction where action for that purpose is required. Accordingly, the Securities may not be offered or sold, directly or indirectly, and neither this document nor any other offering material or advertisements in connection with the Securities may be distributed or published in or from any country or jurisdiction except under circumstances that will

result in compliance with any applicable rules and regulations of any such country or jurisdiction. This document does not constitute an offer to subscribe for or purchase any of the Securities offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

Purchasers of the Securities may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase.

United States

The Securities have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Securities are being offered and sold outside of the United States in reliance on Rule 903 of Regulation S or Rule 144A. The Underwriting Agreement provides that Underwriters may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of GDRs (including the Put Option GDRs) within the United States only to QIBs in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering of the Securities, an offer or sale of Securities within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a "**Relevant Member State**"), an offer to the public of any Securities may not be made in that Relevant Member State, except that an offer of the Securities may be made under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to any legal entity which is a qualified investor as defined under the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Underwriters for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Securities shall result in a requirement for the Company or any Underwriter to publish a Prospectus pursuant to Article 3 of the Prospectus Directive or supplement a Prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer to the public**" in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase any Securities, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State. The expression "**Prospectus Directive**" means Directive 2003/71/EC (and any amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

In the case of any Securities being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will be deemed to have represented, acknowledged and agreed that the Securities acquired by it in the Offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Securities to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the Joint Bookrunners has been obtained to each such proposed offer or resale.

The Company, the Selling Shareholder, the Underwriters and their affiliates and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement, and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Underwriters of such fact in

writing may, with the consent of the Underwriters, be permitted to subscribe for or purchase GDRs in the Global Offer.

United Kingdom

Each of the Underwriters has acknowledged that:

(a) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom; and

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated in the United Kingdom any invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) received by it in connection with the issue or sale of any Securities in circumstances in which Section 21(1) of FSMA does not apply.

Republic of Kazakhstan

The Shares and GDRs referred to in this document may only be offered or sold in the Republic of Kazakhstan in compliance with the laws of the Republic of Kazakhstan. This document is provided to investors in the Republic of Kazakhstan for information purposes only. Credit Suisse Securities (Europe) Limited, UBS Limited and Renaissance Securities (Cyprus) Limited will not be responsible for the placement of Shares or GDRs in the Republic of Kazakhstan.

Australia

ASIC has not reviewed this document or commented on the merits of investing in the Securities nor has any other Australian regulator. No offer of Securities is being made in Australia, and the distribution or receipt of this document in Australia does not constitute an offer of securities capable of acceptance by any person in Australia, except in the limited circumstances described below relying on certain exemptions in the Corporations Act. This document may only be provided in Australia to select investors who are able to demonstrate that they are "wholesale clients" for the purposes of Chapter 7 of the Corporations Act and fall within one or more of the following categories of Exempt Investors: "sophisticated investors" or "professional investors", who meet the criteria set out in, respectively, section 708(8) and section 708(11) and as defined in section 9 of the Corporations Act, experienced investors who receive the offer through an Australian financial services licensee, where all of the criteria set out in section 708(10) of the Corporations Act have been satisfied or senior managers of the Company (or a related body, including a subsidiary), their spouse, parent, child, brother or sister, or a body corporate controlled by any of those persons, as referred to in section 708(12) of the Corporations Act.

China

The Securities are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People's Republic of China.

Hong Kong

No Securities have been offered or sold, or will be offered or sold, in Hong Kong by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. In addition, no advertisement, invitation or document relating to the Securities has been issued or has been in the possession of any person for the purposes of issue, nor will any such advertisement, invitation or document be issued or be in the possession of any person for the purpose of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities that are, or are intended to be, disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Kuwait

The Securities have not been licensed for offering in Kuwait by the Ministry of Commerce and Industry or the Central Bank of Kuwait or any other relevant Kuwaiti government agency. The offering of the Securities in Kuwait on the basis of a private placement or public offering is, therefore, restricted in accordance with Decree Law No. 31 of 1990, as amended, and Ministerial Order No. 113 of 1992, as amended. No private or public offering of the Securities is being made in Kuwait, and no agreement relating to the sale of the Securities will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Securities in Kuwait.

Qatar

The Securities have not been, and will not be offered, sold or delivered at any time, directly or indirectly, in the state of Qatar in a manner that would constitute a public offering. This Prospectus has not been reviewed or approved by or registered with the Qatar Central Bank or the Qatar Financial Markets Authority. This Prospectus is strictly private and confidential and may not be reproduced or used for any other purpose, nor provided to any person other than the recipient thereof.

Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, no Securities will be offered or sold, or will be caused to be made the subject of an invitation for subscription or purchase, directly or indirectly, to persons in Singapore. Nor shall this Prospectus, or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of such Securities, be circulated or distributed, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA except: (1) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA; (2) where no consideration is or will be given for the transfer; or (3) where the transfer is by operation of law.

South Africa

This Prospectus will not be registered as a prospectus in terms of the Companies Act of 1973 in South Africa and as such, any offer of Securities in South Africa may only be made if it shall not be capable of being construed as an offer to the public as envisaged by such Act. Furthermore, any offer or sale of the Securities shall be subject to compliance with South African exchange control regulations.

United Arab Emirates

The Securities have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering or the sale of securities.

The information contained in this Prospectus does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law (Federal Law 8 of 1984 (as amended)) or otherwise and is not intended to be a public offer and the information contained in this Prospectus is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the United Arab Emirates.

TRANSFER RESTRICTIONS

Rule 144A GDRs

Each purchaser of GDRs within the United States pursuant to Rule 144A, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that:

(1) It is (a) a QIB, (b) acquiring such GDRs for its own account or for the account of a QIB and (c) aware, and each beneficial owner of such GDRs has been advised, that the sale of such GDRs to it is being made in reliance on Rule 144A.

(2) It understands that such GDRs have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or (d) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any State or other jurisdiction in the United States.

(3) It understands that such GDRs, unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

THIS RULE 144A GLOBAL DEPOSITARY RECEIPT AND THE ORDINARY SHARES OF KCELL JOINT STOCK COMPANY REPRESENTED HEREBY (THE "**SHARES**") HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, (THE "**U.S. SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER ("**QIB**") (WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (B) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (D) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE BENEFICIAL OWNER OF SHARES RECEIVED UPON CANCELLATION OF ANY RULE 144A GLOBAL DEPOSITARY RECEIPT MAY NOT DEPOSIT OR CAUSE TO BE DEPOSITED SUCH SHARES INTO ANY DEPOSITARY RECEIPT FACILITY IN RESPECT OF SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK, OTHER THAN A RESTRICTED DEPOSITARY RECEIPT FACILITY, SO LONG AS SUCH SHARES ARE "RESTRICTED SECURITIES" WITHIN THE MEANING OF RULE 144(a)(3) UNDER THE U.S. SECURITIES ACT. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE U.S. SECURITIES ACT FOR RESALE OF THE SHARES OR ANY RULE 144A GLOBAL DEPOSITARY RECEIPTS.

EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THIS RULE 144A GDR CERTIFICATE OR A BENEFICIAL INTEREST IN THE RULE 144A GDRS EVIDENCED HEREBY, AS THE CASE MAY BE, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

(4) Notwithstanding anything to the contrary in the foregoing, the Shares may not be deposited into any unrestricted depositary receipt facility established or maintained by a depositary bank.

(5) The Company, the Selling Shareholder, the Depositary, the Underwriters and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any GDRs for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Prospective purchasers are hereby notified that sellers of the GDRs purchased pursuant to Rule 144A under the Securities Act may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A or another exemption from, or transaction not subject to, the registration requirement of the Securities Act.

Regulation S GDRs

Each purchaser of GDRs offered in reliance on Regulation S, will be deemed to have represented, agreed and acknowledged that:

(1) It is, and at the time of the offer to it of GDRs and at the time the buy order is originated, outside the United States for the purposes of Rule 903 under the Securities Act.

(2) It is aware that the Regulation S GDRs have not been and will not be registered under the Securities Act and are being offered outside the United States in reliance on Regulation S.

(3) It is aware that any offer, sale, pledge or other transfer made other than in compliance with the above stated restrictions shall not be recognised by the Company in respect of the Regulation S GDRs.

(4) The Company, the Selling Shareholder, the Depositary, the Underwriters and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

INDEPENDENT AUDITORS

The Audited Financial Statements have been audited by PricewaterhouseCoopers LLP, independent auditors, as stated in their audit report appearing herein (the "**Independent Auditor's Report**"). PricewaterhouseCoopers LLP have registered offices at Almaty Financial District, 4th Floor 34 Al-Farabi Avenue, Block A, Almaty 050059, the Republic of Kazakhstan. PricewaterhouseCoopers LLP is a member of the Chamber of Auditors of the Republic of Kazakhstan.

The Unaudited Interim Financial Statements have been reviewed by PricewaterhouseCoopers LLP in accordance with professional standards for review of such information. Their report dated 25 October 2012 appearing at page F-42 (the "**Independent Auditor's Review Report**") states that they did not audit and they do not express an opinion on this information. Accordingly, the degree of reliance on their review report should be restricted in light of the limited nature of the review procedures applied.

For the purposes of Prospectus Rule 5.5.4R(2)(f), PricewaterhouseCoopers LLP are responsible for the Independent Auditor's Report, as part of the Prospectus, and declare that they have taken all reasonable care to ensure that the information contained in the Independent Auditor's Report is, to the best of PricewaterhouseCoopers LLP's knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex X of the Commission Regulation (EC) No. 809/2004.

For the purpose of compliance with Annex X item 23.1 in Appendix 3 to the Prospectus Rules, PricewaterhouseCoopers LLP have given and not withdrawn their written consent to the inclusion of the Independent Auditor's Report, in the form and context in which it is included and have authorised the content of the Independent Auditor's Report.

The written consent described above is different from a consent filed with the U.S. Securities and Exchange Commission under Section 7 of the Securities Act, which is applicable only to transactions involving securities registered under the Securities Act. As the GDRs have not and will not be registered under the Securities Act, PricewaterhouseCoopers LLP have not filed a consent under Section 7 of the Securities Act.

ADDITIONAL INFORMATION

1. Save as described in *"Business—Legal Proceedings"* on page 106, there are no governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Group is aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the financial position or profitability of the Group.

2. Save as described in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments*" on page 56, there has been no significant change in the financial or trading position of the Group since 30 September 2012.

3. Copies of the following documents (and English translations thereof where the documents in question are not in English) are available for inspection free of charge upon request at the registered office of the Company during normal business hours on any weekday (public holidays excepted):

- a copy of this Prospectus, together with any supplement to this Prospectus;
- the Deposit Agreement;
- the Company's Charter; and
- the Audited Financial Statements and Unaudited Interim Financial Statements.

4. There are no temporary documents of title issued in respect of the GDRs. The Offering is an institutional offering. The payment for the GDRs by investors will be arranged with the Underwriters. The GDRs have no nominal or par value.

5. The Depositary will maintain the register of GDR holders at its offices or at the specified office of its agent.

GLOSSARY

The following table sets out certain defined terms, technical and other telecommunications related terms and terms related to the telecommunications regulation in Kazakhstan that are used in this Prospectus:

2G	means the second generation of cellular wireless standards;
3G	means the third generation of cellular wireless standards providing high-speed data transmissions and higher supporting multimedia applications such as full-motion video, video conferencing and internet access;
4G	means the fourth generation of cellular wireless standards;
AIC	means the Agency of the Republic of Kazakhstan for Informatisation and Communications;
Administrative Code	means the Code of the Republic of Kazakhstan on Administrative Violations dated 30 January 2001, no. 155-II, as amended;
ARMU	means average revenue per minute of use;
ARPU	means average revenue per user and measures the average monthly revenue generated for each line. The method used to calculate this measure may differ among operators;
base station	means fixed transceiver equipment in each cell of a mobile telecommunications network that communicates by radio signal with mobile handsets in that cell;
broadband	means a communications service for content requiring high-speed transmission rates such as video transmission;
call forwarding	means a feature permitting the end user to program a phone to ring at an alternate location; call forwarding may be in effect at all times or only in certain designated instances, such as when a particular phone is busy or there is no answer;
call waiting	means a warning signal received when a person is on a call that there is a second incoming call;
CDMA	means code division multiple access;
CDMA 2000	means the 3G evolution of CDMA;
Cellular Services Rules	means the Rules "On communication services" approved by the Government of Kazakhstan dated 30 December 2011, no. 1718;
churn	means a measure of customer turnover due to subscription disconnections as a result of terminations by customers; switching by customers to competing services; terminations by the service provider due to customer non-payment; and, in the case of mobile communications services, expirations of pre-paid cards. The method used to calculate churn may differ among operators;
Communications Law	means the Law of the Republic of Kazakhstan "On Communication" dated 5 July 2004, no. 567-II, as amended;
Communications Services Rules	means the Rules "On Communication Services Rules" approved by the Government of Kazakhstan dated 30 December 2011, no. 1718, as amended;
Competition Agency	means the Agency of the Republic of Kazakhstan for Protection of Competition (Antimonopoly Agency);
Competition Law	means the Law of the Republic of Kazakhstan "On Competition" dated 25 December 2008, no. 112-IV ZRK, as amended;

Dominant Market Position Order	means the Order of the Competition Agency dated 18 October 2011, no. 327-OD;
E-GSM	means extended GSM;
EDGE	means enhanced data rates for GSM evolution. It is an evolution of GPRS and enables throughput at rates that are three to four times faster than GRPS;
EIU	means Economist Intelligence Unit;
Euro	means the single currency of the participating Member States in the Third Stage of the European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time;
frequency band	means a specified range of frequencies. Frequency refers to the number of times per second that a wave (e.g., electromagnetic wave) oscillates or swings back and forth in a complete cycle from its starting point to its end point;
Gb	means gigabit;
GB	means gigabyte;
GHz	means gigahertz;
GPRS	means general packet radio service and is a GSM-based packet-switched data transmission technology standard, established by the European Telecommunications Standards Institute, in which base stations can be directly connected to the internet, thus bypassing the switching systems typically used to connect mobile traffic to fixed networks. GPRS provides users of mobile communications services better data access capability with virtually instant and permanent connections, as well as speeds up to ten times higher than GSM;
GSM	means global system for mobile communications and is a digital mobile telecommunications system standardised by the European Telecommunications Standards Institute based on digital transmission and cellular network architecture with roaming in use throughout Europe, Asia, most of the Americas and various other countries. GSM systems operate primarily in the 900 MHz (GSM 900) and 1800 MHz (GSM 1800, also referred to as DCS 1800) frequency bands;
GSM 900 and GSM 1800	See "*GSM*";
HSPA+	means evolved high-speed packet access;
interconnection	means the linking of telecommunications networks used by the same or different persons in order to allow the users of the services or networks of one person to communicate with the users of the services or networks of the same person or of another person, or to access services provided by another person;
interconnection rates	means mobile interconnection rates;
IP VPN	means internet protocol virtual private network which is a closed network of encrypted links accessible via internet protocol;
IT	means information technology;
IVR	means interactive voice response;
JSC Law	means the Law of the Republic of Kazakhstan "On Joint Stock Companies" dated 13 May 2003, no. 415-II;
Kazakhstan Tenge and KZT	means Kazakhstan tenge, the lawful currency of Kazakhstan;
kb	means kilobit;

kB	means kilobyte;
Land Code	means the Land Code of the Republic of Kazakhstan dated 20 June 2003, no. 442-II, as amended;
Licensing Law	means the Law of the Republic of Kazakhstan "On Licensing" dated 11 January 2007, no. 214-III ZRK, as amended;
LTE	means the 3rd Generation Partnership Project long term evolution;
LTE TDD	means long term evolution time division duplex;
Mb	means megabit;
MB	means megabyte;
MCI	means Ministry of Communications and Information;
MHz	means megahertz;
MIR	means a monthly calculation index established for each calendar year in the republican budget for the relevant year;
MNP	means mobile number portability;
MMS	means multimedia messaging service which is a standard defined for use in advanced wireless terminals that allows users to send and receive messages containing various kinds of multimedia content, such as images, audio and video clips, with a "non-real-time" transmission;
MOU	means minutes of use per subscriber per month;
MTC	means the Ministry of Transport and Communications of the Republic of Kazakhstan including, where applicable, its predecessor, the MCI and, where applicable, its predecessor the AIC;
MVNO	means mobile virtual network operators which is a company that buys network time and other services from mobile network operators and resells them to their customers;
NSA	means the Agency of the Republic of Kazakhstan for Statistics;
off-net	means calls that do not stay on an operator's network or a customer private network from beginning to end, they can originate or terminate on other networks;
on-net	means calls that stay on an operator's network or a customer private network from beginning to end;
paid-in-advance	means a method of payment for the Company's services pursuant to which subscribers pay for services prior to obtaining them, however they are charged with some delay because the Company's billing system does not support real time charging for paid-in-advance subscribers;
PBX	means private branch exchange;
PSTN	means public switched telephone network which is an international telephone system carrying voice services. This is in contrast to newer telephone networks based on digital technologies, such as the Integrated Services Digital Network set of communication standards;
Radio Frequency Rules	means the Rules "On assignment of radio frequencies, registration, operation and calculation of electromagnetic compatibility for radio frequency and high frequency equipment" approved by the Government of Kazakhstan dated 29 December 2011, as amended;
REM/HFE	means radio frequency facilities and high frequency installations which are the sources of electromagnetic radiation;

RFP	means permit for the use of radio frequency;
roaming	means the mobile telecommunications feature that permits subscribers of one operator's network to use their mobile handsets and telephone numbers when in a region covered by another operator's network;
router	means an inter-network device that relays data packets to networks connected to the router based upon the destination address contained in those data packets being routed;
SIM card	means subscriber identification module which is an electronic card inserted into a GSM or certain other phones that identifies the user account to the network, handles authentication, encrypts voice and data transmissions and provides data storage for user data such as phone numbers and network information. It may also contain applications that run on the phone;
SMS	means short message service which is a mobile communications system that allows users to send and receive alpha-numeric messages of up to 160 characters from one mobile handset to another through a short message service centre;
UL/DL	means uplink/downlink;
UMTS	means universal mobile telecommunications system;
United States *or* ***U.S.***	means the United States of America;
USB	means universal serial bus;
U.S.$, U.S. dollars *and* ***USD***	means the lawful currency of the United States;
voice mail	means any system for sending, storing and retrieving audio messages, similar to a telephone answering machine;
WAP	means wireless application protocol which is a global open specification that supports internet Protocols on wireless devices, such as mobile phones, two-way radios, smartphones and communicators, to easily access and interact with internet-based services. With WAP, a mobile phone user can view mini-pages and interact with a small, multiple choice screen;
WCDMA	means wideband code division multiple access;
WIMAX	means worldwide interoperability for microwave access which is a successor to Wi-Fi. The generic term used to refer to any type of IEEE 802.16 radio frequency network, with a range of up to 80 konometers and a bandwidth of up to 75 bps.

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(1) Prior to its registration as a joint stock company with the Department of Justice on 27 August 2012, the Company existed in the form of a limited liability partnership under the name "GSM Kazakhstan OAO "Kazakhtelecom" LLP.

GSM Kazakhstan LLP OAO Kazakhtelecom
(A SUBSIDIARY OF FINTUR HOLDINGS B.V.)

International Financial Reporting Standards Consolidated Financial Statements for the three years ended 31 December 2011, 2010 and 2009 and Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Owners of
GSM Kazakhstan LLP OAO Kazakhtelecom

We have audited the accompanying consolidated financial statements of GSM Kazakhstan LLP OAO Kazakhtelecom (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statements of financial position as at 31 December 2011, 2010 and 2009 and the consolidated statements of comprehensive income, changes in equity and cash flows for the three years then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2011, 2010 and 2009, and its financial performance and its cash flows for each of the three years then ended in accordance with International Financial Reporting Standards.

Almaty, Kazakhstan
16 March 2012

PricewaterhouseCoopers LLP
34 Al-Farabi Ave., Building A, 4th floor, 050059, Almaty, Kazakhstan
T: +7 (727) 330-3200, F: +7 (727) 244 6868, www.pwc.com/kz

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM

(a subsidiary of Fintur Holdings B.V.)

Consolidated Statements of Financial Position

as of 31 December 2011, 2010 and 2009

In thousands of Kazakhstani Tenge	Note	31 December 2011	31 December 2010	31 December 2009
ASSETS				
Non-current assets				
Property, plant and equipment	7	100,371,648	89,000,478	86,723,471
Intangible assets	8	18,433,691	18,309,444	13,468,323
Other non-current assets	9	6,759,364	14,497,100	14,150,194
Total non-current assets		**125,564,703**	**121,807,022**	**114,341,988**
Current assets				
Inventories		1,836,256	1,048,695	792,151
Trade and other receivables	10	14,032,421	8,959,721	12,784,353
Due from related parties	6	2,196,784	1,335,998	62,248
Cash and cash equivalents		1,352,996	5,244,869	1,533,607
Total current assets		**19,418,457**	**16,589,283**	**15,172,359**
TOTAL ASSETS		**144,983,160**	**138,396,305**	**129,514,347**
EQUITY				
Charter capital	11	3,914,895	3,914,895	3,914,895
Retained earnings		116,337,563	107,479,459	94,311,511
TOTAL EQUITY		**120,252,458**	**111,394,354**	**98,226,406**
LIABILITIES				
Non-current liabilities				
Deferred income tax liability	16	3,990,934	4,086,332	3,995,583
Other non-current liabilities		494,881	494,881	350,829
Total non-current liabilities		**4,485,815**	**4,581,213**	**4,346,412**
Current liabilities				
Trade and other payables	12	11,733,602	12,700,000	19,690,253
Due to related parties	6	380,946	340,223	651,434
Deferred revenues	13	7,183,871	7,194,598	5,751,822
Taxes payable		946,468	2,185,917	848,020
Total current liabilities		**20,244,887**	**22,420,738**	**26,941,529**
TOTAL LIABILITIES		**24,730,702**	**27,001,951**	**31,287,941**
TOTAL LIABILITIES AND EQUITY		**144,983,160**	**138,396,305**	**129,514,347**

Approved for issue and signed on behalf of the Management on 16 March 2012

Veysel Aral
Chief Executive Officer

Baurzhan Ayazbaev
Chief Financial Officer

The accompanying notes on pages F-9 to F-39 are an integral part of these consolidated financial statements

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM

(a subsidiary of Fintur Holdings B.V.)

Consolidated Statements of Comprehensive Income

for the three years ended 31 December 2011, 2010 and 2009

In thousands of Kazakhstani Tenge	Note	2011	2010 (restated)	2009 (restated)
Revenue	14	178,786,235	152,487,858	130,352,031
Cost of sales	15	(69,955,346)	(58,355,549)	(53,716,227)
Gross profit		**108,830,889**	**94,132,309**	**76,635,804**
Selling and marketing expenses	15	(15,762,920)	(16,167,076)	(14,336,377)
General and administrative expenses	15	(9,943,026)	(9,741,135)	(8,444,956)
Other operating income		157,159	251,953	141,019
Other operating expenses		(383,876)	(122,034)	(217,647)
Operating profit		**82,898,226**	**68,354,017**	**53,777,843**
Finance income		725,286	427,665	50,723
Profit before income tax		**83,623,512**	**68,781,682**	**53,828,566**
Income tax expense	16	(16,765,408)	(14,013,734)	(10,631,187)
Profit for the year		**66,858,104**	**54,767,948**	**43,197,379**
Other comprehensive income		—	—	—
Total comprehensive income for the year		**66,858,104**	**54,767,948**	**43,197,379**

Profit and total comprehensive income for both periods is fully attributable to the Company's owners.

The accompanying notes on pages F-9 to F-39 are an integral part of these consolidated financial statements

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM

(a subsidiary of Fintur Holdings B.V.)

Consolidated Statements of Changes in Equity

for the three years ended 31 December 2011, 2010 and 2009

In thousands of Kazakhstani Tenge	Charter capital	Retained earnings	Total equity
Balance at 1 January 2009	**3,914,895**	**87,114,132**	**91,029,027**
Total comprehensive income for the year	—	43,197,379	43,197,379
Dividends declared	—	(36,000,000)	(36,000,000)
Balance at 31 December 2009	**3,914,895**	**94,311,511**	**98,226,406**
Total comprehensive income for the year	—	54,767,948	54,767,948
Dividends declared	—	(41,600,000)	(41,600,000)
Balance at 31 December 2010	**3,914,895**	**107,479,459**	**111,394,354**
Total comprehensive income for the year	—	66,858,104	66,858,104
Dividends declared	—	(58,000,000)	(58,000,000)
Balance at 31 December 2011	**3,914,895**	**116,337,563**	**120,252,458**

The accompanying notes on pages F-9 to F-39 are an integral part of these consolidated financial statements

GSM KAZAKHSTAN LLP OAO KAZAKHTELECOM

(a subsidiary of Fintur Holdings B.V.)

Consolidated Statements of Cash Flows

for the three years ended 31 December 2011, 2010 and 2009

In thousands of Kazakhstani Tenge	Note	2011	2010	2009
Cash flows from operating activities				
Net income		66,858,104	54,767,948	43,197,379
Adjustments for:				
Depreciation of property, plant and equipment	7	19,908,209	16,728,362	14,279,174
Amortisation of intangible assets	8	2,987,696	2,851,062	2,530,983
Income taxes		(1,082,241)	800,027	631,187
Impairment of trade receivables	10	268,785	321,528	159,965
Losses less gains on disposal of property, plant and equipment and intangible assets		130,249	247,416	468,994
Operating cash flows before working capital changes		**89,070,802**	**75,716,343**	**61,267,682**
Trade and other receivables		(5,341,485)	3,503,104	(5,055,871)
Prepayments under Kcell Express programme		516,492	1,127,677	494,615
Due from related parties		(860,786)	(1,273,750)	(2,015,047)
Inventories		(787,561)	(256,544)	537,005
Taxes payable		(252,606)	628,619	388,078
Trade and other payables		(966,398)	3,815,790	1,104,191
Due to related parties		40,723	(311,211)	55,484
Deposits received from subscribers		255,733	32,846	(306,835)
Deferred revenues		(266,460)	1,409,930	(1,324,279)
Restricted cash		4,137	3,365	(8,173)
Net cash from operating activities		**81,412,591**	**84,396,169**	**55,136,850**
Cash flows from investing activities				
Purchase of property, plant and equipment		(24,543,828)	(21,038,996)	(22,531,583)
Purchase of intangible assets		(2,760,636)	(7,239,868)	(3,210,193)
Net cash used in investing activities		**(27,304,464)**	**(28,278,864)**	**(25,741,776)**
Cash flows from financing activities				
Dividends paid	11	(58,000,000)	(52,406,043)	(29,570,000)
Net cash used in financing activities		**(58,000,000)**	**(52,406,043)**	**(29,570,000)**
Net increase/(decrease) in cash and cash equivalents		**(3,891,873)**	**3,711,262**	**(174,926)**
Cash and cash equivalents at beginning of the year		5,244,869	1,533,607	1,708,533
Cash and cash equivalents at end of the year		**1,352,996**	**5,244,869**	**1,533,607**

The accompanying notes on pages F-9 to F-39 are an integral part of these consolidated financial statements

1 The Group and its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the three years ended 31 December 2011, 2010 and 2009 for GSM Kazakhstan LLP OAO Kazakhtelecom (the "Company") and its subsidiaries (together referred to as the "Group").

The Company is a subsidiary of Fintur Holdings B.V., and was formed to design, construct and operate a cellular telecommunications network in Kazakhstan, using the GSM (Global System for Mobile Communications) standard. The Company was established as a limited liability partnership on 1 June 1998 with the short name, GSM Kazakhstan LLP. As disclosed in Note 11, the Company is owned 51 percent by Fintur Holdings B.V. ("Fintur") and 49 percent by Kazakhtelecom JSC ("Kazakhtelecom"). Owners of Fintur are TeliaSonera Finland Oyj ("TeliaSonera") and Turkcell Iletisim Hizmetleri A.S. ("Turkcell") holding 58.55 percent and 41.45 percent, respectively. The Group's ultimate controlling party is TeliaSonera.

In an auction arranged by the Republic of Kazakhstan in June 1998, the Group obtained a non-exclusive general license for 15 years to provide mobile telephone services in accordance with GSM standard 900 (GSM-900). The Group started its commercial activity in 1999 through direct sales and a network of distributors. The Group provides cellular services throughout most of the territory of the Republic of Kazakhstan. At present, the Group is one of three GSM cellular phone carriers operating in the Kazakhstani market. The Group operates under its own brands, Kcell (postpaid and paid-in-advance subscribers) and Activ (prepaid subscribers).

In 2008, the Group accepted an offer from the government of the Republic of Kazakhstan to acquire additional 5 MHz radiofrequencies in the range of 1800 MHz. On 26 August 2008, the competent authority approved an addendum to the Group's operating GSM license. The revised license provides the Group with a right to operate both GSM-900 and GSM-1800 networks. Under revised terms, the Group committed to provide all locations with population over 1,000 people with mobile services using GSM-900 and GSM-1800 standards until 31 December 2012.

The Company acquired KT-Telecom LLP ("KT-Telecom") in 2008 and AR-Telecom LLP ("AR-Telecom") in 2007. The purpose of these acquisitions was to obtain WLL licenses (Note 8). In 2009, KT-Telecom and AR-Telecom commenced their operating activities; accordingly the Group started to prepare consolidated financial statements since 2009 (Note 2). In 2010, WiMAX services were launched in Astana and Atyrau under WLL licenses. Subsequently in 2011, the ownership of WLL licenses have been transferred to the Company.

On 1 December 2010, the Group launched 3G services in Astana and Almaty based on the temporary permission. On 25 December 2010, the competent authority signed an addendum to the existing GSM license, which provides the Group with a right to operate 3G network. The addendum requires the Group to provide all locations with population over 10,000 people with mobile services using UMTS/WCDMA standards until 1 January 2015 (Note 8).

On 1 July 2011 the Ministry of Communication and Information of Kazakhstan extended the Company's general license from initial 15 years to unlimited period of time.

The Company's registered address is 100, Samal-2, Almaty, Republic of Kazakhstan. The head office is located at Timiryazeva street, 2, Almaty, Republic of Kazakhstan.

2 Basis of Preparation and Significant Accounting Policies

Basis of preparation

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. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These consolidated financial statements have

2 Basis of Preparation and Significant Accounting Policies (Continued)

been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements, unless otherwise stated (refer to Note 4, New Accounting Pronouncements).

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3. Actual results could differ from those estimates.

Foreign currency translation

(i) Functional and presentation currency

All amounts in these consolidated financial statements are presented in thousands of Kazakhstani Tenge ("Tenge"), unless otherwise stated.

Functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of the Group entities is Tenge.

(ii) Transactions and balances

Foreign currency transactions are accounted for at the exchange rate prevailing at the date of the transaction established by National Bank of the Republic of Kazakhstan. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currency are recognised in the profit and loss for the year.

At 31 December 2011 the principal rate of exchange used for translating foreign currency balances was USD 1 = Tenge 148.40 (31 December 2010: USD 1 = Tenge 147.50, 31 December 2009: USD 1 = Tenge 148.36). Exchange restrictions and currency controls exist relating to converting Tenge into other currencies. At present, Tenge is not a freely convertible currency in most countries outside of the Republic of Kazakhstan.

Consolidated financial statements

Subsidiaries are those companies and other entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain benefits. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Property, plant and equipment

(i) Recognition and subsequent measurement

Property, plant and equipment are stated at cost, less accumulated depreciation and provision for impairment. Cost comprises construction cost or purchase price, including import duties and non-refundable taxes, and any directly attributable costs of bringing the asset to working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the construction cost or purchase price.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired. Construction in progress is carried at cost. Upon completion, assets are transferred to buildings and equipment at their carrying amount. Construction in progress is not depreciated until the asset is available for use.

(ii) Depreciation

Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Buildings	10 to 25
Switches and transmission devices	4 to 8
Other	4 to 8

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in the profit or loss for the year when the asset is retired.

(iii) Impairment

At each reporting date the management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, the management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Intangible assets

The Group's operating GSM license (GSM-900, GSM-1800 and 3G) and the additional right for the radiofrequency (GSM-1800), as disclosed in Notes 1 and 8, are recorded at cost and are amortised on a straight-line basis over the estimated economic useful life of the license/right.

The economic useful life of the original GSM license and 3G license is estimated by management at 15 years. The useful life is the initial license term and in line with the management assessment of the development of communication technology. The economic useful life of the additional right for the radiofrequencies (GSM-1800) is estimated by management at 5 years, which is the term of the right.

Other intangible assets are amortised over their estimated useful lives as follows:

	Useful lives in years
Computer software and software license rights	4 to 8
Other telecom licences	10
Other	8 to 10

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

When the Group acquires a group of assets that does not constitute a business, it allocates the cost of the group between the individual identifiable assets in the group based on their relative fair values at the date

2 Basis of Preparation and Significant Accounting Policies (Continued)

of acquisition. The Group accounted for the acquisitions of AR-Telecom and KT-Telecom (Note 8) as the acquisitions of group of intangible assets rather than businesses. Accordingly, the costs of acquisitions of those entities were allocated to the costs of acquired assets.

Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Trade and other receivables

Trade and other financial receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the profit or loss for the year. When a trade receivable is uncollectible, it is written off against the provision for impairment account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the profit or loss for the year. The primary factor that the Group considers whether a receivable is impaired is its overdue status.

Prepaid taxes, deferred expenses and advances to suppliers are stated at actual amounts paid less provision for impairment.

Prepayments

Prepayments are carried at cost less any provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Prepayments under Kcell Express programme

Under the branding arrangement with the dealers (Kcell Express programme), the Company pays to a third party vendor for branding the dealer's selling outlet (this includes renovation and furniture). The dealer then reimburses the Company for the full amount of branding costs during the contract period of 5 years evenly on a monthly basis. The Company also pays to the dealer a monthly fee for marketing of the

2 Basis of Preparation and Significant Accounting Policies (Continued)

Company's products (in particular, the payment covers rent expenses). If the dealer terminates the contract prior to its expiry the dealer is obliged to reimburse the Company for the outstanding amount of branding costs.

The initial upfront payment incurred by the Group under Kcell Express programme relates to future benefits that the Group will obtain through the dealer as the dealer's premises will be branded solely to reflect the Group's brand, and the dealers are obliged to keep the branding and to sell exclusively the Group's products and services during the term of the agreement. The initial upfront payment therefore represents a prepayment for future services, which is amortised to the statements of comprehensive income on a straight-line basis during the term of the agreement. The recognition of the upfront payment as an asset is also supported by the fact that the Group has control over the future economic benefits as in case of early termination, it has the right to demand penalty from the dealer.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks with original maturities of three months or less and are subject to insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost using the effective interest method. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date are included in other non-current assets.

Charter capital

Assets contributed to charter capital are recognised at fair value at the time of contribution. Any excess of the fair value of assets contributed over the nominal value of charter capital contribution upon its legal registration is credited directly to equity under the heading of share premium.

Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the end of the reporting period and before the consolidated financial statements are authorised for issue are disclosed in the subsequent events note.

Value added tax

Value added tax ("VAT") related to sales is payable to state budget when goods are shipped or services are rendered. Input VAT is reclaimable against output VAT upon receipt of a tax invoice from a supplier. The tax legislation permits the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases unsettled at the reporting date is stated in the statements of financial position on net basis.

Trade and other payables

Trade and other financial payables are accrued when the counterparty performed its obligations under the contract. The Group recognises trade payables at fair value. Subsequently, trade payables are carried at amortised cost using the effective interest method.

Provisions for liabilities and charges

Provisions for liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Asset retirement obligations

Estimated costs of dismantling and removing an item of property, plant and equipment (asset retirement obligations) are added to the cost of an item of property plant and equipment when incurred either when an item is acquired or as the item is used during a particular period for purposes other than to produce inventories during that period. Changes in the measurement of an existing asset retirement obligation that result from changes in the estimated timing or amount of the outflows, or from changes in the discount rate adjust the cost of the related asset in the current period.

Revenue recognition

Revenue is recorded on an accrual basis at the sales value, adjusted for discounts granted and VAT. Revenue is measured at the fair value of the consideration received or receivable.

Revenue is categorised as follows voice services, data services, value added services, and other revenues.

Voice service includes call out revenue, interconnect fees, roaming revenues charged to the Group's subscribers for roaming in other wireless operators' network, and revenues charged to other wireless operators for non-Group sunscribers using the Group's network.

Data services include revenues from GRPS, WAP services and other data services.

Value added services consists of SMS, MMS, inforservices and providing content of third parties, fax and voice mail services.

Other revenues include sales of handsets to distributors and subscribers, rental of transmission lines to other operators.

(i) Call out revenue

Call out revenue is recognised based on the actual airtime used by the subscribers. Prepayments received for call out revenue are not recognised as revenue until the related service has been provided to the subscriber.

(ii) Interconnect revenues and costs

The Group charges interconnect per minute fees and fixed monthly payments to other local wireless and fixed line operators for calls originated outside and terminated within the Group's network. The Group recognises such revenues when the services are provided. The Group is charged interconnect per minute fees and fixed monthly payments by other local wireless and fixed line operators for calls originated within the Group's network and terminated outside of the network. The Company recognises such costs when the services are provided.

(iii) Data revenue

The data service is recognised when a service is used by a subscriber based on actual data volume traffic.

(iv) Roaming revenues charged to the Group's subscribers

Roaming revenue from the Group's subscribers for roaming in other operators' network is charged based on information provided by other operators to the Group.

(iv) Roaming fees charged to other wireless operators

The Group charges roaming per minute fees to other wireless operators for non-company subscribers utilising the Group's network. The Group recognises such revenues when the services are provided.

2 Basis of Preparation and Significant Accounting Policies (Continued)

(v) Value added services

Value added services mainly consists of content provided by third parties, different inforservices, fax and voice mail. When invoicing end-customer for third party content service, amounts collected on behalf of the principle are excluded from revenue.

(vii) Deferred revenue

Prepayments received for communication services are recorded as deferred revenue. The Group recognises revenue when the related service has been provided to the subscriber.

Sales commission to dealers and distributors

The Company sells part of payment scratch cards, sim cards, and handsets using various distributors and dealers. The Company pays a certaing commission to distributors and dealers depending on number of payment scratch cards, sim cards or handset sold. The commission is recognised when the item is sold to subscriber.

Payroll expenses and related contributions

Wages, salaries, contributions to pension funds, paid annual leave and sick leave, bonuses, and other benefits are accrued in the period in which the associated services are rendered by the employees of the Group.

Pension payments

The Group does not incur any expenses in relation to provision of pensions or other post-employment benefits to its employees. In accordance with the legal requirements of the Republic of Kazakhstan, the Group withholds pension contributions from employee salaries and transfers them into state or private pension funds on behalf of its employees. Upon retirement of employees, all pension payments are administered by the pension funds directly.

Income taxes

Income taxes have been provided for in these interim consolidated financial statements in accordance with Kazakhstani legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the period except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the state budget in respect of taxable profits or losses for the current and prior periods. Taxable income or losses are based on estimates where the consolidated financial statements are authorised prior to the filling of the relevant tax return. Taxes, other than on income, are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Segment reporting

Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately. The chief operating decision-maker has been identified as the Company's CEO. The Group determined the Group's operations as a single reporting segment.

Changes in presentation

Where necessary, corresponding figures have been adjusted to conform to the presentation of the current year amounts.

a) In 2011 the Group's management changed its view on treatment of distributors' commission expenses related to sale of scratch cards to subscribers. The management believes that the distributors act as agent in selling scratch cards to subscribers without assuming the risks and rewards of ownership of the goods and services. Accordingly, the distributors' commission should not be deducted from the revenue. Comparative information is restated to reflect change in presentation as presented below.

Effect of the reclassification on the Statement of Comprehensive Income	Effect in 2010	Effect in 2009
Increase in revenue	3,199,920	3,258,696
Increase in selling and marketing expenses	3,199,920	3,258,696
Change in total comprehensive income for the year	—	—

b) In 2011, the Group's management changed the presentation of expenses recognized in profit or loss from classification based on their nature to classification based on their function since the Group believes that "by function" presentation of expenses is consistent with the industry practice and provides reliable and more relevant information about the Group's financial performance.

Financial instruments

(i) Key measurement terms

Financial instruments of the Group are carried at amortised cost as described below.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and less any impairment provision. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense are not presented separately and are included in the carrying values of related statements of financial position items.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument.

(ii) Classification of financial assets

Financial assets of the Group include loans and receivables. The management determines the classification of its financial assets at initial recognition.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise restricted cash (Note 9), trade receivables (Note 10), due from related parties (Note 6) and cash and cash equivalents in the consolidated statements of financial position.

(iii) Classification of financial liabilities

Financial liabilities of the Group include financial liabilities carried at amortised cost. The Group's financial liabilities comprise trade and other financial payables (Note 12) and due to related parties (Note 6).

(iv) Initial recognition of financial instruments

Financial assets and liabilities are initially recorded at fair value less transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

(v) Derecognition of financial assets

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

3 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in these consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial period include:

Useful lives of property, plant and equipment and intangible assets

Management determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. This estimate is based on projected period over which the Group expects to consume economic benefits from the asset. It could change significantly as a result of technical innovations and competitor actions in a high-tech and competitive mobile industry. Carrying amount of assets most affected by judgements (switches and transmission devices) amounted to 51,300,430 thousand Tenge (Note 7) as of 31 December 2011 (2010: 56,187,383 thousand Tenge, 2009: 60,974,576 thousand Tenge). Management will increase the depreciation charge where useful lives are less than previously assessed estimated lives, or it will write-off or write-down technically obsolete assets that have been abandoned or sold.

3 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

The management assesses the useful life of telecommunication licenses based on technology development and legal terms of the license agreements. The useful life of GSM and 3G license is assessed as estimated by the management as 15 years.

The useful lives are reviewed at least at each reporting date.

Debt vs. equity

In accordance with the Company's foundation agreement, an owner in the Group has a right to withdraw and demand redemption of its interest in the Company. The General Meeting of owners of the Company determines whether the redemption will be in cash, other financial assets or in non-financial assets. This put option could mean that owners' equity interests in the Company give rise to a financial liability in accordance with IAS 32, Financial Instruments: Disclosures and Presentation, because the Company has an obligation to purchase its own equity instruments. The decision about the form of redemption (either financial assets or non-financial assets) is in the scope and competence of the General Meeting of owners. The management believes that the General Meeting of owners could be viewed as having a dual nature—it is the Company's highest governing body and at the same time it represents owners which are separate from the Group. Management believes that the General Meeting represents the highest governing body of the Company and, therefore, it is at the Company's discretion to define the form of the redemption when an owner exercises the put option. As a result, the management is of the view that owners' equity interests in the Company do not give rise to a financial liability as the Company does not have an unconditional obligation to deliver cash or another financial asset. Under IFRS, liabilities are not recognised for executory contracts to deliver non-financial assets in exchange for entity's own shares, unless such contracts become onerous. Therefore, owners' interests are classified in these consolidated financial statements as equity.

Should this view be called into question and the different view be taken with respect to the interpretation of the role of the General Meeting, the equity of 120,252,458 thousand Tenge would be classified as a non-current financial liability as of 31 December 2011 (2010: 111,394,354 thousand Tenge, 2009: 98,226,406 thousand Tenge).

Impairment of non-financial assets

At each reporting date management assesses whether there is any indication of impairment of non-financial assets. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. Calculation of value in use requires application of estimated data and professional judgment from management, which are considered reasonable in the existing circumstances.

In accordance with the Group's accounting policy, for the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Management determined the whole telecommunication network of the Group as one cash-generating unit. Telecom licenses and other intangible assets, including WLL licenses, do not generate independent cash flows and are assessed for impairment together with the related network assets. Total carrying value of the cash generating unit as of 31 December 2011 is 118,805,339 thousand Tenge (2010: 107,309,922 thousand Tenge, 2009: 100,191,794 thousand Tenge).

Management has considered whether there are any indications of impairment of property, plant and equipment and intangible assets as of 31 December 2011, 2010 and 2009 and concluded that no impairment indications existed at these dates.

4 New Accounting Pronouncements

The following new standards and interpretations became effective for the Group from 1 January 2011:

Amendment to IAS 24, Related Party Disclosures **(issued in November 2009 and effective for annual periods beginning on or after 1 January 2011).** IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. This revision of the standard did not have significant impact on the Group's consolidated financial statements.

Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on the acquiree's share-based payment arrangements that were not replaced, or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date, and not the amount obtained during the reporting period; IAS 1 was amended to clarify the requirements for the presentation and content of the statements of changes in equity (this amendment was adopted previously by the Group in its prior year's consolidated financial statements); IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. The above amendments resulted in additional or revised disclosures, but had no material impact on measurement or recognition of transactions and balances reported in these financial statements.

The financial effect of collateral required to be disclosed by the amendments to IFRS 7 is presented in these financial statements by disclosing collateral values separately for (i) those financial assets where collateral and other credit enhancements are equal to, or exceed, carrying value of the asset ("over-collateralised assets") and (ii) those financial assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

Other revised standards and interpretations effective for the current period. IFRIC 19 "Extinguishing financial liabilities with equity instruments", amendments to IAS 32 on classification of rights issues, clarifications in IFRIC 14 "IAS 19—The limit on a defined benefit asset, minimum funding requirements and their interaction" relating to prepayments of minimum funding requirements and amendments to IFRS 1 "First-time adoption of IFRS", did not have any impact on these consolidated financial statements.

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2012 or later and which the Group has not early adopted.

4 New Accounting Pronouncements (Continued)

IFRS 9, Financial Instruments: Classification and Measurement. IFRS 9, issued in November 2009, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in December 2011 to (i) change its effective date to annual periods beginning on or after 1 January 2015 and (ii) add transition disclosures. Key features of the standard are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation—special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Group is currently assessing the impact of the new standard on its consolidated financial statements.

IFRS 11, Joint Arrangements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities—Non-Monetary Contributions by Ventures". Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures.

IFRS 12, Disclosure of Interest in Other Entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its

4 New Accounting Pronouncements (Continued)

interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Group is currently assessing the impact of the new standard on its consolidated financial statements.

IFRS 13, Fair value measurement, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Group is currently assessing the impact of the new standard on its consolidated financial statements.

IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013), was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements.

IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged.

Disclosures—Transfers of Financial Assets—Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party, yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised, but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The Group is currently assessing the impact of the amended standard on disclosures in its consolidated financial statements.

Amendments to IAS 1, Presentation of Financial Statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statements of profit or loss and other comprehensive income'. The Group expects the amended standard to change presentation of its financial statements, but have no impact on measurement of transactions and balances.

Amended IAS 19, Employee Benefits (issued in June 2011, effective for periods beginning on or after 1 January 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income.

Disclosures—Offsetting Financial Assets and Financial Liabilities—Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment will have an impact on disclosures but will have no effect on measurement and recognition of financial instruments.

Offsetting Financial Assets and Financial Liabilities—Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application

4 New Accounting Pronouncements (Continued)

guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The Group is considering the implications of the amendment, the impact on the Group and the timing of its adoption by the Group.

Other revised standards and interpretations: The amendments to IFRS 1 "First-time adoption of IFRS", relating to severe hyperinflation and eliminating references to fixed dates for certain exceptions and exemptions, the amendment to IAS 12 "Income taxes", which introduces a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale, and IFRIC 20, "Stripping Costs in the Production Phase of a Surface Mine", which considers when and how to account for the benefits arising from the stripping activity in mining industry, will not have any impact on these consolidated financial statements.

Unless otherwise described above, these new standards, interpretations and improvements are not expected to significantly affect the Group's consolidated financial statements.

5 Segment Information

The Group identifies Group's operations as a single reportable segment.

The Group provides mobile communication services in Kazakhstan. The Group identifies the segment in accordance with the criteria set in IFRS 8 and based on the way the operations of the Group are regularly reviewed by the chief operating decision maker to analyse performance and allocate resources among business units of the Group.

The chief operating decision-maker (CODM) has been determined as the Company's CEO. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined a single operating segment being mobile communication services based on these internal reports data.

Within the segment all business component demonstrates similar economic characteristics and are alike as follows:

- providing mobile communication services to prepaid subscribers;
- providing mobile communication services to postpaid and paid-in-advance subscribers.

The chief operating decision-maker assesses the performance of the operating segment based on a measure of Revenue, EBITDA, EBIT, and Profit for the year. The Group defines EBITDA as Profit before income tax, finance income and costs, depreciation, and amortisation. The Group defines EBIT as Profit before tax, finance income and finance costs. The Group's definition of EBITDA and EBIT may differ from that of other companies.

The accounting policies used for segments are the same as accounting policies applied for these consolidated financial statements as described in Note 2.

5 Segment Information (Continued)

The segment information for the year ended 31 December 2011 and a reconciliation of segment's measures of profit ans loss to profit for the year is provided as follows:

In thousands of Kazakhstani Tenge	2011	2010	2009
Revenue	178,786,235	152,487,858	130,352,031
EBITDA	105,794,130	87,933,444	70,588,000
Depreciation, and amortisation	(22,895,904)	(19,579,427)	(16,810,157)
EBIT	82,898,226	68,354,017	53,777,833
Finance income	725,286	427,665	50,723
Finance cost	—	—	—
Profit before income tax	83,623,512	68,781,682	53,828,566
Profit for the year	66,858,104	54,767,948	43,197,379

The Group's revenue for each service is presented in the Note 14. All revenue is attributable to the customers in Kazakhstan.

All non-current assets other than financial instruments and deferred tax assets are located in Kazakhstan.

6 Balances and Transactions with Related Parties

Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Group's ultimate controlling party is TeliaSonera (Note 1). Entities of TeliaSonera group include entities under common control and associates of TeliaSonera.

Related parties also include entities under control or joint control of the government of the Republic of Kazakhstan which controls Kazakhtelecom. Transactions with the state owned entities are not disclosed when they are made in the ordinary course of business with terms consistently applied to all public and private entities: i) when they are not individually significant; ii) where mobile services are rendered at the standard terms available to all subscribers, or iii) where there is no choice of supplier such as electricity transmission services, telecommunications, etc.

Amounts due from related parties at 31 December 2011, 2010 and 2009 are as follows:

In thousands of Kazakhstani Tenge		31 December 2011	31 December 2010	31 December 2009
Kazakhtelecom (owner)	Interconnect and transmission	2,156,411	1,301,709	—
Turkcell (owner of parent)	Roaming	10,536	8,644	32,584
Entities of TeliaSonera group	Roaming	29,837	25,645	29,664
Total due from related parties		**2,196,784**	**1,335,998**	**62,248**

Amounts due from related parties are neither past due nor impaired. It represents receivables from related parties for roaming services. These entities do not have credit ratings assigned but their reliability is determined by the Group on the basis of long-term cooperation. These companies represent those companies which have a good credit history. The Group's management believes that due from related parties in the amount of Tenge 2,196,784 thousand will be fully repaid in 2012.

6 Balances and Transactions with Related Parties (Continued)

Amounts due to related parties at 31 December 2011, 2010 and 2009 are as follows:

In thousands of Kazakhstani Tenge		31 December 2011	31 December 2010	31 December 2009
Fintur Holding B.V. (parent)	Technical assistance	349,724	301,603	301,132
Kazakhtelecom (owner)	Interconnect and transmission	831	—	282,827
TeliaSonera (ultimate parent)	Roaming	6,229	3,404	4,811
Turkcell (Owner of parent)	Roaming	6,138	10,465	29,188
Entities of TeliaSonera group	Roaming	18,024	24,751	33,476
Total due to related parties		**380,946**	**340,223**	**651,434**

The income items with related parties for the years ended 31 December 2011, 2010 and 2009 were as follows:

In thousands of Kazakhstani Tenge		2011	2010	2009
Revenues				
Kazakhtelecom (owner)	Interconnect	4,448,717	3,439,684	3,967,630
Turkcell (owner of parent)	Roaming	66,445	111,341	207,093
Entities of TeliaSonera group	Roaming	164,800	113,120	139,189
Total revenues—related parties		**4,679,962**	**3,664,145**	**4,313,912**

The expense items with related parties for the years ended 31 December 2011, 2010 and 2009 were as follows:

In thousands of Kazakhstani Tenge		2011	2010	2009
Operating expenses				
Kazakhtelecom (owner)	Interconnect and transmission	6,254,613	6,214,405	5,367,038
Turkcell (owner of parent)	Roaming	168,097	168,746	265,163
Fintur Holding B.V. (parent)	Technical assistance	66,045	73,733	305,351
Telia Sonera (ultimate parent)	Roaming	39,087	31,869	26,955
Entities of TeliaSonera group	Roaming	213,670	223,052	153,624
Total expenses—related parties		**6,741,512**	**6,711,805**	**6,118,131**

The Group has an interconnect contract with Kazakhtelecom dated 1 March 1999 ("Interconnect contract"). Kazakhtelecom charges the Group for outgoing local and international PSTN calls and transit traffic from the Group's networks. The Group charges Kazakhtelecom for incoming calls to GSM networks from PSTN and international and local transit traffic through the equipment of Kazakhtelecom. Additionally, the Group has entered into transmission contracts with Kazakhtelecom, dated 26 February 1999 and 18 January 2000, under which the Group leases international digital communication channels and digital duplex communication channels in Kazakhstan.

The contracts are valid for one year from the contract date. If neither of the parties has declared its intention to discontinue the contract thirty days prior to expiry of this term, the contract automatically prolongs for one year. The cancellation of the contract can take place thirty days after receipt of written notice by either of the parties.

The Group has a dependency on operations with Kazakhtelecom, which is the national telecommunications operator. The majority of transmission channels leased by the Group are rented from Kazakhtelecom.

On 22 December 2010, the Group signed a Telecommunication Services Agreement (the "Agreement") with Kazakhtelecom and amended it in December 2011. Based on this agreement the Group fixed the

6 Balances and Transactions with Related Parties (Continued)

capacity and the annual costs of lease of digital transparent communication channels and IP VPN network except for the international channels and in-city channels till the year 2020. The Agreement is non-cancellable till 31 December 2015. (Note 17).

The Group has also roaming agreements with Latvijas Mobilais Telefons SIA ("Latvijas Mobilais"), Omnitel Telecommunication Networks ("Omnitel"), Sonera Carrier Networks Ltd. ("Sonera Carrier"), Sonera Corporation, Telia Mobile AB Finland ("Telia Mobile"), the subsidiaries of TeliaSonera, Megafon and Estonian Mobile Telephone Group ("Estonian Mobile"), the associates of TeliaSonera, Turkcell, and Fintur's subsidiaries, which are as follows: Azercell Telecom B.M. ("Azercell"), Geocell Ltd. ("Geocell"), Moldcell Ltd. ("Moldcell"), Telia Denmark, NetCom ASA (Telia NetCom Holding AS), TOV Astelit ("TOV Astelit"), Indigo Tajikistan ("Indigo Tajikistan"), Coscom LLC and Spice Nepal Pvt. Ltd. ("Spice Nepal Pvt. Ltd.") under which they earn and incur certain revenues and costs. Since these revenues and costs occur continually, the balances between them are normally settled by means of mutual set-off.

In January 2003 the Group entered into a Technical and Management Support Agreement ("TMS Agreement") with Fintur. In accordance with TMS Agreement, Fintur provides the Group with technical and management assistance.

Directors' compensation

Compensation paid to directors for their services in full time executive management positions is made up of a contractual salary, performance bonus depending on financial performance of the Group, share options, and other compensation in form of reimbursement of apartment rent expenses from the Group and parent companies. Total directors' compensation included in staff costs in the statements of comprehensive income is equal to 182,408 thousand Tenge for the year ended 31 December 2011 (2010: 183,142 thousand Tenge, 2009: 162,766 thousand Tenge). Directors classified as key management personnel include three positions for 2011, 2010 and 2009.

7 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

In thousands of Kazakhstani Tenge	Freehold land	Buildings	Switches and transmission devices	Other	Construction in progress	Total
Cost at 1 January 2009	106,875	5,133,113	95,058,461	10,453,304	14,008,318	124,760,071
Accumulated depreciation	—	(798,402)	(33,015,692)	(5,576,520)	—	(39,390,614)
Carrying amount at 1 January 2009	**106,875**	**4,334,711**	**62,042,769**	**4,876,784**	**14,008,318**	**85,369,457**
Additions	502,884	42,954	546,738	1,680,122	13,328,014	16,100,712
Transfers	(1,901)	4,246,556	10,177,483	202,587	(14,624,725)	—
Disposals	—	(12,612)	(164,837)	(40,635)	(249,440)	(467,524)
Depreciation charge	—	(572,653)	(11,627,577)	(2,078,944)	—	(14,279,174)
Cost at 31 December 2009	607,858	9,841,656	104,204,887	12,730,830	12,462,167	139,847,398
Accumulated depreciation	—	(1,802,700)	(43,230,311)	(8,090,916)	—	(53,123,927)
Carrying amount at 31 December 2009	**607,858**	**8,038,956**	**60,974,576**	**4,639,914**	**12,462,167**	**86,723,471**
Additions	46,520	2,844,225	378,477	2,177,989	13,798,197	19,245,408
Transfers	1,077	577,696	8,937,642	444,262	(9,960,677)	—
Disposals	—	(18,024)	(150,802)	(71,213)	—	(240,039)
Depreciation charge	—	(740,721)	(13,952,510)	(2,035,131)	—	(16,728,362)
Cost at 31 December 2010	655,455	13,528,338	112,811,815	15,330,937	16,299,687	158,626,232
Accumulated depreciation	—	(2,826,206)	(56,624,432)	(10,175,116)	—	(69,625,754)
Carrying amount at 31 December 2010	**655,455**	**10,702,132**	**56,187,383**	**5,155,821**	**16,299,687**	**89,000,478**
Additions	1,284,175	8,077,526	932,337	3,263,315	17,852,275	31,409,628
Transfers	—	1,153,504	10,630,040	312,804	(12,096,348)	—
Disposals	—	(21,572)	(91,723)	(16,954)	—	(130,249)
Depreciation charge	—	(791,828)	(16,357,607)	(2,758,774)	—	(19,908,209)
Cost at 31 December 2011	1,939,630	22,646,420	123,271,626	18,715,928	22,055,614	188,629,218
Accumulated depreciation	—	(3,526,658)	(71,971,196)	(12,759,716)	—	(88,257,570)
Carrying amount at 31 December 2011	**1,939,630**	**19,119,762**	**51,300,430**	**5,956,212**	**22,055,614**	**100,371,648**

8 Intangible Assets

In thousands of Kazakhstani Tenge	GSM network license and rights	Computer software and software license rights	Other telecom licenses	Other	Total
Cost at 1 January 2009	9,462,161	7,471,113	3,317,778	7,447	20,258,499
Accumulated amortisation	(4,034,823)	(2,568,142)	(95,426)	(4,060)	(6,702,451)
Carrying amount at 1 January 2009	**5,427,338**	**4,902,971**	**3,222,352**	**3,387**	**13,556,048**
Additions	—	2,442,152	—	2,576	2,444,728
Disposals (net)	—	—	—	(1,470)	(1,470)
Amortisation charge	(1,022,778)	(1,175,943)	(331,778)	(484)	(2,530,983)
Cost at 31 December 2009	9,462,161	9,907,750	3,317,778	6,575	22,694,264
Accumulated amortisation	(5,057,601)	(3,738,570)	(427,204)	(2,566)	(9,225,941)
Carrying amount at 31 December 2009	**4,404,560**	**6,169,180**	**2,890,574**	**4,009**	**13,468,323**
Additions	5,000,000	2,699,560	—	—	7,699,560
Disposals (net)	—	(7,377)	—	—	(7,377)
Amortisation charge	(1,022,777)	(1,496,054)	(331,777)	(454)	(2,851,062)
Cost at 31 December 2010	14,462,162	12,601,920	3,317,778	6,575	30,388,435
Accumulated amortisation	(6,080,379)	(5,236,611)	(758,981)	(3,020)	(12,078,991)
Carrying amount at 31 December 2010	**8,381,783**	**7,365,309**	**2,558,797**	**3,555**	**18,309,444**
Additions	—	3,111,943	—	—	3,111,943
Transfers	—	725	—	(725)	—
Disposals (net)	—	—	—	—	—
Amortisation charge	(1,081,649)	(1,574,141)	(331,778)	(128)	(2,987,696)
Cost at 31 December 2011	14,462,162	15,739,232	3,317,778	3,998	33,523,170
Accumulated amortisation	(7,162,028)	(6,835,396)	(1,090,759)	(1,296)	(15,089,479)
Carrying amount at 31 December 2011	**7,300,134**	**8,903,836**	**2,227,019**	**2,702**	**18,433,691**

The original GSM network license (GSM-900) was provided by the State Committee of Telecommunications and Information of the Republic of Kazakhstan for a fee in amount of 4.5 billion Tenge and is valid for 15 years, commencing June 1998. On 28 August 2008, the Group obtained radiofrequency band of 5 MHz spectrum (receipt/transit) in the range of 1800 MHz under the existing GSM network license (Note 1) for the amount of 2.5 billion Tenge. The acquired frequencies were capitalised as intangible assets within "GSM network license and rights" category.

The Group acquired two dormant local entities AR-Telecom LLP ("AR-Telecom") in 2007 and KT-Telecom LLP ("KT-Telecom") in 2008. The purpose of these acquisitions was to obtain non-term WLL licenses and other related telecom licenses held by AR-Telecom and KT-Telecom that provide a right to organise wireless radio-access networks and data transfer services on the territory of Kazakhstan. The acquisitions of these entities were accounted for as acquisitions of group of assets (licenses) rather than businesses. The acquired licenses were included in category "other telecom licenses" within intangible assets. Management estimated their economic useful life at 10 years.

On 25 December 2010, the Group received a right to operate 3G network by utilising radiofrequency band of 20 MHz (receipt/transit) in the range of 1920-1980 MHz and 2110-2170 MHz. The radiofrequencies were provided in the form of addendum to the existing GSM license. The acquisition cost was 5 billion Tenge.

9 Other Non-Current Assets

In thousands of Kazakhstani Tenge	31 December 2011	31 December 2010	31 December 2009
Restricted cash	19,164	23,301	26,666
Total financial assets	**19,164**	**23,301**	**26,666**
Prepayments for property, plant and equipment	6,740,200	13,651,534	11,713,894
Prepayments under Kcell Express programme	—	516,492	1,644,169
Prepayments for intangible assets	—	305,773	765,465
Total other non-current assets	**6,759,364**	**14,497,100**	**14,150,194**

10 Trade and Other Receivables

In thousands of Kazakhstani Tenge	31 December 2011	31 December 2010	31 December 2009
Trade receivables from distributors	5,324,152	2,373,271	1,933,279
Trade receivables from subscribers	1,989,370	1,475,089	1,940,748
Trade receivables for interconnect services	1,789,144	1,364,120	1,009,348
Trade receivables from roaming operators	540,696	—	759,294
Less: provision for impairment of trade receivables	(669,224)	(752,338)	(548,792)
Total financial assets	**8,974,138**	**4,460,142**	**5,093,877**
Prepaid taxes	1,023,630	2,162,472	2,411,856
Advances to suppliers	3,380,910	1,736,138	2,709,106
Deferred expenses	356,410	361,469	497,583
VAT recoverable (net)	278,895	—	1,984,864
Other receivables	18,438	239,500	87,067
Total trade and other receivables	**14,032,421**	**8,959,721**	**12,784,353**

The Group classifies its accounts receivable into four classes: trade receivables from distributors, trade receivables from subscribers, trade receivables from roaming operators and trade receivables for interconnect services.

Trade and other receivables are denominated in currencies as follows:

In thousands of Kazakhstani Tenge	31 December 2011	31 December 2010	31 December 2009
Tenge	8,433,442	4,460,142	4,334,570
US dollar	540,696	—	758,565
Euro	—	—	742
Total financial assets	**8,974,138**	**4,460,142**	**5,093,877**

10 Trade and Other Receivables (Continued)

Provision for impairment of trade receivables relates to trade receivables from subscribers and distributors. The ageing analysis of trade receivables is as follows:

In thousands of Kazakhstani Tenge	31 December 2011	31 December 2010	31 December 2009
Total neither past due nor impaired	*8,374,522*	*4,157,954*	*4,157,631*
Past due but not impaired			
due for 1 month	224,326	104,348	151,978
due for 2 months	127,137	42,856	25,926
due for 3 months	100,439	34,452	22,027
due for 4 to 6 months	73,172	66,645	66,697
due for more than 6 months	74,541	53,887	669,618
Total past due but not impaired	*599,615*	*302,188*	*936,246*
Impaired			
30 to 60 days	6,692	2,256	19,093
60 to 90 days	11,160	3,828	11,027
90 to 120 days	6,483	5,828	12,810
120 to 150 days	12,913	5,933	12,189
150 to 200 days	14,849	8,368	34,965
over 200 days	617,127	726,125	458,708
Total impaired	*669,224*	*752,338*	*548,792*
Provision for impairment of trade receivables	*(669,224)*	*(752,338)*	*(548,792)*
Total financial assets	**8,974,138**	**4,460,142**	**5,093,877**

The main factors which the Group takes into account when considering the issue on impairment of receivables are their past due status and collectability. As a result, the Group presented the above aging analysis of receivables. Impairment of receivables was assessed based on past due status of such receivables.

Neither past due nor impaired receivables represent receivables from companies and subscribers with no credit ratings assigned but their reliability is determined by the Company on the basis of long-term cooperation. These companies represent those companies which have a good credit history. The Company's management believes that neither past due nor impaired receivables in the amount of Tenge 8,374,522 thousand will be fully repaid in 2012.

Reconciliation of movements in the financial assets impairment provisions:

In thousands of Kazakhstani Tenge	
At 31 December 2008	478,808
Charge for the year	159,965
Receivables written off during the year as uncollectible	(89,981)
At 31 December 2009	**548,792**
Charge for the year	321,528
Receivables written off during the year as uncollectible	(117,982)
At 31 December 2010	**752,338**
Charge for the year	268,785
Receivables written off during the year as uncollectible	(351,899)
At 31 December 2011	**669,224**

11 Charter Capital

Based on the charter, ownership of the Company at 31 December 2011, 2010 and 2009 is as follows:

Fintur	51 percent
Kazakhtelecom	49 percent

Dividends declared and paid during the years 2009, 2010 and 2011 were as follows:

In thousands of Kazakhstani Tenge	
Dividends payable at 31 December 2008	**9,570,000**
Dividends declared during the year	36,000,000
Dividends paid during the year	(29,570,000)
Net off with receivables from Kazakhtelecom (Note 6)	(5,193,957)
Dividends payable at 31 December 2009	**10,806,043**
Dividends declared during the year	41,600,000
Dividends paid during the year	(52,406,043)
Dividends payable at 31 December 2010	**—**
Dividends declared during the year	58,000,000
Dividends paid during the year	(58,000,000)
Dividends payable at 31 December 2011	**—**

12 Trade and Other Payables

In thousands of Kazakhstani Tenge	31 December 2011	31 December 2010	31 December 2009
Trade payables	9,283,506	10,283,704	7,313,542
Dividends payable	—	—	10,806,043
Total financial liabilities	**9,283,506**	**10,283,704**	**18,119,585**
Accrued bonuses to employees	2,411,223	2,249,933	1,139,127
Other payables	38,873	166,363	431,541
Total trade and other payables	**11,733,602**	**12,700,000**	**19,690,253**

Trade and other payables are denominated in currencies as follows:

In thousands of Kazakhstani Tenge	31 December 2011	31 December 2010	31 December 2009
Tenge	7,419,896	6,728,438	17,373,927
US dollar	1,737,797	3,544,018	585,874
Euro	125,813	11,248	159,784
Total financial liabilities	**9,283,506**	**10,283,704**	**18,119,585**

13 Deferred Revenue

In thousands of Kazakhstani Tenge	31 December 2011	31 December 2010	31 December 2009
Deferred revenue from pre-paid subscribers	2,852,044	2,596,311	3,188,357
Deferred revenue from paid-in-advanced subscribers	4,331,827	4,598,287	2,563,465
Total deferred revenue	7,183,871	7,194,598	5,751,822

14 Revenues

In thousands of Kazakhstani Tenge	2011	2010 (restated)	2009 (restated)
Voice service	146,076,600	131,185,071	112,938,898
Value added services	14,531,776	13,789,901	13,506,436
Data service	14,063,721	6,946,141	3,032,731
Other revenues	4,114,138	566,745	873,966
Total revenues	**178,786,235**	**152,487,858**	**130,352,031**

15 Expenses by nature

Operating expenses are presented on the face of the statements of comprehensive income using a classification based on the functions "Cost of sales", "Selling and marketing expenses" and "General and administrative expenses". Total expenses by function were distributed by nature as follows.

In thousands of Kazakhstani Tenge	2011	2010 (restated)	2009 (restated)
Interconnect fees and expenses	20,301,197	17,094,596	16,571,226
Network maintanence expenses	9,400,289	9,884,204	9,599,211
Transmission rent	7,767,549	7,497,926	6,414,752
Frequency usage charges and taxes other than on income	5,785,612	4,940,698	4,247,546
Cost of SIM card, scratch card, start package sales and handsets	5,735,296	1,545,323	1,303,502
Sales commissions to dealers and distributors and advertising expenses	12,992,203	12,448,351	11,669,529
Staff costs	6,977,131	6,885,020	5,780,267
Others	3,806,111	4,388,215	4,101,370
Depreciation of property, plant and equipment and amortization of intangible assets	22,895,904	19,579,427	16,810,157
Total expenses	**95,661,292**	**84,263,760**	**76,497,560**

Amortization and depreciation by function were as follows.

In thousands of Kazakhstani Tenge	2011	2010 (restated)	2009 (restated)
Cost of sales	19,907,408	17,040,530	14,568,037
General and administrative expenses	2,988,496	2,538,897	2,242,120
Total depreciation of property, plant and equipment and amortization of intangible assets	**22,895,904**	**19,579,427**	**16,810,157**

16 Taxes

Income taxes

Income tax expense comprises the following:

In thousands of Kazakhstani Tenge	2011	2010	2009
Current income tax	16,860,806	13,922,985	9,214,672
Deferred income tax	(95,398)	90,749	1,416,515
Total income tax expense	**16,765,408**	**14,013,734**	**10,631,187**

16 Taxes (Continued)

Reconciliation between the expected and the actual taxation charge is provided below:

In thousands of Kazakhstani Tenge	2011	2010	2009
IFRS profit before tax	**83,623,512**	**68,781,682**	**53,828,566**
Theoretical tax charge at statutory rate of 20 percent (2010 and 2009: 20 percent)	16,724,702	13,756,336	10,765,713
Non-deductible expenses	40,706	126,703	406,752
Effect of change in tax rate	—	130,695	705,551
Adjustment for prior year income tax	—	—	(1,246,829)
Income tax expense	**16,765,408**	**14,013,734**	**10,631,187**

During the period of 2008-2009 there were changes in tax code that set the gradual decrease in the CIT, VAT and other taxes rates after 2013. However, in November 2010 the Government cancelled those changes. The effect of changes in tax rate reflects those changes in tax code.

Differences between IFRS and Kazakhstani statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rates which are expected to be applied to the periods when the temporary difference will reverse.

In thousands of Kazakhstani Tenge	31 December 2010	Charged/(credited) to profit or loss	31 December 2011
Tax effects of deductible temporary differences			
Deferred revenue	919,658	(40,031)	879,627
Other	399,835	(53,598)	346,237
Gross deferred tax asset	**1,319,493**	**(93,629)**	**1,225,864**
Tax effect of taxable temporary differences			
Property, plant and equipment	5,176,048	(142,952)	5,033,096
Intangible assets	229,777	(46,075)	183,702
Gross deferred tax liability	**5,405,825**	**(189,027)**	**5,216,798**
Less offsetting with deferred tax assets	(1,319,493)	93,629	(1,225,864)
Recognised deferred tax liability, net	**4,086,332**	**(95,398)**	**3,990,934**

Comparative movements for year ended 31 December 2010 is detailed below:

In thousands of Kazakhstani Tenge	31 December 2009	Charged/(credited) to profit or loss	31 December 2010
Tax effects of deductible temporary differences			
Deferred revenue	637,670	281,988	919,658
Other	—	399,835	399,835
Gross deferred tax asset	**637,670**	**681,823**	**1,319,493**
Tax effect of taxable temporary differences			
Property, plant and equipment	4,535,360	640,688	5,176,048
Intangible assets	97,893	131,884	229,777
Gross deferred tax liability	**4,633,253**	**772,572**	**5,405,825**
Less offsetting with deferred tax assets	(637,670)	(681,823)	(1,319,493)
Recognised deferred tax liability, net	**3,995,583**	**90,749**	**4,086,332**

16 Taxes (Continued)

Comparative movements for year ended 31 December 2009 is detailed below:

In thousands of Kazakhstani Tenge	31 December 2008	Charged/(credited) to profit or loss	31 December 2009
Tax effects of deductible temporary differences			
Deferred revenue	902,527	(264,857)	637,670
Gross deferred tax asset	**902,527**	**(264,857)**	**637,670**
Tax effect of taxable temporary differences			
Property, plant and equipment	3,322,698	1,212,662	4,535,360
Intangible assets	158,897	(61,004)	97,893
Gross deferred tax liability	**3,481,595**	**1,151,658**	**4,633,253**
Less offsetting with deferred tax assets	(902,527)	264,857	(637,670)
Recognised deferred tax liability, net	**2,579,068**	**1,416,515**	**3,995,583**

At 31 December 2011 deferred tax asset of 1,031,709 thousand Tenge and deferred tax liability of 1,625,688 thousand Tenge are expected to be recovered within next 12 months (2010: 1,220,517 thousand Tenge and 1,592,263 thousand Tenge; 2009 637,671 thousand Tenge and 2,101,082 thousand Tenge respectively)

17 Contingencies, Commitments and Operating Risks

Political and economic conditions in Kazakhstan

The economy in the Republic of Kazakhstan continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the country and a low level of liquidity of debt and equity securities in the markets.

Additionally, the telecommunication sector in Kazakhstan is impacted by political, legislative, fiscal and regulatory developments in Kazakhstan. The prospects for future economic stability in Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory and political developments, which are beyond the Group's control.

The financial condition and future operations of the Group may be adversely affected by continued economic difficulties that are characteristic of an emerging market. Management is unable to predict the extent and duration of the economic difficulties, nor quantify the impact, if any, on these consolidated financial statements.

Legal proceedings

The Group is party to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding that, upon final disposition, will have a material adverse effect on the financial position of the Group.

Taxation

Kazakhstani tax legislation and practice is in a state of continuous development and therefore is subject to varying interpretations and frequent changes, which may be retroactive. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activities of the Group may not coincide with that of management. As a result, transactions may be challenged by tax authorities and the Group may be assessed additional taxes, penalties and interest. Tax periods remain open to retroactive review by the tax authorities for five years.

17 Contingencies, Commitments and Operating Risks (Continued)

The Group's management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. Accordingly, at 31 December 2011 no provision for potential tax liabilities had been recorded (2010: nil, 2009: nil).

Government investigations

During 2010 the Company was subject to a number of investigations by various government authorities aimed at reduction of the Company's roaming tariffs, elimination of roaming threshold:

i) Roaming threshold investigation

In 2010, the Company was subject to an investigation by the Agency of Competition Protection of the Republic of Kazakhstan (the "Agency") related to alleged infringement of the antimonopoly legislation by GSM operators of CIS countries.

On 3 July 2010, the Agency filed a protocol based on respective conclusion to an administrative court charging the Company with impingement of consumers' rights by setting threshold for the subscribers' minimum cash balance to access roaming services.

The claimed penalty amount was 15,783,472 thousand Tenge calculated as 10% of the Company's total revenues generated from 1 January 2009 to 31 March 2010.

After several claims and counterclaims filed during 2010, the Company was able to defend its position and conclusion of the Agency was cancelled by the judgment of court of cassation entered into legal force immediately.

The Agency filed a claim to higher court instances and in August 2011, the Supreme Court returned the case to the first instance for additional investigation.

The Company believes it will be able to defend its position as it believes that setting such threshold for prepaid subscribers was in line with market terms and is not considered to be expression of dominant position of the Company. The Company's management believes that current legislation does not contain any restrictions on setting the thresholds for access to roaming services. Accordingly, no provision has been recorded in these consolidated financial statements as of 31 December 2011 (2010: nil, 2009: nil).

ii) Roaming tariffs investigation

The Agency has also performed an examination of the Company's roaming tariffs for the period from 1 January 2009 to 31 March 2010. Based on the results of the examination, in November 2010, the Agency issued a protocol on administrative violation alleging the Company in misuse of its dominant position through setting overstated roaming tariffs for subscribers from the Russian Federation. The Agency applied to administrative court to initiate the administrative case.

The claim amount was 15,783,472 thousand Tenge, calculated as 10% of the Company's total revenues generated during the examined period, plus revenues from roaming services for the year 2009 of 2,554,940 thousand Tenge.

After several claims and counterclaims filed during 2010, the Company was able to defend its position and conclusion of the Agency was cancelled by the judgment of court of cassation entered into legal force immediately.

In February 2011, the court of first instance ruled in favour of the Group with respect to the investigation of roaming tariffs. The Agency filed a claim to higher court instances and in January 2012, the Supreme Court returned the case to the first instance court for additional investigation.

The Company believes that it has not violated any laws and regulations with respect to roaming tariffs. The Company has been consistently reducing its roaming tariffs recently and taking other measures in this respect. Management is confident that the Company's position will be fully sustained. Accordingly, no

17 Contingencies, Commitments and Operating Risks (Continued)

provisions have been recorded in these consolidated financial statements as of 31 December 2011 (2010: nil, 2009: nil).

Capital expenditure commitments

At 31 December 2011, the Group has contractual capital expenditure commitments in respect of property, plant and equipment totalling 2,608,078 thousand Tenge (2010: 7,619,384 thousand Tenge, 2009: 9,096 thousand Tenge), mostly related to purchase of telecommunications equipment from Ericsson and ZTE Corporation.

Non-cancellable lease commitments

Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

In thousands of Kazakhstani Tenge	2011	2010	2009
Not later than 1 year	4,162,000	4,000,000	—
From 1 to 2 years	4,200,000	4,000,000	—
From 2 to 3 years	4,300,000	4,000,000	—
Later than 3 years	4,300,000	—	—
Total non-cancellable lease commitments	**16,962,000**	**12,000,000**	**—**

Non-cancellable lease agreement is represented by the Telecommunication Services Agreement on lease of transparent communication channels and IP VPN network with Kazakhtelecom (Note 6).

Volatility in global financial markets

The ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in stock markets. The uncertainties in the global financial market have also led to bank failures and bank rescues in the USA, Western Europe, Russia, Kazakhstan and in other regions. Indeed the full extent of the impact of the ongoing crisis is proving to be impossible to anticipate or completely guard against. The volume of financing has significantly reduced from August 2008 for economy as a whole.

Debtors of the Group may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management have properly reflected revised estimates of expected future cash flows in their impairment assessments.

Management is unable to reliably estimate the effects on the Group's financial position of any further deterioration in the liquidity of the financial markets and its increased instability. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

18 Financial Risk Management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), liquidity risk and credit risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge risk exposures.

18 Financial Risk Management (Continued)

Risk management is carried out by management under policies approved by the management committee. The management committee provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk.

Credit risk

The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's sales on credit terms and other transactions with counterparties giving rise to financial assets.

The Group's maximum exposure to credit risk by class of assets is as follows:

In thousands of Kazakhstani Tenge	Note	31 December 2011	31 December 2010	31 December 2009
Cash and cash equivalents		1,352,996	5,244,869	1,533,607
Trade receivables	10	8,974,138	4,460,142	5,093,877
Due from related parties	6	2,196,784	1,335,998	62,248
Restricted cash	9	19,164	23,301	26,666
Total maximum exposure to credit risk		**12,543,082**	**11,064,310**	**6,716,398**

The Group has policies in place to ensure that sales of products and services are made to customers and distributors with an appropriate credit history. If corporate customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer taking into account its financial position, past experience and other factors. The Group's management reviews ageing analysis of outstanding trade receivables and follows up on past due balances. Customers that fail to settle their liabilities for mobile services provided are disconnected until the debt is paid. Management provides ageing and other information about credit risk in Note 10. The carrying amount of accounts receivable, net of provision for impairment of receivables, represents the maximum amount of trade receivables exposed to credit risk. The Group has no significant concentrations of credit risk since the customers portfolio is diversified among a large number of customers, both individuals and companies. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provisions already recorded.

The Group has established relationships with a number of banks, which are considered at time of deposit to have minimal risk of default. The Group accepts only those banks in Kazakhstan that have highest credit ratings. The Group reviews credit ratings of those banks periodically to decrease credit risk exposure. As the Republic of Kazakhstan continues to display some characteristics of an emerging market certain risks inherent to the country are also inherent to the banks where the Group placed its cash and cash equivalents and term deposits at the end of the reporting period.

Foreign exchange risk

The majority of the Group's purchases of property, plant and equipment and inventories, as well as certain services such as roaming are denominated in US Dollars. Hence, the major concentration of foreign exchange risk arises from the movement of the US Dollar against the Tenge. Due to undeveloped market of financial instruments in Kazakhstan, the management does not hedge the Group's foreign exchange risk.

On 4 February 2009, the National Bank of the Republic of Kazakhstan ceased to maintain the exchange rate of Tenge with respect to foreign currencies. The Tenge weakened by 25% against the US Dollar and the closing KASE exchange rate at this date was 1 USD = Tenge 150.03 (31 December 2008: 1 USD = Tenge 120.77).

18 Financial Risk Management (Continued)

At 31 December 2011, if the US Dollar had weakened/strengthened by 10% percent against Tenge with all other variables held constant, after-tax profit for year ended 31 December 2011 would have been 81,779 thousand Tenge lower/higher (2010: 270,949 thousand Tenge higher/lower, 2009: 6,997 thousand Tenge higher/lower), mainly as a result of foreign exchange gains/losses on translation of US Dollar denominated bank balances, receivables and payables. Profit is less sensitive to movement in Tenge/US Dollar exchange rates at 31 December 2011 than at 31 December 2010 because of the decreased amount of US Dollar denominated trade and other payables in 2011. Profit is more sensitive to movement in Tenge/US Dollar exchange rates at 31 December 2010 than at 31 December 2009 because of the increased amount of US Dollar denominated trade and other payables in 2010.

Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group does not have floating interest bearing assets and liabilities as of 31 December 2011.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. Due to the dynamic nature of the underlying businesses, the Group's treasury aims to maintain flexibility in funding by keeping sufficient cash available.

The table below shows financial liabilities at 31 December 2011 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the reporting date.

The maturity analysis of financial liabilities at 31 December 2011 is as follows:

In thousands of Kazakhstani Tenge	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Total
Liabilities				
Trade payables	7,426,804	1,671,031	185,671	9,283,506
Due to related parties	380,946	—	—	380,946
Total future payments	**7,807,750**	**1,671,031**	**185,671**	**9,664,452**

Comparative maturity analysis of financial liabilities at 31 December 2010 is detailed below:

In thousands of Kazakhstani Tenge	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Total
Liabilities				
Trade payables	9,052,706	388,017	842,981	10,283,704
Due to related parties	340,223	—	—	340,223
Total future payments	**9,392,929**	**388,017**	**842,981**	**10,623,927**

18 Financial Risk Management (Continued)

Comparative maturity analysis of financial liabilities at 31 December 2009 is detailed below:

In thousands of Kazakhstani Tenge	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Total
Liabilities				
Dividends payable	—	3,873,828	6,932,215	10,806,043
Trade payables	6,567,736	745,806	—	7,313,542
Due to related parties	651,434	—	—	651,434
Total future payments	**7,219,170**	**4,619,634**	**6,932,215**	**18,771,019**

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to owners, return capital to owners, issue new capital and sell assets to reduce debt.

19 Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Republic of Kazakhstan continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial assets carried at amortised cost

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amounts of cash and cash equivalents, trade receivables and due from related parties approximate fair values due to their short-term maturities.

Financial liabilities carried at amortised cost

The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Carrying amounts of trade payables, dividends payable and due to related parties approximate fair values due to their short term maturities.

20 Subsequent Events

On 25 January 2012, the Company has declared dividends in amount of 70,863,538 thousand Tenge and dividends will be distributed during 2012 in accordance with owners participatory share as at the date of declaration.

20 Subsequent Events (Continued)

Following regulatory approvals on 1 February 2012, Sonera BV acquired 49% stake of the Company from Kazakhtelecom in line with Memorandum of Understanding signed between TeliaSonera and Kazakhtelecom. After the transaction, the Company is owned by Fintur (51%) and Sonera BV (49%). Fintur is owned by TeliaSonera (58.55%) and Turkcell (41.45%) (Note 1).

Kcell JSC

IAS 34 Interim Financial Reporting Interim Consolidated Financial Statements and Report on Review of Interim Consolidated Financial Statements

30 September 2012

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Report on review of interim consolidated financial statements

To the Board of Directors and Owners of Kcell JSC

Introduction

We have reviewed the accompanying interim consolidated statements of financial position of Kcell JSC and its subsidiaries (the 'Group') as at 30 September 2012 and 31 December 2011 and the interim consolidated statements of comprehensive income, changes in equity and cash flows for the nine-month periods ended 30 September 2012 and 30 September 2011, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with International Accounting Standard 34 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Statements Performed by the Independent Auditor of the Entity'. A review of interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at 30 September 2012 and 31 December 2011, and its financial performance and its cash flows for the nine-month periods ended 30 September 2012 and 30 September 2011 in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

Almaty, Kazakhstan
25 October 2012

PricewaterhouseCoopers LLP
34 Al-Farabi Ave., Building A, 4th floor, 050059 Almaty, Kazakhstan
T: +7 (727) 298 0448, Ф: +7 (727) 298 0252, www.pwc.com/kz

KCELL JSC

Interim Consolidated Statement of Financial Position

In thousands of Kazakhstani Tenge	Note	30 September 2012 Unaudited	31 December 2011 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	7	105,346,503	100,371,648
Intangible assets	8	17,587,192	18,433,691
Other non-current assets	9	6,028,238	6,759,364
Total non-current assets		**128,961,933**	**125,564,703**
Current assets			
Inventories		962,016	1,836,256
Trade and other receivables	10	16,041,611	14,032,421
Due from related parties	6	23,634	2,196,784
Cash and cash equivalents		1,077,277	1,352,996
Total current assets		**18,104,538**	**19,418,457**
TOTAL ASSETS		**147,066,471**	**144,983,160**
EQUITY			
Share capital / Charter capital	11	33,800,000	3,914,895
Retained earnings		16,647,501	116,337,563
TOTAL EQUITY		**50,447,501**	**120,252,458**
LIABILITIES			
Non-current liabilities			
Deferred income tax liability	17	4,032,489	3,990,934
Other non-current liabilities		494,881	494,881
Total non-current liabilities		**4,527,370**	**4,485,815**
Current liabilities			
Trade and other payables	12	80,232,282	11,733,602
Due to related parties	6	315,797	380,946
Borrowings	13	4,999,000	—
Deferred revenues	14	5,916,050	7,183,871
Taxes payable		628,471	946,468
Total current liabilities		**92,091,600**	**20,244,887**
TOTAL LIABILITIES		**96,618,970**	**24,730,702**
TOTAL LIABILITIES AND EQUITY		**147,066,471**	**144,983,160**

Approved for issue and signed on behalf of the management on 25 October 2012.

Veysel Aral
Chief Executive Officer

Baurzhan Ayazbaev
Chief Financial Officer

The accompanying notes on pages F-47 to F-77 are an integral part of these interim consolidated financial statements

KCELL JSC

Interim Consolidated Statement of Comprehensive Income

In thousands of Kazakhstani Tenge	Note	Nine months ended 30 September 2012 Unaudited	Nine months ended 30 September 2011 Unaudited
Revenue	15	133,103,536	131,632,197
Cost of sales	16	(55,604,048)	(48,810,698)
Gross profit		**77,499,488**	**82,821,499**
Selling and marketing expenses	16	(12,107,750)	(13,079,208)
General and administrative expenses	16	(8,082,826)	(7,660,335)
Other operating income		371,642	24,666
Other operating expenses		(82,579)	(123,991)
Operating profit		**57,597,975**	**61,982,631**
Finance income		103,983	663,060
Finance cost		(18,813)	—
Profit before income tax		**57,683,145**	**62,645,691**
Income tax expense	17	(11,610,663)	(12,385,289)
Profit for the period		**46,072,482**	**50,260,402**
Other comprehensive income		—	—
Total comprehensive income for the period		**46,072,482**	**50,260,402**
Earnings per share (Kazakhstani Tenge), basic and diluted	11	**230.36**	**251.30**

Profit and total comprehensive income for both interim periods is fully attributable to the Company's owners.

The accompanying notes on pages F-47 to F-77 are an integral part of these interim consolidated financial statements

KCELL JSC

Interim Consolidated Statement of Changes in Equity

In thousands of Kazakhstani Tenge	Charter / Share capital	Retained earnings	Total equity
Balance at 1 January 2011	**3,914,895**	**107,479,459**	**111,394,354**
Total comprehensive income for the period	—	50,260,402	50,260,402
Dividends declared (Note 11)	—	(28,000,000)	(28,000,000)
Balance at 30 September 2011 (unaudited)	**3,914,895**	**129,739,861**	**133,654,756**
Balance at 1 January 2012	**3,914,895**	**116,337,563**	**120,252,458**
Total comprehensive income for the period	—	46,072,482	46,072,482
Transformation from LLP to JSC (Notes 1, 11)	29,885,105	(29,885,105)	—
Dividends declared (Note 11)	—	(115,877,439)	(115,877,439)
Balance at 30 September 2012 (unaudited)	**33,800,000**	**16,647,501**	**50,447,501**

The accompanying notes on pages F-47 to F-77 are an integral part of these interim consolidated financial statements

KCELL JSC

Interim Consolidated Statement of Cash Flows

In thousands of Kazakhstani Tenge	Note	Nine months ended September 2012 Unaudited	Nine months ended September 2011 Unaudited
Cash flows from operating activities			
Net Income		46,072,482	50,260,402
Adjustments for:			
Depreciation of property, plant and equipment	7	13,879,689	14,632,657
Amortisation of intangible assets	8	3,025,766	2,361,076
Income taxes	17	(677,451)	116,663
Impairment of trade receivables	10	161,996	168,931
Losses less gains on disposal of property, plant and equipment and intangible assets		60,855	15,905
Operating cash flows before working capital changes		**62,523,337**	**67,555,634**
Trade and other receivables		(1,478,262)	(3,700,781)
Prepayments under Kcell Express programme		—	404,540
Due from related parties		2,173,150	(1,424,391)
Inventories		874,240	199,247
Taxes payable		(291,915)	878,694
Trade and other payables		737,441	(185,844)
Due to related parties		(65,149)	117,998
Deferred revenues		(1,267,821)	(1,376,849)
Term deposits		(506,182)	4,287
Net cash from operating activities		**62,698,839**	**62,472,535**
Cash flows from investing activities			
Purchase of property, plant and equipment		(17,624,103)	(18,487,272)
Purchase of intangible assets		(2,233,255)	(1,298,899)
Net cash used in investing activities		**(19,857,358)**	**(19,786,171)**
Cash flows from financing activities			
Proceeds from bank borrowings	13	4,999,000	—
Dividends paid	11	(48,116,200)	(21,000,000)
Net cash used in financing activities		**(43,117,200)**	**(21,000,000)**
Net (decrease)/increase in cash and cash equivalents		**(275,719)**	**21,686,364**
Cash and cash equivalents at beginning of the period		1,352,996	5,244,869
Cash and cash equivalents at end of the period		**1,077,277**	**26,931,233**

The accompanying notes on pages F-47 to F-77 are an integral part of these interim consolidated financial statements

1 The Group and its Operations

These interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") for the nine-month period ended 30 September 2012 for Kcell JSC (the "Company") and its subsidiaries (together referred to as the "Group").

The Company is a subsidiary of Fintur Holdings B.V., and was formed to design, construct and operate a cellular telecommunications network in the Republic of Kazakhstan, using the GSM (Global System for Mobile Communications) standard. The Company was established as a limited liability partnership on 1 June 1998 with short name, GSM Kazakhstan LLP. As disclosed in Note 11 prior to 2 February 2012 the Company was owned 51 percent by Fintur Holdings B.V. ("Fintur" or parent company) and 49 percent by Kazakhtelecom JSC ("Kazakhtelecom"). Owners of Fintur are TeliaSonera Finland Oyj ("TeliaSonera") and Turkcell Iletisim Hizmetleri A.S. ("Turkcell") holding 58.55 percent and 41.45 percent, respectively. On 2 February 2012 the 49% stake in the Company owned by Kazakhtelecom was sold directly to Sonera Holding B.V. ("Sonera"), which is entity under common control of TeliaSonera. On 1 July 2012 General Meeting of Participants of GSM Kazakhstan approved a conversion of the Company from Limited Liability Partnership to Joint Stock Company with 200,000,000 common shares to be transferred to Fintur and Sonera (hereinafter "Conversion") proportionally to their ownership percentage (Note 11). The meeting has also approved change of the Company's name to Kcell JSC. Pursuant to Kazakh law, upon Conversion, total equity as of the date of Conversion became share capital of the Group and ceases to be available for distribution to shareholders. On 27 August 2012 the Ministry of Justice registered the Company as a Joint Stock Company. The Group's ultimate parent and ultimate controlling party is TeliaSonera.

In an auction arranged by the Republic of Kazakhstan in June 1998, the Group obtained a non-exclusive general license for 15 years to provide mobile telephone services in accordance with GSM standard 900 (GSM-900). The Group started its commercial activity in 1999 through direct sales and a network of distributors. The Group provides cellular services throughout most of the territory of the Republic of Kazakhstan. At present, the Group is one of three GSM cellular phone carriers operating in the Kazakhstani market. The Group operates under its own brands, Kcell (postpaid and paid-in-advance subscribers) and Activ (prepaid subscribers).

In 2008, the Group accepted an offer from the government of the Republic of Kazakhstan to acquire additional 5 MHz radiofrequencies in the range of 1800 MHz. On 26 August 2008, the competent authority approved an addendum to the Group's operating GSM license. The revised license provides the Group with a right to operate both GSM-900 and GSM-1800 networks. Under revised terms, the Group committed to provide all locations with population over 1,000 people with mobile services using GSM-900 and GSM-1800 standards until 31 December 2012.

The Company acquired KT-Telecom LLP ("KT-Telecom") in 2008 and AR-Telecom LLP ("AR-Telecom") in 2007. The purpose of these acquisitions was to obtain WiMAX licenses (Note 8). In 2009, KT-Telecom and AR-Telecom commenced their operating activities; accordingly the Group started to prepare consolidated financial statements since 2009 (Note 2). In 2010, WiMAX services were launched in Astana and Atyrau under WLL licenses. Subsequently in 2011, the ownership of WLL licenses have been transferred to the Company.

On 1 December 2010, the Group launched 3G services in Astana and Almaty based on the temporary permission. On 25 December 2010, the competent authority signed an addendum to the existing GSM license, which provides the Group with a right to operate 3G network. The addendum requires the Group to provide all locations with population over 10,000 people with mobile services using UMTS/WCDMA standards until 1 January 2015 (Note 8).

On 1 July 2011 the Ministry of Communication and Information of Kazakhstan extended the Company's general license from initial 15 years to unlimited period of time.

The Company's registered address is 100, Samal-2, Almaty, Republic of Kazakhstan. The head office is located at Timiryazeva street, 2, Almaty, Republic of Kazakhstan.

2 Basis of Preparation and Significant Accounting Policies

Basis of preparation

These interim consolidated financial statements for the nine-month period ended 30 September 2012 have been prepared in accordance with IAS 34 under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value. The principal accounting policies applied in the preparation of these interim consolidated financial statements are set out below and consistent with those of the previous financial year except for accounting for income taxes. These interim consolidated financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements, unless otherwise stated (refer to Note 4, New Accounting Pronouncements).

The preparation of interim consolidated financial statements in conformity with International Financial Reporting Standards ("IFRS") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the interim consolidated financial statements are disclosed in Note 3. Actual results could differ from those estimates.

Foreign currency translation

(i) Functional and presentation currency

All amounts in these interim consolidated financial statements are presented in thousands of Kazakhstani Tenge ("Tenge"), unless otherwise stated.

Functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of each of the Group entities is Tenge.

(ii) Transactions and balances

Foreign currency transactions are accounted for at the exchange rate prevailing at the date of the transaction established by National Bank of the Republic of Kazakhstan. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currency are recognised in the profit and loss for the year.

At 30 September 2012 the principal rate of exchange of the NBRK used for translating foreign currency balances was USD 1 = Tenge 149.86 (31 December 2011: USD 1 = Tenge 148.40). Exchange restrictions and currency controls exist relating to converting Tenge into other currencies. At present, Tenge is not a freely convertible currency in most countries outside of the Republic of Kazakhstan.

Consolidated financial statements

Subsidiaries are those companies and other entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain benefits. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Group and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Property, plant and equipment

(i) Recognition and subsequent measurement

Property, plant and equipment are stated at cost, less accumulated depreciation and any provision for impairment. Cost comprises construction cost or purchase price, including import duties and non-refundable taxes, and any directly attributable costs of bringing the asset to working condition and location for its intended use. Any trade discounts and rebates are deducted in arriving at the construction cost or purchase price.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired. Construction in progress is carried at cost. Upon completion, assets are transferred to buildings and equipment at their carrying amount. Construction in progress is not depreciated until the asset is available for use.

(ii) Depreciation

Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Buildings	10 to 25
Radio equipment, switches and transmission devices	4 to 8
Other	4 to 8

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date. Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the period when the asset is retired.

(iii) Impairment

At each reporting date the management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, the management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the profit or loss for the period. An impairment loss recognised for an asset in prior periods is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Intangible assets

The Group's operating GSM license (GSM-900, GSM-1800 and 3G) and the additional right for the radiofrequency (GSM-1800), as disclosed in Notes 1 and 8, are recorded at cost and are amortised on a straight-line basis over the estimated economic useful life of the license / right.

The economic useful life of the original GSM license and 3G license is estimated by management at 15 years. The useful life is the initial license term and in line with the management assessment of the development of communication technology. The economic useful life of the additional right for the radiofrequencies (GSM-1800) is estimated by management at 5 years, which is the term of the right.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Other intangible assets are amortised over their estimated useful lives as follows:

	Useful lives in years
Computer software and software license rights	4 to 8
Other telecom licences	10
Other	8 to 10

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

When the Group acquires a group of assets that does not constitute a business, it allocates the cost of the group between the individual identifiable assets in the group based on their relative fair values at the date of acquisition. At the acquisition the Group accounted for AR-Telecom and KT-Telecom (Note 8) as the acquisitions of a group of intangible assets rather than businesses. Accordingly, the costs of acquisitions of those entities were allocated to the costs of acquired assets.

Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Trade and other receivables

Trade and other financial receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the statement of comprehensive income. The primary factor that the Group considers whether a receivable is impaired is its overdue status.

Prepaid taxes, deferred expenses and advances to suppliers are stated at actual amounts paid less provision for impairment.

Prepayments

Prepayments are carried at cost less any provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with

2 Basis of Preparation and Significant Accounting Policies (Continued)

the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the period.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks with original maturities of three months or less and are subject to insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost using the effective interest method. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the end of the reporting period are included in other non-current assets.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the end of the reporting period and before the consolidated financial statements are authorised for issue are disclosed in the subsequent events note.

Value added tax

Value added tax ("VAT") related to sales is payable to tax authorities when goods are shipped or services are rendered. Input VAT is reclaimable against output VAT upon receipt of a tax invoice from a supplier. The tax legislation permits the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases unsettled at the end of the reporting period is stated in the statement of financial position on a net basis.

Trade and other payables

Trade and other financial payables are accrued when the counterparty performed its obligations under the contract. The Group recognises trade payables at fair value. Subsequently, trade payables are carried at amortised cost using the effective interest method.

Provisions for liabilities and charges

Provisions for liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Asset retirement obligations

Estimated costs of dismantling and removing an item of property, plant and equipment (asset retirement obligations) are added to the cost of an item of property plant and equipment when incurred either when an item is acquired or as the item is used during a particular period for purposes other than to produce inventories during that period. Changes in the measurement of an existing asset retirement obligation that result from changes in the estimated timing or amount of the outflows, or from changes in the discount rate adjust the cost of the related asset in the current period.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Revenue recognition

Revenue is recorded on an accrual basis at the sales value, adjusted for discounts granted and VAT. Revenue is measured at the fair value of the consideration received or receivable.

Revenue is categorised as follows voice services, data services, value added services, and other revenues.

Voice service includes call out revenue, interconnect fees, roaming revenues charged to the Group's subscribers for roaming in other wireless operators' network, and revenues charged to other wireless operators for non-Group subscribers using the Group's network.

Data services include revenues from GRPS, WAP services and other data services.

Value added services consists of SMS, MMS, inforservices and providing content of third parties, fax and voice mail services.

Other revenues include sales of handsets to distributors and subscribers, rental of transmission lines to other operators.

(i) Call out revenue

Call out revenue is recognised based on the actual airtime used by the subscribers. Prepayments received for call out revenue are not recognised as revenue until the related service has been provided to the subscriber or it was expired.

(ii) Interconnect revenues and costs

The Group charges interconnect per minute fees and fixed monthly payments to other local wireless and fixed line operators for calls originated outside and terminated within the Group's network. The Group recognises such revenues when the services are provided. The Group is charged interconnect per minute fees and fixed monthly payments by other local wireless and fixed line operators for calls originated within the Group's network and terminated outside of the network. The Company recognises such costs when the services are provided.

(iii) Data revenue

The data service is recognised when a service is used by a subscriber based on actual data volume traffic.

(iv) Roaming revenues charged to the Group's subscribers

Roaming revenue from the Group's subscribers for roaming in other operators' network is charged based on information provided by other operators to the Group.

(v) Roaming fees charged to other wireless operators

The Group charges roaming per minute fees to other wireless operators for non-company subscribers utilising the Group's network. The Group recognises such revenues when the services are provided.

(vi) Value added services

Value added services mainly consists of content provided by third parties, different infoservices, fax and voice mail. When invoicing end-customer for third party content service, amounts collected on behalf of the principle are excluded from revenue.

(vii) Deferred revenue

Prepayments received for communication services are recorded as deferred revenue. The Group recognises revenue when the related service has been provided to the subscriber.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Sales commission to dealers and distributors

The Company sells payment scratch cards, sim cards, and handsets using various distributors and dealers. The Company pays a certain commission to distributors and dealers depending on the number of payment scratch cards, sim cards or handset sold. The commission is recorded when the item is sold to subscriber as an expense in the statement of comprehensive income.

Payroll expenses and related contributions

Wages, salaries, paid annual leave and sick leave, bonuses, and other benefits are accrued in the period in which the associated services are rendered by the employees of the Group.

Pension payments

The Group does not incur any expenses in relation to provision of pensions or other post-employment benefits to its employees. In accordance with the legal requirements of the Republic of Kazakhstan, the Group withholds pension contributions from employee salaries and transfers them into state or private pension funds on behalf of its employees. Upon retirement of employees, all pension payments are administered by the pension funds directly.

Income taxes

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

Segment reporting

Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately. The chief operating decision-maker has been identified as the Company's CEO. The Group determined the Group's operations as a single reporting segment.

Financial instruments

(i) Key measurement terms

Financial instruments of the Group are carried at amortised cost as described below.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and less any impairment provision. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense are not presented separately and are included in the carrying values of related statement of financial position items.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument.

(ii) Classification of financial assets

Financial assets of the Group include loans and receivables only. The management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than

2 Basis of Preparation and Significant Accounting Policies (Continued)

12 months after the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise term deposits (Note 9), trade receivables (Note 10), due from related parties (Note 6), and cash and cash equivalents in the statement of financial position.

(iii) Classification of financial liabilities

Financial liabilities of the Group include financial liabilities carried at amortised cost. The Group's financial liabilities comprise trade and other financial payables (Note 12), and due to related parties (Note 6).

(iv) Initial recognition of financial instruments

Financial assets and liabilities are initially recorded at fair value less transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

(v) Derecognition of financial assets

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Borrowings

Borrowings are initially recognised at fair value net of transaction costs. Borrowings are subsequently measured at amortised cost; the difference between the proceeds amount (net of transaction costs) and the redemption amount is recognised in the profit or loss during the period of the borrowing using the effective interest rate.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised.

The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. Capitalisation ceases when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Earnings per share

Earnings per share are determined by dividing the profit or loss attributable to owners of the Company by the weighted average number of participating shares outstanding during the reporting year.

3 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect amounts recognised in the interim consolidated financial statements and carrying amounts of assets and liabilities within the next financial period. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. In preparing these interim consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the interim consolidated financial statements for the year ended 31 December 2011, with the exception for income taxes (Note 2). Judgements that have the most significant effect on the amounts recognised in these interim consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial period include:

Useful lives of property, plant and equipment and intangible assets

Management determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. This estimate is based on projected period over which the Group expects to consume economic benefits from the asset. It could change significantly as a result of technical innovations and competitor actions in a high-tech and competitive mobile industry. Carrying amount of assets most affected by judgements (radio judgement, switches and transmission devices) amounted to 58,150,763 thousand Tenge (Note 7) as of 30 September 2012 (31 December 2011: 51,300,430 thousand Tenge). Management will increase the depreciation charge where useful lives are less than previously assessed estimated lives, or it will write-off or write-down technically obsolete assets that have been abandoned or sold.

The management assesses the useful life of telecommunication licenses based on technology development and legal terms of the license agreements. The useful life of GSM and 3G license is assessed as estimated by the management as 15 years.

The useful lives are reviewed at least at each reporting date.

Impairment of non-financial assets

At the end of each reporting period management assesses whether there is any indication of impairment of non-financial assets. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. Calculation of value in use requires application of estimated data and professional judgment from management, which are considered reasonable in the existing circumstances.

In accordance with the accounting policy, for the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Management determined the whole telecommunication network of the Group as one cash-generating unit. Telecom licenses and other intangible assets, including WLL licenses, do not generate independent cash flows and are assessed for impairment together with the related network assets. Total carrying value of the cash generating unit as of 30 September 2012 is 122,933,695 thousand Tenge (31 December 2011: 118,805,339 thousand Tenge).

Management has considered whether there are any indications of impairment of property, plant and equipment and intangible assets as of 30 September 2012 and 31 December 2011 and concluded that no impairment indications existed at these dates.

4 New Accounting Pronouncements

The following new standards and interpretations became effective for the Group from 1 January 2012, but not applicable:

Disclosures—Transfers of Financial Assets—Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets.

Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters—Amendments to IFRS 1 (issued in December 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment regarding severe hyperinflation creates an additional exemption when an entity that has been subject to severe hyperinflation resumes presenting or presents for the first time, financial statements in accordance with IFRS.

Recovery of Underlying Assets—Amendments to IAS 12 (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012). The amendment introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale.

Unless otherwise described above, these new standards, interpretations and improvements does not have any material impact on the Group's interim consolidated financial statements.

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2012 or later and which the Group has not early adopted.

IFRS 9, Financial Instruments: Classification and Measurement. IFRS 9, issued in November 2009, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in December 2011 to (i) change its effective date to annual periods beginning on or after 1 January 2015 and (ii) add transition disclosures. Key features of the standard are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

4 New Accounting Pronouncements (Continued)

IFRS 10, Consolidated Financial Statements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation—special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Group is currently assessing the impact of the new standard on its interim consolidated financial statements.

IFRS 11, Joint Arrangements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities—Non-Monetary Contributions by Ventures".

IFRS 12, Disclosure of Interest in Other Entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 "Investments in associates".

IFRS 13, Fair value measurement, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Group is currently assessing the impact of the new standard on its interim consolidated financial statements.

IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013), was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013).

Amendments to IAS 1, Presentation of Financial Statements, (issued June 2011, effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statements of profit or loss and other comprehensive income'. The Group expects the amended standard to change presentation of its financial statements, but have no impact on measurement of transactions and balances.

Amended IAS 19, Employee Benefits, (issued in June 2011, effective for periods beginning on or after 1 January 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.

Disclosures—Offsetting Financial Assets and Financial Liabilities—Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment will have an impact on disclosures but will have no effect on measurement and recognition of financial instruments.

Offsetting Financial Assets and Financial Liabilities—Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The Group is considering the implications of the amendment, the impact on the Group and the timing of its adoption by the Group.

Other revised standards and interpretations. The amendments to IFRS 1 "First-time adoption of IFRS", relating to severe hyperinflation and eliminating references to fixed dates for certain exceptions and

4 New Accounting Pronouncements (Continued)

exemptions, the amendment to IAS 12 "Income taxes", which introduces a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale, and IFRIC 20, "Stripping Costs in the Production Phase of a Surface Mine", which considers when and how to account for the benefits arising from the stripping activity in mining industry, will not have any impact on these interim consolidated financial statements.

Unless otherwise described above, these new standards, interpretations and improvements are not expected to significantly affect the Group's interim consolidated financial statements.

5 Segment Information

The Group identifies Group's operations as a single reportable segment.

The Group provides mobile communication services in Kazakhstan. The Group identifies the segment in accordance with the criteria set in IFRS 8 and based on the way the operations of the Group are regularly reviewed by the chief operating decision maker to analyse performance and allocate resources among business units of the Group.

The chief operating decision-maker (CODM) has been determined as the Company's CEO. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined a single operating segment being mobile communication services based on these internal reports data.

Within the segment all business component demonstrates similar economic characteristics and are alike as follows:

- providing mobile communication services to prepaid subscribers;
- providing mobile communication services to postpaid and paid-in-advance subscribers.

The chief operating decision-maker assesses the performance of the operating segment based on a measure of Revenue, EBITDA, EBIT, and Profit for the year. The Group defines EBITDA as Profit before income tax, finance income and costs, depreciation, and amortisation. The Group defines EBIT as Profit before tax, finance income and finance costs. The Group's definition of EBITDA and EBIT may differ from that of other companies.

The accounting policies used for segments are the same as accounting policies applied for these interim consolidated financial statements as described in Note 2.

6 Balances and Transactions with Related Parties

The segment information for the nine-month period ended 30 September 2012 and a reconciliation of segment's measures of profit and loss to profit for the nine-month period is provided as follows:

In thousands of Kazakhstani Tenge	**Nine months ended 30 September 2012**	**Nine months ended 30 September 2011**
Revenue	133,103,536	131,632,197
EBITDA	74,503,430	78,976,364
Depreciation, and amortisation	(16,905,455)	(16,993,733)
EBIT	57,597,975	61,982,631
Finance income	103,983	663,060
Finance cost	(18,813)	—
Profit before income tax	57,683,145	62,645,691
Profit for the period	46,072,482	50,260,402

The Group's revenue for each service is presented in the Note 15. All revenue is attributable to the customers in Kazakhstan. The Group's business is not materially impacted by seasonality factors.

6 Balances and Transactions with Related Parties (Continued)

All non-current assets other than financial instruments and deferred tax assets are located in Kazakhstan.

Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Group's ultimate controlling party is TeliaSonera (Note 1). Entities of TeliaSonera group include entities under common control and associates of TeliaSonera.

Prior to 2 February 2012 related parties also included entities under control or joint control of the government of the Republic of Kazakhstan which controls Kazakhtelecom. Accordingly, the balances of Kazakhtelecom as at 30 September 2012 were included in trade payables and trade receivables. Transactions with the state owned entities are not disclosed when they are made in the ordinary course of business with terms consistently applied to all public and private entities: i) when they are not individually significant; ii) where mobile services are rendered at the standard terms available to all subscribers; or iii) where there is no choice of supplier such as electricity transmission services, telecommunications, etc.

Amounts due from related parties at 30 September 2012 and 31 December 2011 are as follows:

In thousands of Kazakhstani Tenge		30 September 2012	31 December 2011
Kazakhtelecom (owner prior to 2 February 2012)	Interconnect and transmission	—	2,156,411
Turkcell (owner of parent)	Roaming	11,507	10,536
Entities of TeliaSonera group	Roaming	12,127	29,837
Total due from related parties		**23,634**	**2,196,784**

Amounts due from related parties are neither past due nor impaired. It represents receivables from related parties for roaming services. These entities do not have credit ratings assigned but their reliability is determined by the Group on the basis of long-term cooperation. These companies represent those companies which have a good credit history. The Group's management believes that due from related parties in the amount of 23,634 thousand Tenge will be fully repaid in 2012.

Amounts due to related parties as at 30 September 2012 and 31 December 2011 are as follows:

In thousands of Kazakhstani Tenge		30 September 2012	31 December 2011
Fintur Holding B.V. (parent)	Technical assistance	247,402	349,724
Turkcell (owner of parent)	Roaming	68,129	6,138
TeliaSonera (ultimate parent)	Roaming	—	6,229
Kazakhtelecom (owner prior to 2 February 2012)	Interconnect and transmission	—	831
Entities of TeliaSonera group	Roaming	266	18,024
Total due to related parties		**315,797**	**380,946**

6 Balances and Transactions with Related Parties (Continued)

The income items with related parties for the nine-month period ended 30 September 2012 and 2011 were as follows:

In thousands of Kazakhstani Tenge		2012	2011
Revenues			
Kazakhtelecom (owner prior to 2 February 2012)	Interconnect	232,297	3,204,791
Entities of TeliaSonera group	Roaming	110,529	125,612
Turkcell (owner of parent)	Roaming	38,852	44,967
Total revenues—related parties		**381,678**	**3,375,370**

The expense items with related parties for the nine-month period ended 30 September 2012 and 2011 were as follows:

In thousands of Kazakhstani Tenge		2012	2011
Operating expenses			
Kazakhtelecom (owner prior to 2 February 2012)	Interconnect and transmission	538,025	4,425,806
Entities of TeliaSonera group	Roaming	252,951	177,098
Turkcell (owner of parent)	Roaming	131,949	154,882
Fintur Holding B.V. (parent)	Technical assistance	55,354	49,384
Telia Sonera (ultimate parent)	Roaming	14,199	13,815
Total expenses—related parties		**992,478**	**4,820,985**

The Group has an interconnect contract with Kazakhtelecom dated 1 March 1999 (“Interconnect contract”). Kazakhtelecom charges the Group for outgoing local and international PSTN calls and transit traffic from the Group’s networks. The Group charges Kazakhtelecom for incoming calls to GSM networks from PSTN and international and local transit traffic through the equipment of Kazakhtelecom. Additionally, the Group has entered into transmission contracts with Kazakhtelecom, dated 26 February 1999 and 18 January 2000, under which the Group leases international digital communication channels and digital duplex communication channels in Kazakhstan.

The contracts are valid for one year from the contract date. If neither of the parties has declared its intention to discontinue the contract thirty days prior to expiry of this term, the contract automatically prolongs for one year. The cancellation of the contract can take place thirty days after receipt of written notice by either of the parties.

The Group has a dependency on operations with Kazakhtelecom, which is the national telecommunications operator. The majority of transmission channels leased by the Group are rented from Kazakhtelecom.

On 22 December 2010, the Group signed a Telecommunication Services Agreement (the “Agreement”) with Kazakhtelecom and amended it in December 2011. Based on this agreement the Group fixed the capacity and the annual costs of lease of digital transparent communication channels and IP VPN network except for the international channels and in-city channels till the year 2020. The Agreement is non-cancellable till 31 December 2015.

The Group has also roaming agreements with Latvijas Mobilais Telefons SIA (“Latvijas Mobilais”), Omnitel Telecommunication Networks (“Omnitel”), Sonera Carrier Networks Ltd. (“Sonera Carrier”), Sonera Corporation, Telia Mobile AB Finland (“Telia Mobile”), the subsidiaries of TeliaSonera, Megafon and Estonian Mobile Telephone Group (“Estonian Mobile”), the associates of TeliaSonera, Turkcell, and Fintur’s subsidiaries, which are as follows: Azercell Telecom B.M. (“Azercell”), Geocell Ltd. (“Geocell”), Moldcell Ltd. (“Moldcell”), Telia Denmark, NetCom ASA (Telia NetCom Holding AS), TOV Astelit (“TOV Astelit”), Indigo Tajikistan (“Indigo Tajikistan”), Coscom LLC and Spice Nepal Pvt. Ltd. (“Spice Nepal Pvt. Ltd.”) under which they earn and incur certain revenues and costs. Since these revenues and costs occur continually, the balances between them are normally settled by means of mutual set-off.

6 Balances and Transactions with Related Parties (Continued)

In January 2003 the Group entered into a Technical and Management Support Agreement ("TMS Agreement") with Fintur. In accordance with TMS Agreement, Fintur provides the Group with technical and management assistance.

Memorandum of Understanding

On 26 August 2012, Sonera and the Company entered into a memorandum of understanding (the "Buy and Sell MoU"), under which the Company has the right to require Sonera to sell to it, and Sonera has the right to require the Company to acquire from it, all participatory interests owned by Sonera in KazNet Media LLP ("KazNet") together with all rights and obligations of Sonera under a framework agreement to buy all the participatory interests in the charter capital of KazNet (refer to "WIMAX Business Acquisition by Sonera" below) and all the participatory interests owned by Sonera in Rodnik Inc LLP ("Rodnik") together with all rights and obligations of Sonera under the agreements to buy participatory interests in the charter capital of Rodnik (refer to "Investment in Rodnik Inc LLP by Sonera") (Note 19).

Dividends

The Group has declared dividends during 2012 that have not been fully repaid at the balance sheet date (Note 11 and 12).

In thousands of Kazakhstani Tenge	**30 September 2012**	**31 December 2011**
Fintur Holding B.V. (parent)	37,023,643	—
Sonera (owner)	22,056,812	—
Total dividends payable to related parties	**59,080,455**	**—**

Directors' compensation

Compensation paid to directors for their services in full time executive management positions is made up of a contractual salary, performance bonus depending on financial performance of the Group, share based compensation, and other compensation in form of reimbursement of apartment rent expenses from the Group and parent companies. Total directors' compensation included in staff costs in the statements of comprehensive income is equal to 187,387 thousand Tenge for the nine-month period ended 30 September 2012 (nine-month period ended 30 September 2011: 173,922 thousand Tenge). Directors classified as key management personnel include three positions for the nine-month period ended 30 September 2012 and 2011.

7 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

In thousands of Kazakhstani Tenge	Freehold land	Buildings	Radio equipment, switches and transmission devices	Other	Construction in progress	Total
Cost at 1 January 2011	655,455	13,528,338	112,811,815	15,330,937	16,299,687	158,626,232
Accumulated depreciation	—	(2,826,206)	(56,624,432)	(10,175,116)	—	(69,625,754)
Carrying amount at 1 January 2011	**655,455**	**10,702,132**	**56,187,383**	**5,155,821**	**16,299,687**	**89,000,478**
Additions	59,157	828,500	207,334	1,614,272	14,800,082	17,509,345
Transfers	—	578,447	6,714,458	330,078	(7,622,983)	—
Disposals (net)	—	—	(12,709)	(3,196)	—	(15,905)
Depreciation charge	—	(594,571)	(12,255,307)	(1,782,779)	—	(14,632,657)
Cost at 30 September 2011	714,612	14,915,507	118,791,117	17,344,789	23,476,786	175,242,811
Accumulated depreciation	—	(3,400,999)	(67,949,958)	(12,030,593)	—	(83,381,550)
Carrying amount at 30 September 2011	**714,612**	**11,514,508**	**50,841,159**	**5,314,196**	**23,476,786**	**91,861,261**
Cost at 1 January 2012	1,939,630	22,646,420	123,271,626	18,715,928	22,055,614	188,629,218
Accumulated depreciation	—	(3,526,658)	(71,971,196)	(12,759,716)	—	(88,257,570)
Carrying amount at 1 January 2012	**1,939,630**	**19,119,762**	**51,300,430**	**5,956,212**	**22,055,614**	**100,371,648**
Additions	61,225	1,995,710	1,004,128	3,039,824	12,814,511	18,915,398
Transfers	—	1,686,936	16,904,176	690,289	(19,281,401)	—
Disposals (net)	—	—	(48,634)	(12,221)	—	(60,855)
Depreciation charge	—	(923,558)	(11,009,337)	(1,946,793)	—	(13,879,688)
Cost at 30 September 2012	2,000,855	26,242,703	142,108,456	21,470,381	15,588,724	207,411,119
Accumulated depreciation	—	(4,363,853)	(83,957,693)	(13,743,070)	—	(102,064,616)
Carrying amount at 30 September 2012	**2,000,855**	**21,878,850**	**58,150,763**	**7,727,311**	**15,588,724**	**105,346,503**

8 Intangible Assets

In thousands of Kazakhstani Tenge	GSM network license and right	Computer software and software license rights	Other telecom licenses	Other	Total
Cost at 1 January 2011	14,462,162	12,601,920	3,317,778	6,575	30,388,435
Accumulated amortisation	(6,080,379)	(5,236,611)	(758,981)	(3,020)	(12,078,991)
Carrying amount at 1 January 2011	**8,381,783**	**7,365,309**	**2,558,797**	**3,555**	**18,309,444**
Additions	—	946,361	—	—	946,361
Disposals (net)	—	—	—	—	—
Amortisation charge	(1,030,184)	(1,081,740)	(248,834)	(318)	(2,361,076)
Cost at 30 September 2011	14,462,162	13,660,191	3,317,778	6,575	31,446,706
Accumulated amortisation	(7,110,563)	(6,430,261)	(1,007,815)	(3,338)	(14,551,977)
Carrying amount at 30 September 2011	**7,351,599**	**7,229,930**	**2,309,963**	**3,237**	**16,894,729**
Cost at 1 January 2012	14,462,162	15,739,232	3,317,778	3,998	33,523,170
Accumulated amortisation	(7,162,028)	(6,835,396)	(1,090,759)	(1,296)	(15,089,479)
Carrying amount at 1 January 2012	**7,300,134**	**8,903,836**	**2,227,019**	**2,702**	**18,433,691**
Additions	102,417	2,076,851	—	—	2,179,268
Disposals (net)	—	—	—	—	—
Amortisation charge	(898,196)	(1,878,672)	(248,833)	(66)	(3,025,767)
Cost at 30 September 2012	14,564,579	17,816,083	3,317,778	3,998	35,702,438
Accumulated amortisation	(8,060,224)	(8,714,068)	(1,339,592)	(1,362)	(18,115,246)
Carrying amount at 30 September 2012	**6,504,355**	**9,102,015**	**1,978,186**	**2,636**	**17,587,192**

The original GSM network license (GSM-900) was provided by the State Committee of Telecommunications and Information of the Republic of Kazakhstan for a fee in amount of 4.5 billion Tenge and was valid for 15 years, commencing June 1998. In July 2011 the license was extended for unlimited period. On 28 August 2008, the Group obtained radiofrequency band of 5 MHz spectrum (receipt/transit) in the range of 1800 MHz under the existing GSM network license (Note 1) for the amount of 2.5 billion Tenge. The acquired frequencies were capitalised as intangible assets within "GSM network license and rights" category.

The Group acquired two dormant local entities AR-Telecom LLP ("AR-Telecom") in 2007 and KT-Telecom LLP ("KT-Telecom") in 2008. The purpose of these acquisitions was to obtain non-term WLL licenses and other related telecom licenses held by AR-Telecom and KT-Telecom that provide a right to organise wireless radio-access networks and data transfer services on the territory of Kazakhstan. The acquisitions of these entities were accounted for as acquisitions of group of assets (licenses) rather than businesses. The acquired licenses were included in category "other telecom licenses" within intangible assets. Management estimated their economic useful life at 10 years.

On 25 December 2010, the Group received a right to operate 3G network by utilising radiofrequency band of 20 MHz (receipt/transit) in the range of 1920-1980 MHz and 2110-2170 MHz. The radiofrequencies were provided in the form of addendum to the existing GSM license. The acquisition cost was 5 billion Tenge. Management changed estimate on the useful life of the right to operate 3G network from 8 years to 15 years in August 2011 based on changes in legal terms of the original GSM license. The change resulted in amortisation charge decrease for the nine month period ended 30 September 2012 compared to the prior period.

9 Other Non-Current Assets

In thousands of Kazakhstani Tenge	30 September 2012	31 December 2011
Term deposits (2.6% - 4.5%)	525,346	19,164
Total financial assets	**525,346**	**19,164**
Prepayments for property, plant and equipment and intangible assets	5,502,892	6,740,200
Total other non-current assets	**6,028,238**	**6,759,364**

Term deposits include term deposits in the amount of 430,000 thousand Tenge and 30,000 thousand Tenge held in Bank CenterCredit and SberBank Kazakhstan, respectively, which mature within 12-18 months. According to contract terms the Company has right to withdraw (fully or partially) the mentioned above term deposits from bank with the certain loss of earned interest.

10 Trade and Other Receivables

In thousands of Kazakhstani Tenge	30 September 2012	31 December 2011
Trade receivables from distributors	4,340,377	5,324,152
Trade receivables from subscribers	2,984,270	1,989,370
Trade receivables for interconnect services	868,257	1,789,144
Trade receivables from roaming operators	289,792	540,696
Less: provision for impairment of trade receivables	(702,476)	(669,224)
Total financial assets	**7,780,220**	**8,974,138**
Advances to suppliers	6,086,654	3,380,910
Prepaid taxes	1,621,588	1,023,630
Deferred expenses	135,669	356,410
VAT recoverable	—	278,895
Other receivables	417,480	18,438
Total trade and other receivables	**16,041,611**	**14,032,421**

The Group classifies its accounts receivable into four classes: trade receivables from distributors, trade receivables from subscribers, trade receivables from roaming operators and trade receivables for interconnect services.

Trade and other receivables are denominated in currencies as follows:

In thousands of Kazakhstani Tenge	30 September 2012	31 December 2011
Tenge	7,490,428	8,433,442
US dollar	289,792	540,696
Total financial assets	**7,780,220**	**8,974,138**

10 Trade and Other Receivables (Continued)

Provision for impairment of trade receivables relates to trade receivables from subscribers and distributors. The ageing analysis of trade receivables is as follows:

In thousands of Kazakhstani Tenge	30 September 2012	31 December 2011
Total neither past due nor impaired	*6,795,036*	*8,374,522*
Past due but not impaired		
due for 1 month	407,025	224,326
due for 2 months	148,045	127,138
due for 3 months	91,939	100,439
due for 4 to 6 months	163,911	73,172
due for more than 6 months	174,264	74,541
Total past due but not impaired	*985,184*	*599,616*
Impaired		
30 to 60 days	12,760	6,692
60 to 90 days	13,846	11,160
90 to 120 days	16,986	6,483
120 to 150 days	18,087	12,913
150 to 200 days	48,886	14,849
over 200 days	591,911	617,127
Total impaired	*702,476*	*669,224*
Provision for impairment of trade receivables	*(702,476)*	*(669,224)*
Total financial assets	**7,780,220**	**8,974,138**

The main factors which the Group takes into account when considering the issue on impairment of receivables are their past due status and collectability. As a result, the Group presented the above aging analysis of receivables. Impairment of receivables was assessed based on past due status of such receivables.

Neither past due nor impaired receivables represent receivables from companies and subscribers with no credit ratings assigned but their reliability is determined by the Company on the basis of long-term cooperation. These companies represent those companies which have a good credit history. The Company's management believes that neither past due nor impaired receivables in the amount of 6,795,036 thousand Tenge will be fully repaid within twelve months after the reporting date.

Reconciliation of movements in the financial assets impairment provisions:

In thousands of Kazakhstani Tenge	
At 1 January 2011	752,338
Charge for the period	168,931
Receivables written off during the period as uncollectible	(309,675)
At 30 September 2011	**611,594**
At 1 January 2012	669,224
Charge for the period	161,996
Receivables written off during the period as uncollectible	(128,744)
At 30 September 2012	**702,476**

11 Share Capital

The ownership of the Company is as follows:

	30 September 2012	31 December 2011
Fintur	51 percent	51 percent
Sonera	49 percent	—
Kazakhtelecom	—	49 percent

On 1 July 2012 General Meeting of Participants of GSM Kazakhstan approved a conversion of the Company from Limited Liability Partnership to Joint Stock Company with 200,000,000 common shares transferred to the Company's participants proportionally to their ownership percentage (Note 1).

The nominal registered amount of the Company's issued share capital at 30 September 2012 is 33,800,000 thousand Tenge, which was formed as a total equity as per interim consolidated financial statements prepared in accordance with IAS 34 on the date of Conversion.

The total authorised number of ordinary shares is 200,000 thousand shares with a par value of 169 thousand Tenge per share. All issued ordinary shares are fully paid. Each ordinary share carries one vote. The Company did not have a treasury shares.

For the purpose of these interim consolidated financial statements, earnings per share ("EPS") is calculated by dividing net profit for the period attributable to owners of the Group by the number of common shares approved by the Company's participants.

In thousands of Kazakhstani Tenge	30 September 2012	30 September 2011
Profit for the period attributable to equity shareholders	46,072,482	50,260,402
Number of common shares	200,000,000	200,000,000
Earnings per share (Kazakhstani Tenge), basic and diluted	**230.36**	**251.30**

Dividends declared and paid during the periods were as follows:

In thousands of Kazakhstani Tenge	
Dividends payable at 1 January 2011	—
Dividends declared during the period	28,000,000
Dividends paid during the period	(21,000,000)
Dividends payable at 30 September 2011	**7,000,000**
Dividends payable at 1 January 2012	**—**
Dividends declared during the period	115,877,439
Dividends paid during the period	(48,116,200)
Dividends payable at 30 September 2012	**67,761,239**

The dividends in the amount of 70,863,538 thousand Tenge declared on 25 January 2012 are payable by four equal tranches each payable no later than the four successive calendar quarters following the completion of sale by Kazakhtelecom to Sonera of 49% participatory interest.

The dividends in amount of 45,013,901 thousand Tenge declared on 30 June 2012 are payable no later than 31 December 2012. As agreed by the shareholders, if there are insufficient funds available by that date the amount of remaining unpaid dividends shall be paid no later than 30 June 2013.

12 Trade and Other Payables

In thousands of Kazakhstani Tenge	30 September 2012	31 December 2011
Trade payables	9,317,725	9,283,506
Dividends payable	67,761,239	—
Total financial liabilities	**77,078,964**	**9,283,506**
Accrued bonuses to employees	2,690,920	2,411,223
Other payables	462,398	38,873
Total trade and other payables	**80,232,282**	**11,733,602**

Trade and other payables are denominated in currencies as follows:

In thousands of Kazakhstani Tenge	30 September 2012	31 December 2011
Tenge	73,898,476	7,419,896
US dollar	3,137,249	125,813
Euro	41,506	1,737,797
Russian rouble	1,063	—
GB pound	670	—
Total financial liabilities	**77,078,964**	**9,283,506**

13 Borrowings

In thousands of Kazakhstani Tenge	30 September 2012	31 December 2011
Bank loans from: —ATF Bank JSC	3,950,000	—
—PositivBank Kazakhstan JSC	1,049,000	—
Total borrowings	**4,999,000**	**—**

The Group's bank loans mature within one year and denominated in Kazakhstani Tenge. The Group does not apply hedge accounting and has not entered into any hedging arrangements in respect of interest rate exposures.

The carrying amount of borrowings approximate to its fair value.

Bank name	Date of issue	Maturity date	Loan currency	Effective interest rate	Outstanding balance	Total borrowings
ATFBank JSC	16.08.2012	29.10.2012	KZT	6.1%	2,750,000	2,750,000
ATFBank JSC	23.08.2012	27.11.2012	KZT	6.1%	1,200,000	1,200,000
BankPositiv Kazakhstan JSC	10.08.2012	09.11.2012	KZT	5.1%	1,049,000	1,049,000

On 26 September 2012, the Company signed Term Loan Facility Agreement with the JSC Citibank Kazakhstan and JSC SB RBS Kazakhstan in connection with a loan in amount of 30 billion Tenge to the Company on the terms of a fixed interest rate of 4.60% per annum, one-off transaction fee at 1% of loan amount and the maturity of twelve months, with an extension of up to an additional twelve months.

On 17 October 2012, the Company signed Term Loan Facility Agreement with JSC Citibank Kazakhstan and JSC SB RBS Kazakhstan in connection with a loan in amount of 15 billion Tenge to the Company on the terms of a fixed interest rate of 3.85% per annum, one-off transaction fee at 1% of loan amount and the maturity date of 26 September 2013, with the extension of up to and additional twelve months.

14 Deferred Revenue

In thousands of Kazakhstani Tenge	30 September 2012	31 December 2011
Deferred revenue from pre-paid subscribers	3,008,814	4,331,827
Deferred revenue from paid-in-advanced subscribers	2,907,236	2,852,044
Total deferred revenue	**5,916,050**	**7,183,871**

15 Revenues

In thousands of Kazakhstani Tenge	Nine months ended 30 September 2012	Nine months ended 30 September 2011
Voice service	107,921,198	109,485,807
Data service	13,087,761	10,655,710
Value added services	10,949,962	10,881,476
Other revenues	1,144,615	609,204
Total revenues	**133,103,536**	**131,632,197**

16 Expenses by Nature

Operating expenses are presented on the face of the statements of comprehensive income using a classification based on the functions "Cost of sales", "Selling and marketing expenses" and "General and administrative expenses". Total expenses by function were distributed by nature as follows:

In thousands of Kazakhstani Tenge	Nine months ended 30 September 2012	Nine months ended 30 September 2011
Interconnect fees and expenses	20,109,702	13,842,261
Depreciation of property, plant and equipment and amortisation of intangible assets	16,905,455	16,993,733
Sales commissions to dealers and distributors and advertising expenses	8,591,365	9,828,771
Network maintenance expenses	7,560,722	7,627,357
Transmission rent	6,428,202	6,033,893
Staff costs	5,640,337	5,199,123
Frequency usage charges and taxes other than on income	4,374,886	4,378,298
Cost of SIM card, scratch card, start package sales and handsets	2,129,618	2,235,936
Others	4,054,337	3,410,869
Total expenses	**75,794,624**	**69,550,241**

Amortization and depreciation by function were as follows:

In thousands of Kazakhstani Tenge	Nine months ended 30 September 2012	Nine months ended 30 September 2011
Cost of sales	14,739,818	14,808,563
General and administrative expenses	2,165,637	2,185,170
Total depreciation of property, plant and equipment and amortisation of intangible assets	**16,905,455**	**16,993,733**

17 Taxes

Income taxes

Income tax expense comprises the following:

In thousands of Kazakhstani Tenge	Nine months ended 30 September 2012	Nine months ended 30 September 2011
Current income tax	11,569,108	12,356,042
Deferred income tax	41,555	29,247
Total income tax expense	**11,610,663**	**12,385,289**

The Group paid current income tax during nine months ended 30 September 2012 in amount of Tenge 12,288,114 thousands (nine-month period ended 30 September 2011: Tenge 12,245,989 thousands).

Reconciliation between the expected and the actual taxation charge is provided below:

In thousands of Kazakhstani Tenge	Nine months ended 30 September 2012	Nine months ended 30 September 2011
IFRS profit before tax	**57,683,145**	**62,645,691**
Theoretical tax charge at statutory rate of 20 percent (2011: 20 percent)	11,536,629	12,529,138
Non-deductible expenses	63,554	30,530
Other	10,480	(174,379)
Income tax expense	**11,610,663**	**12,385,289**

Differences between IFRS and Kazakhstani statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rates which are expected to be applied to the periods when the temporary difference will reverse.

In thousands of Kazakhstani Tenge	1 January 2012	Charged/(credited) to profit or loss	30 September 2012
Tax effects of deductible temporary differences			
Deferred revenue	879,627	(277,864)	601,763
Other	346,237	(91,244)	254,993
Gross deferred tax asset	**1,225,864**	**(369,108)**	**856,756**
Tax effect of taxable temporary differences			
Property, plant and equipment	5,033,096	(183,052)	4,850,044
Intangible assets	183,702	(144,501)	39,201
Gross deferred tax liability	**5,216,798**	**(327,553)**	**4,889,245**
Less offsetting with deferred tax assets	(1,225,864)	369,108	(856,756)
Recognised deferred tax liability, net	**3,990,934**	**41,555**	**4,032,489**

As of 30 September 2012 deferred tax asset of 726,736 thousand Tenge and deferred tax liability of 341,197 thousand Tenge are expected to be recovered/settled within next 12 months.

17 Taxes (Continued)

Comparative movements for nine month period ended 30 September 2011 is detailed below:

In thousands of Kazakhstani Tenge	1Janurary 2011	Charged/(credited) to profit or loss	30 September 2011
Tax effects of deductible temporary differences			
Deferred revenue	919,658	(286,755)	632,903
Other	399,835	(165,367)	234,468
Gross deferred tax asset	**1,319,493**	**(452,122)**	**867,371**
Tax effect of taxable temporary differences			
Property, plant and equipment	5,176,048	(373,862)	4,802,186
Intangible assets	229,777	(49,013)	180,764
Gross deferred tax liability	**5,405,825**	**(422,875)**	**4,982,950**
Less offsetting with deferred tax assets	(1,319,493)	452,122	(867,371)
Recognised deferred tax liability, net	**4,086,332**	**29,247**	**4,115,579**

18 Contingencies and Commitments

Political and economic conditions in Kazakhstan

The economy in the Republic of Kazakhstan continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the country and a low level of liquidity of debt and equity securities in the markets.

Additionally, the telecommunication sector in Kazakhstan is impacted by political, legislative, fiscal and regulatory developments in Kazakhstan. The prospects for future economic stability in Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory and political developments, which are beyond the Group's control.

The financial condition and future operations of the Group may be adversely affected by continued economic difficulties that are characteristic of an emerging market. Management is unable to predict the extent and duration of the economic difficulties, nor quantify the impact, if any, on these interim consolidated financial statements.

Legal proceedings

The Group is party to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding that, upon final disposition, will have a material adverse effect on the financial position of the Group.

Taxation

Kazakhstani tax legislation and practice is in a state of continuous development and therefore is subject to varying interpretations and frequent changes, which may be retroactive. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activities of the Group may not coincide with that of management. As a result, transactions may be challenged by tax authorities and the Group may be assessed additional taxes, penalties and interest. Tax periods remain open to retroactive review by the tax authorities for five years.

The Group's management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. Accordingly, at 30 September 2012 no provision for potential tax liabilities had been recorded (31 December 2011: nil).

18 Contingencies and Commitments (Continued)

Government investigations

(i) Roaming threshold investigation

In 2010, the Company was subject to an investigation by the Agency of Competition Protection of the Republic of Kazakhstan (the "Agency") related to alleged infringement of the antimonopoly legislation by GSM operators of CIS countries.

On 3 July 2010, the Agency filed a protocol based on respective conclusion to an administrative court charging the Company with impingement of consumers' rights by setting threshold for the subscribers' minimum cash balance to access roaming services.

The claimed penalty amount was 15,783,472 thousand Tenge calculated as 10% of the Company's total revenues generated from 1 January 2009 to 31 March 2010.

After several claims and counterclaims filed during 2010, the Company was able to defend its position and conclusion of the Agency was cancelled by the judgment of court of cassation entered into legal force immediately.

The Agency filed a claim to higher court instances and in August 2011, the Supreme Court returned the case to the first instance for additional investigation. On 24 August 2012, the Almaty Administrative Court ruled in favour of the Company and terminated the proceedings. The Agency is, however, entitled to file a petition to Prosecutor's Office of Almaty or General Prosecutor's Office seeking reinstatement of the case via Prosecutor's Office or General Prosecutor's Office protest.

The Company believes it will be able to defend its position as it believes that setting such threshold for prepaid subscribers was in line with market terms and is not considered to be expression of dominant position of the Company. The Company's management believes that current legislation does not contain any restrictions on setting the thresholds for access to roaming services. Accordingly, no provision has been recorded in these interim consolidated financial statements as of 30 September 2012 (31 December 2011: nil).

(ii) Roaming tariffs investigation

The Agency has also performed an examination of the Company's roaming tariffs for the period from 1 January 2009 to 31 March 2010. Based on the results of the examination, in November 2010, the Agency issued a protocol on administrative violation alleging the Company in misuse of its dominant position through setting overstated roaming tariffs for subscribers from the Russian Federation. The Agency applied to administrative court to initiate the administrative case.

The claim amount was 15,783,472 thousand Tenge, calculated as 10% of the Company's total revenues generated during the examined period, plus revenues from roaming services for the year 2009 of 2,554,940 thousand Tenge.

After several claims and counterclaims filed during 2010, the Company was able to defend its position and conclusion of the Agency was cancelled by the judgment of court of cassation entered into legal force immediately.

In February 2011, the court of first instance ruled in favour of the Group with respect to the investigation of roaming tariffs. The Agency filed a claim to higher court instances and in January 2012, the Supreme Court returned the case to the first instance court for additional investigation.

On 1 March 2012, Specialized Inter District Administrative Court of Almaty ruled to terminate the administrative case against the Company initiated pursuant to article 147.3 of RK COA for lack of elements of offense. Even though the Agency has a right to appeal through the General Prosecutor's Office, the Company believes that it has not violated any laws and regulations with respect to roaming tariffs.

18 Contingencies and Commitments (Continued)

The Company has been consistently reducing its roaming tariffs recently and taking other measures in this respect. Management is confident that the Company's position will be fully sustained. Accordingly, no provisions have been recorded in these interim consolidated financial statements as of 30 September 2012 (31 December 2011: nil).

(iii) Preliminary examination of relationships with cash payments service companies

The Company has received the Resolution of the Agency on preliminary examination of the antimonopoly legislation violation dated 22 June 2012. In accordance with the Resolution the Agency considers charging the Company with violation of the antimonopoly legislation in respect of relationships with cash payments service companies, which primarily operate self-service terminals.

According to the current legislation, the potential penalty amount for such infringement is 10% of the Company's total revenues generated for the period under consideration, which is going to be determined by the Agency, plus confiscation of monopoly income gained in result of monopolistic activity for not more than one year.

As the Company has received only the Resolution on preliminary inspection, which does not constitute any further legal proceedings and used for decision making of the Agency for further actions whether to initiate detailed investigation or not. On 5 October 2012, the Company received the decision of the Agency on initiation of detailed investigation. The management believes that no provision should be recorded in these interim consolidated financial statements as of 30 September 2012.

Capital expenditure commitments

At 30 September 2012, the Group has contractual capital expenditure commitments in respect of property, plant and equipment approximating 3,662,175 thousand Tenge (31 December 2011: 2,608,078 thousand Tenge), mostly related to purchase of telecommunications equipment from Ericsson and ZTE Corporation.

Non-cancellable lease commitments

Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

In thousands of Kazakhstani Tenge	30 September 2012	31 December 2011
Not later than 1 year	4,805,500	4,162,000
From 1 to 2 years	4,830,000	4,200,000
From 2 to 3 years	4,795,000	4,300,000
Later than 3 years	2,155,000	4,300,000
Total non-cancellable lease commitments	**16,585,500**	**16,962,000**

Non-cancellable lease agreement is represented by the Telecommunication Services Agreement on lease of transparent communication channels and IP VPN network with Kazakhtelecom (Note 6) and a five-year fibre optics lease agreement with KazTransCom JSC for amount of 2,655,000 thousand Tenge.

Acquisitions and Investments

(i) Memorandum of understanding with Sonera

On 26 August 2012, Sonera and the Company entered into a memorandum of understanding (the "Buy and Sell MoU"), under which the Company has the right to require Sonera to sell to it, and Sonera has the right to require the Company to acquire from it, all participatory interests owned by Sonera in KazNet Media LLP ("KazNet") together with all rights and obligations of Sonera under a framework agreement to buy all the participatory interests in the charter capital of KazNet (refer to "WIMAX Business Acquisition by Sonera" below) and all the participatory interests owned by Sonera in Rodnik Inc LLP ("Rodnik")

18 Contingencies and Commitments (Continued)

together with all rights and obligations of Sonera under the agreements to buy participatory interests in the charter capital of Rodnik (refer to "Investment in Rodnik Inc LLP by Sonera").

Subject to satisfaction of the applicable conditions, each of Sonera and the Company is entitled to exercise its option at any time starting from nine months after the date of the planned offering of global depositary receipts and listing on local stock exchange. The purchase price that the Company will pay to Sonera for the acquisition resulting from the exercise of the option will be the amount of net cost incurred by Sonera in connection with the corresponding investments and acquisition transactions plus interest accrued on such amount.

Sonera has the right to terminate the Buy and Sell MoU at any time by serving a written notice to the Company.

Unless otherwise agreed by Sonera and the Company, exercise of option is conditional upon Fintur having consented to, authorised or voted in favour of the acquisition to be made by the Company as a result of the exercise of such right. In addition, completion of the acquisition contemplated by the exercise of options is subject to law, regulation and any requisite approvals.

Sonera has the option to sell (the "Put Option") and the Company has the option to buy (the "Call Option") the participatory interest. Strike price of both the options equals net costs incurred by Sonera, annually compounded using the interest rate (interest accruals begins when the costs are incurred or the receipts are cashed and ends when the participatory interest are transferred).

Neither the Put Option nor the Call Option can be exercised without the authorisation of Fintur. While Sonera owns more than 50% of the participations in Fintur, the minority holding has the power to block any significant transactions.

Also, exercising of the options is also subject to regulatory approvals and completion of the purchase of underlying participatory interest by Sonera.

The contractual right of Sonera to sell the underlying assets (debt and equity interests and related rights and obligations) to the Company is a financial instrument (derivative). The agreement requires that the equity instruments will be transferred to the Company at their fair value (i.e.: at the future acquisition cost), so management of the Company believes that the value of the options is close to nil before the price of the underlying shares is agreed between Sonera and the sellers.

Subsequent to this, the fair value of the option may change based on the variations in the value of the underlying businesses. Although the option is contingent upon Fintur's approval, this will be reflected in the fair value of the option.

The Company did not record the Call Option liability in these interim consolidated financial statements as Sonera has an option to cancel the transaction, and in addition certain approvals from Fintur and the government should be obtained.

(ii) WIMAX Business Acquisition by Sonera

On 13 August 2012, Sonera entered into a framework agreement with a third party to buy all the participatory interests in the charter capital of KazNet for a total consideration of US$170 million. The purchase price payable under this framework agreement is subject to adjustments to be made based on the value of frequency licences and telecommunications equipment and the amount of net debt and working capital of the KazNet group as at completion of the purchase.

As a condition precedent to Sonera's purchase of the participatory interests in KazNet, KazNet will acquire two limited liability partnerships in Kazakhstan, namely Aksoran LLP ("Aksoran") and Instaphone LLP ("Instaphone"). Aksoran and Instaphone each holds certain radio frequency permits that are capable of being deployed for the operation of a WIMAX business in Kazakhstan. Once formed, the KazNet group will own and operate a WIMAX business in Kazakhstan. The sale and purchase of KazNet under this framework agreement is also conditional upon anti-trust clearance in Kazakhstan and upon

18 Contingencies and Commitments (Continued)

KazNet, Aksoran and Instaphone obtaining radio frequency permits that provide a certain agreed level of frequency coverage in Kazakhstan, together with all other requisite permits required by law to secure such radio frequency permits. Further, the sale and purchase of KazNet is also conditional inter alia upon completion of the purchase of the 25% participatory interests in Rodnik by Sonera.

(iii) Investment in Rodnik by Sonera

Sonera negotiates an agreement with a third party to acquire 25% of the participatory interests in the charter capital of Rodnik. Rodnik owns 79.92% of the total share capital of KazTransCom JSC (“KTC”).

The purchase price for acquisition is US$20 million, subject to adjustments to be made based on the amount of net debt of Rodnik and KTC at the time the acquisition is completed.

On 13 August 2012, Sonera entered in a call option agreement with a third party under which Sonera has a call option to acquire another 75% participatory interest in Rodnik. Pursuant to the terms of that call option agreement, the call option exercise price will be calculated based on fair market value of the participatory interest in Rodnik.

Completion of the proposed purchase of the participatory interests in Rodnik is subject to regulatory and other approvals in Kazakhstan.

Exercise of the framework agreement is further conditional upon Kazakhstan government having announced the timing, conditions and criteria for the implementation of the LTE rollout programme in Kazakhstan and is subject to law, regulation and any requisite approvals.

19 Financial Risk Management

Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk), liquidity risk and credit risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance. The Group does not use derivative financial instruments to hedge risk exposures.

Risk management is carried out by management under policies approved by the management committee. The management committee provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk.

Credit risk

The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group’s sales on credit terms and other transactions with counterparties giving rise to financial assets.

The Group’s maximum exposure to credit risk by class of assets is as follows:

In thousands of Kazakhstani Tenge	Note	30 September 2012	31 December 2011
Cash and cash equivalents		1,077,277	1,352,996
Trade receivables	10	7,780,220	8,974,138
Due from related parties	6	23,634	2,196,784
Term deposits	9	525,346	19,164
Total maximum exposure to credit risk		**9,406,477**	**12,543,082**

The Group has policies in place to ensure that sales of products and services are made to customers and distributors with an appropriate credit history. If corporate customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the

19 Financial Risk Management (Continued)

customer taking into account its financial position, past experience and other factors. The Group's management reviews ageing analysis of outstanding trade receivables and follows up on past due balances. Customers that fail to settle their liabilities for mobile services provided are disconnected until the debt is paid. Management provides ageing and other information about credit risk in Note 10. The carrying amount of accounts receivable, net of provision for impairment of receivables, represents the maximum amount of trade receivables exposed to credit risk. The Group has no significant concentrations of credit risk since the customers portfolio is diversified among a large number of customers, both individuals and companies. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provisions already recorded.

The Group has established relationships with a number of banks, which are considered at time of deposit to have minimal risk of default. The Group accepts only those banks in Kazakhstan that have highest credit ratings. The Group reviews credit ratings of those banks periodically to decrease credit risk exposure. As the Republic of Kazakhstan continues to display some characteristics of an emerging market certain risks inherent to the country are also inherent to the banks where the Group placed its cash and cash equivalents and term deposits at the end of the reporting period.

Foreign exchange risk

The majority of the Group's purchases of property, plant and equipment and inventories, as well as certain services such as roaming are denominated in US Dollars. Hence, the major concentration of foreign exchange risk arises from the movement of the US Dollar against the Tenge. Due to undeveloped market of financial instruments in Kazakhstan, the management does not hedge the Group's foreign exchange risk.

At 30 September 2012, if the US Dollar had weakened/strengthened by 10% percent against Tenge with all other variables held constant, after-tax profit for nine-month period ended 30 September 2012 would have been higher / lower by 219,780 thousand Tenge (nine-month period ended 31 December 2011: 81,779 thousand Tenge higher / lower), mainly as a result of foreign exchange gains / losses on translation of US Dollar denominated bank balances, receivables and payables. Profit is more sensitive to movement in Tenge / US Dollar exchange rates at 30 September 2012 than at 31 December 2011 because of the increased amount of US Dollar denominated trade and other payables at 30 September 2012.

During nine months ended 30 September 2012, the Group had foreign exchange losses less gains in amount of 17,960 thousand Tenge (nine month ended 30 September 2011: 97,085 thousand Tenge).

Cash flow and interest rate risk

Income and operating cash flow of the Group are not subject to changes in market interest rates as the interest rate on loan is fixed.

The Group does not have any official agreements on risk analysis and minimisation related to interest rates.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. Due to the dynamic nature of the underlying businesses, the Group's treasury aims to maintain flexibility in funding by keeping sufficient cash available.

The table below shows liabilities at 30 September 2012 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the reporting date.

19 Financial Risk Management (Continued)

The contractual maturity analysis of financial liabilities at 30 September 2012 is as follows:

In thousands of Kazakhstani Tenge	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Total
Liabilities				
Trade payables	9,317,725	—	—	9,317,725
Dividends payable	—	8,680,783	59,080,456	67,761,239
Due to related parties	315,797	—	—	315,797
Total future payments	**9,633,522**	**8,680,783**	**59,080,456**	**77,394,761**

The Group is committed to pay dividends in total amount of 67,761,239 thousand Tenge as at 30 September 2012 (Note 11). The shareholders agreed the dividends to be payable in accordance with schedule in Note 11. On 26 September 2012 the Company signed a Term Loan Facility Agreement for the amount of 30 billion Tenge. In addition, on 17 October 2012 the Company signed 15 billion financing from the same banks (Note 13). Management believes that the payments of the remaining of the dividends and other financial liabilities will be financed by cash flows from operating activities and that the Group will be able to meet its obligations as they fall due.

Comparative contractual maturity analysis of financial liabilities at 31 December 2011 is detailed below:

In thousands of Kazakhstani Tenge	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Total
Liabilities				
Trade payables	7,426,804	1,671,031	185,671	9,283,506
Due to related parties	380,946	—	—	380,946
Total future payments	**7,807,750**	**1,671,031**	**185,671**	**9,664,452**

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group maintains a long-term capital structure with target net debt of no more than 90% of EBITDA (Note 5). Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. As of 30 September 2012 net debt of the Group is approximately 5% of EBITDA, which is within the established criteria.

In addition, in order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to owners, issue new capital and sell assets to reduce debt. The Group declares ordinary dividend at least of 70% of the net income of the Group for the previous financial year, taking into consideration the Group's cash in hand, cash flow projections and investment plans in the medium term, as well as capital markets conditions.

20 Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Republic of

20 Fair Value of Financial Instruments (Continued)

Kazakhstan continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial assets carried at amortised cost

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amounts of cash and cash equivalents, trade receivables and due from related parties approximate fair values due to their short-term maturities.

Financial liabilities carried at amortised cost

The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Carrying amounts of borrowings, trade payables and due to related parties approximate fair values due to their short term maturities

21 Subsequent Events

On 13 October 2012 Sonera signed the agreement with a third party to acquire 25% of the participatory interests in the charter capital of Rodnik (Note 18).

On 17 October 2012 the Company signed additional 15 billion Tenge loan arrangement (Note 13).

THE COMPANY

Kcell Joint Stock Company
2G Timiryazev Str.
Almaty, 050013
Republic of Kazakhstan

SELLING SHAREHOLDER

Sonera Holding B.V.
Rodezand 34K
3011 AN Rotterdam
The Netherlands

JOINT GLOBAL COORDINATORS AND JOINT BOOKRUNNERS

Credit Suisse Securities (Europe) Limited
One Cabot Square
London E14 4QJ
United Kingdom

UBS Limited
1 Finsbury Avenue
London EC2M 2PP
United Kingdom

JSC "Visor Capital"
Esentai Tower, 12th Floor
77/7 Al-Farabi Avenue
Almaty 050040
Republic of Kazakhstan

JOINT BOOKRUNNER

Renaissance Securities (Cyprus) Limited
Arch. Makariou III,
2-4, Capital Center,
9th Floor, Nicosia, 1065,
Republic of Cyprus

CO-MANAGER

JSC "Halyk Finance"
6th Floor, Block 3B
Nurly Tau B/C
19/1 Al Farabi Avenue
Almaty 050059
Republic of Kazakhstan

LEGAL ADVISERS TO THE COMPANY

as to English and United States law
Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London EC4Y 1HS
United Kingdom

as to Kazakhstan law
SNR Denton Kazakhstan Limited
Ken Dala Business Centre 8th Floor
38 Dostyk Avenue Almaty 050010
Republic of Kazakhstan

LEGAL ADVISERS TO THE JOINT GLOBAL COORDINATORS

as to English and United States law
Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom

as to Kazakhstan law
Grata
104 M. Ospanov Street
Almaty 050020
Republic of Kazakhstan

LEGAL ADVISER TO THE SELLING SHAREHOLDER

as to English law
Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
United Kingdom

LEGAL ADVISERS TO DEPOSITARY

Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom

INDEPENDENT AUDITORS TO THE COMPANY

PricewaterhouseCoopers LLP
Almaty Financial District, 4th Floor
34 Al-Farabi Avenue, Block A,
Almaty 050059
Republic of Kazakhstan

CUSTODIAN

SB "HSBC Bank Kazakhstan" JSC
43 Dostyk Avenue
050010 Almaty
Republic of Kazakhstan

DEPOSITARY

Deutsche Bank Trust Company Americas
60 Wall Street, New York, NY 10005, USA

Merrill Corporation Ltd, London
12ZCN72801

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РЕСПУБЛИКА КАЗАХСТАН ГОРОД АЛМАТЫ АКЦИОНЕРНОЕ ОБЩЕСТВО «КСЕЛЛ»
REPUBLIC OF KAZAKHSTAN KCELL JOINT STOCK COMPANY ALMATY
Kcell